

## **REQUEST FOR PROPOSAL**

### **MANAGEMENT AND PERFORMANCE AUDIT**

#### **1. GENERAL INFORMATION**

##### **1.1. Introduction.**

- a. The Pennsylvania Convention Center Authority (“PCCA” or “the Authority”) is the entity responsible for the construction and operation of the Pennsylvania Convention Center (“Center”). PCCA is a body corporate and politic, created and existing as an agency and public instrumentality of the Commonwealth of Pennsylvania. The Center consists of approximately 2.2 million square feet including: Exhibit halls totaling 679,000 square feet of exhibit space, 2 Ballrooms (32,000 square feet and 55,400 square feet), 79 Meeting Rooms, a 34,960 Square foot Grand Hall and a 23,400 Square foot Atrium.
- b. The existing Center is located on a site bounded by 11<sup>th</sup>, 13<sup>th</sup>, Arch and Race Streets, plus the former Train Shed north of Market Street and east of 12<sup>th</sup> Street, and an approximately one million square foot expansion completed in 2011 between Broad and 13<sup>th</sup> Streets and between Arch and Race Streets. The West Wing is included in the Project Site (“Site”).
- c. In November 2013, the PCCA contracted with ASM Global, a worldwide convention venue management firm to promote, operate and manage the Center. The PCCA remains responsible for the administration and oversight of the facility. ASM Global assumed management of the daily operations of the facility on December 1, 2013 and was retained through November 2028 via a 5-year extension, exercised in 2023.
- d. The purpose of this Request for Proposal (“RFP”), including all exhibits, schedules, addenda, drawings, plans and specifications related hereto issued by the Pennsylvania Convention Center Authority (“PCCA”), is to solicit proposals from independent auditing or consulting firms with recognized experience in the convention and tourism industry to conduct a Management and Performance Audit, as required by law under 64 Pa. C.S. § 6020.
- e. The successful Proposer must demonstrate its capability of adequately meeting the demands of PCCA with respect to the requirements of this RFP, which contains information and requirements for the Proposer to prepare and submit proposals to conduct a Management and Performance Audit. This RFP, with any amendments, contains the only instructions governing the proposals and material to be included therein. The Proposer must be able to commence provision of services at the Center upon execution of a services contract. Proposals, including all documents and

addenda, (hereinafter “Proposal” or “Proposal Documents”) submitted by each Proposer, should be inclusive of all services and/or equipment required by PCCA, plus any additional related services and/or equipment the Proposer believes are required to ensure efficient, flexible and cost-effective delivery of services. The outline of services set forth in Section 4 hereof is an outline of the minimum services required by PCCA. Any change in the cost to PCCA by reason of any alternative or additional services must be separately identified to the extent feasible.

- 1.2. Schedule.** The following is the anticipated schedule in connection with this RFP. This schedule may be altered at the discretion of the PCCA.

**Anticipated Schedule**

<b>Element:</b>	<b>Completed By:</b>
RFP Released	<b>November 4, 2024 at 10:00 AM EST</b>
Mandatory Pre-Proposal Conference	<b>November 12, 2024 at 1:00 PM EST</b>
Optional Site Tour/Inspection	<b>TBD</b>
All Questions Due	<b>November 27, 2024 by 12:00 PM EST</b>
Proposals Due	<b>December 19, 2024 by 4:00 PM EST</b>

**2. PRE-SUBMISSION PROCEDURES AND REQUIREMENTS**

**2.1. Examination of the RFP.**

- a. Upon receipt of the RFP, each Proposer shall examine same for missing or partially blank pages due to mechanical printing or collating errors. It shall be the Proposer's responsibility to identify and procure any missing pages from PCCA.
- b. Each Proposer shall carefully review the RFP and thoroughly familiarize itself with the requirements prior to submitting a Proposal. Prospective Proposers are invited to submit ***electronic*** inquiries (return receipt requested) with respect to this RFP to:

**Kevin Andrews** ([kandrews@paconvention.com](mailto:kandrews@paconvention.com))  
 Pennsylvania Convention Center Authority  
 1101 Arch Street  
 Philadelphia, Pennsylvania 19107

Answers may be provided at the Pre-Proposal Conference. **Telephone inquiries will not be accepted.**

- c. From the issue date of this RFP until the Authority's Board approves the awarding of the contract, **Kevin Andrews** shall be the sole point of contact regarding this RFP and any and all communications that concern, refer, or relate to this RFP shall be directed solely to [kandrews@paconvention.com](mailto:kandrews@paconvention.com). The Authority prohibits any communication by the Proposer to any other Authority official, agent, representative, or employee after the issue date of this RFP until the Authority's Board approves the awarding of the contract. Any violation of this provision by the Proposer may result in the Authority's rejection of that proposal. If the Authority later discovers that the Proposer has engaged in any violation of this provision, the Authority, may, in its sole discretion, reject the Proposer's proposal or rescind the award of the contract.
- d. Any questions by the Proposer regarding the RFP must be submitted in writing via email to **Kevin Andrews** ([kandrews@paconvention.com](mailto:kandrews@paconvention.com)) with "*RFP – Management and Performance Audit*" listed in the subject line. The Authority shall only respond to questions submitted in this manner. The Authority shall not be bound by any verbal information or verbal responses and Proposer represents and warrants that it shall not rely upon any verbal information provided by the Authority that concerns, refers, or relates to this RFP or any proposal submitted in connection therewith. The Authority shall not be bound by any written information other than the RFP and any formal addendum to the RFP that is issued by the Authority.

**2.2. Pre-Proposal Conference.** A mandatory Pre-Proposal Conference will be held virtually (via Zoom/Teams) on November 12, 2024 at 1:00 PM EST. After the Pre-Proposal Conference, a tour of the Center will be conducted, if needed. **All Proposers must attend the Virtual Pre-Proposal Conference.** A party that fails to attend the Pre-Proposal Conference is precluded from submitting a proposal.

- a. **Addenda.** Changes, corrections, or additions may be made to the RFP after it has been issued. In such case, a written addendum, or addenda ("Addendum" or "Addenda") describing the change(s), correction(s) or addition(s) will be issued to each Proposer, who provided written notice to PCCA of its email address. Such Addendum or Addenda shall become part of the RFP. Each Proposer must register with **Kevin Andrews** at [kandrews@paconvention.com](mailto:kandrews@paconvention.com) to receive Addenda and shall acknowledge receipt of all Addenda in its Proposal. No oral communications, rulings or interpretations will be held binding upon PCCA.

### **3. SUBMITTAL PROCEDURES AND REQUIREMENTS**

#### **3.1. Compliance with the RFP**

- a. Each Proposer is required to submit a complete written Proposal and to attest to the accuracy and completeness of its Proposal. In all respects, the Proposers shall comply with the instructions and the stipulations of this RFP in the preparation and submission of Proposals. Proposals **must** be signed by a duly authorized person, partner, or officer of the Proposer, as applicable, and evidence of such authorization must be included with the Proposal. The Proposer's full legal name and form of legal entity must be fully stated and shall include the state of incorporation or formation and the principal place of business. Fictitious names and/or "doing business as" designations

shall not suffice.

- b. Where permitted by this RFP, the Proposer must specifically identify and fully explain in the Proposal any exceptions to or deviations from the requirements of this RFP.
- c. Failure to comply with the requirements of this RFP may render the Proposal, at the sole discretion of PCCA, as unresponsive or otherwise unacceptable and may result in the rejection of the Proposal and/or disqualification and the elimination of the Proposer from further consideration for this RFP.

### **3.2. Proposer Affiliations and Subcontractors.**

- a. Each Proposer must disclose in its Proposal any relationship between the Proposer and any entity that has a contractual relationship with PCCA.
- b. Any services proposed by the Proposer that will be performed in whole or in part by outside parties, third-party contractors, affiliates, or subcontractors of the Proposer if permitted by PCCA, must be specifically identified in the Proposal and the business relationship between the Proposer and such third parties must be explained in the Proposal. Nothing contained herein or in the Contract shall be construed to impose any obligation on the part of PCCA to any outside party or third-party contractor.

### **3.3. Proposals**

- a. Each Proposer is required to submit a complete written Proposal by the specified time herein. **Late Proposals may not be considered.**
- b. In all respects, the Proposers shall comply with the instructions and the stipulations of this RFP in the preparation and submission of Proposals. Oral or telephone Proposals or unsolicited modifications to Proposals **will not** be considered.
- c. Proposals must be accompanied by a transmittal letter:
  - 1) The transmittal letter must be on an official business letterhead of the Proposer and signed by a duly authorized person, partner, or officer of the Proposer, as applicable, and evidence of such authorization must be included with the Proposal. The Proposer's full legal name and form of legal entity must be fully stated and shall include the state of incorporation or formation, and the principal place of business. Fictitious names and/or "doing business as" designations shall not suffice.
  - 2) The transmittal letter must include at a minimum:
    - (i) Identification of the person who will serve as the primary contact for the Authority with respect to the Proposal, and shall include the person's title, address, telephone and fax numbers, and e-mail addresses;
    - (ii) Certification that the Proposer is not currently under suspension or disbarment by the Commonwealth of Pennsylvania or any other state or federal government; and



(iii) Acknowledgment of receipt by the Proposer of any RFP Addenda or Amendments as required by Section 2.3.

d. Proposals must be submitted via **an electronic copy in PDF format.**

**3.4. Submission of Proposals; Deadline**

a. Proposal must be submitted as follows:

1) Electronic copy must be delivered via direct upload (e.g., Dropbox), instructions for which will be provided to all interested Proposers.

b. **Proposals must be received electronically in the manner prescribed in Section 3.4(a) above no later than 4:00 PM EST on December 19, 2024. Proposer should allow sufficient delivery time to ensure receipt of their Proposals by PCCA prior to the date and time fixed for the acceptance of the Proposals. Proposals received after this time may be rejected by the PCCA.**

c. Each electronically submitted component shall be included in a separate PDF document with the proper identification named in the electronic file. The components are:

- 1) Technical Portion – **No cost information may appear in this portion.**
- 2) Anti-Discrimination Portion
- 3) Cost/Price Portion
- 4) Financial Portion

**3.5. Term of Proposal.** Proposals shall remain open for acceptance and be irrevocable for a period of one hundred eighty (180) calendar days after the deadline for submission of Proposals specified in Section 3.4 hereof.

**3.6. Withdrawal of Proposals.** Proposals may only be withdrawn personally or upon written or telegraphic request received from Proposers prior to the time fixed herein for submission of Proposals. Such withdrawal shall be effective only upon receipt by the Authority, as evidenced by written confirmation of such receipt. The withdrawal of a proposal will not preclude the submission of another Proposal by such Proposer prior to such deadline. A proposer may not withdraw its proposal after the time fixed for submission of proposals but rather such proposals shall remain open for the time period specified in Section 3.5.

- 3.7. Business License.** Proposers which are corporations, or that are individuals or firms doing business under fictitious names, must supply, in their Proposals, documented proof that they have registered with and obtained a certificate from the Secretary of the Commonwealth authorizing them to do business in this Commonwealth and confirming that they are in good standing. Proposers must also supply in the Proposals, documented proof that they have obtained from the City of Philadelphia the appropriate license(s) for conducting business in Philadelphia. If the foregoing proof is not available at the time of submission of the Proposals, the Proposer must, at a minimum, provide evidence that it has applied for such certificates and license(s) and, at the option of PCCA, and designated Proposed will be required to produce such certificates and licenses prior to execution of the Contract.
- 3.8. Ownership and Non-Confidentiality of Proposals.** All Proposals submitted in response to this RFP will become the property of PCCA and will not be returned. The contents of all Proposals are a matter of public record.
- 3.9. Effect of Submission.** Submission of a Proposal shall constitute agreement by the Proposer to all the terms incorporated in the RFP. By submission of a Proposal, the Proposer is representing and warranting that:
- (i) The information contained in its Proposal is complete and accurate and that such information shall continue to be complete and accurate at all times; and
  - (ii) The delivery of the products and services specified in this RFP and the Proposal shall, in provision of such products and services, other than as included in the Contract executed by both parties, in no way obligate PCCA to pay any additional costs to the Proposer.

#### **4. SCOPE OF THE SERVICES**

- 4.1. General Requirements.** PCCA seeks an independent firm with recognized experience in the convention and tourism industry, as a convention center manager, operator, auditor and/or consultant to complete a 2025 Management Audit, as required under the PCCA Operating Agreement; and to also conduct a Performance Audit in 2025, as required by law under 64 Pa. C.S. § 6020. Both audits will cover Fiscal Years 2023, 2024 and 2025 (July 1, 2022 through June 30, 2025). The audits can be conducted simultaneously, and the audit results can be combined into a single report. A copy of PCCA's Operating Agreement is attached as **Exhibit "A"** and a copy of PCCA's Management Agreement with ASM Global (2018 Agreement and 2023 Renewal Amendment) is attached as **Exhibit "B"** to this RFP.

- a. **Management Audit required under the PCCA Operating Agreement.** The Management Audit must be completed, and the report submitted by September 30, 2025. The successful proposer must examine and report on all the following:
- 1) Indicate whether the Authority is complying with the requirements of the Operating Agreement governing the management and operation of the Center;
  - 2) Provide improvement or change recommendations in instances where the Authority is managing or operating in a manner that is inconsistent with acceptable or traditional industry or business practices;
  - 3) Indicate whether the management and/or operation should be improved or changed in any respect;
  - 4) Indicate whether the physical plant of the Center is being properly and efficiently maintained in accordance with the terms of this Operating Agreement, and whether any modifications should be made to the physical plant of the Center;
  - 5) If the Management Audit indicates noncompliance with this Operating Agreement, the Management Audit shall specify all areas of noncompliance, and
  - 6) If the Management Audit indicates the need for improvement or changes, such Management Audit shall detail all such recommendations.
  - 7) Any other items proposed by the Authority Board or Commonwealth of Pennsylvania.
- b. **Performance Audit required under 64 Pa. C.S. §6020.** The Performance Audit must be completed, and the report submitted by September 30, 2025. The successful proposer must examine and report on all of the following requirements:
- 1) Customer satisfaction at the Center;
  - 2) Labor costs at the Center, which shall include a comparison of labor costs at the Center with labor costs at convention centers in this Commonwealth and in other states;
  - 3) Rebooking rates of events at the Center categorized by size and hotel room nights, which shall include a comparison of rebooking rates of previous years at the convention center and rebooking rates of events at convention centers in this Commonwealth and in other states;
  - 4) Booking rates of events at the Center categorized by size and hotel room nights, which shall include a comparison of booking rates of previous years at the Center and booking rates of events at convention centers in this Commonwealth and in other states;

- 5) Hotel booking rates in the Philadelphia Metropolitan Statistical Area related to the convention center industry, which shall include a comparison of hotel booking rates in the Philadelphia Metropolitan Statistical Area during previous years;
- 6) Compliance with the code of conduct and other work rules at the Center and enforcement of the Code of Conduct and other work rules at the Center by the Authority and its designees; and
- 7) Any other items proposed by the Authority Board of the Commonwealth of Pennsylvania.

**4.2. Additional Requirements.**

- a. The following additional information will be evaluated and must be supplied by Proposers in a detailed and complete manner:
  - 1) Description of Proposer's capability to meet service demands of the PCCA as set forth in the General Requirements, Section 4.1 of the RFP;
  - 2) Description of Proposer's qualifications as an independent auditing or consulting firm with recognized experience in operational and financial analysis of convention centers;
  - 3) Description of operational and financial metrics the Proposer plans to use and the methodology in obtaining operational and financial data from competitive convention centers;
  - 4) Description of the project team including resumes for all project team members and detail of specific experience of each team member with projects of similar size and scope;
  - 5) Detailed project schedule including projected dates for draft reports.

**4.3. Examination of Conditions Affecting Work.**

- a. Prior to submitting a Proposal, each Proposer must familiarize itself with all current working conditions, including but not limited to the labor environment and all applicable laws, codes, ordinances, rules and regulations that will affect the delivery of the services to be provided by the Proposer.

**4.4. Cost Proposal.** Proposers must describe the compensation elements detailed as follows:

- a. Provide FIXED fee proposal detailing fees and estimated hours for each audit. The fixed fees proposed should contain all direct and indirect costs, including all out-of-pocket expenses.
- b. PCCA is a tax-exempt entity not liable for sales tax. All price quotations for equipment and services provided by the Proposer to the PCCA must exclude sales

tax charges. A tax-exempt certificate will be provided upon request.

- 4.5. **Confidentiality.** All data contained in the documents and/or files supplied by PCCA either during the RFP process or after the execution of the Contract to be awarded pursuant hereto are to be considered confidential and shall be solely for the use of the requesting Proposer. The Proposer will be required to use reasonable care to protect the confidentiality of any data.
- 4.6. **Delivery Responsibilities.** The designated Proposer will be required to assume sole responsibility for the delivery of services. The Proposer may not assign or subcontract any of its responsibilities under the Proposal or the Contract except to the extent specifically provided herein or in the Contract.
- 4.7. **Interpretation.** Should any question arise as to the proper interpretation of the terms and conditions of the Proposal Documents, the decision of PCCA shall be final.
- 4.8. **Anti-Collusion.** The Proposer, by signing its Proposal, does warrant and represent that its Proposal has not been solicited, secured or prepared directly or indirectly, in a manner contrary to the laws of the Commonwealth of Pennsylvania, and that said laws have not been violated as they relate to the procurement or performance of the Contract to be awarded pursuant to the process described in this RFP by any conduct, including the payment or giving of any fee, commission, compensation, gift, gratuity, or consideration of any kind, directly or indirectly to any PCCA employee, officer, or consultant.

## **5. MINIMUM CRITERIA FOR THE PROPOSER**

- 5.1. **Minimum Required Qualifications.** In addition to the items set forth in Sections 4.2 and 4.3, the Authority will also evaluate the following criteria set forth in Sections 5.1, 5.2 and Section 6.
  - a. **Financial Requirements.** Each Proposer must supply, in its Proposal, documented proof of its financial condition and financial responsibility to provide documented services to the PCCA. This includes providing financial statements certified by a public accountant or annual reports covering the two (2) most recent fiscal years, or other such documents that will allow PCCA to assess the financial viability of the Proposer. PCCA, at its discretion, may request the Proposer to provide such additional financial information as PCCA, in its discretion, deems necessary to establish the financial responsibility of the Proposer.
  - b. **Insurance Requirements.** Proposer must provide and maintain, during the term of any contract with the PCCA, appropriate insurance coverages in the limits required by the PCCA and in accordance with the law. The requisite insurance coverages include at a minimum, workers compensation insurance, general liability insurance, automobile liability insurance and excess liability insurance.
  - c. **Licensing Requirements.** Proposer must be legally licensed to operate under all applicable laws of the Commonwealth of Pennsylvania and the City of Philadelphia.

Proposers must supply, in their Proposals, documented proof that they have registered with and obtained a certificate from the Secretary of the Commonwealth authorizing them to do business in this Commonwealth and confirming that they are in good standing. Proposers must also supply in the Proposals, documented proof that they have obtained from the City of Philadelphia the appropriate license(s) for conducting business in Philadelphia. If the foregoing proof is not available at the time of submission of the Proposals, the Proposer must, at a minimum, provide evidence that it has applied for such certificates and license(s) and, at the option of PCCA, and designated Proposed will be required to produce such certificates and licenses prior to execution of the Contract.

- d. **References/Credentials.** Each Proposer shall provide PCCA with a minimum of three (3) written references from current or prior customers of the Proposer.

## 5.2. **Anti-Discrimination Policy.**

- 1) PCCA's Anti-Discrimination Policy. PCCA has instituted an Anti-Discrimination Policy to prevent discrimination against minorities and females in all PCCA subcontracting and employment opportunities and to ensure that minorities and females have an equal opportunity to participate in all contracts let for the operation, and maintenance of the Center. A copy of PCCA's Anti-Discrimination Policy can be found at <https://www.paconvention.com/about/purchasing-bids-rfps> under "Exhibit AA Anti-Discrimination Policy."
- 2) Anti-Discrimination Implementation Plan. All Proposers are required to make their best efforts to achieve minority and female participation in subcontracting and employment opportunities at substantial and meaningful levels. Each Proposer must submit an affirmative action implementation plan specific to the delivery of services described in this RFP. The successful Proposer's Anti-Discrimination Implementation Plan as accepted by PCCA will become an enforceable provision of the Contract. If the Proposer fails to detail its best efforts as required under this Section, the Proposal may be deemed non-responsive and may be rejected by PCCA. Please follow the directions in connection with completing the Anti-Discrimination Implementation Plan:
  - (i) Proposers must provide a detailed Anti-Discrimination Implementation Plan specific to this RFP. Proposers' Anti-Discrimination Implementation Plans must include levels of minority and female-owned business participation in (i) subcontracting and (ii) workforce utilization. The Anti-Discrimination Implementation Plan must briefly describe the specific task assigned to each minority and/or female-owned business listed on the Solicitation and Commitment Form, found at <https://www.paconvention.com/about/purchasing-bids-rfps> titled "Exhibit BB Solicitation for Participation." Workforce utilization must indicate the employees who are minorities and/or females who will be assigned to this project and indicate their status by category (i.e., management, hourly, full-time, part-time, etc.). Proposers' workforce utilization can be in a narrative

format.

If there are any special business arrangements (i.e., teaming, joint-venture and/or in-association with relationships) then an explanation of that particular arrangement must be included with the Affirmative Action Plan for PCCA review and approval. The document must indicate all roles and responsibilities of all the participants to the business relationship.

- (ii) Solicitation & Commitment Form - Proposers must complete the Solicitation & Commitment Form. Please complete all areas that apply to the Proposer's submission. In the event that a firm(s) has more than one certification designation (Minority and Women Business Enterprise), one **must** be selected for purpose of measuring the levels of actual participation. In order to satisfactorily complete the Solicitation & Commitment Form, the following areas must be indicated; the type of work to be performed; date of solicitation or commitment; whether or not a commitment is made, ("yes" or "no"). If "yes", indicate the amount in dollars and the percentage. If "no" commitment is made, please provide an explanation. Provide copies of all certifications of all firms listed on the Solicitation & Commitment Form.
- (iii) Best Efforts - Proposers must demonstrate, in writing, that it took reasonable steps to obtain representation of minority and female-owned businesses and/or vendors to assure equal opportunity, even if the efforts were ultimately unsuccessful.

Proposers must provide evidence (a written description with supporting documentation) to the PCCA that it utilized its best efforts to include minority and female-owned business participation in every phase of this RFP. Evidence of "best efforts" includes, but is not limited to, the following:

- a) Providing copies of advertising in general media, trade association publications, and minority-focused media concerning subcontracting opportunities.
- b) Participating in conferences and seminars specifically for the promotion of the anti-discrimination portion of the project.
- c) The timely notification of minority and female-owned business enterprises and solicitation of their participation on this project.
- d) Providing sufficient information about plans, specifications, and requirements of the project to interested minority and female-owned businesses.
- e) Providing evidence of reasonable efforts to negotiate with minority and female-owned businesses to provide specific services and/or goods and supplies.

Proposers must comply with the aforementioned PCCA Anti-Discrimination Policy requirements in order for their Proposals to be considered and/or deemed accepted “best efforts.” The PCCA Best and Good Faith Efforts form can be found at <https://www.paconvention.com/about/purchasing-bids-rfps> under “Exhibit CC Best and Good Faith Efforts.”

## **6. PROPOSAL EVALUATION AND AWARD OF CONTRACT**

### **6.1. Evaluation Criteria.**

- a. The PCCA, *in its sole discretion*, will use a variety of criteria, including, without limitation, the following criteria, which are not necessarily listed in order of importance and may be weighed equally in evaluating the Proposals received:
  - 1) General feasibility, effectiveness and clarity of the Proposal and its responsiveness to the RFP requirements.
  - 2) Proposer's demonstrated experience in delivering the required services.
  - 3) Technical capabilities of Proposer
  - 4) Pricing and overall economic advantages
  - 5) Proposer's organizational resources, depth of resources, and financial stability and capability.
  - 6) Creative or innovative and cost-effective approach to service delivery, pricing, and compensation.
  - 7) Initial pricing, pricing for each year of the term of the contract, and overall economic advantages.
  - 8) Evidence of Proposer's service reliability, customer support, and on-time delivery of services.
  - 9) Proposer's compliance with the PCCA's Anti-Discrimination Policy.
  - 10) Implementation capabilities.
  - 11) Other factors.
- b. The PCCA may, *in its sole discretion*, after full and careful consideration, accept the Proposal which best fulfills the PCCA's requirements and is most advantageous to the PCCA. The PCCA is not required to make its selection based solely upon the lowest proposed pricing schedule. The priority, weighting, and importance to be afforded to criteria, both individually and in total, shall be solely determined by the Authority in



its sole judgment and discretion. The Authority may determine that one of the criteria is most important and outweighs all of the remaining criteria, and may award the contract based on its sole judgment that a particular proposal best satisfies the purpose of the RFP due to its response to that one criteria.

**6.2. Evaluation Process.** Upon receipt of the Proposals, PCCA may short-list the Proposers based on evaluation criteria including, but not limited to, that cited in Section 6.1 of this RFP. The PCCA reserves the right to then interview each of the short-listed Proposers and may require presentations to be made to PCCA by such Proposers. The proposal review and selection process is as follows:

- 1) **Receipt of RFPs** - RFPs from Proposers will be received at the location on the day and at the time indicated in this RFP.
- 2) **Anti-Discrimination Review** - PCCA will initially review and evaluate the proposals for compliance with the requirements of the RFP. PCCA will then evaluate the proposal's Technical Submittals and Affirmative Action Responses. PCCA may require all, or some, Proposers participate in an oral interview during this initial process. The general purpose of this session is for the Proposer to clarify specific aspects of the above submittals. Although the oral interview itself will not be a basis for award; responses provided by the Proposer in the interview will be considered. Absence of an interview does not indicate lack of interest of PCCA in a proposal.
- 3) **Shortlist** - The PCCA will evaluate all proposals on the basis of compliance with the Anti-Discrimination Policy response. PCCA will evaluate whether the technical portion of the Proposal provides the details of the necessary technical and personnel support, and the manner in which it will fully implement and satisfy all requirements of the Project. The Authority will also evaluate whether the Proposer's Affirmative Action Implementation Plan achieves minority and female participation in subcontracting and employment opportunities at substantial and meaningful levels and whether Proposer's satisfactorily demonstrated their best efforts as described in the Anti-Discrimination Policy. PCCA will notify selected Proposers in writing of its selection for further consideration of their proposal.
- 4) **Presentations of Shortlisted Proposers** - Selected Proposers will be requested to participate in a one-hour meeting with PCCA. The agenda will provide for up to a thirty (30) minute presentation by the Proposer and the remainder as a question-and-answer period. PCCA does not require or expect the Proposers provide elaborate presentations or add information beyond their initial proposal. PCCA may request Proposers explain the basis of their cost/pricing for proposal.
- 5) **Cost Review** - PCCA will review all the Shortlisted proposals and select the Proposers that it considers is in its best interest. During the PCCA deliberations, PCCA may request further information from Proposers. Where similar

Proposals come from several Proposers, PCCA may decide to engage in negotiations with only one, several or all Proposers submitting similar Proposals. The cost/price portion of the Proposal will be evaluated separately. It will be utilized to evaluate the Proposer's understanding of the requirements of the RFP and to determine the most probable cost to the Authority. The cost/price portion will be evaluated for reasonableness and completeness. The Authority will evaluate the reasonableness of each Proposer's cost/price Proposal, determine whether the proposed cost/price is consistent with the proposed technical approach and indicates a clear understanding of a sound approach to satisfying the requirements in the scope of services set forth in Section 4 above.

- 6) **Negotiation** - PCCA may undertake negotiations with several Proposers for similar or different Proposals. In either case, PCCA may request "final and best offers". Based upon these negotiations, PCCA will offer a "Notice of Award" to the selected Proposer(s).
- 7) **Award of Contract** - Upon the completion of the negotiations, PCCA at its sole discretion, upon approval by the PCCA's Board of Directors, may award a Contract or Contracts for the services described herein for the Proposal that it determined in its sole discretion best fulfills the requirements of the RFP and is most advantageous to the Authority.

**6.3. Rights and Options of PCCA.** PCCA reserves and may exercise one or more of the following rights and options with respect to this RFP:

- a. To reject any and all Proposals.
- b. To elect to award certain parts of the Scope of Services, to separate proposers or to award the entire Scope of Services to one proposer as the PCCA deems necessary.
- c. To use criteria other than price in determining the Proposer(s) with which it will contract.
- d. To supplement, amend or otherwise modify this RFP.
- e. To cancel this RFP with or without the substitution of another RFP.
- f. To issue additional or subsequent solicitations for Proposals.
- g. To conduct investigations with respect to the qualifications of any Proposer.
- h. To change any time for performance set forth in this RFP.
- i. To waive any non-compliance of any Proposal with the requirements of this RFP.
- j. To permit any Proposer to supplement, amend or otherwise modify its Proposal.

- k. To supplement, amend or otherwise modify the terms of any proposed form of Contract which may be submitted by PCCA to any Proposer.

**6.4. Request for Additional Information.** Proposers shall furnish such additional information as PCCA may request in connection with its evaluation of the Proposals.

**6.5. Acceptance or Rejection of Proposals.**

- a. The PCCA reserves the right to reject any or all Proposals and to seek additional Proposals, if such action is in the best interest of PCCA. PCCA reserves the right to waive any informalities and technicalities in the Proposal process.
- b. If for any reason whatsoever, PCCA rejects a Proposal, the Proposer agrees that it will not seek to recover lost profits on work not performed nor will it seek to recover its Proposal preparation costs. By submitting its Proposal, the Proposer expressly states that it intends to be legally bound and accepts the limitation of remedies set forth in this Section.

**6.6. Contract Award.**

- a. After PCCA has selected a Proposer, as a result of the aforesaid evaluation process, the successful Proposer shall be required to execute a Contract with the PCCA. PCCA reserves the right to modify, amend and supplement any proposed form of Contract submitted by PCCA to any Proposer, in any manner it deems appropriate.

The terms of the Proposal of the designated Proposer, to the extent accepted by PCCA, shall be incorporated into the Contract. PCCA reserves the right to revoke the designation of a Proposer as the designated Proposer at any time prior to execution of the Contract by the Proposer and PCCA and in the form approved by PCCA.

- b. The contents of the Proposal of the selected Proposer and the RFP will become contractual obligations upon execution of a contract between the Proposer and the Authority; provided however, that the terms of any such contract shall supersede the provisions of the Proposal and the RFP, to the extent the terms of the contract are inconsistent with the terms of the Proposal or RFP. In the event that either the designated Proposer does not execute the Contract as herein required, or PCCA has revoked the designation of a particular Proposer as the designated Proposer, the PCCA, in its sole discretion, may enter into negotiations with one or more of the other Proposers or PCCA may solicit new Proposals.
- c. At or prior to delivery of the signed Contract, the designated Proposer shall deliver to PCCA the policies of insurance or insurance certificates as required by the Contract. All policies or certificates of insurance must be approved by PCCA before the designated Proposer may proceed with the delivery of the contracted services.

## 7. MISCELLANEOUS

- 7.1. Penalty for Non-Compliance. Proposals received after submission deadline will be disqualified.** Failure to comply with the requirements of this RFP may render the Proposal, at the sole discretion of PCCA, as unresponsive or otherwise unacceptable and may result in the rejection of the proposal, and/or the disqualification and the elimination of the Proposer from further consideration for this RFP.
- 7.2. Handling of Proposals.** All Proposals submitted in response to the RFP. will become the property of the Authority and will not be returned.
- 7.3. Cost Liability.** The PCCA shall not, in any way, be responsible for any costs incurred by any Proposer in preparing, reproducing, distributing, and presenting its Proposal.
- 7.4. Additional Clarification of Proposals.** The Authority may ask a Proposer to clarify in writing the technical or cost/price portions of the Proposer's Proposal at any time prior to the execution of a contract between a Proposer and the Authority. Where permitted by this RFP, the Proposer must specifically identify and fully explain in the Proposal any exceptions to or deviations from the requirements of this RFP.
- 7.5. Disclosure of Relationships.**
- a. Each Proposer must disclose in its Proposal any relationship between the Proposer and any entity that has a contractual relationship with PCCA.
  - b. Any services proposed by the Proposer that will be performed in whole or in part by outside parties, third-party contractors, affiliates, or subcontractors of the Proposer if permitted by PCCA, must be specifically identified in the Proposal and the business relationship between the Proposer and such third parties must be explained in the Proposal. Nothing contained herein or in the Contract shall be construed to impose any obligation on the part of PCCA to any outside party, third-party contractor, affiliate, or subcontractor of the Proposer.
- 7.6. Compliance with Laws, Rules, Etc.** The Proposers shall comply with all federal, state, and local statutes, laws, rules, regulations, and ordinances.
- 7.7. Taxes.**
- a. PCCA is a tax-exempt entity not liable for sales tax. All price quotations for goods and services provided by the Proposer to PCCA must therefore exclude sales tax charges. A tax-exempt certificate will be provided upon request.
  - b. The designated Proposer shall be responsible for all taxes related to the provision of goods and services pursuant to the Contract and shall apply to the respective taxing authorities for all applicable account numbers and file appropriate tax returns as required by law.

# **Exhibit "A"**

## Operating Agreement

**OPERATING AGREEMENT**  
**BY AND AMONG**  
**CITY OF PHILADELPHIA,**  
**PENNSYLVANIA CONVENTION CENTER AUTHORITY**  
**AND**  
**COMMONWEALTH OF PENNSYLVANIA,**  
**THROUGH ITS OFFICE OF THE BUDGET AND**  
**THROUGH ITS DEPARTMENT OF GENERAL SERVICES**  
**DATED AND EFFECTIVE APRIL 20, 2010**

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**OPERATING AGREEMENT**  
**BY AND AMONG**  
**CITY OF PHILADELPHIA,**  
**PENNSYLVANIA CONVENTION CENTER AUTHORITY**  
**AND**  
**COMMONWEALTH OF PENNSYLVANIA,**  
**THROUGH ITS OFFICE OF THE BUDGET AND**  
**THROUGH ITS DEPARTMENT OF GENERAL SERVICES**  
**DATED AND EFFECTIVE APRIL 20, 2010**

**THIS OPERATING AGREEMENT** ("**Operating Agreement**") is dated and effective April 20, 2010 by and among the CITY OF PHILADELPHIA (the "**City**"), a municipal corporation and a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania, THE COMMONWEALTH OF PENNSYLVANIA, acting through the Office of the Budget and Department of General Services (the "**Commonwealth**"), and the PENNSYLVANIA CONVENTION CENTER AUTHORITY (the "**Authority**"), an agency and public instrumentality of the Commonwealth and a body politic and corporate created and existing under the Pennsylvania Convention Center Authority Act, 64 Pa. Cons. Stat. Ann. § 6001, *et seq.*, as amended (the "**Act**").

**BACKGROUND**

(a) The City, the Authority and the Commonwealth in the 1980's arranged for the acquisition of land, demolition, site preparation, design and construction and management of the Pennsylvania Convention Center located, generally, at 13<sup>th</sup> and Arch Streets in Philadelphia (the "**Original Convention Center**"). The City and the Authority executed a Lease and Service Agreement dated as of December 14, 1989 (together with all amendments and supplements thereto, the "**Lease and Service Agreement**") pursuant to which, among other things, the City leased certain real property to the Authority (the "**Land**") in consideration of certain rentals payable by the Authority to the City, and the City agreed to pay to the Authority a certain service fee (the "**Service Fee**") in consideration of the undertakings of the Authority with respect to the Original Convention Center. The Lease and Service Agreement provided that upon its termination, title to all buildings, improvements and/or fixtures (as described therein, the "**Improvements**") would automatically vest in the City without the need for any further action.

(b) Thereafter, as more fully described in that certain Convention Center Agreement dated April 16, 2010 (the "**Convention Center Agreement**"), the City, the Commonwealth and the Authority agreed upon the terms and conditions for expanding, and renovating the Original Convention Center (the "**Convention Center Project**") consisting of the acquisition of land, demolition, site preparation and the design and construction of an approximately 960,000 square foot expansion beginning at the westerly wall of the Original Convention Center at 13th Street and proceeding west to Broad Street and north from Arch Street to Race Street, excluding certain lands at the northeast corner of Broad and Arch Streets (such acquired land and improvements collectively herein referred to as the "**Expansion**").

(c) The Convention Center Agreement identifies with specificity the 2005 Bonds, the Trust Indenture, the projected Defeasance Date of the 2005 Bonds, and other financing obligations which by their terms are to be satisfied as a condition to the termination of the Convention Center Agreement, and the commencement of this Operating Agreement. Capitalized terms that appear herein



and are undefined shall have the meaning ascribed to such terms in the Convention Center Agreement. Such terms are hereby incorporated by reference.

(d) In addition to details on the construction and financing of the Original Convention Center, and the construction and financing of the Expansion, the Convention Center Agreement details the various real estate conveyances undertaken to enable the Commonwealth to acquire a property interest in both the Original Convention Center and the Expansion so that both could be leased to the Authority to be operated as a single facility. The Original Convention Center and the Expansion are collectively herein referred to as the "**Convention Center**".

(e) Appropriate comprehensive and risk-specific insurance coverage is contractually required to have been procured by the Convention Center Authority, and by contractors and subcontractors performing work on the Expansion, and has in fact been procured to the satisfaction of the Commonwealth.

(f) There is presently in place, in the Convention Center Project construction budget, sufficient contingency reserve for any cost overrun encountered for any reason by the construction or any aspect thereof.

(g) Except insofar as expressly stated herein or in such other agreements as may be executed by the City, the Commonwealth confirms that the cost of, and financial responsibility for, the operation of the Convention Center are the exclusive responsibilities of the Commonwealth, all costs thereof are fully covered by lawful appropriation, and none of the costs or financial responsibility for the Expansion or for the operation of the Convention Center are being or will be imposed on the City, except insofar as expressly stated herein or in such other agreements as may be executed by the City.

(h) The Commonwealth, as lessor has concurrently with execution of this Operating Agreement leased the Convention Center to the Authority, as lessee pursuant to a Convention Center Lease of even date herewith (the "**Convention Center Lease**"), and the Lease and Service Agreement between the Authority and the City for the Original Convention Center has been terminated.

(i) This Operating Agreement is entered into for the purpose of setting forth the terms and conditions going forward upon which (among other things) the Convention Center as leased to the Authority will be managed, operated, and maintained.

**NOW, THEREFORE**, in consideration of the promises, agreements and other consideration herein contained, the parties hereto, intending to be legally bound hereby, covenant and agree as follows:

1. USE OF CONVENTION CENTER.

(a) The Authority shall use and operate the Convention Center for a range of public assemblies and exhibitions, conventions, musical and dramatic performances and other business, social, cultural, scientific and recreational events, as is an appropriate use of the Convention Center.

(b) The Authority will cooperate with the City and the Commonwealth and will make commercially reasonable, good faith efforts to bring a variety of attractions to the Convention Center that will be of interest to a substantial number of persons residing in and outside of the Philadelphia region, including without limitation those types of attractions contemplated in Paragraph 2 hereof, and will report these efforts annually in the sales/booking reports contemplated under Paragraph 3 hereof.

(c) The Authority shall comply with and conform to all applicable laws, codes, ordinances or regulations, or charter or constitution provisions, duly enacted or adopted by the United States, the Commonwealth, the County of Philadelphia (the "**County**") or the City (collectively, "**Applicable Laws**"). Notwithstanding the same, the City and the Commonwealth acknowledge that the Authority may reasonably contest all such Applicable Laws, so long as the Authority's actions in doing so does not materially interfere with the Authority's performance under this Operating Agreement.

(d) The use of the Convention Center by assignees, sublessees, and concessionaires are governed by the provisions of the Convention Center Lease. The Authority may license such space as it deems necessary to undertake its operations of the Convention Center in the manner as described herein, without the consent or prior approval of the Commonwealth.

## 2. OPERATIONS.

(a) At all times during the Term (as hereinafter defined), the Authority shall (i) operate the Convention Center in a manner consistent with comparable convention center facilities; (ii) use commercially reasonable, good faith efforts to maximize the use of the Convention Center for a variety of events of interest and benefit to the Philadelphia community, and regions outside of the Philadelphia community, including but not limited to concerts, seminars, conferences, performances, religious events, programs of interest to children, and other attractions; (iii) cooperate with the City and agencies of the City, the County, and the Commonwealth to attract conventions and to permit usage of the Convention Center for conventions; and (iv) promote tourism, and encourage economic growth and development of the Philadelphia region.

(b) In connection with the rights and obligations of the Authority to manage, maintain and operate the Convention Center, Commonwealth approval is required for the hiring of any contract management firm or firms. Such firm or firms shall be of national or regional repute, with experience and standing in certain or all aspects of management and operation of similar facilities, subject to the terms of this Operating Agreement. If any such management contractor, or its principals, shall at any time have any business relationship with the Authority, or its principals, other than with respect to the Convention Center, the Authority shall disclose such relationship in writing to the Commonwealth and shall maintain such other business relationship and the Convention Center relationship entirely independent and separate from each other.

(c) Notwithstanding the above provisions of subparagraph (b), the Authority must contract with the Philadelphia Convention and Visitors Bureau ("**PCVB**"), or such other tourist promotion agency as appointed by the City, for the provision of marketing services for long-term bookings. For purposes herein, "long-term bookings" mean bookings outside of an 18-month period.

(d) The Authority shall have the right, in its discretion, to do all of the following:

(i) solicit, negotiate and enter into leases, licenses, concessions and similar agreements regarding the use, occupancy and operation of conventions, shows, meetings and other events, and all other related purposes, subject to the requirements of the Convention Center Lease; and

(ii) enter into such other agreements as may be customary and consistent with comparable convention center facilities to effectuate its obligations under this Operating Agreement.

(e) The Authority shall do all things and take all actions, and expend such funds, as may be reasonably necessary or desirable for the operation of the Convention Center in accordance with this Operating Agreement and the approved Operating Budget and Capital Budget (each as hereinafter

defined) throughout its Term. Without limiting the generality of the foregoing, the Authority, at all times throughout the Term, shall:

(i) Commence, defend and settle in good faith such legal actions or proceedings concerning the operation of the Convention Center as are necessary or required in the reasonable opinion of the Authority; retain counsel in connection with such defense; and notify the Commonwealth in writing of the commencement of any legal action or proceeding and advise the Commonwealth of the progress of any such legal action or proceeding. Upon request, the Authority shall send to the Commonwealth copies of all legal documentation relating to such legal actions;

(ii) Employ, train, pay, supervise and discharge such employees of the Authority, and/or engage such independent contractors, as the Authority determines in its sole discretion to be necessary (subject to such Commonwealth approval rights as set forth in paragraph 2(b) and paragraph 6 hereof) for the maintenance, repair and operation of the Convention Center, including but not limited to cleaning personnel, ticket takers, maintenance workers and equipment operators. All personnel of the Authority used in carrying out its duties under this Operating Agreement shall be employees or independent contractors of the Authority, and not the Commonwealth;

(iii) Maintain or cause to be maintained all necessary licenses, permits, approvals and authorizations required by any governmental authority, for the operation of the Convention Center; and

(iv) Comply in all material respects with all Applicable Laws relating in any respect to the use, occupancy and operation of the Convention Center, including without limitation, the Americans With Disabilities Act of 1990 (42 U.S.C. § 12101, et seq.), all regulations promulgated thereunder, and comparable laws, ordinances, codes and regulations of the Commonwealth, the County and the City. Notwithstanding the same, the City and the Commonwealth acknowledge that the Authority may reasonably contest all such Applicable Laws, so long as the Authority's actions in doing so does not materially interfere with the Authority's performance under this Operating Agreement.

(f) At all times during the Term, the Authority will perform such maintenance and repair work as set forth in the Convention Center Lease and will otherwise comply with the terms and conditions of the Convention Center Lease with regard to its operation of the Convention Center.

### 3. BUDGETS, RESERVES AND OTHER FINANCIAL MATTERS.

(a) Upon the Effective Date (as hereinafter defined) hereof, the Authority shall establish and maintain a Capital Reserve Fund (the "**Capital Reserve Fund**"). The Commonwealth shall deposit therein, from the proceeds of the sale and issuance of the Defeasance Bonds, such amount necessary so that the moneys in such Capital Reserve Fund will equal \$5,000,000 (the "**Capital Reserve Fund Requirement**"), recognizing that proceeds from the capital reserve fund in the Trust Indenture will also be deposited in the Renewal and Replacement Fund. The Capital Reserve Fund Requirement shall be increased on an annual basis to fund financed capital improvements and "pay-as-you-go" costs in accordance with the Authority's re-investment plan, as attached to this Operating Agreement and marked as *Exhibit A* hereto (the "**Re-investment Plan**"). The Authority's Operating Budget and/or Capital Budget, as defined in this paragraph 3, shall include the amounts of such annual contributions. The Commonwealth acknowledges that the annual contributions and draw downs from the Capital Reserve Fund as reflected in the Re-investment Plan may change as the result of Authority development and Commonwealth approval of future Capital Improvement Plans (as hereinafter defined), pursuant to the provisions of this Operating Agreement. The proceeds in the Capital Reserve Fund may be used by the Authority for furniture, fixtures and equipment and renewal and replacement improvements pursuant to

the provisions of the Renewal and Replacement Plan and Capital Improvement Plan, each as defined and described herein.

(b) Upon the Effective Date hereof, the Authority shall establish and maintain an Operating Reserve Fund (the "**Operating Reserve Fund**" and together with the Capital Reserve Fund, the "**Reserve Funds**"). The Commonwealth shall deposit therein, from the proceeds of the sale and issuance of the Defeasance Bonds, such amount necessary so that the moneys in such Operating Reserve Fund will equal \$10,000,000 (the "**Maximum Operating Reserve Fund Balance**"), recognizing that proceeds from the operating reserve fund in the Trust Indenture will also be deposited in the Operating Reserve Fund. The Maximum Operating Reserve Fund Balance shall be increased every year by the cumulative value of the change in the index know as the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, United States City Average, All Items (1982-84=100) (the "**CPI**") or the successor index that most closely approximates the CPI, and as such Maximum Operating Reserve Fund Balance may be further increased with the approval of the Commonwealth. The Authority's Operating Budget, as defined in paragraph 3(c) hereof, shall include such amounts as necessary to maintain the Maximum Operating Reserve Fund Balance, as such Maximum Operating Reserve Fund Balance may be increased or modified pursuant to the provisions of this subparagraph (b). Proceeds deposited in the Operating Reserve Fund may be used by the Authority, as follows:

(i) for short-term cash flow borrowing, as long as the forecast of the then current Fiscal Year revenues and expenses provide sufficient cash to repay such borrowing by the end of such current Fiscal Year;

(ii) for special marketing purposes, subject to Commonwealth approval; and

(iii) for operating losses, subject to Commonwealth approval. Notwithstanding the above, if Operating Reserve Fund proceeds are used to offset an Operating Budget variance of less than two (2%) percent of operating expenses, such Commonwealth approval is not required. For purposes of this subsection (b)(iii), "operating expenses" is defined as total operating expenses less any amounts included as operating expenses for Reserve Fund contributions and Education and Training Program expenditures. Further, should the Authority desire to use proceeds from the Operating Reserve Fund to offset operating losses, such use must be included in the Authority's monthly year-end forecast of its Operating Budget.

(c) At least ninety (90) days before the commencement of each Fiscal Year and at least thirty (30) days before submission of its recommended capital and operating budgets (the "**Capital Budget**" and "**Operating Budget**," or as sometimes referred to herein, the "**Capital and Operating Budgets**") to the Authority's board of directors pursuant to the requirements of the Act, whichever is earlier, the Authority shall prepare and submit to the Commonwealth a proposed Capital Budget and a proposed Operating Budget for the subsequent Fiscal Year, reflecting the requirements of this paragraph 3 herein below and in such form as set forth in **Exhibit B** to this Operating Agreement. The Commonwealth acknowledges and agree that the proposed form of Capital and Operating Budgets as attached to this Operating Agreement and marked as **Exhibit B** are in a form acceptable to the Commonwealth. Should the Commonwealth or the Authority desire to modify such forms, such forms may be modified with the consent of the other and **Exhibit B** shall be amended to reflect the modified form. Notwithstanding the same, the Commonwealth may modify such forms if the financial reporting requirements for public sector-owned convention centers change or in the event of force majeure or damage or destruction of all or a portion of the Convention Center, and **Exhibit B** shall be amended to reflect such modified forms. The Operating Budget shall be prepared on an accrual basis.

For purposes of this Operating Agreement, the term "**Fiscal Year**" means the period beginning on July 1 and ending June 30 of the following calendar year.

The Operating Budget shall set forth (i) the estimated operating revenues and expenditures of the Authority, including such amounts to be deposited in the Operating Reserve Fund as described in subparagraph (b) hereof, (ii) a projection of the monthly cash flow, and (iii) a projection of the operating fund balance for the succeeding Fiscal Year. The Operating Budget shall provide sufficient funds to ensure that the Authority will perform prudent and ordinary maintenance to the Convention Center during each Fiscal Year and shall further provide for funding in an amount sufficient to discharge any deficit in excess of the budgeted deficit incurred in the prior Fiscal Year. Notwithstanding the above, if in any Fiscal Year the Authority's operating deficit is less than the Commonwealth-approved operating deficit (the difference between the Commonwealth-approved operating deficit and the Authority's operating deficit is herein defined as "**Operating Savings**"), such Operating Savings may be deposited in the Operating Reserve Fund until the Maximum Operating Reserve Fund Balance is met for such Fiscal Year.

Further, during the Term of this Operating Agreement, and simultaneously with its annual submission of the Operating Budget, the Authority shall provide to the Commonwealth a four-year forecast of its operating results in form and substance as set forth in ***Exhibit B*** hereto.

The Capital Budget, in such form and substance as set forth in ***Exhibit B*** hereto, shall be comprised of and shall show in detail the capital expenditures to be made or incurred in the succeeding Fiscal Year, including such amounts to be deposited in the Capital Reserve Fund as described in subparagraph (a) hereof.

Further, during the Term of this Operating Agreement, and simultaneously with its annual submission of the Capital Budget, the Authority shall provide to the Commonwealth a four-year forecast of its capital improvement needs in form and substance as set forth in ***Exhibit B*** hereto. Combined, this one-year capital budget and this four-year forecast shall be known as the Authority's Capital Improvement Plan (the "**Capital Improvement Plan**").

The Commonwealth acknowledges that Fiscal Years 2 -5 of each such Capital Improvement Plan constitute a forecast of anticipated work and not a commitment on the part of the Authority to undertake such work. Notwithstanding the same, the Authority acknowledges that the first year of such Capital Improvement Plan does not serve as a forecast, and any changes to the same must be approved by the Commonwealth.

(d) The Operating Budgets for Fiscal Years 2009-2010, 2010-2011 and 2011-2012 and the Capital Budget for Fiscal Year 2009-2010 are attached hereto and made a part hereof and marked as ***Exhibit C***. Such Budgets are hereby approved by the Commonwealth as to form and to content. For each Fiscal Year after Fiscal Year 2011-2012 for the Operating Budget and for each Fiscal year after Fiscal Year 2009-2010 for the Capital Budget, the Authority will provide the City and the Commonwealth with its proposed Operating Budget and Capital Budget. Upon receipt of the Authority's proposed Operating Budget and proposed Capital Budget, the Commonwealth will have thirty (30) days to review each such proposal and shall provide an approval or disapproval notice to the Authority within such thirty-day period (the "**Commonwealth Notice**"). The City shall have the right to review and provide comments to the Commonwealth on the proposed Operating Budget and Capital Budget during the fifteen (15) days following the receipt from the Authority. The Commonwealth may accept or reject any or all of such comments at its sole discretion, and will provide a written response to the City's comments before providing the Authority with the Commonwealth Notice. The Commonwealth's approval shall not be unreasonably withheld. If such Commonwealth Notice is not received by the

Authority within such thirty-day period, the proposed Operating Budget and proposed Capital Budget shall be deemed approved. If the Commonwealth provides a disapproval notice to the Authority within such thirty-day period, the Commonwealth shall specify the basis for its disapproval determination, and the Authority shall have a subsequent thirty-day period to revise the relevant budget(s) to address the issues raised in the Commonwealth disapproval notice. Upon the receipt of the Authority's revised proposed budget, the Commonwealth shall have a fifteen-day period to provide a second approval or disapproval notice to the Authority. If the Commonwealth does not provide such notice within the fifteen-day period, such proposed Capital Budget and proposed Operating Budget shall be deemed approved. The Authority shall not adopt the Capital Budget and Operating Budget until the Commonwealth shall have approved such Capital Budget and Operating Budget pursuant to the procedures described herein.

(e) In addition to the above-stated requirements, the Operating Budget will include funding for the Education and Training Program for a twenty-year period, as follows: (i) the Authority will use \$1,500,000 of Authority Hotel Tax (as defined below) receipts to support the Education and Training Program in Fiscal Year 2008-09, and (ii) commencing on Fiscal Year 2009-2010 and continuing through and including Fiscal Year 2027-2028, an annual amount equal to the lesser of (x) the amount paid in the immediately preceding Fiscal Year, as increased every year by the CPI or the successor index that most closely approximates the CPI, or (y) five (5%) percent of all City Hotel Tax receipts.

(f) Following adoption of the Capital Budget and Operating Budget pursuant to the requirements of this Operating Agreement, the Commonwealth must approve any deviation during the relevant Fiscal Year in a major category of the Capital Budget or the Operating Budget in excess of 5%. Notwithstanding the above, the Commonwealth must approve any deviation in the Capital Budget and Operating Budget related to a Reserve Fund or the Education and Training Program.

(g) The Renewal and Replacement Plan for the first Fiscal Year of the Term of this Operating Agreement is attached hereto and marked as **Exhibit D** (the "**Renewal and Replacement Plan**"). The Authority shall prepare and submit to the Commonwealth a revised Renewal and Replacement Plan every five years after the Effective Date of this Operating Agreement. Each five-year submission shall occur simultaneously with the Authority's submission of its proposed Operating Budget and Capital Budget for that Fiscal Year. The Renewal and Replacement plan will reflect anticipated major repairs, renewals and replacements to the Convention Center as recommended by a consulting engineer selected by the Authority or, with the Commonwealth's approval, as recommended by the Authority's Director of Engineering.

(h) The Authority has submitted to the Commonwealth marketing, sales and pricing plans (collectively the "**Marketing Plans**") prepared by or on behalf of the Commonwealth, as attached hereto and marked as **Exhibit E**. The Authority is required to perform a competitive pricing analysis once every three (3) years and provide a copy of the same to the Commonwealth. The Commonwealth acknowledges that such competitive pricing analysis may be accomplished as part of the management audit discussed in paragraph 5 of this Operating Agreement. Further, the Authority shall provide to the Commonwealth any future marketing, sales and pricing plans and any modifications thereto.

(i) The Authority may not pledge Authority revenues as security during the Term of this Operating Agreement without the prior written approval of the Commonwealth.

(j) The Authority may not incur short-term or long-term debt during the Term of this Operating Agreement without the prior written approval of the Commonwealth. Notwithstanding the above, the Authority may issue debt, which the City may agree to pay (however, the City has no present intention of agreeing to pay such Authority debt), so long as such issuance does not have a negative

financial impact on the Authority's Operating and Capital Budgets and so long as a financial impact analysis has been prepared and submitted to the Commonwealth which supports this conclusion.

(k) Within thirty (30) days of the end of each month during the Term of this Operating Agreement, the Authority shall provide to the Commonwealth financial reports reflecting monthly and year-to-date Operating and Capital Budget activity, a forecast of year-end operating and capital results, monthly cash flow statements and forecasts, and monthly event financial results in such form and substance as set forth in **Exhibit B** attached hereto and made a part hereof. Within thirty (30) days of the end of each Fiscal Year during the Term of this Operating Agreement, the Authority shall provide to the Commonwealth sales/booking reports in such form and substance as set forth in **Exhibit B** attached hereto and made a part hereof. The Commonwealth acknowledges and agrees that the proposed form of monthly and annual statements, as attached to this Operating Agreement as **Exhibit B** hereto, are in a form acceptable to the Commonwealth. Should the Authority or the Commonwealth desire to modify such forms, such forms may be modified with the consent of the other, and **Exhibit B** shall be amended to reflect the modified form. Notwithstanding the same, the Commonwealth may modify such forms if the financial reporting requirements for public sector-owned convention centers change or in the event of force majeure or damage or destruction of all or a portion of the Convention Center, and **Exhibit B** shall be amended to reflect such modified form. Further, and during the Term of this Operating Agreement, the Commonwealth shall have the right to request additional statements from time to time upon reasonable notice to the Authority.

(l) The City, the Commonwealth and the Authority acknowledge that Section 6013 of the Act provides to the City certain approvals relative to the Capital and Operating Budgets and the design of capital projects, all as more fully described in Section 6013. The City hereby delegates and assigns to the Commonwealth all of its rights under Section 6013, with the intention that the provisions of this paragraph 3 shall exclusively govern all approval rights relative to the Authority's Operating and Capital Budgets during the Term of this Operating Agreement.

(m) In order for the Convention Center to remain competitive with other major convention centers in attracting national and regional conventions, the Commonwealth covenants that it will not approve an Operating Budget that is less than the approved Authority Fiscal Year 2009-2010 Operating Budget, except that such threshold shall be adjusted as required in the case of a force majeure event or damage or destruction of all or a portion of the Convention Center. It is the intention of the parties to jointly prepare a new strategic and management plan for the operation of the convention facility given the Expansion and changes in the convention and meeting industry. The parties agree to engage independent industry experts who will assess general industry practices, assess operating and financial results of the Authority and its competitors, and guide the Authority Board and management in the development of a strategic management plan. The parties further intend to conclude the new strategic and management plan by the end of the third quarter of the calendar year 2010, in order to implement recommended actions prior to the opening of the Expansion. Upon completion of this strategic and management plan the Commonwealth and the Authority agree to discuss (1) possible adjustments to the approved Operating Budgets for FYs 2010-2011 and 2011-2012 and (2) possible adjustments to the minimum funding threshold set forth above in this §3(m).

#### 4. ACCOUNTING MATTERS.

(a) The Authority shall and hereby agrees to keep and maintain during the Term for a period of three (3) consecutive years following the end of the Fiscal Year, permanent, complete and accurate financial records for (i) the operations of the Convention Center, and (ii) the operations of the Authority, for each such Fiscal Year, which records shall be maintained in accordance with generally

accepted accounting principles ("**GAAP**"), and which records shall be audited not less than annually by an independent and nationally recognized accounting firm selected by the Authority (the "**Accountants**").

(b) Within ninety (90) days after the end of each Fiscal Year during this Term of this Operating Agreement, the Authority will submit to the Commonwealth and to the City, complete and accurate audited financial statements prepared by an independent auditor, who is a certified public accountant. Such audited financial statements shall include, at a minimum, a balance sheet, income statement and statement of cash flows. With each such annual audit, the Authority shall also obtain a management letter or report from the auditor prepared for the Authority's Board of Directors. The Authority shall provide a copy of the management letter or report to the Commonwealth.

(c) All financial records of the Authority shall be open to the inspection and audit of the Commonwealth during the Term and for a period of three (3) years thereafter, which inspection shall occur at the Authority's office, at reasonable times following reasonable notice. The Commonwealth shall have the right to review and examine all documents and materials in the possession of the Authority relating to the financial statements submitted to the Commonwealth under this paragraph 4, the Authority's management of the Convention Center and the Authority's expenditures relating to the leasing and operation of the Convention Center, including without limitation, any and all contracts entered into by the Authority with third-parties.

5. MANAGEMENT OF CONVENTION CENTER.

(a) At least once every three (3) years throughout the Term, beginning with the Fiscal Year of the Effective Date, the Authority shall cause an audit to be conducted of its management and operation of the Convention Center (the "**Management Audit**"). Further, the Commonwealth shall have the right to require the Authority to cause a Management Audit to be conducted at any time, and from time to time, provided, however, that the Authority shall not be required to cause such an audit to be conducted more than one time within any twelve (12) month period, and provided further that the Commonwealth acknowledges that the Authority's Operating Budget for such Fiscal Year in which the audit is conducted shall be increased by the cost of any such audit.

(b) The Management Audit shall be conducted by a business entity with material experience in the convention and tourism industry, as a convention center manager, operator, auditor and/or consultant. Such auditor may be selected by the Authority, at its sole discretion. Notwithstanding the same, the Commonwealth's consent shall be required if such auditor does not have such experience as outlined herein above. The Management Audit shall (i) indicate whether the Authority is complying with the requirements of this Operating Agreement governing the management and operation of the Convention Center, (ii) provide improvement or change recommendations in instances where the Authority is managing or operating in a manner that is inconsistent with acceptable or traditional industry or business practices, (iii) indicate whether the management and/or operation should be improved or changed in any respect, and (iv) indicate whether the physical plant of the Convention Center is being properly and efficiently maintained in accordance with the terms of this Operating Agreement, and whether any modifications should be made to the physical plant of the Convention Center. If the Management Audit indicates noncompliance with this Operating Agreement, the Management Audit shall specify all areas of noncompliance. If the Management Audit indicates the need for improvement or changes, such Management Audit shall detail all such recommendations.

6. CONTRACTING PROVISIONS.

(a) The Commonwealth shall be required to approve the following contracts of the Authority or portions of such contracts: (i) for each Fiscal Year all contracts or portions of contracts



which obligate the Authority during the applicable Fiscal Year to a payment in excess of 5% of the budgeted expenditures of the Authority for such year, (ii) any year of a multi-year contract which for any applicable Fiscal Year obligates the Authority to a payment in excess of 5% of the budgeted expenditures of the Authority, (iii) for each Fiscal Year all contracts or portions of contracts (but specifically excluding event licenses) which involve the receipt of revenues by the Authority of an amount during the applicable Fiscal Year in excess of 5% of the budgeted revenues of the Authority for such year, or (iv) all contracts with a term of more than three years (including the renewal of contracts which originally had a term of three years or less, whether due to a failure of a party or parties to terminate, or due to an affirmative act of a party or parties, but only as to the portion of such renewal which is the fourth or subsequent year of the total contract period) which obligates the Authority to a payment in excess of 5% of the budgeted revenues of the Authority for such year. The Authority shall provide to the Commonwealth each of the above-described contracts prior to its execution and delivery of the same, and the Commonwealth shall have thirty (30) days to review all such contracts. If the Commonwealth fails to provide notice of approval or disapproval as to such the contract(s) within the 30-day period, such contract or contract(s) shall be deemed approved. Further, and except as otherwise provided herein, the Commonwealth will receive ten (10) days prior written notice of all contracts which do not require the approval of the Commonwealth. The notice will include the essential terms of the contract and following execution of the contract by the Authority and the third party, the Commonwealth will be provided with a copy.

## 7. CITY SERVICE FEE AND HOTEL TAX.

(a) Notwithstanding the termination of the Lease and Service Agreement, the City's obligation to pay to the Authority the service fee pursuant to the Lease and Service Agreement shall continue through the end of the month in which the Defeasance Bonds are issued. For the Fiscal Year in which the Defeasance Bonds are issued, the City's obligation for operating losses and debt service expenditures (principal and interest payments for the Fiscal Year) shall be based on actual and accrued Authority Fiscal Year-to-date operating loss and debt service expenditures through the end of the month in which the Defeasance Bonds are issued. The City shall also pay to the Authority an amount equal to the number of months remaining in the Fiscal Year after the end of the month in which the Defeasance Bonds are issued divided by twelve multiplied by \$15,000,000.

(b) If the City has prepaid the service fee pursuant to the terms of the Lease and Service Agreement, then the City, Authority and Commonwealth shall agree upon a City payment reconciliation for the year that the Defeasance Bonds are issued. The reconciliation shall take into account the actual amount paid by the City for the Lease and Service Agreement service fee, the amount due by the City pursuant to Section 7(a) of this Operating Agreement and the amount due by the Commonwealth pursuant to Section 8(a) of this Operating Agreement. A preliminary reconciliation shall occur on the date of issuance of the Defeasance Bonds, based upon the unaudited financial results of the Authority through the date of issuance of the Defeasance Bonds and a final reconciliation shall occur based upon audited results no later than thirty (30) days after the issuance of the Authority's audited financial statements for the Fiscal Year in which the Defeasance Bonds were issued. Any amounts owed to or by the City as a result of the preliminary reconciliation or the final reconciliation shall be due and payable within forty-five (45) days of such reconciliation.

(c) Beginning in the Fiscal Year after the Fiscal Year in which the Defeasance Bonds are issued and through December 31, 2039 (the "**Service Fee Expiration Date**"), the City shall pay to the Authority an annual service fee ("**Service Fee**") equal to \$15,000,000. Such payment shall be made no later than July 15th of each Fiscal Year. The Service Fee shall be paid on the applicable due date, without notice, demand, counterclaim, offset or deduction, except as otherwise specifically set forth herein.

(d) The City, the Authority and the Commonwealth acknowledge and agree that the Service Fee shall be used for (i) the payment of debt service on the General Obligation Bonds, the Defeasance Bonds or other bonds issued in connection with the financing of the Convention Center Project, (ii) the payment of costs incurred in connection with the Convention Center Project, and/or (iii) the costs of operating the Convention Center. The process to undertake the application of such payments shall be determined by the City, the Authority and the Commonwealth.

(e) Notwithstanding the above, in order for the Convention Center to remain competitive with other major convention centers in attracting national and regional events, the Authority must maintain a certain level of operating expenses: (i) not less than 66% of the operating expenses that were incurred in Fiscal Year 2008-09, for the current Fiscal Year and up to and including the first full Fiscal Year in which the Expansion Project is in service; and (ii) thereafter, not less than 66% of the operating expenses that were incurred in the first full Fiscal Year in which the Expansion Project is in service. The City's obligation to pay the Service Fee hereunder shall be abated during such periods of time when the Commonwealth approves an Operating Budget with operating expenses that are less than the thresholds in the preceding sentence unless the City, in its sole discretion, determines not to abate the Service Fee during such Fiscal Year. Such event thresholds shall be adjusted for purposes of comparison in the case of a force majeure event or damage or destruction of all or a portion of the Convention Center.

(f) Notwithstanding the termination of the Lease and Service Agreement, the City remains obligated to pay to the Authority revenues from the Hotel Tax (as described therein, the "**Hotel Tax**") during the Term (hereinafter defined) of this Operating Agreement. The City has enacted a Hospitality Promotion Tax effective January 1, 2009 and agrees during the Term of this Operating Agreement to pay over to the Authority on a monthly basis an amount equal to eleven thirtieths (11/30) of such tax collected by the City (such portion being paid over to the Authority is hereinafter referred to as the "**Hospitality Promotion Tax**"). Further, the City acknowledges the agreement made as of December 14, 1989, by and between the PCVB and the Authority, which obligates the PCVB to pay to the Authority, on an annual basis, a certain percentage of proceeds of the Hotel Tax during the term thereof.

(g) The City acknowledges that under the Defeasance Bonds Indenture, it is anticipated that the Defeasance Bonds Issuer will be assigning, transferring, setting over and pledging unto the Defeasance Bonds Trustee and/or such other trustee all of the Defeasance Bonds Issuer's right, title and interest in and to the Hotel Tax revenues and the Hospitality Promotion Tax and/or the Service Fees in an amount sufficient to pay all or a portion of the debt service on the Defeasance Bonds in order to secure the payment of the Defeasance Bonds. In order to accomplish the foregoing, each of the parties hereto anticipate that the Defeasance Bonds Issuer, the Defeasance Bonds Trustee and/or such other trustee, the City and the Authority may be required to execute an intercept agreement, in form and substance reasonably acceptable to each of them, pursuant to which the City may be obligated to make such payments of Hotel Tax and Hospitality Promotion Tax revenues and/or Service Fees as pledged under the Defeasance Bonds Indenture directly to the Defeasance Bonds Trustee.

(h) The City is not required to provide any additional funding with respect to the Convention Center Project in addition to the City's obligations under Section 7(a), (b) and (c) herein and the City's Service Fee payments hereunder and any related agreements in connection therewith and is not required to make any additional appropriations (other than for the Hotel Tax and the Hospitality Promotion Tax as provided herein) for the financing, operation or management of the expanded Convention Center during the Term of this Operating Agreement.

8. COMMONWEALTH PAYMENTS TO AUTHORITY.

(a) For the Fiscal Year in which the Defeasance Bonds are issued, the Commonwealth shall make a one-time payment to the Authority, within forty-five (45) days after the Defeasance Bonds are issued, of a prorated portion (on a monthly basis) of the Authority's debt service-principal for such Fiscal Year equal to the amount of any debt service-principal already paid by the City in the Fiscal Year in which the Defeasance Bonds are issued multiplied by the number of months remaining in the Fiscal Year after the Defeasance Bonds are issued divided by twelve.

The Authority shall pay such amount to the City within (ten) 10 business days of receipt of payment from the Commonwealth.

(b) During the Term of this Operating Agreement, and subject to the provisions of Paragraph 12(b) hereunder, the Commonwealth shall pay to the Authority on July 15 of each Fiscal Year an annual amount equal to the sum of operating expenses, regularly scheduled debt service payments (not taking into account any federal subsidies available with respect to Build America Bonds), debt service reserve fund deposits, Reserve Fund contributions, if any, in each Fiscal Year *minus* an amount equal to the sum of operating revenues, the Service Fee (to the extent not then-currently abated under paragraph 7(e) hereof), any amounts on deposit in the Commonwealth Credit Subaccount under the Defeasance Bonds Indenture on December 31 of the preceding Fiscal Year, Hotel Tax revenues, Hospitality Promotion Tax revenues and non-operating income, such as interest earnings, in each such Fiscal Year, provided that such operating expenses, debt service payments and Reserve Fund contributions are not in excess of Commonwealth approved budget amounts. The amount to be paid by the Commonwealth in the Fiscal Year in which the Defeasance Bonds are issued shall be calculated pursuant to the preceding sentence for the remainder of the Fiscal Year after the issuance date of the Defeasance Bonds and paid as soon as practicable after such issuance (but in no event later than forty-five (45) days thereafter). The Commonwealth's obligations hereunder shall commence in the Fiscal Year of the Effective Date of this Agreement and shall continue in each Fiscal Year thereafter. If the Term of this Agreement commences or expires on a date other than the first or last day of a Fiscal Year, the Commonwealth's obligations hereunder shall be calculated accordingly for the remainder of such Fiscal Year for which this Operating Agreement is in effect

(c) Further, if in any Fiscal Year the Authority's operating deficit is greater than the Commonwealth-approved operating deficit (the difference between the Authority's operating deficit and the Commonwealth-approved operating deficit is herein defined as "**Additional Loss**"), the Commonwealth shall fund any such Additional Loss in the immediately subsequent Fiscal Year up to such maximum amount as permitted by Act 53 of 2007. Nothing contained in this paragraph 8(c) shall alter or amend any of the Authority's obligations under this Operating Agreement, including but not limited to, its obligations as set forth in paragraph 10 herein.

9. DEFAULTS.

(a) (i) if the City fails to pay the full amount of its monetary obligations when due hereunder; or (ii) if the City fails to perform any of its covenants, conditions or agreements hereunder within thirty (30) days after the Authority or the Commonwealth has given the City written notice requiring the same to be performed; or (iii) if the City shall be adjudicated a bankrupt, or shall make an assignment for the benefit of creditors or shall file a bill in equity or otherwise initiate proceedings for the appointment of a receiver of the City's assets, or shall file any proceeding in bankruptcy or for reorganization or an arrangement under any federal or state law; or (iv) if any proceeding in bankruptcy or for the appointment of a receiver shall be instituted by any creditor of the City under any state or federal law, and such proceeding has not been terminated within sixty (60) days after its institution, then

and in addition to any other rights or remedies the Authority or the Commonwealth may have under this Operating Agreement and at law and in equity, the Authority and the Commonwealth shall have the right to recover from the City all monies that are not paid when due plus any costs and expenses that will have accrued on such previously unpaid amounts.

(b) (i) if the Authority fails to pay the full amount of its monetary obligations when due hereunder; or (ii) if the Authority fails to perform any of its covenants, conditions or agreements hereunder within thirty (30) days after the Commonwealth or the City has given the Authority written notice requiring the same to be performed; or (iii) if the Authority shall be adjudicated a bankrupt, or shall make an assignment for the benefit of creditors or shall file a bill in equity or otherwise initiate proceedings for the appointment of a receiver of the Authority's assets, or shall file any proceeding in bankruptcy or for reorganization or an arrangement under any federal or state law; or (iv) if any proceeding in bankruptcy or for the appointment of a receiver shall be instituted by any creditor of the Authority under any state or federal law, and such proceeding has not been terminated within sixty (60) days after its institution, then and in addition to any other rights or remedies the City or the Commonwealth may have under this Operating Agreement and at law and in equity, the Commonwealth and the City shall have the right to recover from the Authority all monies that are not paid when due plus any costs and expenses that will have accrued on such previously unpaid amounts.

(c) (i) if the Commonwealth fails to pay the full amount of its monetary obligations when due hereunder; or (ii) if the Commonwealth fails to perform any of its covenants, conditions or agreements hereunder within thirty (30) days after the Authority or the City has given the Commonwealth written notice requiring the same to be performed; or (iii) if the Commonwealth shall be adjudicated a bankrupt, or shall make an assignment for the benefit of creditors or shall file a bill in equity or otherwise initiate proceedings for the appointment of a receiver of the Commonwealth's assets, or shall file any proceeding in bankruptcy or for reorganization or an arrangement under any federal or state law; or (iv) if any proceeding in bankruptcy or for the appointment of a receiver shall be instituted by any creditor of the Commonwealth under any state or federal law, and such proceeding has not been terminated within sixty (60) days after its institution, then and in addition to any other rights or remedies the Authority or the City may have under this Operating Agreement and at law and in equity, the Authority and the City shall have the right to recover from the Commonwealth all monies that are not paid when due plus any costs and expenses that will have accrued on such previously unpaid amounts.

(d) No right or remedy herein conferred upon or reserved to the Authority, the City or the Commonwealth hereunder is intended to be exclusive of any other right or remedy herein or by law or in equity provided, but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law, in equity or by statute.

(e) No waiver by the Authority, the City or the Commonwealth of any breach by the other of any of the Authority's, the City's or the Commonwealth's obligations, agreements or covenants herein shall be a waiver of any subsequent breach or of any obligation, agreement or covenant, nor shall any forbearance by the Authority, the City or the Commonwealth to seek a remedy for any breach by the other be a waiver by the Authority, the City or the Commonwealth of any rights and remedies with respect to such or any subsequent breach.

(f) Notwithstanding any provision of paragraph 9(a) hereof to the contrary, it shall be a defense to the failure of the Commonwealth to pay the Payments Subject to Appropriation (as hereinafter defined) when due hereunder if and to the extent that such failure occurs due to the Pennsylvania General Assembly having not appropriated sufficient money in the general fund of the Commonwealth for this purpose to enable the Commonwealth to pay such Payments Subject to Appropriation, provided that, the annual budget request of the Commonwealth submitted to the

Pennsylvania General Assembly for this purpose included sufficient funds to make such Payments Subject to Appropriation.

10. CORRECTIVE ACTION PLANS.

(a) The Authority shall undertake a corrective action plan (the "**Corrective Action Plan**") if one or more of the following events occur during the Term of this Operating Agreement:

(i) if a financial audit, conducted pursuant to the requirements of paragraph 4 of this Operating Agreement, results in one or more negative findings; or

(ii) if a Management Audit, conducted pursuant to the requirements of paragraph 5 of this Operating Agreement, results in one or more negative findings ("**Negative Management Audit Finding**"). For purposes hereof, a Negative Management Audit Finding is defined as a finding which (i) shows that the Authority is not operating in a manner consistent with acceptable or traditional industry or business practices, and (ii) such finding is material; or such finding indicates the Authority's noncompliance with the requirements of this Operating Agreement; or

(iii) if the Authority's monthly year-end forecast shows, or the Commonwealth makes a reasonable finding, that a "**Material Budget Variance**" exists. For purposes herein, a "**Material Budget Variance**" is an operating loss in excess of two (2%) of operating expenses. "**Operating expenses**" for purposes of this subparagraph 10 (a) (iii) is defined as total operating expenses less amount for Operating Reserve Fund contributions and Education and Training Program expenditures; or

(iv) if the Authority forecasts, or the Commonwealth reasonably finds, that Authority capital expenditures in a Fiscal Year will fall short of anticipated capital sources of funds.

(b) If a Corrective Action Plan is required to eliminate or resolve a negative finding, Negative Management Audit Finding or a Material Budget Variance, such Corrective Action Plan will incorporate a revised budget, eliminating the forecasted negative finding or Material Budget Variance, to which the Authority will be bound.

(c) Implementation of any Corrective Action Plan must begin no more than sixty (60) days after an Authority forecast, Commonwealth finding, negative finding, Negative Management Audit Finding or a Material Budget Variance (all as described in subparagraphs (i) - (iv)) occurs.

(d) Should any such Corrective Action Plan include the use of Operating Reserve Fund moneys in excess of two (2%) percent of operating expenses, the Authority must obtain the Commonwealth's approval of such component of the Corrective Action Plan. For purposes of this subsection (d), "operating expenses" is defined as set forth in subparagraph 10(a)(iii).

(e) Should the Authority fail to prepare or implement a Corrective Action Plan or if the Authority acknowledges that the implementation of any such Corrective Action Plan will fail to remedy the relevant deficiencies, the Commonwealth may assume management responsibilities of the Convention Center on a temporary short-term basis until such time as the relevant deficiency has been corrected or until the financial position of the Authority has stabilized. Such management responsibilities may be assumed on behalf of the Commonwealth by Commonwealth employees or by a third party.

(f) Notwithstanding the above, if either (x) the events described in subparagraphs (i) - (iv) above, or (y) the Authority's failure to remedy the relevant deficiency as described in subparagraph

(f) above is as a result of force majeure, then the Commonwealth shall not proceed with its remedies hereunder but will work with the Authority to develop a reasonably acceptable solution to be implemented within a reasonable period of time.

11. REPRESENTATIONS AND WARRANTIES.

(a) The Commonwealth represents, covenants and agrees that, as of the date of this Operating Agreement:

(i) it has the full right, power and authority to execute this Operating Agreement and to perform its obligations and duties hereunder; and

(ii) the Commonwealth's execution and delivery hereof and performance of its obligations hereunder have been duly authorized, are the legal, valid and binding obligations of the Commonwealth (enforceable in accordance with their terms) and do not conflict with or constitute a breach under any law, regulation, ruling, order or instrument by which the Commonwealth is bound or to which the Commonwealth or its properties are subject.

(b) The Authority represents, covenants and agrees that, as of the date of this Operating Agreement:

(i) it is a body corporate and politic organized and in good standing under the laws of the Commonwealth, with full power and authority to enter into this Operating Agreement and to perform its obligations hereunder; and

(ii) the Authority's execution and delivery hereof and performance of its obligation's hereunder have been duly authorized by all necessary corporate action and do not and will not conflict with or constitute a breach under the Authority's enabling legislation or bylaws, or under any bond and indenture, agreement, instrument, law, regulation, ruling, or consent decree by which the Authority is bound or to which the Authority or its properties are subject.

(c) The City represents, covenants and agrees that, as of the date of this Operating Agreement:

(i) it is a municipal corporation, a city of the first class and body corporate and politic organized and in good standing under the laws of the Commonwealth, with full power and authority to enter into this Operating Agreement and to perform its obligations hereunder; and

(ii) the City's execution and delivery hereof and performance of its obligation's hereunder have been duly authorized by all necessary corporate action and do not and will not conflict with or constitute a breach under the City's enabling legislation or bylaws, or under any bond, indenture, agreement, instrument, law, regulation, ruling, or consent decree by which the City is bound or to which the City or its properties are subject.

12. COVENANTS.

(a) During the Term of this Operating Agreement, each of the Authority and the City covenants and agrees to use its best efforts to comply with the provisions of its enabling legislation, including but not limited to, those provisions applicable to the use and operation of the Convention Center.

(b) Both the Authority and City acknowledge, covenant and agree that the payment obligations of the Commonwealth, as set forth in numbered paragraph 8, to the extent they exceed the limitations imposed by Act 53 of 2007 (such payments that exceed such limitations are defined herein as "Payments Subject to Appropriation"), are subject to annual appropriation by the Pennsylvania General Assembly. The Authority and the City further acknowledge that there can be no assurance that the Pennsylvania General Assembly will appropriate funds in any Fiscal Year of the Commonwealth in an amount required to satisfy the Commonwealth's obligations under paragraph 8, if such amounts exceed the limitations imposed by Act 53 of 2007.

(c) The Authority covenants and agrees to comply with the terms and conditions of the Convention Center Lease, including but not limited to, its obligations to maintain or cause to be maintained such insurance that it deems necessary and proper, in its reasonable business judgment, for the protection of the Convention Center, as more specifically set forth in the Convention Center Lease. The City, the Commonwealth and the Authority acknowledge that the Convention Center Lease provides that any insurance policies carried by the Authority and by the Authority's contractors with respect to the Convention Center and the Convention Center Project shall name the Commonwealth and the City as additional insureds and the Commonwealth and the City shall be provided with certificates of insurance evidencing the same.

(d) The Commonwealth covenants and agrees:

(i) to not limit or alter the Commonwealth's payment obligations under Act 53 of 2007 relative to the Convention Center Project;

(ii) to include in the annual budget request submitted by the Governor of the Commonwealth to the Pennsylvania General Assembly an amount for payment of the Payments Subject To Appropriation when due pursuant to the provisions of this Operating Agreement. If the amount for payment is insufficient to pay the Payments Subject To Appropriation in any Fiscal Year as the same becomes due and payable, the Commonwealth shall include amounts not so paid in the Commonwealth's annual budget request for the ensuing Fiscal Year to pay in the ensuing Fiscal Year such balance due for the preceding Fiscal Year in addition to the amount of Payments Subject to Appropriation due for the ensuing Fiscal Year; and

(iii) that its covenants contained herein are material terms of this Operating Agreement the breach of which constitutes a default, however, failure to pay when due Payments Subject to Appropriation which meet the defense for nonpayment described in Section 9(f) hereof shall not constitute a default hereunder.

(e) In the event the Commonwealth determines, based upon the advice of nationally recognized bond counsel, that continued compliance with the provisions of this Operating Agreement could adversely affect the tax-exempt status of the interest on any bonds issued by the Commonwealth, including the Defeasance Bonds, to finance costs related to the Convention Center, the parties agree to make such reasonable efforts, including amendment of the provisions of this Operating Agreement, to the extent necessary to preserve such tax-exempt status; provided, that such amendment will not have a material adverse impact or result in a substantial additional cost to the Authority.

(f) The Authority covenants and agrees to comply with the provisions of the Economic Opportunity Plan as set forth in *Exhibit F* attached hereto and made a part hereof, and when applicable shall include the relevant provisions in any contracts entered into under this Operating Agreement.

(g) The City agrees to make appropriations in each of the City's Fiscal Years to provide for payments due hereunder and to the extent not appropriated in one Fiscal Year to appropriate in the next Fiscal Year.

13. [RESERVED].

14. DESIGNATED REPRESENTATIVES AND NOTICE.

(a) The Commonwealth designates the following individual to be its designated representative for purposes of this Operating Agreement:

Secretary of the Office of the Budget  
Office of the Budget  
7th Floor, Verizon Tower  
303 Walnut Street  
Harrisburg, PA 17101-1 808

Copies of all notices, filings, consents or approvals required or permitted by this Operating Agreement shall be given to:

Chief Counsel  
Office of the Budget Legal Office  
7th Floor, Verizon Tower  
303 Walnut Street  
Harrisburg, PA 17101-1 808

(b) The Authority designates the following individuals to be its designated representatives for purposes of this Operating Agreement:

President  
Pennsylvania Convention Center Authority  
1201 Arch Street  
Philadelphia, PA

Chief Financial Officer  
Pennsylvania Convention Center Authority  
1201 Arch Street  
Philadelphia, PA

(c) The City designates the following individual to be its designated representative for purposes of this Operating Agreement:

Director of Finance  
City of Philadelphia  
13th Floor/Municipal Services Building  
1401 John F. Kennedy Blvd.  
Philadelphia, PA 19107



Copies of all notices, filings, consents or approvals required or permitted by this Operating Agreement shall be given to:

City Solicitor  
City of Philadelphia  
17th Floor/One Parkway Building  
1515 Arch Street  
Philadelphia, PA 19102

(d) Except as otherwise specifically provided in this Operating Agreement, any notices, filings, approvals or consents required or permitted by this Operating Agreement shall be in writing and shall be deemed given if (i) delivered to the designated representatives (and a receipt obtained from each designated representative to whom personal delivery has been made); or sent to the designated representatives via certified or registered mail, return receipt requested or (ii) sent to the designated representatives by nationally recognized overnight courier. Delivery shall be deemed to have occurred on the date such notice, information or consent (i) was delivered personally or deposited with the overnight courier, or (ii) on the date of receipt of notice sent by certified or registered mail, return receipt requested.

(e) A designated representative, or the address of a designated representative, may be replaced by the party replacing the designated representative by sending notice to the other parties of such replacement.

15. TERM; MISCELLANEOUS PROVISIONS.

(a) The term of this Operating Agreement (the "**Term**") shall commence (the "**Effective Date**" or the "**Effective Date of the Operating Agreement**") commensurate with the expiration of the term of the Convention Center Agreement. The Term of this Operating Agreement will expire (the "**Expiration Date**") on the Service Fee Expiration Date. Notwithstanding the Service Fee Expiration Date of this Operating Agreement, the City shall remain liable with respect to its financial obligations to make the Service Fee payments hereunder which remain unpaid through the Service Fee Expiration Date until the Defeasance Bonds are no longer outstanding. Further, and notwithstanding the Service Fee Expiration Date of this Operating Agreement, the City shall remain liable with respect to its financial obligations to pay its Hotel Tax and Hospitality Promotion Tax which were collected on or prior to the Service Fee Expiration Date until the Defeasance Bonds are no longer outstanding. In any event, the provisions with respect to abatement as set forth in paragraph 7(e) herein shall survive the Service Fee Expiration Date.

(b) Each of the City and the Authority (collectively, as the "**Contractor**") hereby accepts and agrees to be bound by the nondiscrimination/sexual harassment clause set forth in *Exhibit G* attached hereto, the contractor integrity provisions set forth in *Exhibit H* hereto, the contractor responsibility provisions set forth in *Exhibit I* hereto, and the Americans with Disabilities Act provisions set forth in *Exhibit J* hereto.

(c) To the extent the Authority is required to provide the Commonwealth with plans, reports, financial statements, contracts and other materials as described in this Operating Agreement and the City is not already in receipt of the same, the Authority shall simultaneously provide all such materials to the City.

(d) The Authority shall be bound in its performance under this Operating Agreement with the such provisions as set forth in *Exhibit K* hereto, and when applicable, shall include the relevant provisions in any contracts entered into under this Operating Agreement.

(e) In the event that either party desires an amendment to this Operating Agreement, the party seeking the amendment must present the proposed amendment in writing to the other party. If the other party accepts the proposal, the amendment will be signed by the parties and attached to this Operating Agreement, as a rider.

(f) The provisions of this Operating Agreement are severable, and if any of its provisions become or are found to be unlawful, it shall not be construed to impair any other provision of this Operating Agreement, nor shall it be construed to void the entire Operating Agreement.

(g) This Operating Agreement shall be construed according to the laws of the Commonwealth of Pennsylvania with respect to contracts made and to be performed in Pennsylvania, without regard to its conflicts of laws principles and rules.

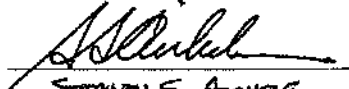
(h) Notwithstanding anything herein to the contrary, this Operating Agreement shall not cause the City to be obligated under both the Lease and Service Agreement and this Operating Agreement at the same time.

(i) Nothing in this Operating Agreement shall waive or be construed to waive the rights and immunities of the parties hereto under the Political Subdivision Tort Claims Act, 42 Pa. C.S.A. §8501 et seq., nor as a limitation on the rights or defenses available to the parties hereto under such act.

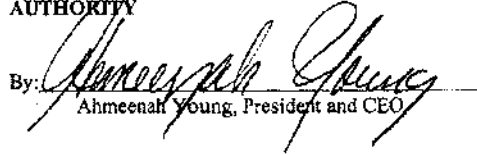
(j) This document contains the entire understanding between the parties with respect to the Convention Center during Phase III and thereafter.

IN WITNESS WHEREOF, the parties have caused this Operating Agreement to be executed by their duly authorized officers and their corporate seals to be hereunto affixed and duly attested, as of the day and year first above written.

ATTEST:

  
STEPHEN S. ARCHULE  
COUNSEL TO PCCA

PENNSYLVANIA CONVENTION CENTER  
AUTHORITY

By:   
Ahmeenah Young, President and CEO

CITY OF PHILADELPHIA, ACTING BY AND  
THROUGH ITS DEPARTMENT OF FINANCE

By: \_\_\_\_\_  
Rob Dubow, Director of Finance

Approved as to form  
Shelley R. Smith, City Solicitor

By: \_\_\_\_\_

ATTEST:

\_\_\_\_\_

COMMONWEALTH OF PENNSYLVANIA,  
ACTING THROUGH THE DEPARTMENT OF  
GENERAL SERVICES

By: \_\_\_\_\_  
Authorized Representative

ATTEST:

\_\_\_\_\_

COMMONWEALTH OF PENNSYLVANIA,  
ACTING THROUGH THE OFFICE OF BUDGET

By: \_\_\_\_\_  
Authorized Representative

Approved as to form and legality:

\_\_\_\_\_  
Chief Counsel, Office of the Budget

\_\_\_\_\_  
Office of General Counsel

\_\_\_\_\_  
Office of Attorney General

1146975.14 11/20/09

IN WITNESS WHEREOF, the parties have caused this Operating Agreement to be executed by their duly authorized officers and their corporate seals to be hereunto affixed and duly attested, as of the day and year first above written.

ATTEST:

**PENNSYLVANIA CONVENTION CENTER  
AUTHORITY**

\_\_\_\_\_

By: \_\_\_\_\_  
Ahmeenah Young, President and CEO

**CITY OF PHILADELPHIA, ACTING BY AND  
THROUGH ITS DEPARTMENT OF FINANCE**

By: \_\_\_\_\_  
Rob Dubow, Director of Finance

Approved as to form  
Shelley R. Smith, City Solicitor

By: \_\_\_\_\_  


ATTEST:

**COMMONWEALTH OF PENNSYLVANIA,  
ACTING THROUGH THE DEPARTMENT OF  
GENERAL SERVICES**

\_\_\_\_\_

By: \_\_\_\_\_  
Authorized Representative

ATTEST:

**COMMONWEALTH OF PENNSYLVANIA,  
ACTING THROUGH THE OFFICE OF BUDGET**

\_\_\_\_\_

By: \_\_\_\_\_  
Authorized Representative

Approved as to form and legality:

\_\_\_\_\_  
Chief Counsel, Office of the Budget

\_\_\_\_\_  
Office of General Counsel

\_\_\_\_\_  
Office of Attorney General

IN WITNESS WHEREOF, the parties have caused this Operating Agreement to be executed by their duly authorized officers and their corporate seals to be hereunto affixed and duly attested, as of the day and year first above written.

ATTEST:

**PENNSYLVANIA CONVENTION CENTER  
AUTHORITY**

\_\_\_\_\_

By: \_\_\_\_\_  
Ahmeenah Young, President and CEO

**CITY OF PHILADELPHIA, ACTING BY AND  
THROUGH ITS DEPARTMENT OF FINANCE**

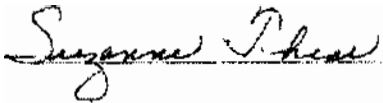
Approved as to form  
Shelley R. Smith, City Solicitor

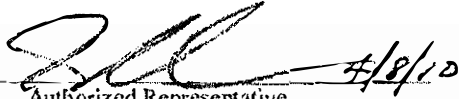
By: \_\_\_\_\_  
Rob Dubow, Director of Finance

By: \_\_\_\_\_

ATTEST:

**COMMONWEALTH OF PENNSYLVANIA,  
ACTING THROUGH THE DEPARTMENT OF  
GENERAL SERVICES**

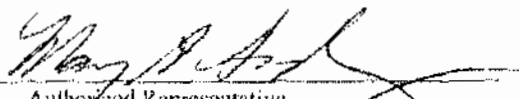


By:  4/8/10  
Authorized Representative  
**James P. Creedon, Secretary of General Services**

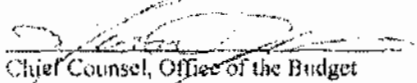
ATTEST:

**COMMONWEALTH OF PENNSYLVANIA,  
ACTING THROUGH THE OFFICE OF BUDGET**

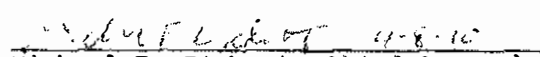
\_\_\_\_\_

By:   
Authorized Representative  
**Mary A. Soderberg, Secretary of the Budget**

Approved as to form and legality:

  
Chief Counsel, Office of the Budget

Approved as to form and legality:

 4-8-10  
Michael F. Eichert, Chief Counsel  
Department of General Services

Office of General Counsel

Office of Attorney General

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## Exhibit A Re-investment Plan

	Beg Bal	Upfront Contrib	Estimated PCCA Borrowing Proceeds	Estimated PA Contrib for Debt Service (1)	PA Contrib for "Pay-As-You-Go"	Estimated PCCA Drawdown for DS	Estimated PCCA Drawdown for Capital	Estimated Interest Earnings	End Bal
FY2010	\$0	\$5,000	\$6,000	\$721	\$1,800	(\$721)	(\$9,883)	\$124	\$3,041
FY2011	\$3,041	\$0	\$0	\$721	\$1,800	(\$721)	(\$4,214)	\$27	\$654
FY2012	\$654	\$0	\$0	\$721	\$1,800	(\$721)	(\$53)	\$102	\$2,502
FY2013	\$2,502	\$0	\$0	\$721	\$1,800	(\$721)	(\$570)	\$159	\$3,891
FY2014	\$3,891	\$0	\$48,000	\$4,823	\$1,800	(\$4,823)	(\$33,580)	\$855	\$20,966
FY2015	\$20,966	\$0	\$0	\$4,823	\$1,800	(\$4,823)	(\$13,564)	\$391	\$9,594
FY2016	\$9,594	\$0	\$0	\$4,823	\$1,800	(\$4,823)	(\$1,054)	\$439	\$10,779
FY2017	\$10,779	\$0	\$0	\$4,823	\$1,800	(\$4,823)	(\$249)	\$524	\$12,854
FY2018	\$12,854	\$0	\$0	\$4,823	\$1,800	(\$4,823)	(\$5,222)	\$401	\$9,833
FY2019	\$9,833	\$0	\$0	\$4,823	\$2,775	(\$4,823)	(\$8,291)	\$184	\$4,501
FY2020	\$4,501	\$0	\$0	\$4,102	\$2,775	(\$4,102)	(\$167)	\$302	\$7,411
FY2021	\$7,411	\$0	\$0	\$4,102	\$2,775	(\$4,102)	(\$9,600)	\$25	\$611
FY2022	\$611	\$0	\$0	\$4,102	\$2,775	(\$4,102)	(\$572)	\$120	\$2,934
FY2023	\$2,934	\$0	\$0	\$4,102	\$2,775	(\$4,102)	(\$2,390)	\$141	\$3,460
FY2024	\$3,460	\$0	\$98,000	\$10,494	\$2,775	(\$10,494)	(\$79,398)	\$1,056	\$25,893
FY2025	\$25,893	\$0	\$0	\$10,494	\$2,775	(\$10,494)	(\$22,081)	\$280	\$6,867
FY2026	\$6,867	\$0	\$10,000	\$11,262	\$2,775	(\$11,262)	(\$14,855)	\$203	\$4,990
FY2027	\$4,990	\$0	\$0	\$11,262	\$2,775	(\$11,262)	(\$8,544)	\$0	(\$780)
FY2028	(\$780)	\$0	\$7,500	\$12,164	\$2,775	(\$12,164)	(\$6,458)	\$129	\$3,166
FY2029	\$3,166	\$0	\$0	\$12,164	\$2,775	(\$12,164)	(\$1,324)	\$196	\$4,814
FY2030	\$4,814	\$0	\$0	\$12,164	\$2,775	(\$12,164)	(\$804)	\$288	\$7,073
FY2031	\$7,073	TBD	TBD	TBD	TBD	TBD	TBD	TBD	\$7,073
FY2032	\$7,073	TBD	TBD	TBD	TBD	TBD	TBD	TBD	\$7,073
FY2033	\$7,073	TBD	TBD	TBD	TBD	TBD	TBD	TBD	\$7,073

(1) Commonwealth payments for debt service related to capital reinvestment will only be made to the extent that the Authority has outstanding debt associated with renewal and replacement and/or FF&E expenditures. Such outstanding debt shall not include PEDFA Revenue Bonds or Commonwealth general obligation bonds for the expansion project.

(2) Though the FY2031 through FY2033 lines do not show specific values for the PCCA's borrowing needs and the Commonwealth's payment for debt service associated with capital reinvestment, it is the Commonwealth's intention to provide such a payment. The specific value of that payment will be determined at a later date when the PCCA's borrowing needs for those years are finalized.

**Exhibit B**

**Form of Capital and Operating Budgets**  
**Form of Operating Budget Five-Year Forecast**  
**Form of Capital Budget Five-Year Forecast/Form of Monthly Statements**  
**Form of Sales/Booking Reports**



## Exhibit B-1 Form of Capital Budget

**Sources of Funds**

PCCA Bond/Loan Proceeds for Capital Reinvestment  
 Commonwealth Contribution for Capital Reinvestment  
 Commonwealth Expansion Project Payments  
 Capital Reserve Fund Interest  
 Construction Fund Interest  
 Other Sources

**Total Sources of Funds**

\_\_\_\_\_

=====

**Uses of Funds**

**Renewal and Replacement Summary-Existing & Expansion**

Heating, Ventilating & Air Conditioning System  
 Plumbing System  
 Electrical System  
 Fire Protection System  
 Elevators & Escalators  
 Security System  
 First Aid  
 Structure  
 Carpeting  
 Technology - Network Equipment  
 Professional Fees  
 Other

**Total Renewal & Replacement**

\_\_\_\_\_

**FFE Summary - Existing and Expansion**

Exhibit Halls  
 Meetings/Ballrooms  
 Circulation  
 Administration  
 Building Support & Services  
 Food Service  
 Gift Shop/Biz Center  
 Other

**Total FFE**

\_\_\_\_\_

**Expansion Construction Project**

Construction Project Costs  
 Change Order Contingency  
 Architects Fee – Bid & Award Phase  
 Architects Fee – Construction Administration Phase  
 PCCA Project Staff Salaries & Expenses  
 CM Fee – Bid & Award Phase  
 CM Fee - Construction Administration Phase  
 Offsite Mitigation Costs  
 Historic Exhibit  
 OCIP Premiums & Administration  
 FF&E  
 Fine Arts  
 Construction Testing  
 Owners Cost (inc Legal)

**Total Expansion Construction Project**

\_\_\_\_\_

**Total Uses of Funds**

\_\_\_\_\_

=====

**Net Capital Surplus (Deficit)**

\_\_\_\_\_

=====

**Capital Reserve Fund**

Beginning Year Balance  
 Bonds/Loan Proceeds  
 Commonwealth Contribution for Debt Service  
 Commonwealth Contribution for "Pay-As-You-Go"  
 Other Income  
 Interest Earnings  
 Drawdown for Debt Service  
 Drawdown for R&R and FFE  
 Other Drawdowns  
**Ending Year balance**

\_\_\_\_\_

=====

## Exhibit B-2 Form of Operating Budget

License Fees (Rent)	
Net Food & Beverage	
Audio Visual	
Telecommunications and Net Internet	
Utilities	
Equipment Rental	
Pouring Rights	
Retail Leases	
Other	
<b>Total Revenues</b>	
Personnel Services	
Employee Benefits	
Purchase of Services	
Material & Supplies	
Equipment	
Bad Debt	
<b>Total Expenses</b>	
<b>Operating Deficit</b>	
Interest Income (1)	
Hotel Tax Revenue for Education & Training Program	
Operating Reserve Funds used for Operating Budget (Education & Training Program Expense)	
<b>Total Non-Operating Revenue, Net</b>	
<b>Net Operating Deficit</b>	
<b>Operating Reserve Fund</b>	
Beginning Year Balance	
Fiscal Year Requirement	
Required Commonwealth Contribution	
Beginning Balance	
Commonwealth Contribution	
Repayments for Cashflow Borrowing	
Interest Income	
Other Income	
<b>Total Income</b>	
Drawdowns for Cashflow Purposes	
Drawdowns for Budget Deficit	
Drawdowns for Special Marketing	
Other Drawdowns	
<b>Total Expenditures</b>	
Ending Balance	
<b>Budgeted Commonwealth Payment</b>	
Net Operating Deficit	
Operating Reserve Contribution	
Less: PCCA Hotel Tax Revenues Excluding portion for Educ & Training	
<b>Net Commonwealth Payment for Operations</b>	
Capital Reserve Contribution	
Net Debt Service after Interest Earnings	
Less: City Service Fee	
<b>Net Commonwealth Payment for Outstanding Debt and Capital Investment</b>	
<b>Commonwealth Payment to PCCA</b>	

(1) Interest Income from all funds other than Operating Reserve, Capital Reserve, Construction Fund and Debt Service Res

Exhibit B-3  
Form of Operating Budget Five-Year Forecast

	Year 1 Budget	Year 2 Forecast	Year 3 Forecast	Year 4 Forecast	Year 5 Forecast
License Fees (Rent)					
Net Food & Beverage					
Audio Visual					
Telecommunications and Net Internet					
Utilities					
Equipment Rental					
Pouring Rights					
Retail Leases					
Other					
<b>Total Revenues</b>					
Personnel Services					
Employee Benefits					
Purchase of Services					
Material & Supplies					
Equipment					
Bad Debt					
<b>Total Expenses</b>					
<b>Operating Deficit</b>					
Interest Income (1)					
Hotel Tax Revenue for Education & Training Program					
Operating Reserve Funds used for Operating Budget (Education & Training Program Expense)					
<b>Total Non-Operating Revenue, Net</b>					
<b>Net Operating Deficit</b>					
<b>Operating Reserve Fund</b>					
Beginning Year Balance					
Fiscal Year Requirement					
Required Commonwealth Contribution					
Beginning Balance					
Commonwealth Contribution					
Repayments for Cashflow Borrowing					
Interest Income					
Other Income					
<b>Total Income</b>					
Drawdowns for Cashflow Purposes					
Drawdowns for Budget Deficit					
Drawdowns for Special Marketing					
Other Drawdowns					
<b>Total Expenditures</b>					
Ending Balance					
<b>Budgeted Commonwealth Payment</b>					
Net Operating Deficit					
Operating Reserve Contribution					
Less: PCCA Hotel Tax Revenues Excluding portion for Educ & Training					
<b>Net Commonwealth Payment for Operations</b>					
Capital Reserve Contribution					
Net Debt Service after Interest Earnings					
Less: City Service Fee					
<b>Net Commonwealth Payment for Outstanding Debt and Capital Investment</b>					
<b>Commonwealth Payment to PCCA</b>					

(1) Interest Income from all funds other than Operating Reserve, Capital Reserve, Construction Fund and Debt Service Reserve Fund.

Exhibit B-4  
Form of Capital Budget Five Year Forecast

	Year 1 Budget	Year 2 Forecast	Year 3 Forecast	Year 4 Forecast	Year 5 Forecast
<b>Sources of Funds</b>					
PCCA Bond/Loan Proceeds for Capital Reinvestment					
Commonwealth Contribution for Capital Reinvestment					
Commonwealth Expansion Project Payments					
Capital Reserve Fund Interest					
Construction Fund Interest					
Other Sources					
<b>Total Sources of Funds</b>					
<b>Uses of Funds</b>					
<b>Renewal and Replacement Summary-Existing &amp; Expansion</b>					
Heating, Ventilating & Air Conditioning System					
Plumbing System					
Electrical System					
Fire Protection System					
Elevators & Escalators					
Security System					
First Aid					
Structure					
Carpeting					
Technology - Network Equipment					
Professional Fees					
Other					
<b>Total Renewal &amp; Replacement</b>					
<b>FFE Summary - Existing and Expansion</b>					
Exhibit Halls					
Meetings/Ballrooms					
Circulation					
Administration					
Building Support & Services					
Food Service					
Gift Shop/Biz Center					
Other					
<b>Total FFE</b>					
<b>Expansion Construction Project</b>					
Construction Project Costs					
Change Order Contingency					
Architects Fee -- Bid & Award Phase					
Architects Fee -- Construction Administration Phase					
PCCA Project Staff Salaries & Expenses					
CM Fee -- Bid & Award Phase					
CM Fee - Construction Administration Phase					
Office Mitigation Costs					
Historic Exhibit					
OCIP Premiums & Administration					
FF&E					
Fine Arts					
Construction Testing					
Owners Cost (inc Legal)					
<b>Total Expansion Construction Project</b>					
<b>Total Uses of Funds</b>					
<b>Net Capital Surplus (Deficit)</b>					
<b>Capital Reserve Fund</b>					
Beginning Year Balance					
Bonds/Loan Proceeds					
Commonwealth Contribution for Debt Service					
Commonwealth Contribution for "Pay-As-You-Go"					
Other Income					
Interest Earnings					
Drawdown for Debt Service					
Drawdown for R&R and FFE					
Other Drawdowns					
<b>Ending Year balance</b>					

## Exhibit B-5 Form of Monthly Operating Statements

<i>Month</i>				<i>Year to Date</i>				
<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Last Year</i>	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Last Year</i>	<i>Budget Remaining</i>
<b><i>Income</i></b>								
License Fees								
Food and Beverage								
Audio Visual								
Pouring Rights								
Retail Leases								
Telecommunications								
Utilities								
Equipment Rental								
Internet Services, Net								
Other								
<b><i>Total Operating Income</i></b>								
<b><i>Expenses</i></b>								
Salaries								
Employee Benefits								
<b><i>Purchased Services</i></b>								
Advertising & Promotion/Marketing								
Building Insurance								
Car Insurance								
Director's Fees								
Directors'/Tenant Insurance								
Dues and Memberships								
License, Permits and Inspections								
Travel								
Tables & Event Sponsorships								
Meals & Entertainment (Non-Travel)								
Meals (Travel)								
Newspapers and Magazines								
Other Purchased Services								
Postage, Delivery, etc.								
Professional Services								
Expenses Related to Labor								
Expenses Related to Expansion								
Construction-Event related								
Rent-Furniture and Equipment								
Repairs and Maintenance								
Seminar and Training Fees								
Service Charges								
Telephone								
Transportation								
Utilities								
<b><i>Building Services</i></b>								
Contract Maintenance Labor								
Exterminating								
Housekeeping								
Landscaping								
Locksmith								
Maintenance								
Security								
Snow Removal								
Production								
Uniform and Laundry								
Window Cleaning								
Waste Removal								
Headhouse								
Chiller Replacement								
<b><i>Total Purchased Services</i></b>								



Exhibit B-6  
Form of Monthly Capital Statements

<i>Month</i>			<i>Year to Date</i>			<i>Budget Remaining</i>
<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Budget Remaining</i>
<b>Sources of Funds</b>						
PCCA Bond/Loan Proceeds for Capital Reinvestment						
Commonwealth Contribution for Capital Reinvestment						
Commonwealth Expansion Project Payments						
Capital Reserve Fund Interest						
Construction Fund Interest						
Other Sources						
			<b>Total Sources of Funds</b>			
<b>Uses of Funds</b>						
<b>Renewal and Replacement Summary-Existing &amp; Expansion</b>						
Heating, Ventilating & Air Conditioning System						
Plumbing System						
Electrical System						
Fire Protection System						
Elevators & Escalators						
Security System						
First Aid						
Structure						
Carpeting						
Technology - Network Equipment						
Professional Fees						
Other						
			<b>Total Renewal &amp; Replacement</b>			
<b>FFE Summary - Existing and Expansion</b>						
Exhibit Halls						
Meetings/Balrooms						
Circulation						
Administration						
Building Support & Services						
Food Service						
Gift Shop/Biz Center						
Other						
			<b>Total FFE</b>			
<b>Expansion Construction Project</b>						
Construction Project Costs						
Change Order Contingency						
Architects Fee - Bid & Award Phase						
Architects Fee - Construction Administration Phase						
PCCA Project Staff Salaries & Expenses						
CM Fee - Bid & Award Phase						
CM Fee - Construction Administration Phase						
Offsite Mitigation Costs						
Historic Exhibit						
OCIP Premiums & Administration						
FF&E						
Fine Arts						
Construction Testing						
Owners Cost (inc Legal)						
			<b>Total Expansion Construction Project</b>			
			<b>Total Uses of Funds</b>			
			<b>Net Capital Surplus (Deficit)</b>			





Exhibit B-7  
Form of Monthly Operating Forecasts

	FY2009 YTD Actual	Forecast for Remaining FY	Forecasted YTD Total	FY2009 Budget	Variance	Last Year Actual
License Fees (Rent)						
Net Food & Beverage						
Audio Visual						
Telecommunications and Net Internet						
Utilities						
Equipment Rental						
Pouring Rights						
Retail Leases						
Other						
<b>Total Revenues</b>						
Personnel Services						
Employee Benefits						
Purchase of Services						
Material & Supplies						
Equipment						
Bad Debt						
<b>Total Expenses</b>						
<b>Operating Deficit</b>						
Interest Income (1)						
Hotel Tax Revenue for Education & Training Program						
Operating Reserve Funds used for Operating Budget (Education & Training Program Expense)						
<b>Total Non-Operating Revenue, Net</b>						
<b>Net Operating Deficit</b>						
<b>Operating Reserve Fund</b>						
Beginning Year Balance						
Fiscal Year Requirement						
Required Commonwealth Contribution						
Beginning Balance						
Commonwealth Contribution						
Repayments for Cashflow Borrowing						
Interest Income						
Other Income						
<b>Total Income</b>						
Drawdowns for Cashflow Purposes						
Drawdowns for Budget Deficit						
Drawdowns for Special Marketing						
Other Drawdowns						
<b>Total Expenditures</b>						
Ending Balance						
<b>Budgeted Commonwealth Payment</b>						
Net Operating Deficit						
Operating Reserve Contribution						
Less: PCCA Hotel Tax Revenues Excluding portion for Educ & Training						
<b>Net Commonwealth Payment for Operations</b>						
Capital Reserve Contribution						
Net Debt Service after Interest Earnings						
Less: City Service Fee						
<b>Net Commonwealth Payment for Outstanding Debt and Capital Investment</b>						
<b>Commonwealth Payment to PCCA</b>						

(1) Interest Income from all funds other than Operating Reserve, Capital Reserve, Construction Fund and Debt Service Reserve Fund

Exhibit B-8  
Form of Monthly Capital Statements

	FY2009 YTD Actual	Forecast for Remaining FY	Forecasted YTD Total	FY2009 Budget	Variance
<b>Sources of Funds</b>					
PCCA Bond/Loan Proceeds for Capital Reinvestment					
Commonwealth Contribution for Capital Reinvestment					
Commonwealth Expansion Project Payments					
Capital Reserve Fund Interest					
Construction Fund Interest					
Other Sources					
<b>Total Sources of Funds</b>					
<b>Uses of Funds</b>					
<b>Renewal and Replacement Summary-Existing &amp; Expansion</b>					
Heating, Ventilating & Air Conditioning System					
Plumbing System					
Electrical System					
Fire Protection System					
Elevators & Escalators					
Security System					
First Aid					
Structure					
Carpeting					
Technology - Network Equipment					
Professional Fees					
Other					
<b>Total Renewal &amp; Replacement</b>					
<b>FFE Summary - Existing and Expansion</b>					
Exhibit Halls					
Meetings/Ballrooms					
Circulation					
Administration					
Building Support & Services					
Food Service					
Gift Shop/Biz Center					
Other					
<b>Total FFE</b>					
<b>Expansion Construction Project</b>					
Construction Project Costs					
Change Order Contingency					
Architects Fee - Bid & Award Phase					
Architects Fee - Construction Administration Phase					
PCCA Project Staff Salaries & Expenses					
CM Fee - Bid & Award Phase					
CM Fee - Construction Administration Phase					
Offsite Mitigation Costs					
Historic Exhibit					
OCIP Premiums & Administration					
FF&E					
Fine Arts					
Construction Testing					
Owners Cost (inc Legal)					
<b>Total Expansion Construction Project</b>					
<b>Total Uses of Funds</b>					
<b>Net Capital Surplus (Deficit)</b>					
<b>Corrective Action Plan Required? (Yes or No)</b>					
<b>Capital Reserve Fund</b>					
Beginning Year Balance					
Bonds Loan Proceeds					
Commonwealth Contribution for Debt Service					
Commonwealth Contribution for "Pay-As-You-Go"					
Other Income					
Interest Earnings					
Drawdown for Debt Service					
Drawdown for R&R and FFE					
Other Drawdowns					
Ending Year balance					

Exhibit B-9  
Form of Monthly Cash Flow Statement

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	Total
<b>Operating</b>													
Beginning Cash Balance													
Cash Receipts from Operations													
Hotel Tax Receipts													
Commonwealth Payment for Operations													
Total Operating Cash Inflows	<hr/>												
Operating Expenditures													
Education & Training Expenditures													
Total Operating Cash Outflows	<hr/>												
Non-Operating Revenue													
Interest Income													
Budget Deficit Funding (Operating Res.)													
Total Non-Operating Cash Inflows	<hr/>												
Ending Cash Balance	<hr/> <hr/>												
<b>Capital</b>													
Beginning Cash Balance													
PCCA Bond/Loan Proceeds for Capital Reinvestment													
Commonwealth Contribution for Capital Reinvestment													
Commonwealth Expansion Project Payments													
Other Sources													
Total Capital Cash Inflows	<hr/>												
Capital Expenditures													
Renewal & Replacement Expenditures													
FF&E Expenditures													
Construction Expenditures													
Total Capital Cash Outflows	<hr/>												
Non-Operating Revenues													
Capital Reserve Fund Interest													
Construction Fund Interest													
Total Non-Operating Cash Inflows	<hr/>												
Ending Cash Balance	<hr/> <hr/>												
Combined Ending Cash Balances	<hr/>												

Exhibit B-10  
Form of Monthly Event Results

	<u>Actual</u>		<u>Total</u>	<u>Estimated</u>	<u>PCVB Booked</u>
	<u># Events</u>	<u>Space Revenue</u>	<u>Total Revenue</u>	<u>Attendance (1)</u>	<u>Room Nights</u>
Conventions w/Trade Shows					
Trade Shows					
Meetings					
Conferences					
Seminar					
Banquet					
Public Show					
Other Events (Graduation)					
Other Events - Canceled					
Total					

- 1) Attendance numbers are estimated and can not be confirmed for accuracy.
- 2) This Exhibit to be submitted no later than 30 days after the end of the month
- 3) On an annual basis, if a Material Budget Variance exists, PCCA will provide all relevant factors that make up the variance.

## Exhibit B-11 Form of Annual Event Financial Results

	# Events	Space Revenue	Other Revenue	Direct Expenses (2)	Rev Less Dir Exp	Allocated Overhead (3)	Exhibit Space	Estimated Attendance (1)	Estimated Delegate Spending	Estimated Economic Impact	PCVB Booked HotelRoom Nights	PA Sales Tax	Hotel Occupancy Tax
Conventions w/Trade Shows													
Meellngs													
Conferences													
Seminar													
Banquet													
Public Show													
Trade Show													
Other Event													
<b>Total</b>													

	Event ID	Space Revenue	Other Revenue	Direct Expenses (2)	Rev Less Dir Exp	Allocated Overhead (3)	Exhibit Space	Estimated Attendance (1)	Estimated Delegate Spending	Estimated Economic Impact	PCVB Booked HotelRoom Nights	PA Sales Tax	Hotel Occupancy Tax
<b>Conv w/Tradeshow - Detail</b>													
CWTS 1													
CWTS 2													
CWTS3													
<b>Total CWTS</b>													
<b>Meetings - Detail</b>													
Meeting 1													
Meeting 2													
Meeting 3													
Meeting 4													
<b>Total Meetings</b>													
<b>Conferences - Detail</b>													
Conf1													
Conf2													
<b>Total Conf</b>													
<b>Seminars - Detail</b>													
Seminar 0													
<b>Total Seminars</b>													
<b>Banquets - Detail</b>													
Banquet 1													
<b>Total Banquets</b>													
<b>Public Shows - Detail</b>													
Public Show 1													
Public Show 2													
Public Show 3													
Public Show 4													
Public Show 5													
Public Show 6													
<b>Total Public Shows</b>													
<b>Trade Shows-Detail</b>													
Trade Show1													
<b>Total Trade Shows</b>													
<b>Other Events</b>													
Cancelled Event													
Retail Leases 1													
Gift Shop 1													
Miscellaneous Others													
<b>Total Other Event</b>													

## Exhibit B-12 Form of Annual Event Revenues

		EVENT START	EVENT END	ATTEND	TOTAL RMS	PEAK RMS	Forecasted Rental \$	Actual Rental \$
PCVB DEFINITE								
	TOTAL Definite							
PCVB TENTATIVE (anticipate definite)								
	TOTAL Tentative							
PCVB Additional Future Bookings								
	TOTAL Additional Future Bookings							
<b>Total PCVB Bookings</b>								
<b>PCCASHORT TERM ANTICIPATED BOOKINGS</b>								
Public Show								
	Total Public Show							
Trade Show								
	Total Trade Show							
Large Association								
	Total Large Association							
Medium Association								
	Total Medium Association							
Small Association								
	Total Small Association							
Large Corporate								
	Total Large Association							
Small Corporate								
	Total Small Corporate							
Large Civic								
	Total Large Civic							
Small Civic								
	Total Small Civic							
Large Meeting								
	Total Large Meeting							
Large SMERF								
	Total Large SMERF							
Small SMERF								
	Total Small SMERF							
Small Trade Show								
	Total Small Trade Show							
Cancelled Events								
<b>Total PCCA Short Term Bookings</b>								
<b>Total FY2009 BOOKINGS</b>								

1) This exhibit to be submitted no later than 60 days after the end of the fiscal year.

Exhibit B-13  
Form of Sales/Booking Reports

Event ID	Start Date	End Date	Rank	Status	Estimated Attendance	Peak Room Nights	Total Room Nights	Class	Space Fees	Total Fees
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**Exhibit C-1  
Capital Budget**

**FY2009-2010  
Budget**

**Sources of Funds**

PCCA Bond/Loan Proceeds for Capital Reinvestment	6,000,000
Commonwealth Contribution for Capital Reinvestment	2,521,000
Commonwealth Expansion Project Payments	269,450,672
Capital Reserve Fund Interest	124,000
Construction Fund Interest	0
Other Sources	0
<b>Total Sources of Funds</b>	278,095,672

**Uses of Funds**

**Renewal and Replacement Summary-Existing & Expansion**

Heating, Ventilating & Air Conditioning System	0
Plumbing System	0
Electrical System	0
Fire Protection System	0
Elevators & Escalators	0
Security System	577,000
First Aid	5,000
Structure	0
Carpeting	2,100,000
Technology - Network Equipment	1,012,000
Professional Fees	0
Other	0
<b>Total Renewal &amp; Replacement</b>	3,694,000

**FFE Summary - Existing and Expansion**

Exhibit Halls	207,100
Meetings/Ballrooms	1,401,650
Circulation	504,700
Administration	628,200
Building Support & Services	3,136,010
Food Service	311,200
Gift Shop/Biz Center	0
Other	0
<b>Total FFE</b>	6,188,860



**FY2009-2010  
Budget**

<b>Expansion Construction Project</b>	
Construction Project Costs	244,299,021
Change Order Contingency	9,725,751
Architects Fee – Bid & Award Phase	0
Architects Fee – Construction Administration Phase	1,380,000
PCCA Project Staff Salaries & Expenses	996,000
CM Fee – Bid & Award Phase	0
CM Fee - Construction Administration Phase	3,384,000
Offsite Mitigation Costs	1,000,000
Historic Exhibit	0
OCIP Premiums & Administration	885,000
FF&E	4,280,500
Fine Arts	0
Construction Testing	246,000
Owners Cost (inc Legal)	3,254,400
<b>Total Expansion Construction Project</b>	269,450,672
 <b>Total Uses of Funds</b>	 279,333,532
 <b>Net Capital Surplus (Deficit)</b>	 (1,237,860)

<b>Capital Reserve Fund</b>	
Beginning Year Balance	5,000,000
Bonds/Loan Proceeds	6,000,000
Commonwealth Contribution for Debt Service	721,000
Commonwealth Contribution for "Pay-As-You-Go"	1,800,000
Other Income	0
Interest Earnings	124,000
Drawdown for Debt Service	(721,000)
Drawdown for R&R and FFE	(9,882,860)
Other Drawdowns	0
<b>Ending Year balance</b>	3,041,140

Exhibit C-2  
Operating Budgets

	FY2009-10	FY2010-11	FY2011-12
License Fees (Rent)	\$3,884,857	\$4,500,000	\$5,125,000
Net Food & Beverage	\$2,922,553	\$2,915,000	\$3,980,000
Audio Visual	\$400,953	\$450,000	\$500,000
Telecommunications and Net Internet Services	\$1,115,850	\$908,000	\$1,115,000
Utilities	\$435,695	\$473,889	\$574,373
Equipment Rentals	\$91,105	\$115,000	\$125,000
Pouring Rights	\$75,000	\$75,000	\$75,000
Retail Leases	\$166,915	\$100,000	\$100,000
Other Revenues	\$195,172	\$217,000	\$240,000
<b>Total Operating Revenues</b>	<b>\$9,288,100</b>	<b>\$9,753,889</b>	<b>\$11,834,373</b>
Salaries & Wages	\$5,236,636	\$5,550,000	\$5,819,500
Employee Benefits	\$2,156,437	\$2,331,000	\$2,544,190
Advertising and Promotion/Marketing	\$485,316	\$518,966	\$478,053
Building Insurance	\$843,737	\$1,047,965	\$1,374,735
Car Insurance	\$2,316	\$2,375	\$2,444
Directors Fees	\$26,962	\$27,650	\$28,354
Directors/Tenant Insurance	\$69,377	\$71,146	\$73,197
Dues and Memberships	\$43,729	\$44,844	\$46,224
License, Permits and Inspections	\$45,641	\$60,622	\$99,907
Travel	\$67,235	\$68,949	\$71,417
Tables and Event Services	\$51,962	\$53,287	\$54,646
Meals and Entertainment (Non-Travel)	\$28,816	\$29,551	\$30,895
Newspapers and Magazines	\$5,707	\$5,853	\$6,025
Other Purchased Services	\$296,348	\$426,864	\$437,749
Postage, Delivery	\$29,109	\$29,851	\$30,968
Professional Services	\$1,336,675	\$1,268,528	\$1,214,407
Expenses Related to Labor	\$232,958	\$238,898	\$251,494
Rent - Furniture and Equipment	\$89,308	\$91,585	\$94,276
Repairs and Maintenance	\$611,754	\$647,580	\$790,000
Seminar and Training Fees	\$35,975	\$36,892	\$38,543
Service Charges	\$7,711	\$7,908	\$8,109
Telephone	\$100,696	\$103,264	\$105,897
Transportation	\$7,963	\$8,166	\$8,375
Utilities	\$3,283,926	\$3,959,994	\$5,882,859

	FY2009-10	FY2010-11	FY2011-12
<b>Building Services</b>			
Contract Maintenance Labor	\$3,411,482	\$4,048,459	\$4,366,606
Exterminating	\$20,500	\$28,826	\$51,484
Housekeeping and Set-up	\$4,187,396	\$4,748,449	\$5,409,346
Landscaping	\$50,394	\$86,760	\$121,176
Locksmith	\$12,942	\$17,385	\$26,291
Maintenance	\$424,819	\$504,750	\$589,870
Security	\$1,375,537	\$1,753,357	\$2,161,037
Snow Removal	\$37,746	\$47,487	\$68,357
Production	\$26,962	\$32,415	\$47,324
Uniform and Laundry	\$2,157	\$5,128	\$5,258
Window Cleaning	\$16,177	\$19,447	\$37,859
Waste Removal	\$145,593	\$173,763	\$262,913
Headhouse	\$503,279	\$528,443	\$554,865
Chiller Replacement	\$1,167,436	\$1,176,721	\$1,186,285
<b>Total Purchased Services</b>	<b>\$19,085,641</b>	<b>\$21,922,128</b>	<b>\$26,017,245</b>
<b>Building Supplies</b>	<b>\$350,444</b>	<b>\$560,870</b>	<b>\$736,155</b>
Books, Videos	\$8,666	\$8,887	\$11,217
Expendable Furniture and Equipment	\$38,423	\$39,403	\$50,294
Food and Related Materials	\$38,908	\$39,900	\$51,435
General Hardware and Tools	\$14,682	\$18,485	\$33,653
Gift Shop Inventory	\$62,797	\$64,398	\$76,557
Office Supplies	\$44,433	\$45,566	\$46,728
Photography	\$2,010	\$2,061	\$7,372
Printing	\$36,293	\$37,218	\$48,684
<b>Total Material and Supplies</b>	<b>\$596,656</b>	<b>\$816,789</b>	<b>\$1,062,095</b>
Bad Debt	\$43,139	\$44,239	\$45,367
Equipment	\$97,666	\$99,883	\$119,750
<b>Total Operating Expenses</b>	<b>\$27,216,175</b>	<b>\$30,764,039</b>	<b>\$35,608,147</b>
<b>Operating Deficit</b>	<b>(\$17,928,075)</b>	<b>(\$21,010,150)</b>	<b>(\$23,773,774)</b>
Interest Income	\$30,000	\$32,000	\$38,000
Hotel Tax Revenue for Education & Training Program	\$1,500,000	\$1,545,000	\$1,591,350
Operating Reserve Funds Used for Operating Budget (Education & Training Program Expenses)	\$0	\$0	\$0
	(\$1,500,000)	(\$1,545,000)	(\$1,591,350)
<b>Non-Operating Revenues (Expenses)</b>	<b>\$30,000</b>	<b>\$32,000</b>	<b>\$38,000</b>
<b>Net Deficit</b>	<b>(\$17,898,075)</b>	<b>(\$20,978,150)</b>	<b>(\$23,735,774)</b>

Exhibit D  
Renewal and Replacement Plan

FY2009-2010				
INFRASTRUCTURE				
Qty	Item	Group	ECON LIFE	YR 1 FY 2010
	<b>Heating, Ventilating &amp; Air Conditioning System</b>			
	1 - Lot Pumps		20	
	1 - Lot Air Handling Units, a/c units		20	
	1 - Lot Fintube Radiation		20	
	1 - Lot Cabinet Unit Heaters		20	
	1 - Lot Unit Heaters		20	
	1 - Lot Fan Coil Units		20	
	1 - Lot Fuel Oil Equipment		20	
	1 - Reheat Water System		20	
	1 - Lot Fans		20	
	1 - Chilled Water System		20	
	1 - Hot Water System		20	
	1 - Lot Heat Pumps		20	
	1 - Lot Reheat Coils		20	
	1 - Market Air Handler		20	
	Heat Exchangers		20	
	Absorbion Chillers		20	
	Centrifugal Chillers		25	
	Boilers		25	
	Cooling Towers		25	
	Expansion Tanks		20	
	Air Equipment		20	
	1 - Lot ancillary appurtenances to include: insulation, ATC, site utility work, excavation, sheetmetal, piping, connections, ID equipment tags		30	
	Building Automation System		15	
	<b>Subtotal</b>			\$ -
	<b>Plumbing System</b>			
	1 - Lot Urinals, toilets, showers, service sinks		20	
	1 - Lot Water Treatment Equipment		20	
	1 - Lot Fixtures		20	
	1 - Lot Water Heaters		20	
	1 - Lot Gas Booster Equipments		20	
	1 - Lot Food Service Equipment		20	
	1 - Lot Pumps		20	
	1 - Lot Sump Pumps		20	
	1 - Lot ancillary appurtenances to include: testing, piping, traps, primers, drains, cleanouts		30	
	<b>Subtotal</b>			\$ -
	<b>Electrical System</b>			
	1 - Lot transformers, panelboards, switch gear, motor control centers		20	
	1 - Lot Emergency Generators with allied equipment		20	
	Lightning Protection		20	
	Fixtures & Dimmers		20	
	1 - Lot ancillary appurtenances to include: conduit, wire, cable, devices, busduct		30	
	1 - Lighting system north side Arch Street		20	
	<b>Subtotal</b>			\$ -

<b>Fire Protection System</b>			
1 - Lot Fire Pumps, Controls	20		
1 - Lot piping, heads, testing, control ancillary equipment	30		
<b>Subtotal</b>		\$	-
<b>Elevators &amp; Escalators</b>			
1 - Lot Millar Elevators	20		
1 - Lot Montgomery Escalators	20		
<b>Subtotal</b>		\$	-
<b>Security System</b>			
Magnometers	20	\$	40,000
Electric Door Lock System	15	\$	135,000
(12) Remote Mic	5	\$	-
Card Access System	7	\$	-
Identification Badging System	5	\$	-
Intercom System	5	\$	20,000
Key System	5	\$	200,000
Radio Communication System	12	\$	-
CCTV System	10	\$	-
CCTV Cameras w/Lens & Mounting	10	\$	150,000
Heater Fan Unit	10	\$	2,000
First Aid Centers	10	\$	30,000
Outdoor Housing	10	\$	-
<b>Subtotal</b>		\$	577,000
<b>First Aid</b>			
Wheel Chairs	5	\$	5,000
Privacy Screens	5	\$	-
Couches	10	\$	-
<b>Subtotal</b>		\$	5,000
<b>Structure</b>			
Roof	20		
Expansion Joints - Interior	20		
Expansion Joints - Exterior	15		
Loading Dock	20		
Overhead Doors	20		
Fire Door	20		
Operable Partitions	20		
<b>Subtotal</b>		\$	-
<b>Carpeting</b>			
Concourses	8		
Ballroom	12		
Meeting Rooms	15	\$	2,100,000
<b>Subtotal</b>		\$	2,100,000
<b>Technology</b>			
<b>Network Equipment</b>			
Internet DSLAM	8	\$	80,000
LAN Router & Data Switches	5	\$	140,000
Phone & Data Cable Up-grades	5	\$	35,000
Fiber Optics Up-grade/Repairs	15	\$	40,000
<b>Subtotal</b>		\$	295,000

<b>Telecommunications (Voice)</b>				
	Wireless Voice (VoIP) System		\$	\$ 145,000
	Voice Mail System		\$	\$ 90,000
	Call Accounting System		\$	\$ 75,000
	<b>Subtotal</b>			\$ 310,000
<b>Computers and LAN Servers</b>				
	Computer Workstation Replacement	4	\$	\$ 75,000
	Internet Webcasting System	5	\$	\$ 60,000
	LAN Server Upgrade/Replacement	4	\$	\$ 70,000
	UPS Systems	4	\$	\$ 9,000
	Internet Kiosk Computer Installs/Replacement	4	\$	\$ 45,000
	<b>Subtotal</b>			\$ 259,000
<b>Video</b>				
	LCD Plasma Display Panels 42" - 50"/	5		
	Signage		\$	\$ 148,000
	<b>Subtotal</b>			\$ 148,000
<b>TOTAL INFRASTRUCTURE</b>				<b>\$ 3,694,000</b>
<b>FURNITURE, FIXTURES &amp; EQUIPMENT</b>				
<b>A1 - Exhibit Hall</b>				
3,000	Folding Chairs	10	\$	\$ 177,000
60	Chair Trucks	10	\$	\$ 29,000
20	Starter Block	10	\$	\$ 1,100
1	Stage	20		
3	Seating Risers	20		
1	Performance Stage	20		
	<b>Subtotal</b>			<b>\$ 207,100</b>
<b>B1 - Meetings/ Ballrooms</b>				
615	Plywood Tables	10	\$	\$ 101,000
5	Plywood Tables	10	\$	\$ 450
170	Plywood Tables	10	\$	\$ 21,000
69	Table Trucks	10	\$	\$ 15,000
600	Dance Floor Sections w/240 Trim Pieces	20		
24	Dance Floor Caddy's	5	\$	\$ 6,000
1	Stage (76 x 16-24)	20		
1	Stage (72 x 24)	20		
500	Folding Tables	10	\$	\$ 45,000
500	Folding Tables	10	\$	\$ 79,000
100	Table Trucks	10	\$	\$ 35,000
130	Table Skirts	5	\$	\$ 14,000
13,000	Stacking Chairs	10	\$	\$ 785,000
39	Chair Trucks for stacking chairs	20		
23	Chair Trucks for chairs	20		
	<b>Subtotal</b>			<b>\$ 1,101,450</b>
<b>B2 - Lecture Room</b>				
610	Chairs w/Tablet Arms & 138 Side Panels	20		
31	Seat Back Covers	10	\$	\$ 2,000
	<b>Subtotal</b>			<b>\$ 2,000</b>
<b>B4 - Ballroom Tech Equip</b>				
1	Portable Stage	20		
4	Decks for stages (4 x 8)	20		
2	Stage Stairs	10	\$	\$ 3,900
3	Decks for stages (custom)	20		
1	Lot Stage Drapes & Rigging	10	\$	\$ 129,000
	<b>Subtotal</b>			<b>\$ 132,900</b>

<b>C - Circulation</b>				
8	Custom Granite Benches	15	\$	10,000
113	Lounge Chairs	10	\$	88,000
28	Tables	10	\$	11,000
50	Planters	20		
15	Benches	5	\$	11,000
348	Sq Yds of Area Carpets	5		
16	Upholstered Benches	5	\$	26,000
128	Lounge Chairs - Grand Hall	5	\$	234,000
16	Love Seats	5	\$	38,000
72	Tables for Grand Hall	5	\$	64,000
30	Trash Cans (concrete)	20		
1	Wheelchair Lift	15	\$	20,000
8	Ash/Trash Cans	5	\$	2,700
	<b>Subtotal</b>		\$	<b>504,700</b>
<b>D1 - Service-dock office</b>				
	Gates	S	20	\$ -
<b>D4 - Communication Dept</b>				
2	Table Top Lecturns	10	\$	2,900
2	Standing Lecturns	10	\$	5,400
5	Portable Chalkboards	5	\$	6,200
50	Portable Easels	5	\$	6,200
15	Easels w/Whiteboards	5	\$	4,500
5	Whiteboards	5	\$	4,500
8	Baby Changing Stations	5	\$	6,200
10	Garment Racks	5	\$	9,000
40	Standing Lecturns	15	\$	51,000
10	Lecturns	15	\$	6,000
10	Ticket Boxes	15	\$	4,700
2	Attendant's Shelters	10	\$	24,000
8	Flags, poles & stands	30		
1	Handw Piano	30		
	<b>Subtotal</b>	M		<b>\$ 130,600</b>
<b>D5 - Housekeeping</b>				
2	Cleaning Machine	10	\$	15,000
2	Tennant Sweepers	10	\$	50,000
2	Tennant Scrubbers	10	\$	60,000
1	Scrubber w/battery charger	10	\$	8,970
1	Sweeper w/battery charger	10	\$	4,310
1	Upholstery Extraction System	10	\$	3,000
1	Cleaning Machine for Escalator	10	\$	4,200
8	Wool Mats	5	\$	7,500
1	16 HP Tractor w/hydraulic lift	10	\$	12,000
1	12 HP Tractor, walk behind	10	\$	6,000
1	Power Brush	10	\$	2,000
2	Snow Thrower	10	\$	3,000
1	Slip resistant floor coating	10		
	<b>Subtotal</b>	S		<b>\$ 175,980</b>
<b>D9/10 - Employee Lockers</b>				
540	Lockers	S	30	\$ -
<b>D12 - Maintenance Shops</b>				
20	Bar Stools	5	\$	1,700
3	Patrol Cars	10	\$	13,600
1	Ford Pick-Up Truck	10	\$	35,000
1	Boom Lift	15	\$	69,000
1	Aerial Work Platform w/waffle attachmt	15	\$	14,000
1	20 Scissors Lift	15	\$	15,000
1	Pallet Truck	10	\$	600
1	Safety Cabinet	30		
13	Bulk Storage Racks	30		
	Shelving	30		
2	Cylinder Cabinets	30		
4	Drawer Unit & Related Items	30		
2	Forklift	15	\$	40,000
1	Lot Aluminum Signs	10	\$	1,500
50	Shelves	15	\$	5,800
	Bike Racks	30		
1	Welder	15	\$	470
1	Lot of Trash Cans & Dollies	10	\$	10,850
1	Drill Press	20		
12	Tree Grates	30		
	<b>Subtotal</b>	S		<b>\$ 207,520</b>

<b>D15 - General Storage</b>				
1	Lot Storage items	S	30	\$ -
<b>E1 - VIP Lounge</b>				
12	Conference Room Chairs		5	\$ 11,000
16	Armless Chairs		10	\$ 15,000
2	Tables		10	\$ 2,300
	<b>Subtotal</b>	F		\$ 28,300
<b>E3 - Box Office</b>				
4	Safes w/electric combination locks		30	
4	Cash Registers		5	\$ 2,300
10	Ticket Boxes		15	\$ 4,700
	<b>Subtotal</b>	S		\$ 7,000
<b>E8 - Dressing Rooms</b>				
24	Stools	M	5	\$ 6,400
<b>F1/F2 - Food Service</b>				
129	Table Tops & Bases		5	\$ 38,000
18	Table Tops & Bases		5	\$ 8,600
	Millwork in Overlook Cafe		30	
249	Chairs		5	\$ 68,000
16	Bar Stools		5	\$ 5,000
	<b>Subtotal</b>	F		\$ 119,600
<b>F9 - Solid Waste Mgmt</b>				
30	Ash/Trash Cans		5	\$ 10,000
12	Recycling Containers		5	\$ 4,500
51	Trash Cans		5	\$ 55,000
	<b>Subtotal</b>	S		\$ 69,500
<b>G1 - Administration</b>				
1	Custom Board Room Table		20	
2	Custom Corner Consoles - Board Room		20	
1	Reception Furniture		5	\$ 15,000
6	Custom Lamps		30	
38	Side Chairs		10	\$ 14,000
1	Custom Office Furniture		10	\$ 5,000
1	Conference Room Table		10	\$ 3,000
58	Upholstered Chairs		10	\$ 21,000
1	Safe w/Interior		30	
1	Custom Conference Room Table		20	
12	Custom Chairs		10	\$ 12,700
4	Modular Conference Tables w/finishes		10	\$ 5,000
1	1 of Modular Office Furniture		15	\$ 263,000
20	Custom Board Room Chairs		10	\$ 20,900
22	Storage Units/Lateral Files		15	\$ 42,000
16	Conference Tables		15	\$ 17,000
22	Executive Desks		15	\$ 87,000
22	Banquettes		15	\$ 75,000
1	Executive Desk		15	\$ 5,600
30	Conference Room Chairs		10	\$ 23,900
1	Executive Desk		15	\$ 3,700
19	Breakroom Tables		15	\$ 5,600
1	Credenza		15	\$ 1,200
1	Custom Reception Desk		20	
1	Buffet Serving Cart		10	\$ 7,600
	<b>Subtotal</b>	A		\$ 628,200
<b>H1 - Bldg Systems-Signs</b>				
1	Lot of All Signage		20	
1	Lot Stainless Signs - interior & exterior		30	
125	Misc. Engineering Dept Signs		10	\$ 1,800
12	Custom Signs		10	\$ 2,300
	<b>Subtotal</b>	S		\$ 4,100



<b>H2 - Audio Visual System Equipment</b>				
	Lot - Building System		15	\$ 1,500,000
	Board Room AV		10	
	Lot - A/V Equipment		10	\$ 600,000
	<b>Subtotal</b>			<b>\$ 2,100,000</b>
<b>H5 - Fire Extinguishers</b>				
370	10 lb Fire Extinguishers	S	5	\$ 14,910
<b>H9 - Window Treatments</b>				
1	Lot Window Treatments	S	5	\$ 59,000
<b>Utility Services</b>				
1	Electrical Supplies		10	\$ 175,000
1	Telecommunications Supplies		10	\$ 135,000
1	Plumbing Supplies		10	\$ 121,000
1	Miscellaneous/AV Supplies		10	\$ 67,000
	<b>Subtotal</b>	S		<b>\$ 498,000</b>
<b>KITCHEN EQUIPMENT</b>				
<b>VIP East &amp; West</b>				
2	Backbars		30	
2	Hand Sinks		30	
2	Bars		30	
2	3-Bowl Sinks		30	
	<b>Subtotal</b>	F		<b>\$ -</b>
<b>Overlook Bar</b>				
1	Installation of customer seating		30	
1	Bar		30	
1	Counter		20	
	<b>Subtotal</b>	F		<b>\$ -</b>
<b>Concession Stands</b>				
5	Hand Sinks		30	
5	Ice Carts		10	\$ 11,000
3	Walk-in Coolers		20	
5	Pot & Pan Sinks		30	
5	Refrigerators		20	
	<b>Subtotal</b>	F		<b>\$ 11,000</b>
<b>Banquet Kitchen</b>				
1	Walk-in Cooler		20	
1	Walk-in Complex		20	
1	Water Fountain		20	
3	Hand Sinks		30	
2	Half Hot Top Ranges		30	
1	Warewasher		20	
1	Warewasher		20	
1	Scullery Sink		30	
2	Plating Conveyors		10	\$ 9,000
2	Ice Machines		15	\$ 156,000
1	Mixer		15	\$ 15,600
1	100 Gal Steam Kettle		20	
2	80 Gal Steam Kettles		20	
2	Steamers		20	
3	Convection Ovens		20	
1	Combi-Oven		20	
1	Lot of non-mechanical equip		30	
	<b>Subtotal</b>	F		<b>\$ 180,600</b>
<b>TOTAL FURNITURE, FIXTURES &amp; EQUIPMENT</b>				<b>\$ 6,188,860</b>
<b>TOTAL RENEWAL &amp; REPLACEMENT EXPENDITURES</b>				<b>\$ 9,882,860</b>

**Exhibit E**  
**Marketing Plans**

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# 1. INTRODUCTION

Philadelphia's success in the hospitality industry is anchored on the numbers of meetings and conventions it can attract each year. Because of its geographical location within two hours of New York City (the financial capital of the world) and Washington (the political capital of the world) Philadelphia is easy to get to and from to conduct business in the same day. This geographical location weakens Philadelphia's ability to have business travelers stay overnight – the market segment that in other competing cities is the strongest segment for them.

However, Philadelphia's geographical location is strength for meetings and conventions because it is easy for attendees to get to Philadelphia by air, rail or highway. Enhancing ease of access is 40% of the US population is within a day's drive of Philadelphia, driving higher attendance which meeting planners and show organizers seek in selecting a destination. The meetings and convention segment of the hospitality industry averages 40% of Philadelphia's (Center City) total market mix on an annual basis (Commercial 31%; Leisure 25%; Airline Crew 4%).

Selling and marketing Philadelphia as a diverse and contemporary meetings and convention destination requires complete focus, understanding and analysis of customer needs as the PCVB and PCC work hand in hand to deliver the message. Sales and marketing have to be unified. Everyday meeting planners and show organizers are inundated with sales calls and impressions about competing destinations. They are overwhelmed with information, often times not relevant to their needs, wants and desires. Breaking through the clutter becomes essential in reaching the customer and getting the buy.

Sales and marketing strategies have to be fully integrated – the message to the buyers has to be consistent. The PCVB/PCC Sales and Services professionals have to build strong relationships, win the customer, deliver the promise and build loyalty and assure repeat business. Marketing - supporting sales efforts have to reinforce Philadelphia's uniqueness as a convention destination that stands out above our competition. Philadelphia and the Philadelphia Convention & Visitors Bureau (PCVB) and the Pennsylvania Convention Center (PCC) get it because we are working together.

Strategically - with excellent physical product – the Center, the hotels and Philadelphia's total package; a seasoned sales and services team with over 300 years of experience combined; creative messaging - brings historic Philadelphia to life as a vibrant destination for today and tomorrow's meetings and conventions business.

## **2. PHILADELPHIA – THE DESTINATION**

Philadelphia has great regional assets...

Strategically located in the heart of the Eastern Seaboard of the United States, Greater Philadelphia is a vibrant metropolitan area that offers convenient access to the global marketplace and a competitive cost of doing business. The region is the fourth largest US metropolitan area in population, following only New York, Los Angeles and Chicago.

Philadelphia is the second largest region on the East Coast in terms of employment, population and income. With a 2006 population of 6.096 million people and employment in 2006 of 3.01 million jobs, the region is both a large market and major economic force. Within 200 miles of the region live 46

million people who generate \$1.3 trillion of income annually. Over 40% of the United States' population is within a days drive.. Taking into account total income and income per person, along with the cost of living, the area's residents have larger amounts of money to spend on products and services than people in most other markets. Additional indicators of Greater Philadelphia's size and scope include: 6<sup>th</sup> largest gross metro product; 5<sup>th</sup> largest personal income; 4<sup>th</sup> largest media market in the country.

Greater Philadelphia has a strong and vibrant regional economy that features a highly diverse mix of business. The region is particularly strong in a number of knowledge-based sectors and is especially well positioned to succeed in the following industry clusters: information technology, life sciences, healthcare, chemicals, financial services and high-tech manufacturing. The region's industry clusters are the same segments that attract both the national conventions and trade shows in selecting Philadelphia as a destination for their events.

Philadelphia is connected globally...

Philadelphia International Airport (PHL) is a critical gateway for the region. With more than half a million takeoffs and landings, it ranked as 9<sup>th</sup> busiest in the US and the 28<sup>th</sup> busiest airport in the world. This growth elevated the airport to 16<sup>th</sup> busiest in passenger traffic in the US. Philadelphia's two largest carriers are low cost providers, making the cost of air travel affordable (increasing attendance) – important to meeting planners and show organizers who bringing thousands of attendees to the destination.

Amtrak's Northeast Corridor is the busiest railroad in North America with 1,700 trains running daily. Philadelphia's 30<sup>th</sup> Street Station is the third busiest Amtrak station in the country and is located mid-point between New York City and Washington DC. Amtrak serving the Philadelphia market is a key factor in both meeting planners and show organizers. Another unique feature of Amtrak service is upon departing trains at 30<sup>th</sup> Street Station visitors can board any regional rail train (SEPTA) traveling east and exit one stop after and be at the Pennsylvania Convention Center. The reverse is true for west bound travelers to connect to Amtrak trains at 30<sup>th</sup> Street Station.

Major highways, such as I-95, I-76, I-295, I-476 and the New Jersey Turnpike make getting to and around the region convenient.

Philadelphia also is recognized nationally as one of the country's most walkable cities. More people walk to work in Philadelphia than in Chicago or Washington DC. To meeting planners and show organizers, Philadelphia's downtown compactness and ease of navigation reduces costs in transporting attendees to the convention center and other venues, thus defraying expensive transportation costs.

Philadelphia offers high quality restaurants, world-class museums, music, multicultural festivals, big-league sports, important historical sites and ethnic neighborhoods to explore. These unique assets give meeting planners and show organizers interesting options to build attendance.

### **3. THE PHILADELPHIA REGION FROM 30,000 FEET**

Philadelphia and the region is a global brand. Selling and marketing Philadelphia takes strategic focus. This Plan provides a new view of Philadelphia from 30,000 feet – globally, nationally, regionally and locally.

With the rollout of the Philadelphia Convention & Visitors Bureau's (PCVB) strategic plan entitled "***A Strategic Plan to take Philadelphia's Hospitality Industry to New Heights***" in third quarter of 2007, the PCVB has taken an in depth look at its business model and how it must adapt to change to succeed in the global market place in the future. In the development of its Strategic Plan, the PCVB reached out to its partner, the PCC, and other stakeholders to participate in a formal planning process that identify trends and potential visions that could positively impact Philadelphia and the region as a "must" destination for customers.

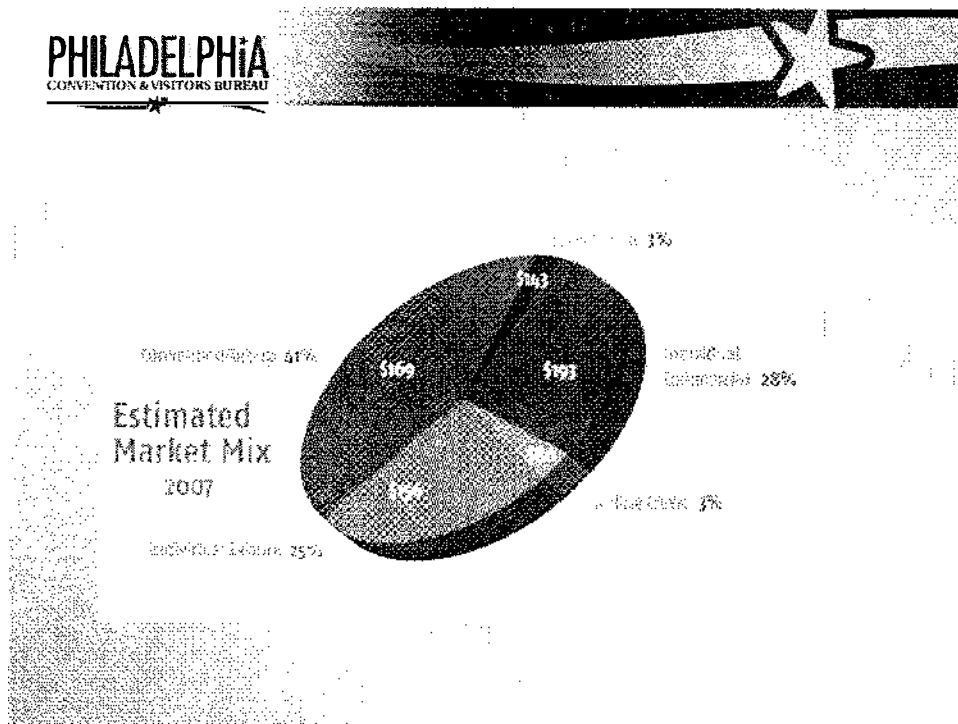
Reaching out, viewing the city and the region from 30,000 feet, the PCVB and the PCC, examine its existing customer base as well as identify opportunities to expand its customer base in the future.

From extensive mapping and input by stakeholders during the formal planning process of the strategic plan, six key strategies were developed for fiscal years 2008-2012. These strategies are noted below and have been incorporated into this sales and marketing plan.

- 1. Deliver an exceptional convention experience***
- 2. Deliver exceptional sales and services, and leverage the market power of the three Congresses***
- 3. Raise Philadelphia's profile as a global destination***
- 4. Extend the Philadelphia brand through collaboration and niche marketing***
- 5. Strengthen the PCVB infrastructure as a platform for success***
- 6. Achieve local pride in the Philadelphia region through signature events & supporting infrastructure improvements***

Extensive research has taken place to identify opportunities to garner more business from existing customers and develop new customers in conjunction with the six key strategies outlined.

## 4. CENTER CITY DEMAND SEGMENTS



The chart above shows the hotel demand segmentation mix for Center City Philadelphia for calendar year 2007. The largest segment being Convention/Group at 41%

### **CONVENTION & GROUP DEMAND**

Historically, conventions booked by the PCVB that utilize the convention center and large hotels, comprised the largest segment of the convention and group demand in Center City. This segment increased from less than 50,000 room-nights in 1993, prior to the opening of the PCC, to consistent levels of 400,000 to 550,000 room-night range from 1996 through 2003.

The strongest convention year ever for Philadelphia was 2002, with 27 citywide conventions (2000+ hotel rooms on peak night) and over 1.1 million room-nights demand.

Unfortunately, well-publicized labor inefficiencies and related high labor costs at the convention center from the late 1990's through 2002 contributed to extremely low levels of re-bookings and greatly reduced booking pace of conventions for the convention center resulting in fewer citywide conventions and the lowered room-night contributions from this segment reflected in the years 2003 through 2006.

Fortunately, in October of 2003, a new labor agreement (the Customer Satisfaction Agreement or CSA) was implemented and new management was retained, which continues to improve the customer experience at the Convention Center. During that time, convention center competition strengthened in the northeast as Washington DC opened its new center in April 2003 and Boston opened its new center in June 2004. Thus convention planners have alternative northeast locations to select from as they waited for labor improvements and expansion of the PCC to take place.

Joint efforts by the PCVB, PCC, the hotel sales teams and improved operational climate at the Convention Center combined to overcome the short-term softness in convention bookings in 2004, 2005, and 2006. The total convention and group demand again exceeded one million room-nights, representing Center City's second, third, and fourth best years ever for this important segment.

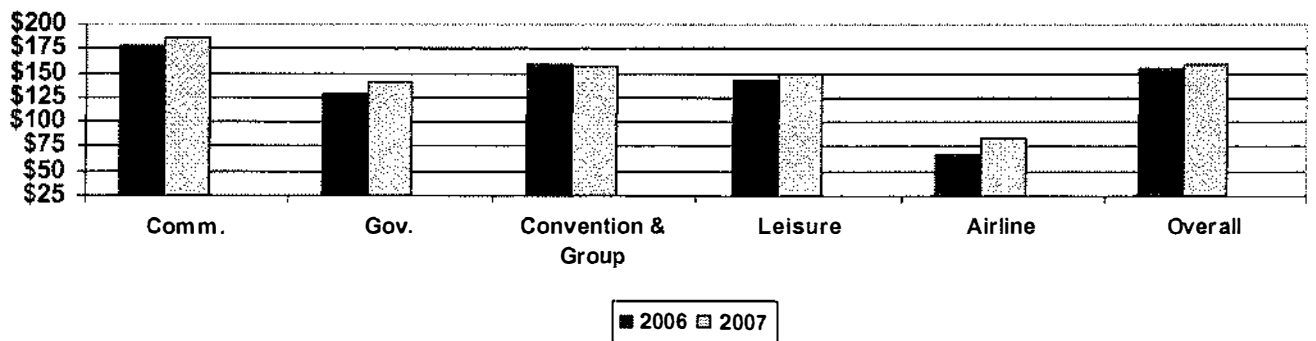
**CENTER-CITY PHILADELPHIA LODGING MARKET MIX  
1982 THROUGH 2007  
(DEMAND IN THOUSANDS OF ROOM-NIGHTS)**

Year	Commercial		Convention & Group		Leisure		Airline Crew		Total Demand
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	
1982	535	43%	505	40%	217	17%	In Leisure		1,257
1983	550	42	549	41	220	17	In Leisure		1,319
1984	536	42	530	41	214	17	In Leisure		1,280
1985	536	42	534	42	213	16	In Leisure		1,283
1986	579	43	552	41	216	16	In Leisure		1,347
1987	554	44	521	41	185	15	In Leisure		1,260
1988	557	43	531	41	203	16	In Leisure		1,291
1989	537	42	516	41	220	17	In Leisure		1,273
1990	485	39	512	42	235	19	In Leisure		1,232
1991	490	40	473	39	260	21	In Leisure		1,223
1992	509	40	486	38	276	22	In Leisure		1,271
1993	514	39	535	40	283	21	In Leisure		1,332
1994	521	38	552	41	285	21	In Leisure		1,358
1995	567	35	754	46	321	19	In Leisure		1,642
1996	613	34	771	43	294	17	105	6%	1,783
1997	667	37	769	43	254	14	104	6	1,794
1998	654	37	721	41	293	17	88	5	1,756
1999	703	36	788	40	386	20	81	4	1,958
2000	798	35	983	43	418	18	83	4	2,282
2001	788	34	971	42	476	20	105	4	2,340
2002	800	31	1,116	43	573	22	86	4	2,575
2003	834	33	985	38	675	26	76	3	2,570
2004	887	33	1,035	38	687	25	94	4	2,703
2005	885	33	1,063	39	657	24	108	4	2,713
2006	824	31	1,049	40	671	25	98	4	2,642
2007	843	32	1,064	40	678	25	94	3	2,679

Source: PKF Consulting.

The chart above indicates by year the total demand hotel-room nights and the amount of hotel rooms consumed by market segment mix and its percentage to total. The 25-year average percentage Convention/Group is 42.5% (Amount & Demand room nights in the thousands)

### Center-City Market Segment ADRs 2006 & 2007



The above chart graphically presents segment demand hotel-average daily rates (ADR) comparisons 2006 to 2007.

### CONVENTION AND GROUP DEMAND BY "SEGMENT" 1993 THROUGH 2007

Year	Total Convention & Group			Sold/Booked by the PCVB				Sold/Booked by Center-City Hotels	
				Convention-Center Related		Non-Convention-Center Related			
	Demand	% Chg	# Ctywd	Demand	% Chg	Demand	% Chg	Demand	% Chg
1993	535,000		1	49,000		N.A.	N.A.	N.A.	N.A.
1994	552,000	3.2	5	165,000	236.7	N.A.	N.A.	N.A.	N.A.
1995	754,000	36.6	12	331,000	100.6	N.A.	N.A.	N.A.	N.A.
1996	771,000	2.3	23	536,000	61.9	126,000	N.A.	109,000	N.A.
1997	769,000	-0.3	23	508,000	-5.2	163,000	29.4	98,000	10.1
1998	721,000	-6.2	24	470,000	-7.5	187,000	14.7	64,000	-34.7
1999	788,000	9.3	18	420,000	-10.4	257,000	37.4	111,000	73.4
2000	983,000	24.7	24	547,000	30.2	205,000	-20.2	231,000	108.1
2001	971,000	-1.2	18	394,000	-28.0	246,000	20.0	331,000	43.3
2002	1,116,000	14.9	27	574,000	45.7	259,000	5.3	283,000	-14.5
2003	985,000	-11.7	19	406,000	-29.3	257,000	-0.8	322,000	13.8
2004	1,035,000	5.1	14	277,000	-31.8	272,000	5.8	486,000	50.6
2005	1,063,000	2.8	15	315,000	13.7	290,000	6.6	458,000	-5.6
2006	1,049,000	-1.3	16	310,000	-1.6	270,000	-6.9	470,000	2.6
2007	1,064,000	1.4	14	336,000	8.4	235,000	-13.0	493,000	4.9

Sources: PCVB; hotels concerned; PKF Consulting.

The above chart shows total Hotel-Group Demand by Segment from 1993 through 2007. The Pennsylvania Convention Center opened in 1993. A citywide convention is defined as a group consuming 2,000 hotel rooms or more on peak night and requiring multiple hotels.



The Convention & Group Demand segment is and will continue to be the largest producing generator of Center City's hotel room-nights. The overall success with this demand segment is directly aligned with both operational performance and expansion of the Pennsylvania Convention Center.

## **5. THE REGION'S ECONOMIC HOSPITALITY ENGINE**

The Pennsylvania Convention Center is the city and region's hospitality economic engine. With its opening in 1993 a new industry, national convention, national trade shows and events, emerged for the region. Since then, the hospitality industry has grown and supported 50,000 jobs in center city as well as created excitement and a noticeable degree of energy and new businesses both day and night in center city.

Large national conventions, trades shows and events fill Center City hotel rooms and create compression for our hotels throughout the region, positively impacting occupancies and revenues. Events in the PCC also impact other segments of our hospitality industry including restaurants, parking, shopping and attractions.

### **PCC TODAY**

Currently the Pennsylvania Convention Center today is the 24th largest center in North America. Strategically located in the center of downtown Philadelphia, it is the hub of the region's hospitality industry. The PCC is architecturally significant incorporating the historic Reading Terminal Head House, Reading Terminal Market and train shed with state-of-the art facilities, and has played host to over 13 million guests attending events in the building. Quality finishes throughout, and management's attention to facility maintenance ensures customers clean, appealing and unique event experience.

When it opened in 1993 the PCC launched Philadelphia from a local and regional meetings destination to a national destination for meeting planners and show organizers. Philadelphia was the only major Northeast destination in the '90s to have a new world-class convention center.

Philadelphia's market share of national trade shows, "blue-chip" conventions and large multicultural and religious groups grew exponentially with unbeatable formula of thousands of hotel rooms attached or within walking distance of the Center. These large events led to a renaissance of restaurants, retail growth and night time activities benefiting the attendee as well as the residents of the region. The historical and cultural venues of Philadelphia also flourished as people attending a meeting in Philadelphia took advantage of their free time to explore these national treasures.

During this time national trade shows and associations enjoyed economic growth to the point where they outgrew the PCC's capabilities. At the same time, competitive northeast destinations like Washington DC and Boston noted the success of Philadelphia and began building new centers to ensure their own market share of the convention and trade show business.

### **PCC EXPANDED**

Convention center related business accounts for approximately 40% of the room nights sold in Center City Philadelphia annually. Convention related business is the largest demand segment for Philadelphia/Center City.

Philadelphia's location, mid-point between New York City and Washington DC is a convenient destination for the business traveler, as it offers a same day return.

An expanded Center with anticipated completion date of January 5, 2011 gives Philadelphia greater flexibility to host larger groups or multiple events simultaneously, reducing denials because of lack of space, and improves operating efficiency. Additional space generates high hotel room consumption especially in 1<sup>st</sup> quarter when a convention can meet simultaneously with a gate show.

Expansion of the Center stimulates economic growth, including new hotel rooms in Center City that create more construction and hospitality-related jobs. Expansion also keeps Philadelphia competitive as a world-class destination for meetings and conventions, tourism and the overall hospitality industry.

## **6.COMPETITION**

### **PRIMARY**

Philadelphia’s primary competition for national convention and trade shows is the major cities in the Northeast, specifically Boston, New York City, Baltimore and Washington DC. Direct competition for the lucrative national convention business is Boston and Washington DC. Baltimore competes for smaller national conventions. New York City is direct competition for the trade show business that Philadelphia seeks. Toronto is Philadelphia’s #1 competitor as an international destination for conventions.

The chart below notes how Philadelphia’s convention center compares in size to its primary competitive destinations and the size of their centers.

### **PCC Ranking Philadelphia’s Primary Competitive Cities – GSF**

New York (Jacob K. Javits Convention Center)	814,400
<b>Pennsylvania Convention Center (expansion)</b>	<b>700,000</b>
Washington DC Convention Center	700,000
Boston Convention Center	516,000
<b>Pennsylvania Convention Center (existing)</b>	<b>440,000</b>
Baltimore Convention Center	300,000

2008 TSW (Convention Facilities PRIME EXHIBIT SPACE)

### **SECONDARY**

Philadelphia’s secondary competition for East Coast rotation is destinations east of the Mississippi River including Atlanta, New Orleans and Orlando.

**PCC Ranking Philadelphia's Primary/Secondary Competitive Cities – GSF**

Orlando (Orange County Convention Center)	1,984,755
Atlanta (George World Congress Center)	1,400,000
New Orleans (Ernest N. Morial Convention Center)	1,100,000
Toronto (The National Trade Center)	1,000,000
New York (Jacob K. Javits Convention Center)	814,400
<b>Pennsylvania Convention Center (expansion)</b>	<b>700,000</b>
Washington DC Convention Center	700,000
Boston Convention Center	516,000
Miami Beach Convention Center	502,800
<b>Pennsylvania Convention Center (existing)</b>	<b>440,000</b>
Baltimore Convention Center	300,000

2008 TSW (Convention Facilities PRIME EXHIBIT SPACE)

**Top 30 North American Convention Centers Ranking by Exhibit Space Size**

1	Chicago (McCormick Place)	2,200,000
2	Las Vegas Convention Center	2,000,000
3	Orlando (Orange County Convention Center)	1,984,755
4	Atlanta (George World Congress Center)	1,400,000
5	New Orleans (Ernest N. Morial Convention Center)	1,100,000
6	Toronto (The National Trade Center)	1,000,000
7	Houston (George R. Brown Convention Center)	930,000
8	Anaheim Convention Center	815,000
9	New York (Jacob K. Javits Convention Center)	814,400
10	San Francisco (Moscone Center)	734,092
11	Dallas Convention Center	726,700
12	Los Angeles Convention Center	720,000
<b>13</b>	<b>Pennsylvania Convention Center (with expansion)</b>	<b>700,000</b>
14	Washington DC Convention Center	700,000
15	Cobo Conference Center (Detroit MI)	700,000
16	San Diego Convention Center	616,000
17	Colorado Convention Center	584,000
18	Boston Convention Center	516,000
19	Salt Palace Convention Center	515,000
20	Miami Beach Convention Center	502,800
21	St. Louis (America's Center)	502,000
22	Atlantic City Convention Center	500,000
23	Minneapolis Convention Center	475,000
<b>24</b>	<b>Pennsylvania Convention Center (existing)</b>	<b>440,000</b>
25	San Antonio (Henry B. Gonzalez Convention Center)	440,000
26	Greater Columbus Convention Center	426,000
27	Indiana Convention Center & RCA Dome	403,700
28	Kansas City Convention Center	388,000
29	Baltimore Convention Center	300,000
30	Charlotte Convention Center	280,000

TSW (Trade Show Week) 2008

**GAYLORD HOTELS & RESORTS**

Also competing with Philadelphia for the national convention business in 2008 and beyond is the Gaylord National Resort & Convention Center in Prince George's County, MD (April 2008) directly across the

Potomac River from Alexandria, VA. While the complex is not as robust as the combination of Philadelphia's convention center, hotel package, the Gaylord National Resort & Convention Center complex will be able to self contain a convention of 1500 room nights on peak – which are excellent “mid-size” conventions that could be hosted simultaneously with a larger convention in Philadelphia.

Gaylord Hotels & Resorts also offer multi-year contracts to the national conventions booking with rotation destinations throughout the United States. The chart below identifies the size and locations of each Gaylord hotel & resort.

GAYLORD HOTELS	# GUEST ROOMS	TOTAL SF/EXHIBIT SF
Gaylord Opryland USA, Nashville, TN	2,881	600,000/263,000
Gaylord Palms, Orlando FL	1,406	400,000/178,000
Gaylord Texan Resort, DFW Area	1,511	400,000/180,000
Gaylord National Resort & Convention Center, Prince George's County, MD	2,000	470,000/180,000
Gaylord Chula Vista, San Diego, CA	TBD	TBD

### COMPETITIVE CITIES

CITY	EXHIBIT SPACE SQ FOOTAGE	# OF EXHIBIT HALLS	SQ FOOTAGE OF MTG RMS	# OF MTG RMS	SQ FOOTAGE OF BALLROOM	RIGHT TO WORK STATE
Boston	516,000	10	160,000	82	40,020	No
New York City	814,400	11	760,000	100+	n/a	No
Philadelphia	440,000	4	90,000	52	32,000	No
Baltimore	300,000	8	70,000	50	36,000	Yes
Washington DC	700,000	5	125,000	66	53,000	Yes

CITY	HOTEL ROOMS – CITY	HOTEL ROOMS – METRO	# OF CITY HOTELS	CITY COMMIT. ROOMS	ATTACHED TO CONV CTR
Boston	17,204	30,134	103	40%	Westin (793)
New York City	64,351	73,333	200	Varies	N/A
Philadelphia	10,200	17,000	35	60%	Marriott (1,400)
Baltimore	8,203	10,100	17	50%	Hilton (757)
Washington DC	25,730	65,000	100	40%	N/A

## 7.PCC BOOKING PARAMETERS

<b>CENTER-CITY LODGING MARKET MONTHLY PERFORMANCE LEVELS 2005 THROUGH 2007</b>						
Month	Occupancy			Average Room Rate		
	2005	2006	2007	2005	2006	2007
January	58.3%	60.7%	54.6%	\$123.71	\$134.61	\$148.54
February	61.9	63.6	64.5	127.46	139.70	152.16
March	74.8	72.8	73.2	134.12	144.81	158.01
April	83.4	76.2	75.5	148.50	157.39	170.60
May	78.3	81.8	80.2	149.51	169.61	176.72
June	86.3	79.8	85.6	155.03	161.12	173.76
July	72.9	77.2	79.9	133.42	145.70	158.91
August	69.6	73.7	79.2	129.25	146.66	161.61
September	78.8	80.6	80.8	147.21	165.24	172.84
October	77.2	82.3	85.8	159.22	171.66	190.64
November	76.8	75.1	73.6	160.29	172.00	174.69
December	56.5	55.4	49.6	146.87	153.76	155.96

Source: Smith Travel Research.

The above chart identifies Center City Philadelphia's strong, shoulder and valley periods by month over a three year period.

### PCC EXISTING

a. *Selling Existing Building – 2008 - 2010*

Effective 18 months and 1 day up to 3 years out

High Season – 3,000 rooms per night/minimum

Low Season – 2,000 rooms per night/minimum

Effective 3-5 years out

High Season – 3,000 rooms per night/minimum

Low Season – 2,000 rooms per night/minimum

Effective 6 years out and further

All building sell

High Season – 4,000 rooms per night/minimum

Low Season – 3,000 rooms per night/minimum

Definition of Seasons

High Season – March, April, May, June, September, October and November

Low Season – National holidays and December, January, February, July and August

## **PCC EXPANSION**

### **Selling Expansion – 2011 and Future**

#### **Effective 5 and Beyond**

5,000 rooms per night minimum for an all building sell or  
3,000 rooms peak for Halls ABC  
2,000 rooms peak for Halls D&E

#### **Effective 3-4 years out**

4,000 rooms per night minimum for an all building sell or  
2,500 rooms peak for Halls ABC  
1,800 rooms peak for Halls DE

#### **Effective 18 months and 1 day up to 3 years out**

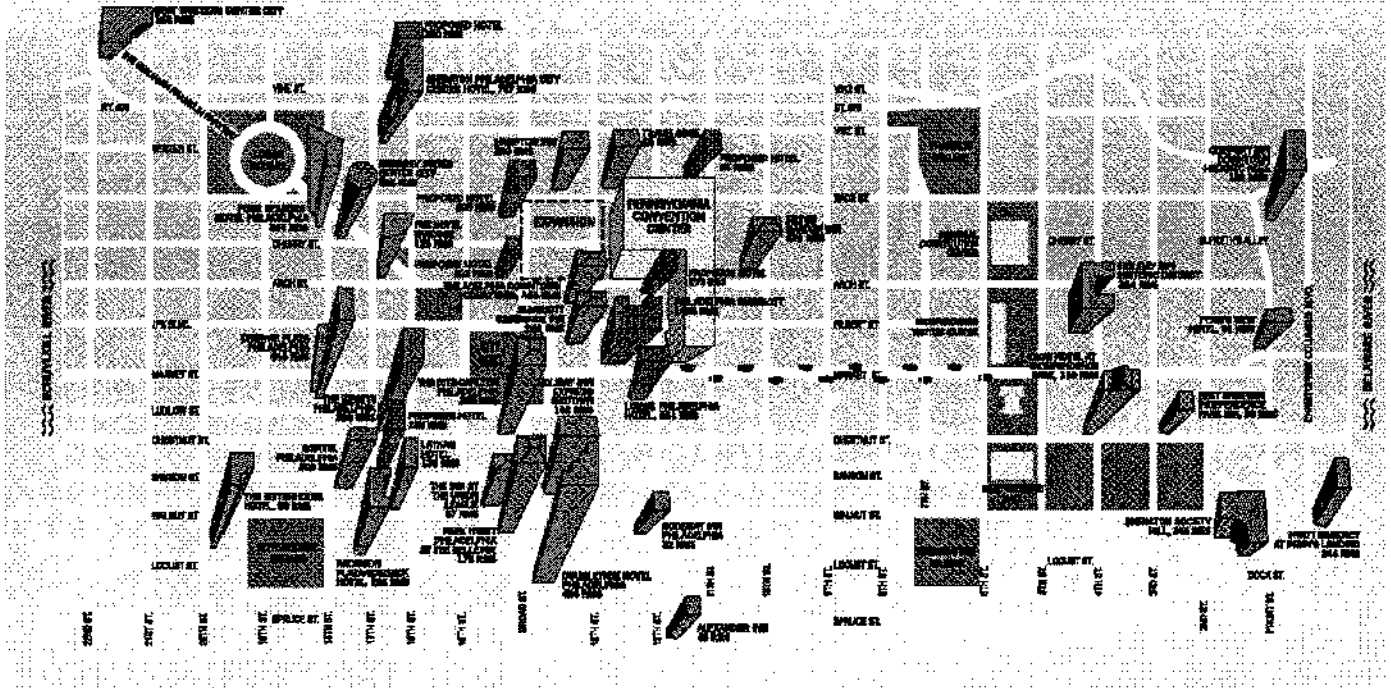
3,000 rooms per night minimum for an all building sell or  
2,000 rooms peak for Halls ABC  
1,200 rooms peak for Halls D

Further peak night consideration will be extended to conventions during the months of July, August, December, January and February and conventions that fall directly over major holiday periods that are historically soft occupancy periods for Philadelphia.

## **8. HOTEL PRODUCT – HOTEL DEVELOPMENT**

LOCATION	BRAND/LEVEL	TOTAL ROOMS	OPENING DATE	STATUS	EMPLOY
<b>CENTER CITY</b>					
12th & Race Streets	Four Points	95	July 2008	Delayed: 100%	37
1421 Arch Street	Le Meridien; Upscale	202	June 2009	Planning; 90%	300
17th & Samson Streets	Kimpton Palomar	235	Sept. 2009	Planning; 90%	165
Front & Sansom Streets	aloft	156	January 2010	Planning; 90%	63
1601 Vine Street	Intercontinental; M.U.	250	January 2010	Planning; 75%	175
13th & Spruce Streets	Parker-Spruce Hotel	111	January 2010	Planning; 75%	45
12th & Arch Streets	W Hotel; M.U.	275	April 2010	Start 1/08; 90%	193
Broad & Race Street	N/A; Full Service	500	January 2011	Planning; 75%	500
Broad & Race Street	N/A; Limited Services	300	January 2011	Planning; 75%	130
<b>TOTAL</b>		<b>2124</b>			<b>1608</b>
<b>UNIVERSITY CITY</b>					
30th & Market Streets	Mid Market (Drexel)	250	January 2010	Planning; 75%	175
<b>TOTAL</b>		<b>250</b>			<b>175</b>
<b>AIRPORT</b>					
Island Ave - Next to Sheraton Suites	aloft	146	July 2008	U.C.; 100%	60
Airport Interplex	LaQuinta	70	January 2009	Planning; 75%	130

Scott Plaza	Hilton Garden Inn	284	July 2009	Planning; 75%	124
<b>TOTAL</b>		<b>500</b>			<b>314</b>
<b>GRAND TOTAL</b>		<b>2874</b>			<b>2097</b>



## 9. PCVB/PCC SALES & MARKETING MISSION

The mission of the PCVB/PCC Sales and Services divisions is to sell service and market Philadelphia and the region by increasing the awareness of Philadelphia as a premier convention and meeting destination. The PCVB is the official sales agent for the PCC and is responsible for all conventions, meetings and trade shows booked into the Center 18-months out. The PCVB works seamlessly with the PCC in securing business for the Center. The PCC sales efforts are focused on short-term bookings eighteen months or less, in concert with the PCVB.

## **10. SALES ACTION PLAN**

The PCVB's strength and success has been and continues to be predicated on a direct sales strategy in Convention Sales. The strategy is focused on large association citywide conventions and trade shows building long-term base of business for Philadelphia and the PCC for 2011 and beyond, then fill in the available hotel inventory in 2008 through 2010 through the short-term sales effort with particular emphasis on smaller association meetings and the national and regional corporate market.

The PCVB/PCC Sales Team is trained in *TOTAL ACCOUNT MANAGEMENT* (TAM). The PCVB sales team's geographical and "peak" room night assignment supports this sales strategy. TAM insures penetration of each account from top down and bottom up. Each PCVB sales person handles portion of the account based on the peak room night (total room nights blocked on one given night in Philadelphia) scale they handle: 10-300; 301-1000; 1001-2000; 2001+.

Regardless of what sales professional is working the account he/she will build the relationship within their assigned peak room nights, but will also qualify other meetings and conventions that the account generates outside their parameters, who handles those groups and pass the information on to the other PCVB sales professional/professionals as appropriate. Further account penetration – especially with local accounts – the PCVB sales professional also ask the questions "does your organization hold meetings or events that do not require hotel rooms?" They share this information with their PCC buddy to solicit for short-term business for the PCC meeting space.

## **11.CONVENTION SALES**

To achieve the mission the PCVB/PCC has established the "buddy" system between the two organizations allowing everyone to focus on both our long-term and short-term customers seamlessly. Any group interested in booking the PCC while also needing room night accommodations will require both buddies participation.

The PCVB/PCC puts the best package together to ensure win-win-win results for all.

- WIN for the customer – excellent value package that addresses all their needs
- WIN for the city – overall economic impact – PCC, hotels, venues and the city's tax base creates compression in the region.
- WIN for the sales and marketing efforts - that the customer chose Philadelphia allowing the sales teams to find the next customer.

Establishing a buddy system ensures total sales connectivity for the customer from both the PCVB & PCC. It shows the customer that the PCVB and PCC are in the finding, booking and servicing process together and eliminates a "WE – THEY" mentality. Everyone is engaged from the initial stages of the selling and marketing process, focused on the customer and how Philadelphia and the Pennsylvania Convention Center are going to meet the customer's needs and exceed expectations. The buddy system eliminates the element of surprise with everyone focused on the customer's needs and that the business is the right business, is securely booked

### **LONG TERM SALES**

The PCC related - otherwise known as the long term - sales team is charged with building the base of business at the PCC through citywide conventions, typically ranging from 2,000 to 7,000 peak rooms (with expansion), outside of the eighteen month window. The long-term team is deployed geographically



against our most lucrative and highest-producing territories and segments, with Sales Directors residing and working in those markets, as well as in Philadelphia.

<b>PCVB SALES PERSON</b>	<b>TITLE</b>	<b>TERRITORY &amp; PEAK NIGHT</b>
Pat Kraft Hilpl	Vice President, Convention Sales	Northeast, VIP Accounts (1000+)
Nell Chadwick	Director of Sales	DC & Maryland (1000+) Southeast (2000+)
Tom Rohlfig	Director of National Accounts	VA (1000+)
Julie Brion	Director of Sales	DC/MD/VA (301-1000) Southeast (301-2000) Northeast Pharmaceutical (500+) All International Groups
Maria Grasso	Director of Sales	West (701+) All Sports Groups
Mitchell Eaton	Director of National Accounts	Midwest (701+)

### **SHORT TERM SALES**

Most often the non-PCC related – usually short-term bookings of meetings and conventions generate hotel room nights throughout the region are handled by short-term sales team. Typically, these meetings average less than 1000 rooms on peak night and book within 6-36 months. These opportunities are an important source of in-house business for the center city and regional hotel community.

<b>PCVB SALES PERSON</b>	<b>TITLE</b>	<b>TERRITORY &amp; PEAK NIGHT</b>
Yolanda Cooper	Vice President, Short Term & Multicultural Sales	All Religious & Multicultural (10+)
Darnell Belford	National Sales Manager	DC/MD/VA & SE (10-300)
Conchevia Washington	National Sales Manager	Northeast (10-1000) Pharmaceutical (10-500)
Marion Joy	National Sales Manager	Midwest & West (10-700) All GLBT

### **PCCA SHORT TERM SALES**

The PCCA sales team is responsible for bookings that fall within the 18-month rolling window. Each year the fiscal year budget for meetings and conventions is based on the number of bookings that is already placed on the books for the year. The PCCA sales team is charged with ramping up business to create the “plug” amount for each month to achieve the end of year fiscal goal. The EBMS system is analyzed to determine available inventory coupled with the return for each market segment.

The PCCA sales team is deployed in various market segments to capitalize on short term bookings that have historically generated a large revenue share year over year. The segments are: Medical/Pharmaceutical, Corporate, Sports, Scientific/Engineering, Job Fairs, Education, Consumer Shows, SMERF and Multicultural. While the PCCA sales team is not incentivized, they are given a month end pace goal that serves as productivity measurement and basis for license fee contribution towards the fiscal budget.

The PCCA sales team work hand in hand with the PCVB sales team to deliver the hotel room nights to the PCVB while meeting space is adequately secured at the Center. In addition, the PCCA sales team works cooperatively with their PCVB Buddy to manage long term accounts to expedite a license agreement to the customer. Sales initiatives are also collaborated with the PCCA/PCVB teams to include sales calls, convention/tradeshaw participation, site tours, and client meetings.

<b>PCCA SALES PERSON</b>	<b>TITLE</b>	<b>MARKET SEGMENTS</b>
Stephanie M. Boyd	VP of Sales, Marketing & Customer Relations	VIP Bookings
Russell R. Kice, CMP	National Sales Manager	Consumer Shows, Trade Shows Medical/Pharmaceutical, Gay & Lesbian
Elizabeth Hudock	National Sales Manager	Corporate, Scientific, Engineering Sports Market, Technology
Linda Jones, CMP	Sales Manager	Education, Legal, Government, Job Fairs, Chamber Music Society
Bernard Carpenter	National Sales Manager	Social, Multicultural, Religious Fraternal, Military
Diane Staton	Booking Manager	
Tamara Barnes	License Administrator	

## **RELATIONSHIP SELLING**

Today's convention industry customer is more sophisticated and demanding of higher levels of customer service than ever before. They want someone on the supplier side that they can trust who understands their needs and wants. This is particularly important in the meetings industry where an annual convention can represent 40-50% of the Association's yearly income. The PCVB practices relationship selling, also known as Consultative Selling, as a primary sales tool. Relationship selling is based on trust.

While both the short and long-term sales are impacted through relationship selling; it is often more evident in the long-term sales process where the sales professional has the time to build and develop the relationship. In this e-commerce age, business opportunities in the short-term sales process are becoming more transactional by nature and are often either identified, pursued and/or closed electronically. Relationship selling impacts short-term sales efforts as well. Short-term sales provides quick solutions and one stop shopping to the customers they serve.

Relationship selling/building does not consist of a simple set of techniques that need to be mastered; rather at its core are the qualities of trust, flexibility, and a deep desire to understand the customer's business. The focus of the sales professional is to create real solutions that respond to and mirror the genuine needs of their customers. This sales method is not only satisfying on a personal level but also quite effective in creating a steady stream of sales for Philadelphia.

The hallmarks of relationship selling are:

1. Building Trust
2. Focusing on Filling Customers' Needs
3. Asking Open-Ended Questions
4. Listening More Than Talking
5. Delivering
6. Following up

Building Relationships with Clients is critical at the PCVB and the PCCA.

### **TARGETED SITE INSPECTIONS**

Site inspections are an essential part of the buying process for this market, especially in Philadelphia. Well planned and executed site inspections that support the objectives of the specific meeting or convention make the difference between being considered and being selected as the host destination. Demonstrating the ease of travel in the mid-atlantic corridor either via high-speed tram or by air, the proximity of the city center to the airport and train station and the extraordinary walkability of the Philadelphia convention campus are must-have experiences when positioning Philadelphia for a convention. Dining at a well known restaurant within walking distance of the hotels or touring the historic or cultural attractions reinforce the uniqueness of Philadelphia's offering as does showcasing the inherent educational, healthcare, life-sciences or industry specific talent and resources of the region. Philadelphia, everyday, has to show itself as a clean, safe city to the meeting planner or show organizer to feel comfortable in making the right choice for their organization.

### **INDUSTRY TRADE SHOWS & INDUSTRY MEETINGS**

Industry related trade shows and meetings are essential elements of the Sales and Marketing processes of Philadelphia, the brand. Both are vital channels of distribution to reach both long-term and short-term customers.

#### **Trade Shows**

Industry trade shows bring together many of our existing and potential customers (both long and short-term buyers). Each show has a unique audience that challenges the sales and marketing team to be strategic in the pre-planning and post show execution to ensure maximum effectiveness of time and resources. Philadelphia's quick turn around of hand delivered RFP's during a show or meeting, can mean the difference between winning and losing the business. At each show, there is an assigned booth leader who is a senior person within the sales organization that completes the show report and assigns leads by territory.

The PCVB booth has had a record turnout of late at shows such as Springtime in DC and ASAE. In addition to exciting new marketing graphics and collateral material, we have created a trade-show experience unique to Philadelphia and in the industry, by showcasing local favorites such as cheese steaks prepared fresh on-site. We have also added music highlighting "The Sound of Philadelphia". Our exhibitors are wearing themed Philadelphia shirts and branded Philadelphia specific giveaways are provided. Pre-show mailers and post-show follow up complete the extension of the brand, Philadelphia.

The PCVB in conjunction with the PCC, exhibits at trade shows or attends industry meetings in the unique vertical markets of Multicultural, Religious, Government and Pharmaceutical along with the premier meetings industry events such as, PCMA, ASAE and MPI.

### **In Market Industry Meetings & Events**

Like industry trade shows, industry meetings and events are essential in establishing, building and enhancing relationships through networking and partnerships. Usually industry meetings are held monthly by local or regional chapters of a national trade organization. Relationship building at the local level builds strong respect for the PCVB/PCC for short-term meetings and on the national level with this local support.

### **INTERMEDIARY PARTNERSHIPS**

The PCVB/PCC also participates in sales missions organized by third parties such as Experient, Smith-Bucklin and the Kellen Company. Partnering with these organizations as a sponsor provides an opportunity to reach out to the myriad associations and corporations represented by the intermediary to accomplish the following objectives:

- Reinforces the endorsement of Philadelphia as a destination of choice by the intermediary.
- Emphasizes the relationship between the intermediary and the sales and service professionals in Philadelphia.
- Encourages the end user, the customer, to consider or rebook Philadelphia.

### **SALES MISSIONS**

A very important aspect of the Sales Strategic Plan is in-person sales missions to our primary feeder markets, Washington, DC, Chicago and New York and emerging or transitioning markets such as the West Coast and Southeast. These missions are not only targeted communication to our association, corporate and tradeshow clients but they also allow us to put our arms around the Global Sales Offices of the major hotel companies represented in Philadelphia, such as Marriott, Starwood, Loews and Hilton, further extending our sales reach through their sales efforts.

A well planned and executed sales mission accomplishes the following:

- Book business
- Identify and qualify new business for Philadelphia
- Communicate important messages
- Extend our sales reach
- Reinforce the Philadelphia brand through joint sales calls with key hoteliers and vendors
- Circle back to existing clients to re-emphasize the importance of their business to Philadelphia and drive new leads
- Move the organization to include Philadelphia on its rotation pattern or short list.

We have several sales missions planned for FY '08/'09 which will enable Philadelphia to:

- Drive the PCC expansion message in concert with the new hotel development
- Update clients on PCC management and labor improvements and enhancements
- Showcase our new Mayor and his commitment to the hospitality industry in the Philadelphia region

- Get “buy-in” from meeting planner or show organizer to commit to Philadelphia being in the organization’s rotation pattern or on its short list
- Reinforce commitment of Philadelphia to the rotation pattern or short list.

## **FAM TRIPS**

### **One-Day**

Since time is the currency of the 21<sup>st</sup> Century and planners and organizers can’t always allocate multiple days to site a new destination, in 2008 we will reinvigorate the one-day Fam trips that have historically been a signature sales and marketing event for Philadelphia. One-day Fams showcase the city in a tight timeframe, generally with a departure from a key feeder city at 8AM with a return to that same city by 6PM. Our first go-to choice for transportation is AMTRAK, due to the outstanding northeast corridor service, (targeted to our Washington, DC and New York markets) however, US Airways has also partnered with us in the past, allowing us to expand the invitation to clients in our critical mid-west market (Chicago, St. Louis, Indianapolis market). They can also include theater or special events like the Olympic tryouts – USA verses Puerto Rico boxing event.

As the sales and marketing arm of the PCC eighteen months and out, these Fams help us achieve a critical objective of proving that the expansion is proceeding along a schedule that ensures a timely delivery to definite clients. It also builds credibility with our tentative customers and those “still on the fence” about Philadelphia’s ability to handle a large citywide convention. In the non PCC hotel-related sales arena, one-day Fams can generate very lucrative hotel revenue on a short-term basis.

### **Multi-Day**

Multiple day Fams are another great resource to showcase the city. They are typically held over a weekend and often in conjunction with a unique signature event such as the Flower Show, Army-Navy Game, Eagles football game or a major art exhibit or interesting cultural event. These events give the clients more time to discover the city and to experience the hotels, while enjoying our restaurants and usually a themed event at the PCC.

Upcoming Fams in FY ‘08/’09 will include: Philadelphia Flower Show Fam sponsored by Marriott International and the PCVB; and the Multi-cultural/Religious Fam sponsored by PCVB, PCCA and interested hotels.

A well planned and executed multi-day Fam accomplishes the following objectives

- Showcase the expansion of the PCC
- Reemphasize our key existing hotel product improvements (over \$300 Million in Center City hotels)
- View the new hotel inventory and the strategic location of this hotel development to the PCC
  - Builds stronger relationships with clients

## **CONVENTION SPONSORSHIPS**

Cost of doing business in today’s competitive marketplace has created a paradigm shift. Planners/organizers in the past relied on their organization’s marketing departments to build attendance or get more exhibitors to come to destination. Since 2003 that has all changed – the planner/organizer is upfront and expecting – how is Philadelphia to help me grow my event in attendance, exhibitors or cost-effectively?

As a destination Philadelphia has to be prepared to address sponsorships to win the business. Customized electronic communications regarding Philadelphia via the planner/organizer's Website integrated with ours has been a cost effective way of building attendance. However that is the tip of the iceberg. Partnerships with our business community through the Greater Philadelphia Chamber of Commerce, Select Greater Philadelphia or the City of Philadelphia or the Commonwealth of Pennsylvania are ways to identify sponsorships.

Utilization of the PCVB'S appropriate congresses (Greater Philadelphia Life Science Congress, Multicultural Affairs Congress or the Philadelphia Sports Congress) for a particular group is another way to provide partnership/sponsorship initiatives.

Through the relationship selling of the PCVB/PCC partnerships/sponsorships are identified early on in the sales process. Careful evaluation is done by senior management within the PCVB/PCC to evaluate the business and address if in-market sponsorship should be extended to a group or not. Critical in an in-market sponsorship event is the time of the year they meet as well as Philadelphia's need for the business opportunity at that time. Sponsors should identify the PCVB/PCC in collateral as a premiere sponsor.

## **12.CONVENTION SERVICES**

To ensure successful events at the PCC our SALES/SERVICES team is fully integrated and understands the role each plays in delivering an exceptional experience. Our "buddy system" also extends to our services personnel and how they deliver the promises made by our Sales professionals. Servicing our customer is the key factor in winning and keeping the customer for the long term. SERVICES include both external – those outside the PCC and internal – those inside the PCC that will impact the overall success of the event.

<b>PCVB SERVICES PERSON</b>	<b>TITLE</b>
Philomena Petro	Vice President, Convention Services
Janice Telstar	Director of Convention Services
Arlene Iannacone	Senior Convention Services Manager
Mariya Brewer	Senior Convention Services Manager

<b>PCCA EVENTS SERVICES PERSON</b>	<b>TITLE</b>
Lois McLaughlin	Director
Eric Erle	Assistant Manager
Maria Joe	Coordinator
Jorge Palmieri	Coordinator
Jessica Gerace	Coordinator
Todd Alexander	Coordinator

### **SITE INSPECTIONS**

PCVB/PCC Services teams work together in coordinating all pre-event visits by clients to the Convention Center and the City. These visits (site inspections) consist of the planner of the event and vendors who support the convention and occur on a continual basis approximately 12 – 16 months before the meeting.

The purpose of the visits includes:

External Logistics

- Final selection of hotels
- Selection of special event venues
- Meeting with city officials to discuss any permitting , etc
- Meeting with affiliated organizations/universities (Select Philadelphia) to obtain lists of potential attendees to enhance attendance

#### Internal logistics

- Review allocation of space at the Convention Center for exhibits and meetings
- Meetings with vendors at the Pennsylvania Convention Center to coordinate technology needs, security, communications, catering, audio visual
- Pre-event labor meetings

### **CUSTOM CONVENTION PROMOTIONS**

The PCVB offers a promotion program to selected conventions coming to Philadelphia. The program aims to increase attendance at conventions and educate attendees and exhibitors at no additional cost to the meeting through an electronic promotion campaign and a customized micro-website.

The campaign consists of:

#### External logistics

- A customized website with links to Philadelphia information, including new developments, calendar of events and sightseeing and dining options (sample at <http://www.pcvb.org/mla>).
- A broadcast email (designed similar to website) to all prospective attendees promoting your Philadelphia meeting and directing them to the website.

#### Internal logistics

- A broadcast email and website specifically for exhibitors to educate them on working efficiently at the Pennsylvania Convention Center and understanding the customer Rights and Work Rules.

### **WELCOME**

### **PROGRAM**

The Philadelphia Convention & Visitors Bureau (PCVB) offers a comprehensive complimentary welcome program to selected conventions to create awareness for the convention and provide a warm welcome for their attendees.

#### External Components

- Welcome Buttons for hotel staff of all participating hotels
- Welcome signage at Philadelphia International Airport
- Customized banners throughout the city

- An on-site information /restaurant reservation service
- Citywide welcome message on PECO crown lights
- Valuable discounts offered to conventioners

#### Internal Components

- On-site Concierge service at the Convention Center to provide city information
- Ask – Me volunteer program where PCC volunteers are available to attendees throughout the facility to provide directions and answers questions.

### **ON SITE SERVICING**

PCVB/PCC Services team works together to assist planner with all logistics during move-in/show dates and move-out.

#### External logistics

- The PCVB schedules City Wide Pre-Convention meetings with all participating hotels ; meeting planner and appropriate vendors
- PCVB creates a citywide alert which is sent to over 1400 members of the Convention Bureau providing them with details of the upcoming convention
- PCVB attends the Convention Center Pre-Convention meeting; distributes and reviews citywide alert highlighting the number of hotels; number of rooms picked up; number of registration staff; welcome program components; transportation logistics.
- PCVB checks in with planner on a daily basis to monitor the clients' experience and any needs as it relates to the following:
  - Hotel
  - Registration Temporary Staff
  - Tour Services
  - Restaurant Booth
  - City Issues

#### Internal Logistics

- PCC pre conference meetings allow show managers and their staff to discuss their event

### **DESTINATION PROMOTIONS**

PCVB/PCC Services team attends the annual meeting of identified conventions and trade shows the year prior to coming to Philadelphia to increase awareness, impact higher attendance and understand the servicing needed in Philadelphia. This service is not extended to all groups because of the cost involved. However, the ROI in hosting a destination promotion can help build attendance and exhibitor industry increasing revenues generated for Philadelphia. Destination promotions are handled by PCVB/PCC Services staff after the event is booked definite for Philadelphia.

### **SERVICES SUPPORT**

PCVB/PCC Services teams furnish clients with information vital to the planning process. Advanced electronic communications have enhanced the servicing process.



External

- Digital Service Kit – this on-line services kit provides the client with all of the necessary tools to prepare for their Philadelphia experience.  
Categories include: Multimedia resources  
City Logistics including transportation; housing procedures  
Attendance /Promotion Generators  
Philadelphia regional information  
Local suppliers /resources – PCVB membership base  
Link to Pennsylvania Convention Center
- Collateral information- All planners are furnished with a comprehensive Philadelphia tool kit 12 months prior to Philadelphia meeting.  
Tool Kit includes: Meeting Planning guides  
Philadelphia promotional DVD's  
Membership directories featuring 1400 member companies

Internal

- The PCC provides a number of tools to ensure that clients have a first rate experience.  
They include: Online ordering for Facility Services  
User-friendly expanded PCC website – [www.paconvention.com](http://www.paconvention.com)

**LOCAL PARTNERSHIPS**

PCVB Services team is charged with assisting client with generation of increased attendance at the Philadelphia meeting.

- PCVB services team works with the three congresses- Greater Philadelphia Life Sciences Congress; Philadelphia Sports Congress and Multicultural Affairs Congress to identify potential audiences/resources for outreach by client.
- PCVB works with local business community – Select Philadelphia and universities to identify potential audiences/resources.
- PCVB services team works closely with specific convention’s local host committees to identify potential audiences/resources.

**MEASURING PERFORMANCE**

PCVB/PCC services teams survey the meeting planners, show organizers and show contractors to obtain customer feedback/suggestions.

External

- Post Convention meetings are scheduled with clients to review citywide experience as it relates to:  
Hotels  
Local Vendors  
City Services  
Overall City Impressions
- Post Convention Surveys measuring performance citywide as well as the convention center experience are executed by the PCVB services team immediately following each convention.

Reviews of the customer surveys and post convention minutes are analyzed and utilized to improve future performance.

Internal

- PCC conducts post-conference meetings at the client's request
- TRACKER – Online Exhibitor Survey for feedback

### **13. GOALS - FISCAL YEAR 2008-2010**

Refer to PCCA supplement prepared by the CFO for the 3 years of revenue splits between PCCA & PCVB.

Room night generated by the PCVB in separate document.

### **14. STRATEGIC SALES PROCESS**

As acknowledged by industry surveys and our own Customer Advisory Board feedback, the long-term sales process - primarily impacted through *relationship selling* - differs from the short term sales process which tends to be more *transaction based*, immediate and quite often today, these business opportunities are identified, pursued and/or closed electronically. Systems that support the different type of sales process are critical to our success.

Tools that support the long-term sales efforts are important for staying focused on business 5 years out and beyond and also for tracking and measuring how Philadelphia is faring against the competitive set into the future. Philadelphia's base citywide hotel occupancy and the PCC's base occupancy level are often determined at the 7-10 year out point. Some of the initiatives we have developed to stay on point are:

**Universe of Accounts** – Each Director has approximately 75-100 primary accounts tracked in a format referred to as their Universe of Accounts. This “book of accounts” represents the rotation schedules of the major citywide conventions within that geographical territory. Each individual market universe is combined to form a global Universe of Accounts that allows us to track the national association rotation around the country historically and into the future, providing a measure of our competitive position and future open east coast rotations to pursue.

**Funnels** - All major identified citywide conventions are tracked via individual territorial Universe of Accounts which interfaces with the Funnel, when the sales process is actively engaged. The Funnel tracks prospects and/or RFP distribution (above the funnel), leads or tentatives (in the funnel) and closing the business (best/few) sales activity. Each Director is responsible for the maintenance and updating of these tools on a regular basis.

**Research** – the need for information in the sales process to identify new business opportunities and to position Philadelphia as the right choice is undeniable. Fortunately, online resources are abundant and generous with information. These sites include but are not limited to the organization's own web site. The PCVB has identified a need for this resource in the sales process to assist with identifying local Board Members, the number of businesses within a specific mile radius, a Philadelphia connection piece and/or anything substantial that can be included in a proposal that positions Philadelphia as a destination of significance to their industry or that places Philadelphia more favorably than our competition.

Research strategy based on the following criteria:

- 1) Give us greater knowledge of the account and how Philadelphia can perform in servicing

- 2) SOPS in place that support the sales manager's need for research, while they can continue finding more and new customers to "buy" Philadelphia
- 3) Implemented a research program for an intern or graduate student that does this for the division on an ongoing basis.
- 4) Ensure Convention Division behavioral initiatives change toward iDSS and they see as our CRM database as our bible.
- 5) Competitive destination information.
- 6) DMAI MINT database for historical and future analysis.

## **15. PCVB CONGRESSES & OTHER SALES TOOLS**

The PCVB has three congresses that assist in the sales and servicing of key segments. These congresses interface with the sales team regularly beginning with the prospecting stage and throughout the sales process to promote the region, connect networks and position Philadelphia favorably in the meetings and convention market.

### **Multicultural Affairs Congress**

A great resource for all planners, the Philadelphia Multicultural Affairs Congress (MAC) works to increase Philadelphia's share of multicultural meetings and tourism markets. MAC maximizes opportunities for the region by promoting Philadelphia as an ethnically diverse visitor destination, encouraging multicultural business and social responsibility that contributes to and benefits from the varying multicultural communities that enhance our region's hospitality and tourism industry.

### **Greater Philadelphia Life Sciences Congress**

The GPLSC brings representatives of the five prongs of the life sciences together: regional healthcare, pharmaceutical, biotechnology, higher education and business. These professionals help position Philadelphia as the center for life sciences meetings, conventions and business.

### **Philadelphia Sports Congress**

The PSC actively partners with the sales team to attract major sporting events and conventions on behalf of the Philadelphia region for economic development purposes. The PSC's highly engaged staff and Board have a demonstrated record of bringing new sporting event business to Philadelphia.

### **International Market**

The international meetings market potential for Philadelphia is trending toward travel in conjunction with U.S. based association or corporate annual conventions and meetings already decided for Philadelphia. In other words, the average international group customer in Philadelphia usually comes here by invitation of a domestically based company or professional association (often pharmaceutical or healthcare related) and the travel is arranged separately through an intermediary. This is big business for our hotels as this sub-segment usually goes around the citywide block and frequently prefers four and five star properties.

However with globalization, we recognize that there is potential for independent international meetings and conferences to convene on the east coast of the U.S. We suspect that this interest will probably be due to our regional infrastructure of healthcare and pharmaceutical industries. To identify new business opportunities, we have joined the International Congress and Convention Association (international equivalent of the U.S. based Destination Management Association International (DMAI) to explore the database and business potential for Philadelphia. One PCVB account manager is deployed against this market.

### **Association Management Companies (AMC)**

These organizations play an important role in the PCVB moving forward in finding new business. AMC's manage multiple association and their numbers are telling. In the aggregate, AMC's manage more than 3,000 associations with budgets ranging from \$150,000 to \$16M – a total in excess of \$4B annually. AMC's provide diverse services that range from routine administration and executive-level management to public relations, marketing & most important to us, meeting management. AMC's as noted above, will be an important resource for identifying new business for Philadelphia. The AMC's we work most frequently with are SmithBucklin Associates, Experient, Anthony J. Jannetti, Talley Management Group, Association Headquarters, Inc., Fernley and Fernley and Kellen Company, to name a few. All account managers are deployed against this segment.

### **Incentive Companies**

Another important avenue for sourcing new business is available through incentive companies. While resorts tend to be the destination of choice for incentive business, incentive companies also source business especially in the automotive, pharmaceutical and insurance segments, for top urban areas. Those companies include Maritz, Carlson Wagon-Lits, George P. Johnson and Gray Consulting. Several account managers are deployed against this segment.

One of the growing trends in the meetings and convention market is the rise of the independent meeting planner. This growth has been fueled by companies such as Conference Direct and Helms Briscoe, employing former meetings and hospitality industry veterans to manage the lead process for association and corporate accounts on a commissionable basis. These companies deliver to Philadelphia not only on a citywide, PCC-related level but also are an invaluable source of new business for our hotels. All account managers are deployed against this segment.

## **16. TRADE SHOWS**

In conjunction with the expansion of the PCC, Philadelphia has a unique opportunity to secure additional business from the trade show market – especially from its greatest competitor in this lucrative demand segment – New York City. The reason – the existing condition of and decision not to expand the Jacob Javits Center.

The PCVB has been working closely with the “big” show organizers, who own the shows and can book them within 12 to 24 months. Integrating large trade shows with convention business can be a huge win for Philadelphia after expansion is completed in December 2010.

The condition of the New York Javits Center combined with its cancelled expansion and the impending opening of the PCC's expansion in 2010, are creating renewed interest in Philadelphia as a site for large national tradeshow market. Optimism surrounding the Customer Satisfaction Agreement (enacted in 2003) is also creating new business opportunities for the Philadelphia and PCC from this segment.

## **17. CUSTOMER ADVISORY BOARD**

The Philadelphia Customer Advisory Board (CAB), which partnerships with the PCC is always involved and plays a key role in Philadelphia's sales & marketing strategies as well as understanding the competition, what product and service improvement needs to be achieved and what will separate Philadelphia from the pack.

CAB is made up of key customers who are meeting planners, show organizers and show contractors. They buy nationally and know Philadelphia well. But they also know Philadelphia's competition and the

40 major destinations in North America as well and how Philadelphia compares to them. As members of Philadelphia’s CAB they are asked to tell us how Philadelphia stacks up, and what can and should be done to enhance or improve to gain more customers market share.

The CAB meets twice a year, but is communicated with throughout the year on key issues to comment on or to inform them about events and activities in Philadelphia. CAB represents Philadelphia’s typical national customer and market mix and is a barometer for what our customers want and expect.

PCVB CAB members serve three-year terms, at which time they are replaced with other national meeting planners that provide new input and insight to improve Philadelphia’s product and position it strongly as a national destination. A strong relationship with CAB members is hallmark to the success of Philadelphia in the future as they become “apostles” delivering our brand message to others.

## **18. SHOW CONTRACTORS – THE OTHER CUSTOMER**

While the show contractor can be viewed as a vendor to the meeting planner or show organizer, Philadelphia and the PCVB/PCC need to view them as a customer/partner in providing an exceptional experience in Philadelphia.

The show contractor can dramatically impact the outcome of the convention, trade show or event in Philadelphia and cannot be overlooked. Many show contractors have long- term relationships with the meeting planner or show organizer and their organization. With such relationships between the planner or organizer the contractor provides “piece of mind” because they have a proven track record with their customer that the destination may not have. The meeting planner and show organizer seek input from the show contractor about working in a destination, the labor climate and cost of doing business in the destination and should a destination be considered. While the show contractor’s input may not affect the final decision in the selection of a particular destination, they influence the meeting planner and show organizer and this influence could eliminate a destination making the short list for a planner’s or organizer’s future sites or rotation.

<b>SERVICE CONTRACTOR</b>	<b># TOP 200 SHOWS</b>	<b>MARKET SHARE</b>
Freeman	102	51%
GES Exposition Services	54	27.0%
Geo. E. Fern	8	4.0%
Champion Exposition Svcs	8	2.5%
Rosemont Exposition Svcs	5	2.5%
Shepard Exposition Svcs	3	2.0%
Brede Exposition Svcs	3	1.5%
The Expo Group	2	1.0%
Merchandise Mart Propert.	2	1.0%
Reber-Friel	2	1.0%
Penn State Expo Svcs	1	.5%
Chene Expositions	1	.5%

Chart above outlines the larger show contractors (TSW 2008 –TOP 200)

## **19. TECHNOLOGY & THE CUSTOMER**

The environment we live into today is not only global but totally connected as the result of advanced technology. To be competitive Philadelphia has to be a leader in reaching the customer through state-of-the-art technologies and at the same time for understand what customers technologies needs are to ensure successful outcomes in the destinations they chose for their events.

Reaching the customer through advanced technologies has required re-tooling how our customer database is managed at the PCVB and the PCC. Both organizations have invested in technologies that will enhance the relationship we have with customers including both their business and personal preferences that impacts their buying decisions.

### **TECHNOLOGIES THAT HELP US REACH THE CUSTOMER**

#### **PCVB – iDSS**

The PCVB migrated to iDSS in 2007, as a web-based solution providing us access to our customers 24/7 anywhere in the world. It allows the PCVB Sales/Services professionals to deal with this Customer Relationship Management (CRM) program and update customer information anywhere they have Internet access.

iDSS offers a complete web-based system for convention/travel trade sales, destination marketing activities, and client/member management. This powerful system delivered over the internet streamlines processes and eliminates redundancy of information making critical data available anywhere an Internet connection is available.

Prior to implementing iDSS, the PCVB had a cumbersome and inefficient lead distribution process. This process required printing and faxing or scanning and emailing the business lead documents to each member hotel, then receiving the hotel's response via fax or email. Now every hotel member has a login and password to iDSS and they can log on regularly to receive new business opportunities and receive updates regarding existing opportunities. When they respond, it is recorded directly into the database, so the PCVB sales team can see up-to-the-second who is participating in an opportunity. The sales team can communicate through the database, with a trail of all communications, privately to individual hotels, or to all hotels who receive the lead.

Features of the database include:

- Account & Contact Management - All organization contacts in ONE database with easy searching capabilities
- Sales Leads templates for many types of leads – Convention Center/multiple hotels, Accommodations, Meeting Space, Sports Events, Tour Groups etc.
- Custom Profiles for all major groups (PCC related/Multiple hotel related groups)
- On-line lead response tool for Industry Partners / Convention Center /Hotels
- Reporting capabilities for both production and analysis of PCVB work
- Membership Module with extensive publication options and dues billing options

- Sponsorship, In-kind and Partnership Tracking and Invoicing
- Integrated E-marketing solution
- Site Inspection Itineraries
- Familiarization Itineraries
- Expense Tracking and Reporting
- Template screens available to customize for specific needs
- On-line Registration module integrated with Membership Data for Member Events
- One database management program for all departments of the PCVB

### **PCCA – EBMS**

The PCCA instituted a new Event Management System Application called EBMS (Event business Management System) from Ungerboeck, Inc. in October 2004. The Event management System or EBMS is an integrated module system that covers the entire business spectrum from Marketing, Booking, Event Management, Service and Work Orders, Workforce Scheduling, Procurement, Inventory, Operations, Accounting and Finance, and CAD Management. The extreme functionality of this event management software provides real time management of all events, event information and services, and financial statistics for all events hosted at the PCC. In addition, the EBMS application provides online services to customers via the Internet to order technology, client utility, and other services directly from the PCC website in a secure format. This data is automatically transferred to the internal EBMS application so there is no dual entry of data.

The EBMS application is also shared with the PCVB to coordinate efforts through a common goal. The PCVB sales team has been granted a “view only access” to provide the ability of real time account management. The shared database application also serves as the “account file” for each client account where full documentation of each account activity is recorded and stored.

To keep abreast of all of the new and advanced features that the EBMS software offers, PCCA attends the yearly conference where a 3 day conference is chock full of information for enhanced business procedures. After returning from the conference, the PCCA conference delegates then provide in-house training sessions to roll out the new and enhanced features of the product.

The functionality of the EBMS database include:

Multi-Organizational Usage – EMBS may be shared with multiple organizations on a Local Area network (LAN) or via the Internet.

International Capabilities – EBMS is equipped to handle all aspects of international commerce, including currency transactions, international taxation, multiple user languages, field formats, and multi-lingual event management.

Integrated Accounting – From Event Sales to Operations, whenever an activity gives rise to accounting transactions as receivables, payables, and inventory, the EBMS application provides comprehensive reports for complete account reconciliation.

Notes, traces, and Reminders – Notes, checklists, and follow up traces (reminders) may be attached virtually anywhere, total...account, diary entries, bookings, events, work orders, inventory items, transactions, etc. These elements provide full documentation for account management.

Management Reports – The EBMS database provides comprehensive reports that can be compiled for administrative management and review.

Secure Online Services – The EBMS Application provides customers with the ability to purchase services online in a secure format. Information entered is transferred automatically to the internal EBMS application saving valuable time and operating expenses.

## **TAP REPORT**

Trends Analysis Projections LLC (TAP) is a data service provider and consultant to over 45 convention bureaus in the U.S. and Canada.

TAP information has been developed by industry professionals with the focus on how a destination can better manage its meetings and convention business with its three principal stakeholders – convention bureaus, convention centers and destination hotels.

TAP Peer Set Benchmarking Reports are the only tools in the industry that allow destinations to measure their performance against competing markets for market share, pace and conversion performance. TAP Peer Set Reports analyze critical market data, allowing bureaus to accurately position convention bids for future years.

## **STARCITE**

A future investment that the PCVB will make is with StarCite, with 35% of all of the meetings and convention segment booked in Philadelphia being medical, healthcare and life-science related. StarCite enhances Philadelphia's ability to be part of the procurement process from the onset, especially with the pharmaceutical and biosciences companies.

StarCite, Inc. is the largest on-demand global meetings management company in the \$300 billion global marketplace for corporate meetings and events. Processing more than 3 million attendee registrations a year and delivering over \$7.5 billion in revenue opportunities annually to meeting suppliers, StarCite brings together buyers and suppliers of meeting-related services on an unprecedented scale; delivering value through world class technology and services to both audiences. StarCite's On Demand Global Meeting Solutions™ Ensure control and compliance for the corporation and provides reach new customers and drive incremental revenues to vendors.

## **20. PCC PRICING POLICIES**

A survey was conducted to provide a snapshot sampling of 11 cities from various areas of the county. The cities that were surveyed are Baltimore, Atlanta, Orlando, Las Vegas, San Diego, Chicago, Washington, DC, New York, Boston and Philadelphia.

In order to provide a fair comparison, a sample request was used to calculate rental rate for a tradeshow of 8 days with 4 days of show and 4 days move in/out. It was further determined that proportional meeting



space was granted to the clients at a complimentary rate. In addition, a second sample study was conducted to calculate the rental rate for the usage of Ballroom space. It should be noted that these rates are the published rates as of April 2008 and are subject to change and do not take into consideration for any food and beverage related discounts.

The sample surveys were used to identify the positioning of the Pennsylvania Convention Center amongst its competitive set. This study was also used to substantiate and amend the rate schedules for the years 2008-2010 and also 2011-2013. A study was also conducted to glean the business practices of the competitive set to determine revenue generating areas that would enhance the business methods currently used at the PCCA. As an example: The concourse space of the PCCA will now receive a charge of \$1.00 per net square footage used. This has been an area where clients utilize the concourse space for additional vending space. We believe that this has been a missed opportunity to secure additional revenue while keeping aligned with our competitive set.

*The competitive set rate survey and rate schedules for the Pennsylvania Convention Center are attached.*

## **21. INDUSTRY TRADE SHOWS CALENDAR**

### **JANUARY**

Association for Convention Operations Management (ACOM) Annual Meeting - Made up of convention services managers of hotels, convention centers and CVBS. [www.acomonline.org](http://www.acomonline.org)

Professional Convention Management Association (PCMA) Annual Meeting - Made up of nonprofit organizations involved in planning conventions, expositions and meetings – originally focused toward the healthcare industry. [www.pcma.org](http://www.pcma.org)

Meeting Professionals International (MPI) Education Conference - Made up of meeting planners and suppliers – corporate focus. [www.mpiweb.org](http://www.mpiweb.org)

Religious Conference Management Association (RCMA) Annual Conference & Expo - Made up of meeting and convention planners for religious organizations. [www.rcmaweb.org](http://www.rcmaweb.org)

### **FEBRUARY**

Council of Engineering & Scientific Society Executives (CESSE) Annual CEO Mid-Winter Meeting – CESSE offers its members a forum for exchanging information about their experiences and a venue for addressing the problems, challenges, and opportunities they face in operating their societies.

Association for Conference Marketing Executives (ACME) Annual Conference – Made up of over 100 marketing and sales executives from convention centers and bureaus across the country.

### **MARCH**

Destination Marketing Association International (DMAI) & Destination Showcase Washington DC - Made up destinations marketing agencies and convention & visitors bureaus. Show geared to expose to national trade associations, corporate and government meeting planners and organizers. [www.destinationmarketing.org](http://www.destinationmarketing.org)

Society of Independent Show Organizers (SISO) CEO Conference - Made up of for-profit exhibition organizers. [www.siso.org](http://www.siso.org)

## **APRIL**

HSMAI Affordable Meetings Mid-America: Trade show for meeting professionals who represent all segments of the industry to meet with CVB's Convention Centers, airlines, conference centers, trade publications, DMC's etc. who service the industry. [www.affordablemeetings.com](http://www.affordablemeetings.com)

IMEX: the groundbreaking exhibition for meetings and incentive travel. [www.imex-frankfurt.com](http://www.imex-frankfurt.com)

International Association of Conference Centers (IACC) – Made up of IACC members that includes educational sessions and opportunities to network [www.iacconline.org](http://www.iacconline.org)

International Association of Exhibitions & Events Technology Conference - Made up of exhibition, event managers and suppliers. [www.iaem.org](http://www.iaem.org)

## **MAY**

Society of Government Meeting Professionals (SGMP) - Is the only national organization in the United States dedicated exclusively to improving the knowledge and expertise of individuals in the planning and execution of government meetings through education, training, and industry relationships.

## **JUNE**

Healthcare Convention & Exhibitors Association (HCEA) Annual Meeting - Made up of healthcare exhibiting companies, suppliers and associations. [www.hcea.org](http://www.hcea.org)

Springtime Washington DC (PCMA) - Focus on destination promotion to the association market.

HSMAI Affordable meetings West - Trade show for meeting professionals who represent all segments of the industry to meet with CVB's Convention Centers, airlines, conference centers, trade publications, DMC's etc. who service the industry. [www.affordablemeetings.com](http://www.affordablemeetings.com)

Exhibition Services & Contractors Association (ESCA) Summer Educational Conference - Made up service contractors, unions, labor organizations and suppliers. [www.esca.org](http://www.esca.org)

National Association of Consumer Shows (NACS) Annual Convention - Made up of consumer show producers and suppliers. [www.publicshows.com](http://www.publicshows.com)

Destination Showcase International (DMAI) Chicago - Designed to promote destinations through CVBS to association and corporate meeting planners and show organizers. [www.destinationmarketing.org](http://www.destinationmarketing.org)

## **JULY**

Council of Engineering & Scientific Society Executives (CESSE) Annual CEO Summer Meeting – CESSE offers its members a forum for exchanging information about their experiences and a venue for addressing the problems, challenges, and opportunities they face in operating their societies.

Major American Trade Show Organizers (MATSO) Annual Meeting & Congress - Made up of organizers of tradeshow of at least 200,000 net square feet. [www.matso.org](http://www.matso.org)

Destination Marketing Association International (DMAI) Annual Convention - Made up of destination marketing agencies and conventions and visitors bureaus. [www.destinationmarketing.org](http://www.destinationmarketing.org)

International Association of Assembly Managers (IAAM) Annual Conference - Made up of exhibition and events managers and suppliers. [www.iaem.org](http://www.iaem.org)

Meeting Professional International (MPI) World Education Conference - Made of meeting planners and suppliers – focused on corporate segment. [www.mpiweb.org](http://www.mpiweb.org)

## **AUGUST**

American Society of Association Executives & The Center for Leadership Learning (ASAE) Annual Meeting & Expo - Made up of association executives and suppliers. [www.asaenet.org](http://www.asaenet.org)

HSMAI Affordable Meetings, National - Made of suppliers focused on promoting destinations to the association and corporate market segments. [www.hsmai.org](http://www.hsmai.org)

HIGO Classic - Gold tournament for national association meeting planners and suppliers.

## **OCTOBER**

TEAMS - The world's largest gathering of sports-event organizers—it's the place to be for anyone who wants to be a player in the sports-event industry. [www.teams.org](http://www.teams.org)

## **DECEMBER**

Exhibition Services & Contractors Association (ESCA) Annual Meeting - Made up of service contractors, unions, labor organizations and suppliers. [www.esca.org](http://www.esca.org)

International Association of Exhibitions & Events (IAEE) Expo! Expo! – Made up of exhibition, event managers and suppliers. [www.iaam.org](http://www.iaam.org)

Association Forum of Chicagoland and Holiday Showcase - Made up of destination suppliers geared at attracting association and corporate meetings and conventions to destination.

Convention Industry Council (CIC) Hall of Leadership: made up organizations involved with meetings, conventions & exhibitions. [www.conventionindustry.org](http://www.conventionindustry.org)

## **22. PERFORMANCE DEVELOPMENT**

Through the analysis of surveys, customer feedback and lost business reports, the PCVB/PCC will focus on *lessons learned* to improve and enhance performance levels or product improvement. Review of customer surveys; TRACKER exhibitor surveys; post convention minutes with meeting planners, show organizers and show contractors analysis will be done and measures taken to improve marginal performance to ensure more positive experiences in the future.

Outside surveys (Metropoll and Watkins Study) will also be used to improve sales, service and product offerings as well.

Findings will be shared with staff that can impact change. With regard to show workers in the PCC, management will work to enhance the customer experience.

- Sales/Services – Performance Improvement
- Minority Executives DELP
- Technology Training
- Show Services – Business Agents Show Workers Monthly Lessons Learned

## **23. INDUSTRY TRENDS**

The paradigm shift in Green thinking will impact every aspect of our lives, where we will consciously or unconsciously consider the environment in every act we take. Hotel patrons will consider turning their lights off when they leave their rooms, stop demanding fresh towels when they return, want natural fiber bedding, non-toxic soaps, and so on. In essence, consumers may very well decide to stay at a particular hotel simply by the “color” of it, and the deeper shade of green an establishment is

The trend of “Greening” in all businesses is gaining momentum. Meeting planners and show organizers are including questions in their RFP’s as it relates to the convention center, the destinations recycling initiatives, and environment sensitivity.

The PCC and its services partners have undertaken a number of green initiatives including recycling, low environmental impact cleaning policies and the use of recycled materials.

As the hospitality industry hub the Philadelphia Convention & Visitors Bureau and Pennsylvania Convention Center “Green” Initiative needs to be a multi –faceted approach where policies are adopted that :

- Impact operations at the Pennsylvania Convention Center
- Impact the membership base and the hospitality community at large
- Impact planning efforts of clients by offering green solutions when meeting in Philadelphia..

Working with our Hospitality partners our community will adopt the Convention Industry Council’s Green Meetings Task Force initiatives as outlined below:

### **Convention & Visitors Bureaus/Destination Management Companies**

#### ***Minimum Best Practices:***

- Establish detailed environmental policies and a strategy to implement them.
- Consistently communicate the policies in various ways to engage all employees, clients, members and visitors.
- Survey the city’s event venues, hotels, transportation providers, event suppliers and local government departments to discover the environmental programs/services they offer or have undertaken (i.e., energy efficiency, water conservation, waste management, hazardous waste elimination, etc.).
- Compile the information in a database of suppliers of ‘green’ programs.
- Make staff aware of these suppliers’ efforts.
- Use the information to help event organizers make their supplier selections.
- Use the information to recommend hotels and venues with environmental management practices, and/or those that minimize travel by being centrally located or on public transit routes.

- Establish a purchasing policy to buy environmentally friendly products, including ENERGY STAR® equipment<sup>1</sup>, remanufactured toner cartridges, post-consumer<sup>2</sup> recycled content paper, and recyclable plastics.
- Have maps of walking trails and local parks available and be ready to suggest off-site events and tours that involve event attendees in the area's natural environment with minimal impact.

Green initiatives will also be aligned with the City's Philadelphia Going Green campaign; Green Philadelphia partners; Center City District

The Convention Industry Council's Green Meetings Task Force was charged with creating minimum best practices for event organizers and suppliers to use as guidelines for implementing policies of sustainability. The task force was composed of individuals from the EPA, the Ocean's Blue Foundation, the Society of Incentive Travel Executive's Green Meeting Group, the World Travel Organization, hotels, convention and visitor's bureaus, convention centers, and meeting-planning organizations.

## **24. TAXES & GRANTS**

In fiscal years 2005, 2006 and 2007 the State of Pennsylvania provided a \$500,000 grant through the DECD to the PCVB for the marketing of the Pennsylvania Convention Center. With expansion underway the marketing of the Center and Philadelphia as a meeting and convention destination it is essential that there is steady revenue flow to ensure an effective marketing campaign, uninterrupted that keeps Philadelphia in front of the customer and sets it apart from others as a premiere meetings and convention destination for this lucrative billion dollar market segment.

## **25. MARKETING**

### **Creating the Brand – Philadelphia: Meetings & Conventions - 2006/2007**

#### **Destination**

On December 13, 2006, the Pennsylvania Convention Center Authority and the Commonwealth of Pennsylvania announced their approval of the conceptual design for the PCC expansion. The commitment of \$700 million – the largest capital expenditure in Pennsylvania history – underscores how important the PCC has become to the region's economic vitality. Once the doors open in 2010, our newly expanded Convention Center will boast, among other things:

- o More than one million square feet of saleable space
- o The largest contiguous exhibit space in the Northeast
- o The largest convention center ballroom on the East Coast
- o Plus, more meeting rooms and improved signature amenities

It is critical that these and other sales points are conveyed to meeting and event planners, tradeshow organizers, conventioners, and exhibitors. If you build it, they will come

#### **Campaign brand**

A new campaign tagline was launched...Philadelphia is now officially

“Where You're at Liberty to Meet.”<sup>SM</sup>

A graphic based on the Liberty Bell to accompany the tagline. The creative concept behind both the tagline and graphic is to link Philadelphia with its most valuable asset and best understood differentiator—history—while integrating images that clearly present Philadelphia as America’s great, diverse, and vibrant city.

### **Campaign logo**

We also created a PCC logo for this campaign to be more aligned with its creative concept, which references without overemphasizing our historical origins.

### **Ad concepts**

The ad concepts discussed in the Creative Brief section of “Thinking Bigger, 2006” have been rolled out. In the launch year, we spent \$200,000 on paid print advertising (with online added value) in the following targeted publications: *Association Meetings, Convene, RCMA Directory, USAENews, Meeting Professional, Mid-Atlantic Events, Medical Meetings, Tradeshow Week, Hispanic Meetings & Travel, Black Meetings & Tourism, Philadelphia Business Journal* and *The Philadelphia Tribune*. These publications created an estimated 3.5 to 4 million impressions.

In December 2006, it was announced the new campaign won a 2006 Silver Davey Award, an international honor.

A handwritten signature in black ink that reads "Be at Liberty to Meet". The script is fluid and cursive, with a long horizontal line extending from the end of the word "Meet".

Even though the focus of these ads was the expansion, the PCVB/PCC was able to work with the PCVB’S congresses (the Philadelphia Multicultural Affairs Congress, the Philadelphia Sports Congress, and the Greater Philadelphia Life Sciences Congress) and our short-term sales teams to tailor messages to target particular audiences, like medical, Hispanic, African American, educational, and religious meeting planners.

With the success of these ads, the PCVB/PCC began to incorporate other messages into the campaign, specifically to engage the local community. So, with one twist of a phrase, we started to explain “Why Bigger Means Better.”

Extending the campaign was hallmark to the PCVB/PCC marketing efforts – the goal - create an emotional connection with Philadelphia. Taking liberty with the “Where X Meets Y” construct to create a series of catchy signature Philadelphia ad concepts that tied icons with words the PCVB/PCC was able to achieve the impact it was looking for. The PCVB/PCC began running the first of these concepts in the convention trades with Philadelphia’s own Patti LaBelle who provided her services/image to the campaign.

**Sales/Marketing Sales Material** Comprehensive sales materials integrating the new creative concepts and messaging are tools for the PCVB/PCC sales force and hundreds of customers. This includes a 45-page “Work/Play Book” (or bid book) and a one-of-a-kind formatted brochure with pull-outs on hotel maps, and current and expansion floor plans.

## **Road Shows – Integrated Sales & Marketing @ Trade Shows**

The PCVB/PCC also created the tools and materials needed to reinforce the message at the tradeshow. With new booth and banner designs that incorporate the “X Meets Y” creative in fun ways.

## **Internet Marketing and Web Site Development**

### **Providing 24/7 Access to Philadelphia for the Customer**

The PCVB/PCC integrated the campaign creatives into online promotional material. This is part of PCVB/PCC ongoing strategy to integrate the campaign messages into all aspects of the sales and marketing efforts, creating a seamless flow of content and reinforcement of the Philadelphia message everywhere.

## **Public Relations**

### **Supporting Sales & Marketing With Media & Trade Publications**

The PCVB/PCC’S public relations team strategically approached both media and the trades to spotlight Philadelphia and the PCC with national meeting planners, show organizers, and the local community.

Stories (nationally, regionally and locally) on the new campaign, Convention Center expansion, new developments, kept Philadelphia – as a destination for meetings, conventions and events – in front of the buying customer. Folded into the PCVB/PCC public relations strategies were themes of diversity and inclusion working with MAC to attract a greater audience of planners and organizers for multicultural meetings, conventions and events. Important initiatives also were integrated to raise the region’s profile in partnership with the Greater Philadelphia Life Sciences Congress and the Philadelphia Sports Congress.

Strategically, in late 2005 executives of the PCVB/PCC meet with the editorial boards of Philadelphia’s major daily news papers: the Philadelphia Inquirer, the Philadelphia Daily News, and the Philadelphia Tribune to encourage the dailies to look to and talk about the positives of the Pennsylvania Convention Center and the importance of the convention and trade show business for the hospitality industry and Philadelphia as a destination. In 2004 when there were 419 negative articles about the Convention Center published – most ran in the local daily papers. By the end of calendar year 2006 there were dozens of positive articles and only a handful of unfavorable pieces.

## **Educating Philadelphia and the Region**

With demolition of the first building and expansion becoming a tangible reality on August 13, 2007, the PCVB/PCC communications focus was to educate the local community, therefore keeping them engaged and supportive of the project, with two distinct messages and campaigns:

**“Why Bigger Means Better”:** The PCVB/PCC efforts began in 2006 with a series of targeted ads focusing on the importance of an expanded Convention Center to the region. The local community needed to be educated on the importance of the building to truly understand the magnitude of its economic impact and to continue to have buy-in. The Convention Center is the hospitality industry’s largest economic engine and affects all industries in the region. In 2008, the PCVB/PCC will continue to expand on this campaign and include more messaging about the

educational and professional development initiatives, and the minority-owned business opportunities.

### **“Bring it Home”**

Two key components to the Bring it Home campaign were long-term partnerships with the Greater Philadelphia Chamber of Commerce (GPCC) and the *Philadelphia Business Journal* (PBJ).

The PCVB/PCC entered into a year-long commitment with the GPCC to sponsor key events such as the Chamber Annual Meeting and Mayor’s Luncheon. The events offer captive exposure to the business community.

The PCVB/PCC also entered into a successful 13-week print and online partnership with the PBJ that resulted in an increase of page views of more than 100%.

The Bring it Home campaign will also be the way to reach Philadelphia Area Meeting Professionals International (PAMPI) members to book or keep a portion of their meetings in Philadelphia.

Executive staff from the PCVB also met with leaders from the Hispanic and African American Chambers of Commerce about the campaign. Both chambers embraced the program and distributed materials to their respective members.

### **Reinforcement of the Message is Critical for Future Sales**

In 2007, the PCVB/PCC had a budget of \$250,000 of the \$500,000 grant for ad placement to reach our national customers, focusing again on industry media and local outlets. This represents a 25% increase from 2006. We deepened the media relationships with increased exposure in publications and on key industry Web sites and e-newsletters. We also worked with the Multicultural Affairs Congress (MAC) and Mecca Marketing Media on multicultural placements. The coordination with MAC helped us extend the brand into already-planned multicultural placements and avoided duplication in publications.

The 2005 Metropoll XI study showed the PCVB had significant room for growth in advertising. Our Customer Advisory Board also said we were not in the trades with enough frequency. In order to stay top-of-mind, Philadelphia needed to increase placements (Hospitality expert Bruce Turkel states in his seminar, *7 Steps to Building Brand Value*, you must “Repeat, Repeat, Repeat” the message).

We asked our Customer Advisory Board anecdotally what publications they like to read and how they read them. We confirmed those publications and news outlets were in our media buy and customized our message in terms of placement, adjacencies, and relevant editorial content.

For maximum impact, we targeted insertions around major industry tradeshows such as the Professional Convention Management Association, Meeting Professionals International, and the American Society of Association Executives’ two shows: Springtime in the Park and their Annual Meeting.

We also continued our efforts to showcase our creative work by negotiating unique and strategic placements and seeking out unique sizes, like half-page spreads and strip ads allowing us to stretch our investment.



## **Getting Even More “E”**

### **Electronic Communication Enhancing the Sales/Service Processes**

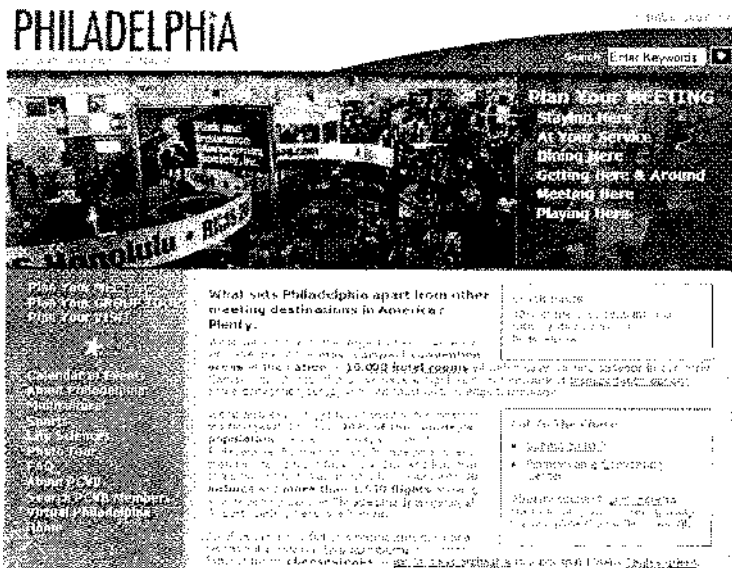
The PCVB/PCC revamped its online presence and essentially created an online bid book. New Web sites for both the PCC and PCVB (see above) have continued to integrate the new messaging and creative.

The PCVB/PCC implemented the first search engine marketing (SEM) campaign for Philadelphia’s meetings market in 2007. From January to October 2007, this program has aided in the increase of traffic to the PCVB’S Web site generating more than 133,000 visits and nearly 52 million impressions.

Compared to other destinations, the PCVB/PCC online tools are getting even more cutting edge. With a significant investment of time and money from the PCVB/PCC and Center City District, *Virtual Philadelphia* took major strides toward a mid-2008 site launch to take online destination research to a whole new level. Virtual Philadelphia is a true-to-life model of Center City. Web site users will have the ability to walk, fly or drive through the streets of Philadelphia and interact with storefront businesses – including how to get from my hotel to the Convention Center. Working with the Web team at the PCC, time-lapse construction of the Convention Center will be shown, along with floor plans and interactive tours of the existing and expanded space.

With online users demanding even more interactive and visual content, the PCC has answered the call by making up-to-the-second photos of the demolition site available via [www.paconvention.com](http://www.paconvention.com). Partnering with the PCC the PCVB has integrated this and other expansion-related content on [www.PhiladelphiaUSA.travel](http://www.PhiladelphiaUSA.travel)

Podcasts featuring Philadelphia’s meetings and conventions assets will be packaged as short segments that are viewed online. Topics will include Philadelphia’s hotel package, off-site venues, the historic square mile, etc.



**PCCA Website Redesign**

The PCC is in the process of redesigning the organization’s website, paconvention.com. The new website will focus on our main customers; meeting planners, exhibitors, attendees and the local community. The new brand will consist of the “BIGGER, BETTER, FASTER marketing initiative. This new initiative will signal to our customers that our facility is BIGGER (with expansion) BETTER (with streamlined service to deliver quality customer care and FASTER (online service ordering, one stop shopping, expedient delivery of workforce service and speedy response to client requests) . The website will focus on easy one-click navigation for customers to access what they need in an expeditious manner. The website will host many new features targeted at each of our customer types and promoting the local businesses and venues in the Philadelphia Area, community outreach initiatives, Green Initiatives, as well as the art collection of the PCCA.

The PCCA Wireless Zone is the facility’s wireless infrastructure available to customers in all public areas of the building. Wireless access to the Internet is available in all exhibit halls, grand hall and ballrooms, meeting rooms and concourses in the PCC. Ordering wireless is automatic for customers. Customers need only connect to the wireless network, select their desired wireless options and pay online in a secure format.

Event and show managers can also rent part of or the entire facility’s wireless infrastructure for their attendees. Show management can advertise or offer sponsorships on the wireless splash web page.



## PUBLIC RELATIONS

**2006:** Public relations efforts garnered more than 250 media stories in publications making more than 60 million impressions with a media value of \$1.6 million—helping to stretch the marketing campaign’s reach.

**2007:** Public relations efforts garnered more than 123 media stories in publications with a media value of more than \$1 million—again helping to stretch the marketing campaign’s reach.

## MARKETING 2008

### **Broadening the Brand Reach in 2008**

In 2007, the PCVB/PCC embarked on a strategic planning process with input from regional stakeholders. What has remained central to the PCVB/PCC sales and marketing efforts is the

focus on getting bigger, better, and louder with greater attention to research trends analysis and long-term planning to fill an expanded Convention Center.

**Pennsylvania Convention Center & Philadelphia Convention & Visitors Bureau Marketing Plan Budget**

**Meetings & Conventions Media Buy**

Philadelphia has had \$500,000 from the Commonwealth for the last four years. However, in 2008, this funding was cut from the State budget.

*It is critical that we re-establish this marketing fund and grow it as quickly as possible or we will lose momentum, fast.*

The budgets below show the historical media buys as well as a proposed 2009-12 plan of \$700,000.

The \$700,000 media buy is allocated from a \$2,450,000-funded program annually for 2009-12 based upon revenue from the PCVB's portion of the proposed 1% hotel tax (Hospitality Promotion Fund) for the meetings and conventions market.

<b>2009-12 Proposed Annual Media ]</b>				
<b>Print</b>				
<u>Publication</u>	<u>Segment</u>	<u>Insertions</u>	<u>Cost</u>	
Associations Now	Association	12	\$	87,156.00
Black Meetings and Tourism	Multicultural	6	\$	31,770.00
Convene	Association	12	\$	78,994.32
Hispanic Meetings and Travel	Multicultural	4	\$	11,200.00
Meeting Professional International	Corporate	8	\$	46,568.08
Meetings & Conventions	Corporate	7	\$	45,000.00
Meetings East	Corporate	8	\$	25,380.00
Metro Philadelphia	Corporate/Local	8	\$	16,944.00
Mid-Atlantic Events	Corporate/Local	4	\$	12,705.88
Philadelphia Business Journal	Corporate/Local	30	\$	28,744.80
Tradeshaw Week	Tradeshaw	24	\$	95,472.00
USAE	Association	14	\$	54,809.72
<b>Total Print</b>			\$	<b>534,744.80</b> \$ <b>534,744.80</b>
<b>Online</b>				
Meetings & Conventions	Corporate	(month) 12	\$	58,600.00
Tradeshaw Week	Tradeshaw	(month) 8	\$	11,400.00
<b>Total Online</b>			\$	<b>70,000.00</b> \$ <b>70,000.00</b>
<b>Other</b>				
Capitvate (elevator signage)	Corporate/Local	(week) 10	\$	38,270.00
WPHT (Big Talker)	Corporate/Local	72	\$	18,360.00
Billboard on 95	Corporate/Local	(week) 24	\$	31,362.00

Bus Shelter	Corporate/Local (week) 18	\$ 7,752.00	
<b>Total Other</b>		<b>\$ 95,744.00</b>	<b>\$ 95,744.00</b>
<b>Total 2009-12 Proposed Media Bu</b>			<b>\$ 700,488.80</b>

<b>2008 Media Buy</b>			
No budgeted dollars for 2008		\$ 0.00	\$ 0.00

\*\$500,000 grant not received from the State

<b>2007 Media Buy</b>			
<b>Print</b>			
<u>Publication</u>	<u>Segment</u>	<u>Insertions</u>	<u>Cost</u>
Associations Now	Association	3	\$ 21,789.00
Black Meetings and Tourism	Multicultural	3	\$ 15,885.00
Convene	Association	7	\$ 46,080.00
Hispanic Meetings and Travel	Multicultural	2	\$ 5,600.00
Meetings & Conventions	Corporate	7	\$ 45,000.00
Meetings East	Corporate	4	\$ 12,690.00
Meeting Professional International	Corporate	3	\$ 17,463.02
Meeting Professional International (Phila Chapter)	Local	1	\$ 817.55
Metro	Local	1	\$ 2,118.00
Mid-Atlantic Events	Corporate/Local	2	\$ 6,352.94
Philadelphia Business Journal	Local	15	\$ 14,372.40
Reunions Magazine		2	\$ 3,761.86
Tradeshaw Week	Tradeshaw	5	\$ 19,890.00
USAE	Association	7	\$ 27,404.87
<b>Total Print</b>			<b>\$ 239,224.64</b>
<b>Online</b>			
Meetings & Conventions	Corporate	(month) 3	\$ 14,650.00
Tradeshaw Week	Tradeshaw	(month) 2	\$ 2,850.00
<b>Total Online</b>			<b>\$ 17,500.00</b>
<b>Other</b>			
Capitvate (elevator signage)	Corporate/Local	(week) 1	\$ 3,827.00
WPHT (Big Talker)	Corporate/Local	12	\$ 3,060.00
Billboard on 95	Corporate/Local	(week) 8	\$ 5,227.00
Bus Shelter	Corporate/Local	(week) 3	\$ 1,292.00
<b>Total Other</b>			<b>\$ 13,406.00</b>
<b>Total 2007 Media Buy</b>			<b>270,130.64</b>

<b>2006 Media Buy</b>				
<b>Print</b>				
Association Meetings	Association	3	\$25,365.00	
Black Meetings & Tourism	Multicultural	2	\$10,116.28	
Convene	Association	3	\$27,959.85	
Expo	Tradeshow	3	\$24,656.20	
Hispanic Meetings & Travel	Multicultural	2	\$ 9,306.00	
Medical Meetings	Corporate	3	\$14,819.10	
Meeting Professional International	Corporate	3	\$26,525.86	
Mid-Atlantic Events	Corporate/Local	2	\$ 8,366.00	
Philadelphia Business Journal	Local	4	\$14,303.04	
Philadelphia Tribune	Local	1	\$ 1,989.49	
RCMA Directory	Religious	1	\$ 4,244.10	
Tradeshow Week	Tradeshow	4	\$18,330.00	
USAE	Association	5	\$22,138.18	
<b>Total Print</b>			<b>\$208,119.10</b>	<b>\$208,119.10</b>
<b>Online</b>				
Convene	Association	(month) 3	\$3,251.29	
Medical Meetings	Corporate	(month) 2	\$1,692.00	
Mid-Atlantic Events	Corporate/Local	(month) 12	\$3,760.00	
Meeting Professional International	Corporate	(month) 2	\$4,700.00	
<b>Total Online</b>			<b>\$13,403.29</b>	<b>\$13,403.29</b>
<b>Total 2006 Media Buy</b>			<b>\$221,522.39</b>	<b>\$221,522.39</b>

**Exhibit F**  
**Economic Opportunity Plan**

PENNSYLVANIA CONVENTION CENTER  
AUTHORITY EXPANSION PROJECT

ECONOMIC OPPORTUNITY PLAN-BILL NO. 070994

I. Convention Center Project and Plan Introduction.

The Pennsylvania Convention Center Authority (the "Authority") is an agency and public instrumentality of the Commonwealth of Pennsylvania (the "Commonwealth") and a body politic and corporate created and existing under the Pennsylvania Convention Center Authority Act, 64 Pa. Cons. Stat. Ann. § 6001, et seq, as amended (the "Act"). The Authority is authorized and empowered under the Act for the purposes of, inter alia, acquiring, holding, developing, designing, constructing, maintaining, managing, operating, financing, furnishing, fixturing, equipping, repairing, leasing or subleasing either in the capacity of lessor or lessee or sublessor or sublessee, and owning a convention center or parts thereof in cities of the first class.

The City of Philadelphia (the "City"), a municipal corporation, is a city of the first class and a body corporate and politic, organized and existing under the laws of the Commonwealth.

The City, the Authority and the Commonwealth (the "Parties") desire to have developed, designed, constructed, furnished, equipped, financed, operated and maintained a convention center facility within the geographical limits of the City (the "Original Convention Center"). In order to undertake the foregoing, the Authority issued its Revenue Bonds, 1989 Series A, in the original aggregate principal amount of \$285,860,610.65 (the "1989 Bonds"), for the purpose of financing a portion of the costs of a project of the Authority consisting of the development, design, construction, operation and management of the Original Convention Center (the "Original Convention Center Project").

In conjunction with the Original Convention Center Project and the 1989 Bonds issued to finance the same, the Authority and the City entered into a Lease and Service Agreement dated as of December 14, 1989 (the "Original Lease and Service Agreement") pursuant to which, among other things, the City leased certain real property to the Authority (the "Land") in consideration of certain rentals payable by the Authority to the City, and the City agreed to pay to the Authority a certain service fee (the "Service Fee") in consideration of the undertakings of the Authority with respect to the Original Convention Center Project and the financing thereof. Further, the Original Lease and Service Agreement provided that upon its termination, title to all buildings, improvements and/or fixtures (as described therein) (the "Improvements") would automatically vest in the City without the need for any further action.

The City, the Authority and the Commonwealth now desire to expand and renovate the Original Convention Center (the "Convention Center Project"), and will undertake, or have undertaken, the development, design, construction, and operation of the expansion and renovation of the Original Convention Center, as contained in drawings, specifications and the Design Development Summary Report constituting the design development documents, which the Authority caused to be prepared and submitted to the Commonwealth for review and acceptance. The Convention Center Project consists of the following:



- (i) acquisition of land, demolition, site preparation and the design and construction of an approximately 960,000 square foot expansion of the Original Convention Center (the "Expanded Portion," and together with the Original Convention Center, the "Convention Center"). The Expanded Portion will begin at the westerly wall of the Original Convention Center at 13th Street and proceed west to Broad Street and north from Arch Street to Race Street, excluding the Liberty Title Building;
- (ii) renovation of the Original Convention Center to accommodate new elevators and support space for the Expanded Portion. The renovation of the Original Convention Center consists of demolishing and reconstructing approximately 30,000 square feet of the back of the Original Convention Center support spaces; and
- (iii) purchase and installation of the furniture, furnishings and equipment for the Expanded Portion.

In addition to its payment obligations hereunder, the City agrees to provide the following support to the Convention Center Project:

- (i) the waiver of all permitting fees, licensing fees, assessments and other charges imposed by the City and associated with the review and approval of plans, granting of permits, utility shut-offs and relocations, inspections and certificates of occupancy relative to the Convention Center Project;
- (ii) the reimbursement to the Authority for the relocation of certain water systems in and around the Expanded Portion, as defined in the Asset Acquisition Agreement by and between the Philadelphia Water Department and the Authority;
- (iii) the transfer of fee title to the former fire station, located at 1328 Race Street; and
- (iv) the closure of portions of Cherry Street and other rights-of-way and encroachments within portions of 13th Street and Broad Street, as authorized by City Council.

The City, the Authority and the Commonwealth further agree that because the Convention Center Project occurs within the geographical limits of the City of Philadelphia, the Authority agrees to accept in connection with said Project the provisions contained in Chapter 17-1600 ECONOMIC OPPORTUNITY PLANS, as contained within the Philadelphia Code. It is understood by the Parties that some "covered" work may be completed or under contract. As to that work not completed but under contract, the Parties will consider appropriate ways to seek compliance with this Economic Opportunity Plan (the "Plan").

The purpose, standards and procedures of this Economic Opportunity Plan (the "Plan") are the expressed wishes of the Authority as set forth herein. "Participant" shall be as defined in

Philadelphia Code Chapter 17-1601(4). All Participants shall be obligated to fully comply with the requirements of the Plan.

The Authority is committed to provide meaningful and representative opportunities for minority-owned, women-owned and disabled-owned business enterprises as such businesses are defined and certified by governmental certifying agencies (referred to hereafter individually, as "MBEs", "WBEs", "DSBEs", respectively and collectively, as "M/W/DSBEs"), and individuals that are Philadelphia residents (referred to hereafter as "local residents"), in all phases of the Convention Center Project. Authority will require that all Participants commit to the foregoing commitment. Neither the Authority nor any Participant shall (and furthermore shall ensure that their associates, partners or representatives shall not) discriminate on the basis of race, color, religion, sex, national origin, sexual orientation, gender identity, ancestry, age, or handicap in the award and performance of contracts pertaining to the Convention Center Project or with respect to any and all related employment practices.

All Participants in the Convention Center Project shall observe and be subject to the enforcement of all relevant City, Commonwealth and federal laws, ordinances, orders, rules and/or regulations regarding M/W/DSBEs and locally-based business enterprises. Furthermore, proactive action will be taken, consistent with sound procurement policies and applicable laws, to ensure that M/W/DSBEs are afforded a meaningful and representative opportunity to participate in contracts relating to the Convention Center Project.

For the purposes of this Plan, the term "minority person" shall refer to the following: African American or Black, Hispanic American, Asian American and Native Americans. The term "disabled person" shall refer to a person who has a physical or mental impairment that substantially limits one or more of his or her major life activities, such as caring for oneself, performing manual tasks, e.g., walking, seeing, hearing, speaking, breathing, learning and performing physical work.

Agencies and representatives of the City and/or Commonwealth may be consulted regarding the appropriate inclusion of M/W/DSBEs in this Convention Center Project as outlined in this Plan and with regard to its implementation.

## **II. Construction Opportunities; Aspirational Participation Goals:**

The Parties desire to use the largest public works project in the City as an engine for new economic opportunity for businesses and employees, particularly for minority persons, women and disabled persons. The Authority will require that its General Contractor use nondiscriminatory employment practices and make best and good faith efforts to employ minority and female persons in the construction workforce consistent with workforce utilization goals of 40% (25%-African-American; 10%-Hispanic-American; and 5% Asian American) and 10%, respectively. The Authority will include these goals in all construction related contracts and will require its General Contractor to reference these workforce utilization goals in all of its subcontracts.

The Authority shall also require that the General Contractor and its subcontractors make best and good faith efforts to provide contract opportunities for certified M/W/DSBEs with the

goals of 35% (20%-African-American; 10%-Hispanic-American; and 5%-Asian American) participation by MBEs, 15% participation by WBEs and encourage participation of DSBEs. These percentages for participation will be applied to the total dollar value of all contracts let by the Authority or the General Contractor, including all change orders and scope adjustments.

With respect to the employment of local residents, the Authority will also require that its General Contractor make best and good faith efforts to employ local residents in the construction workforce consistent with a workforce utilization goal of 50%.

**Scope/Duration.** - This Plan shall apply to contracts awarded and procurements sourced by the Authority and all Participants throughout the construction of the Convention Center Project. Applicable provisions of the Plan will be implemented by the Authority during the operation of the expanded Convention Center.

### III. Permanent Employment Opportunities:

- A. As a part of this Plan, the Authority commits to staffing diversity in the existing eighty (80) full-time and part-time positions. Of the twenty (20) new full-time jobs expected to be created in connection with the operation of the new facility (the "Facility"), the Authority shall make every effort to meet the following minimum goals for the employment of minority persons, females and disabled persons in the operation of the Facility: 35% for minority persons, 15% for females and encouraged percentage for disabled persons.
- B. The Authority shall make every effort to reach out to sources of employment like the Philadelphia Workforce Development Corporation, the Urban League of Philadelphia, the Opportunity Industrial Center and the Jewish Employment and Vocational Services that can refer minority, female and disabled workers.
- C. Building Operations: The Authority may contract with third parties for security services, food services and/ or other building operations services. In consultation with MBEC the Convention Center Project Oversight Committee and other appropriate parties, the Authority will establish participation ranges for all such contracts and will apply all applicable provisions of this Plan to said contracts.

### IV. Procedures for Determination and Monitoring of Best and Good Faith Efforts

- A. **Statement of Objectives.** - The objectives set forth in the Plan shall be incorporated in all requests for proposals, bid packages and solicitations (collectively, "Invitations to Bid") for the Convention Center Project and communicated to all Participants. Subject to the provisions of the Pennsylvania Convention Center Authority Act, as amended, all Invitations To Bid are subject to this Plan and the requirements as set forth in Section 17-1603 (2) of Chapter 17-1600 of The Philadelphia Code. Accordingly, by submission of its bid, a Participant makes a legally binding commitment to abide by the provisions of this Plan which includes Participant's commitment to exercise its best and good faith efforts throughout the contract term to provide meaningful and representative contracting opportunities for M/W/DSBEs and to employ, to the extent feasible,

an appropriately diverse workforce of minority, women and disabled persons in all phases of the contract awarded under its bid.

Participants shall respond to the Aspirational Participation Goals set forth in Part II by completing the attached Documentation of Best and Good Faith Efforts Form ("BGFE Form") documenting its solicitations and commitments to M/W/DSBEs along with information, presented in question and answer style, detailing its exercise of best and good faith efforts to include M/W/DSBEs in the contract. The submission of the BGFE Form is an element of bid responsiveness and failure to include this form with the Plan may result in the rejection of the bid. A Participant's failure to use good faith in completing the BGFE Form may result, upon investigation, in Participant being found non-responsible.

- B. Best and Good Faith Efforts. - Participants shall use best and good faith efforts (as defined hereunder) to provide appropriate participation and utilization opportunities for M/W/DSBEs, minority workers, female workers and local resident workers. *Best and good faith efforts* are those efforts, the scope, intensity and appropriateness of which are designed and performed to achieve the objectives of this Plan including goals expressed herein. Best and good faith efforts will be deemed adhered to when a Participant meets the criteria set forth in this Plan and demonstrates and documents its efforts throughout the duration of the Project. Each Participant must submit a BGFE Form showing how *best and good faith efforts* were made to achieve said goals, even if the goals were not met. The BGFE Form should include evidence that the Participant engaged, among other things, in the following efforts:
1. Solicitation through job fairs, newspapers, periodicals, advertisements and other organizations or media that focus on construction and are owned by M/W/DSBE and/or that focus on M/W/DSBEs.
  2. Telephone logs.
  3. Evidence of solicitation to qualified M/W/DSBEs certified by the Philadelphia Minority Business Enterprise Council ("MBEC") or those entities identified in Part VI(A) of this Plan or any successor agency, the Department of General Services of the Commonwealth of Pennsylvania pursuant to the principles found in 4 Pa. Code 958.201 et seq. or members of the Pennsylvania Unified Certification Program ("PA UCP"). Participant must determine with certainty if the M/W/DSBEs are interested by taking appropriate steps to follow upon initial solicitation; one time contact, without any follow up, is not acceptable.
  4. Bid results and reasons as to why no awards were made to M/W/DSBEs.
  5. Correspondence between the contracting firm and any M/W/DSBE firms.
  6. Attendance logs and/or records of any scheduled pre-bid or pre-proposal meeting.

7. Encourage M/W/DSBEs to confer with GPUAC, PWDC, and similar organizations regarding specific, general and technical assistance offered and provided to M/W/DSBEs related to their portion of the Convention Center Project.
  8. Proof there was notification of and access to bid documents at the contracting firm's office or other office locations for open and timely review.
  9. Sought assistance from Greater Philadelphia Urban Affairs Coalition, Careerlink Philadelphia, Opportunity Industrial Center and the Philadelphia Workforce Development Corporation ("PWDC") to perform employment outreach.
  10. Maintain a published policy of nondiscrimination in the hiring, retention and promotion of employees.
  11. Have an agreement with an apprenticeship or training program that targets the employment of minority persons, disabled persons and women.
  12. Made commitments to use M/W/DSBEs in its bid for subcontracted services and materials supply even when the non-MBEs, WBEs and DSBEs Participant might otherwise prefer to perform/supply these items without subcontracting.
  13. Provided interested M/W/DSBEs with adequate information about the plans, specifications, and requirements of the contract in a timely manner to assist them in responding to a solicitation.
  14. Provided arms length business assistance to interested M/W/DSBEs which may include access/introduction to major manufacturer/suppliers, lines of credit and union halls.
  15. Negotiated in good faith with interested M/W/DSBEs. A Bidder using good business judgment would consider a number of factors in negotiating with subcontractors, including M/W/DSBE subcontractors, and would take a firm's price and capabilities as well as the objectives of the Authority's Antidiscrimination Policy into consideration.
- C. *Monitoring of Best and Good Faith Efforts.* – The monitoring and reporting of *best and good faith efforts* of the Participants shall be established by the Authority in consultation with appropriate city, state and federal agencies and/or private professional entities, and shall include (in addition to any further measures that may be required) the following:
1. All Participants that are on-site contractors or subcontractors involved in the construction of the Convention Center Project shall submit copies of

"certified" payrolls, signed contracts and purchase orders with M/W/DSBE contractors and subcontractors.

2. Subject to all applicable law, including but not limited to the Prompt Payment Act as defined in the Commonwealth Procurement Code relating to payment obligations. Participants shall be ready to provide evidence of timely payments to M/W/DSBE subcontractors, sub-consultants and supply vendors for participation verification. This documentation should be provided monthly or included with every request for payment.
  3. At the conclusion of the Convention Center Project, Participants shall provide evidence of the actual dollar amounts paid to M/W/DSBE contractors or subcontractors.
  4. All Participants that are on-site contractors involved in the construction of the Convention Center Project shall be prepared to submit data sufficient to verify workforce utilization.
  5. The Authority or its agents shall conduct on-site labor census at least twice per week, on a random basis, to document levels of minority and female participation, based upon information provided for payroll verification, and prepare reports on their findings each time a census is conducted.
- D. Documentation of *Best and Good Faith Efforts* and Compliance. Two components have been established to document the inclusion of M/W/DSBEs as contractors and vendors, and minority/female/local residents as Convention Center Project site workforce participants:
1. *M/W/DSBE Contracting and Vending Participation Levels* - the basis for each determination will be the percentage of the total dollar amount of Participant's bid/contract OR the total dollar amount of the bid/contract for the identified Project task.
  2. *Minority/Female/Local Resident Employment Participation Levels* - the basis for each determination will be the projected total on-site field employee hours divided by the number of minority, female and local resident employee hours anticipated to be performed on the contractor's payroll, and each of the contractor's on-site subcontractors payrolls.
- E. Oversight Committee.
1. The Authority will establish and identify the members of a "Convention Center Project Oversight Committee." The Convention Center Project Oversight Committee is expected to include: representatives of the Authority, the City including City Council and other City representatives, the Commonwealth and other appropriate parties including one representative from the Hispanic Chamber of Commerce and the African American Chamber of Commerce, and shall meet during all phases of the

Convention Center Project. The Authority and the Convention Center Project Oversight Committee will engage in monitoring, reporting (including to City Council) and problem solving activities including regular meetings to address all matters relevant to further development of this Plan, carrying out its implementation and the successful completion of the Project.

2. The Authority will convene meetings of the Convention Center Project Oversight Committee no later than one (1) month after the initiation of the construction phase of the Convention Center Project.

#### V. Responsiveness

A presumptively responsive submission is one in which a Participant submits the BGFE form demonstrating best and good faith efforts, as above defined, to provide meaningful and representative contracting opportunities for M/W/DSBEs and commits to employ, to the extent feasible, an appropriately diverse workforce of minority, women and disabled persons in all phases of the contract and achieves the Aspirational Participation Goals set forth in Part II.

If however the proposed level of M/W/DSDBE participation falls below the goals set forth in Part II the bidder must prove to the satisfaction of the Authority that notwithstanding its best and good faith efforts, its proposed level of M/W/DSDBE participation is the best that can be attained. If the bidder proves to the satisfaction of the Authority that it has exercised best and good faith efforts, its bid shall be deemed to be responsive in this respect.

#### VI. Certified M/W/DSBEs

- A. Only businesses that are owned and controlled, in both form and substance by minority persons, women and disabled persons shall be counted towards participation under this Plan. To ensure this standard, all businesses, including participants of joint ventures, must be certified by one of the following certifying agencies: MBEC, or any successor agency, the Department of General Services of the Commonwealth of Pennsylvania pursuant to the principles found in 4 Pa. Code § 58.201 et seq. for the purposes of this Plan or the Pennsylvania Unified Certification Program (Pa UCP). In order to maximize opportunities for as many businesses as possible, Authority will permit each prime consultant and primo contractor to identify certifiable firms to their bid ("certifiable firms" shall mean those firms which are eligible for certification). These certifiable firms must be certified prior to the award of contract in order for their participation to count towards the prime's best and good faith efforts. The City's MBEC grants reciprocal certification to businesses that have been duly certified by approved governmental entities, including their home state, or other jurisdictions that similarly grant reciprocity to M/W/DSBEs certified by the MBEC.
- B. M/W/DSBE certification shall not be the sole determination of a bidder's or contractor's financial or technical ability to perform specified work. The Authority reserves the right to evaluate the contractor's or subcontractor's ability

to satisfy financial, technical, or other criteria separate and apart from said certifications before bid opening. Pre-qualification conditions and requirements shall be conveyed in a fair, open and non-discriminatory manner to all.

- C. The Authority recognizes that M/W/DSBE certifications may expire or the firm may experience decertification by an authorized governmental entity. Certifications that expire during an M/W/DSBE's participation on a particular phase of the Convention Center Project may be counted toward overall goals for participation ranges. However, said firm **MUST** become recertified prior to consideration for future range/goal credit in this Plan. If a firm has been decertified, said firm will not be eligible to participate or be counted.

#### VII. Non-Compliance

- A. In cases where the Authority has cause to believe that a Participant, has failed to comply with the provisions of this Plan, the Authority in consultation with the Convention Center Project Oversight Committee and/or appropriate agencies and professional entities, will attempt to resolve the noncompliance through conciliation and mediation.
- B. In cases where the Authority, its agents, consultants, in consultation with the Convention Center Project Oversight Committee, has cause to believe that any Participant has failed to comply with the provisions of this Plan, the Authority will conduct an investigation.
- C. After affording the Participant notice and an opportunity to be heard, the Authority, its agents, consultants, in consultation with the Convention Center Project Oversight Committee, may take corrective, remedial and/or punitive action. Such actions may include, but are not limited to:
1. Declaring the Participant in default;
  2. Suspending and/or debaring the violating Participant from doing business with the Authority;
  3. Withholding payments to the violating Participant.

#### VIII. Guidelines for Joint Venturing

Joint Venture relationships with certified M/W/DSBEs must meet the following criteria in order to receive credit towards the participation goals:

- A. The M/W/DSBE partner(s) must be certified by MBEC, PA UCP or an agency authorized by law to certify such enterprises prior to proposal/bid submission.
- B. The M/W/DSBE partner(s) must be substantially involved in significant phases of the contract including, but not limited to, the performance (with its own work



force) of a portion of the on-site work, and of administrative responsibilities, such as bidding, planning, staffing and daily management.

- C. The business arrangements must be customary (i.e., each partner shares in the risk and profits of the joint venture commensurate with their respective ownership interest).
- D. If a certified partner is an M/W/DSBE, the participation will be credited only to the extent of the partner's ownership interest in the joint venture. M/W/DSBE participation ranges or goals will apply to the joint venture.

**XX. Referral Apprentice Participation Program ("Program")**

The goal of this Program is to provide individuals in the Philadelphia community, who have not previously participated in a governmentally-certified apprentice program, an opportunity to become a full-fledged participant in such a program. The Authority is advised by PWDC that such Philadelphia residents are available and qualified to work on the Convention Center Project. This is accomplished by requiring Convention Center Project contractors to hire individuals that come through the Program to work as apprentices on the Convention Center Project, and sponsor their admission to a governmentally-certified apprentice program. In this way, these individuals become full participants in such apprentice programs. The essential elements of the Program are, in summary, as follows:

Individuals will be recruited from the Philadelphia community on a non-discriminatory basis as "Candidates" for the program. Once the Program is satisfied that the Candidates meet all of the qualifications to participate in such an apprentice program, actually pass the apprentice program's standard entrance examination and are prepared to work on the Convention Center Project, they will be "Certified Pre-Apprentices." The Program will then include their name on a list provided to contractors on the Convention Center Project for hiring purposes. When they are hired by a contractor to meet their contractual requirements on the Convention Center Project, the contractor will also sponsor their admission to the apprentice program. These individuals thereby become full participants in the apprentice program while working for the contractor. At this point, they will be known as "New Apprentices". As full participants in the apprentice program, they have all the rights and obligations of any apprentice program participant.

To make sure there are sufficient opportunities for individuals to benefit from the Program, the Authority will require that the maximum number of apprentices permissible under existing journeyman/apprentice ratios be utilized on the Convention Center Project. The Program further requires that a minimum of 50% of all apprentice hours in each trade be performed by New Apprentices, i.e., individuals who were recruited and processed through the Program, and who are hired by the contractor from the list compiled by the Program. These requirements will be incorporated into each construction contract and, preferably, a project labor agreement.

**X. Reporting Requirements and Public Records.**

**A. Reporting**

1. By the fifteenth (15<sup>th</sup>) day following the end of each month, the Authority shall provide a report to the Convention Center Project Oversight Committee (including City Council) that documents the status of participation of M/W/DSBE contractors and subcontractors which includes the names of each company, the trade or specialty, the amount of each contract, the percent of contract completion for the month being reported and what percent of the overall project this participation represents for the month being reported.
2. By the fifteenth (15<sup>th</sup>) day following the end of each month, the Authority shall provide a report to the Convention Center Oversight Committee (including City Council) that documents the status of participation of minority, female and local employment on the project. This report at minimum shall include, by trade or specialty, total work force, minority, female and local employment by both number of persons and number of hours worked.

**B. Public Records**

All records, reports, submissions, including minutes of meetings and decisions made by the Convention Center Oversight Committee, pertaining to the implementation and monitoring of this Economic Opportunity Plan shall be declared public records to the extent permissible by law and shall be made available to the public upon request.

Documentation of Best and Good Faith Efforts Form

Bid Title: \_\_\_\_\_  
 City of Philadelphia Bid Number: \_\_\_\_\_  
 Name of Bidder: \_\_\_\_\_  
 Date: \_\_\_\_\_

I. MWDBE Participation

Name of MWDBE Satisfied: \_\_\_\_\_  
 Street Address, Telephone and Facsimile Number:  
 \_\_\_\_\_  
 \_\_\_\_\_

MWBE Certification Number \_\_\_\_\_

(Check all that apply):

MBE (Minority Owned Business Enterprise)

WBE (Woman Owned Business Enterprise)

DBE (Disability Owned Business Enterprise)

Date(s) Satisfied (mm/dd/yyyy): \_\_\_\_\_

Method(s) of Satisfaction (check all that apply):

Telephone

Mail

Advertisement

Commitment:

Yes (If yes, please proceed to Part A)

No (If no, please proceed to Part B)

Part A

If yes, describe / identify the following:

CCP. Bid

Subcontractor - Type of Work \_\_\_\_\_  
 - Supplier - Type of Supply Effort \_\_\_\_\_  
 Dollar Amount: \$ \_\_\_\_\_  
 Percentage of Bid \_\_\_\_\_ %

Note: Please attach Letter of Intent and/or Quotation

**Part B**

If a commitment resulted from the solicitation, please explain what good faith efforts were made and why they were unsuccessful.

Did you attempt to negotiate a price and scope (please be specific, attaching any dated price quotations and correspondence)?

What kind of business assistance did you offer the MW/DBE (e.g., introduction to manufacturer, helped provide access to line of credit, access to inventory, etc.)?

What efforts were made to provide to MW/DBEs information about the scope of work required?

Are you planning to award this work or supply effort to a non-MW/DBE? If so, please explain why. Identify the name of the awarded firm(s), provide the awarded firm's quotation and any price adjusted quotations, scope of work and experience of the awarded firm(s).

**II. Workforce Diversity**

Do you operate or provide funding to any on-the-job training programs? If so please describe and provide the number of business and breakout of minority and female participants.

END



Provide your list of minority and female recruitment agencies or other community based organizations that you plan to use for employment placement:

Describe any specific outreach activities taken to advise minority persons and women of employment opportunities with your company.

Identify the unions with which you have a collective bargaining agreement. Describe any hiring practices, including apprenticeship programs, that specifically encourage the training and employment of minority persons and women.

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## Exhibit G

### Non-Discrimination/Sexual Harassment Clause

During the term of the contract, Contractor agrees as follows:

1. In the hiring of any employee(s) for the manufacture of supplies, performance of work, or any other activity required under the contract or any subcontract, the Contractor, subcontractor, or any person acting on behalf of the Contractor or subcontractor shall not, by reason of gender, race, creed, or color, discriminate against any citizen of this Commonwealth who is qualified and available to perform the work to which the employment relates.

2. Neither the Contractor nor any subcontractor nor any person on their behalf shall in any manner discriminate against or intimidate any employee involved in the manufacture of supplies, the performance of work, or any other activity required under the contract on account of gender, race, creed, or color.

3. Contractors and subcontractors shall establish and maintain a written sexual harassment policy and shall inform their employees of the policy. The policy must contain a notice that sexual harassment will not be tolerated and employees who practice it will be disciplined.

4. Contractors shall not discriminate by reason of gender, race, creed, or color against any subcontractor or supplier who is qualified to perform the work to which the contracts relates.

5. The Contractor and each subcontractor shall furnish all necessary employment documents and records to and permit access to their books, records, and accounts by the contracting agency and the Bureau of Contract Administration and Business Development, for purposes of investigation, to ascertain compliance with provisions of this Nondiscrimination/Sexual Harassment Clause. If the Contractor or any subcontractor does not possess documents or records reflecting the necessary information requested, the Contractor or subcontractor shall furnish such information on reporting forms supplied by the contracting agency or the Bureau of Contract Administration and Business Development.

6. The Contractor shall include the provisions of this Nondiscrimination/Sexual Harassment Clause in every subcontract so that such provisions will be binding upon each subcontractor.

7. The Commonwealth may cancel or terminate the contract, and all money due or to become due under the contract may be forfeited for a violation of the terms and conditions of this Nondiscrimination/Sexual Harassment Clause. In addition, the agency may proceed with debarment or suspension and may place the Contractor in the Contractor Responsibility File.

## Exhibit H

### Contractor Integrity Provisions

#### 1. Contractor Integrity Provisions

a. For purposes of this clause only, the words “confidential information,” “consent,” “financial interest,” “gratuity,” and “Contractor” shall have the following definitions:

(1) “Confidential information” means information that is not public knowledge, or available to the public on request, disclosure of which would give an unfair, unethical, or illegal advantage to another desiring to contract with the Owner or the Commonwealth.

(2) “Consent” means written permission signed by a duly authorized officer or employee of the Owner, provided that where the material facts have been disclosed, in writing, by prequalification, bid, proposal, or contractual terms, the Owner shall be deemed to have consented by virtue of execution of this Contract.

(3) “Financial Interest” means:

(A) ownership of more than a 5% interest in any business; or

(B) holding a position as an officer, director, trustee, partner, employee, or the like, or holding any position of management.

(4) “Gratuity” means any payment of more than nominal monetary value in the form of cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind.

(5) “Contractor” means the individual or entity that has entered into this Contract with the Owner or the Commonwealth, including directors, officers, partners, managers, key employees, and owners of more than a 5% interest.

b. Contractor shall maintain the highest standards of integrity in the performance of this Contract and shall take no action in violation of state or federal laws, regulations, or other requirements that govern contracting with the Owner or the Commonwealth.

c. Contractor shall not disclose to others any confidential information gained by virtue of this Contract. Contractor shall not, in connection with this or any other Contract with the Owner or the Commonwealth, directly or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty by any officer or employee of the Owner or the Commonwealth.

d. Contractor shall not, in connection with this or any other Contract with the Owner or the Commonwealth, directly or indirectly, offer, give, or agree or promise to give to anyone any gratuity for the benefit of or at the direction or request of any officer or employee of the Owner or the Commonwealth.

e. Except with the consent of the Owner, neither Contractor nor anyone in privity with Contractor shall accept or agree to accept from, or give or agree to give to, any person, any gratuity from any person in connection with the performance of work under this Contract except as provided therein.

f. Except with the consent of the Owner, Contractor shall not have a financial interest in any other contractor, subcontractor, or supplier providing services, labor, or material on the Project.

g. Contractor, upon being informed that any violation of these provisions has occurred or may occur, shall immediately notify the Owner in writing.

h. Contractor, by execution of this Contract and by the submission of any bills or invoices for payment pursuant thereto, certifies and represents that it has not violated any of these provisions.

i. Contractor, upon the inquiry or request of the Owner or the Inspector General of the Commonwealth or any of that official's agents or representatives, shall provide, or if appropriate, make promptly available for inspection or copying, any information of any type or form deemed relevant by the Owner or the Inspector General to Contractor's integrity or responsibility, as those terms are defined by the Commonwealth's statutes, regulations, or management directives. Such information may include, but shall not be limited to, Contractor's business or financial records, documents, or files of any type or form that refer to or concern this Contract. Such information shall be retained by Contractor for a period of five (5) years after the later of final payment or termination of the Contract, unless otherwise provided by law.

j. For violation of any of the above provisions, the Owner may terminate this and any other Contract with Contractor, claim liquidated damages in an amount equal to the value of anything received in breach of these provisions, claim damages for all expenses incurred in obtaining another party to complete performance hereunder, and the Owner or Commonwealth may debar and suspend Contractor from doing business with the Owner or the Commonwealth. These rights and remedies are cumulative, and the use or nonuse of any one shall not preclude the use of all or any other. These rights and remedies are in addition to those the Commonwealth may have under law, statute, regulation or otherwise.



## Exhibit I

### Contractor Responsibility Provisions

#### 1. Contractor Responsibility Provisions

a. Suspension or Debarment of Contractor. Contractor certifies that it is not currently under suspension or debarment by the Owner or the Commonwealth, any other state, or the federal government, and if the Contractor cannot so certify, then it agrees to submit along with the bid proposal a written explanation of why such certification cannot be made.

b. Suspension or Debarment of Subcontractors/Individuals. If Contractor enters into any Subcontracts or employs under this Contract any Subcontractors/individuals who are currently suspended or debarred by the Owner, the Commonwealth or the federal government or who become suspended or debarred by the Owner, the Commonwealth or the federal government during the term of this Contract or any extensions or renewals thereof, the Owner shall have the right to require the Contractor to terminate such Subcontracts or employment.

c. Reimbursement for Investigations. The Contractor agrees to reimburse the Owner and the Commonwealth for the reasonable costs of investigation incurred by the Owner or the Office of Inspector General for investigations of the Contractor's compliance with the terms of this or any other agreement between the Contractor and the Owner or the Commonwealth which results in the suspension or debarment of the Contractor. Such costs shall include, but not be limited to, salaries of investigators, including overtime; travel and lodging expenses; and expert witness and documentary fees. The Contractor shall not be responsible for investigative costs for investigations that do not result in the Contractor's suspension or debarment.

d. List of Suspended or Debarred Contractors. The Contractor may obtain the current list of suspended and debarred contractors by contacting the:

Department of General Services  
Office of General Counsel  
North Office Building Room 603  
Harrisburg, Pennsylvania 17125  
Phone: 717-783-6472  
Fax: 717-787-9138

## Exhibit J

### Provisions Concerning The Americans with Disabilities Act

#### 1. Americans With Disabilities Act Provisions

a. Compliance. Pursuant to federal regulations promulgated under the authority of The Americans with Disabilities Act, 28 C.F.R. 35.101 et seq., the Contractor understands and agrees that no individual with a disability shall, on the basis of the disability, be excluded from participation in the Contract or from activities provided for under the Contract. As a condition of accepting and executing this Agreement, the Contractor agrees to comply with the General Prohibitions Against Discrimination, 28 C.F.R. 35.130, and all other regulations promulgated under Title II of the Americans with Disabilities Act which are applicable to the benefits, services, programs, and activities provided by the Commonwealth through contracts with outside contractors.

b. Hold Harmless. The Contractor shall be responsible for and agrees to indemnify and hold harmless the Indemnified Parties (as defined in the Contract) from all losses, damages, expenses, claims, demands, suits, and actions brought by any party against any of the foregoing as a result of the Contractor's failure to comply with the provisions of the paragraph above.

## Exhibit K

### Provisions Required by the City of Philadelphia

(1) Records; Reports; Right to Audit.

(a) Authority shall maintain full, complete and accurate books of account and other records relating to its performance under this Operating Agreement, and promptly make them available for inspection by the City upon the City's request.

(b) During the Term of this Operating Agreement, the City Controller shall have the right to audit the affairs of the Authority to the extent required under Section 6-400 of the Home Rule Charter. In order to facilitate such an audit, upon prior reasonable notice, Authority must provide the Controller with reasonable access to Authority's books and financial records.

(2) Labor-Management Relationships; Prevailing Wages.

(a) As required by Section 17-107 (10) of The Philadelphia Code, all employees performing work under any applicable contract ("Contract") entered into by the Authority shall be paid at least the applicable prevailing wages for the respective occupational classifications designated, and shall be given at least the applicable presently prevailing working conditions during the entire period of work under the Contract. Such working conditions are those which are given to employees pursuant to a bona fide collective bargaining agreement for the applicable craft, trade or industry in the Philadelphia area on the date the General Bidding and Contract Requirements are issued for that Contract. The occupational classifications for all employees under the Contract shall be only the specific categories of jobs within a given craft, trade or industry for which a separate hourly wage rate for the Philadelphia area is determined by the Secretary of Labor of the United States, in accordance with the provisions of the Davis-Bacon Act. In the event that any Contractor believes that work under the Contract should be performed by employees in an occupational classifications omitted from the schedule attached to the General Bidding and Contract Requirements of that Contract, it shall so advise the Managing Director's Office (the "MDO"), Labor Standards Division, which shall remedy the omission if it agrees.

(b) The Authority may withhold from any sums due to the Contractor under the Contract so much as may be necessary to pay the employees the difference between the wages required to be paid and the wages actually paid to such employees, and the Authority may make such payments directly to the appropriate employees.

(c) The Authority shall require any Contractor and all Subcontractors to comply with and be bound by all of the provisions of Section 17-107 of The Philadelphia Code, and the Contractor shall insert the requirements of Section 17-107 in all Subcontracts.

(d) Every Contractor and Subcontractor shall keep an accurate record preserved on employee time sheets or time cards showing the name, address, social security number, occupational classification, wages and other benefits paid or provided and number of hours worked for each employee assigned to city-work (as "city work" is defined in Section 17-107(1)(b) of The Philadelphia Code), and such record shall be preserved at the current place of business of the employing Contractor or Subcontractor for two (2) years from the date of the Final Estimate on the Contract. The Contractor shall maintain and make his or her accounting and employment records and records relating thereto available for inspection by authorized representatives of the City, at all reasonable hours, and shall permit such representatives to interview employees during the hours on the job, all without prior notice. Neither the

Contractor nor any Subcontractor shall allow any employee or other person to interfere with any such inspection or interview.

(e) All Contractors and Subcontractors performing city-work shall, upon request of the City, file with the MDO, Labor Standards Division a certified statement setting forth the name, address, occupational classification, wages and other benefits paid or provided and number of hours worked with respect to each employee performing city-work. Such statement shall be made weekly for each preceding weekly period. The certification shall affirm that the statement is correct and complete, that the wages set forth therein are not less than those required by the Contract for city-work and that the occupational classification set forth for each employee conforms with the work performed.

(f) Nothing herein shall preclude the payment by the Contractor of wages at rates higher than those specified as the minimum under Section 17-107. However, no increase in any Contract price shall be allowed or authorized on account of the payment of wages in excess of those so specified, or on account of wage increases granted hereafter. No increases above the amounts specified in the then applicable schedule attached to the General Bidding and Contract Requirements will be required by any Contract during the term thereof except in the case of an error or omission in such schedule. Such an error or omission shall be called to the attention of the MDO, Labor Standards Division as promptly as possible; but the remedying thereof by the Department shall not constitute grounds for withdrawal of a Bid or cancellation of a Contract, nor for an increase in the Contract price or other claim or recovery against the City, nor a ground for failure or refusal to pay the applicable proper minimum to all employees.

(g) The minimum wages required hereby shall be paid unconditionally without any subsequent deduction or rebate of any kind except in accordance with Applicable Law governing payroll deductions for taxes, benefits and collective bargaining charges. Any assignment of wages by an employee for the direct or indirect benefit of the Contractor shall constitute a violation of this Paragraph; and any purported release of rights under Section 17-107 of The Philadelphia Code by an employee shall be void and of no effect.

(h) The Authority and Contractor shall refer to Section 17-107 of The Philadelphia Code, and to the regulations to be issued from time to time by the MDO, Labor Standards Division, for further information concerning the administration of the foregoing requirements. In addition, it shall be the responsibility of all Bidders and Contractors to inform themselves as to all prevailing working conditions, including, without limitation, length of work day and work week, overtime compensation, and holiday and vacation rights.

(3) The Philadelphia Code, Chapter 17-400.

(a) In accordance with Chapter 17-400 of The Philadelphia Code, as it may be amended from time to time, Authority agrees that its payment or reimbursement of membership fees or other expenses associated with participation by its employees in an exclusionary private organization, insofar as such participation confers an employment advantage or constitutes or results in discrimination with regard to hiring, tenure of employment, promotions, terms, privileges or conditions of employment on the basis or race, color, sex, sexual orientation, religion, national origin or ancestry, constitutes, a substantial breach of this Operating Agreement entitling the City to all rights and remedies provided herein or otherwise available at law or in equity.

(b) The Authority agrees to include the immediately preceding subparagraph, with appropriate adjustments for the identity of the parties, in all Subcontracts which are entered into for work to be performed pursuant to the Operating Agreement.

(c) The Authority agrees to cooperate with the City's Commission on Human Relations in any manner which the Commission deems reasonable and necessary for the Commission to carry out its responsibilities under Chapter 17-400 of The Philadelphia Code. The Authority's failure to so cooperate shall constitute a substantial breach of the Operating Agreement entitling the City to all rights and remedies provided herein or otherwise available at law or in equity.

(4) Employment of Low - and Moderate - Income Persons.

(a) As required by Section 17-1000 of The Philadelphia Code, for all construction and demolition contracts entered into by the Authority with a total value in excess of \$150,000 (a "**Covered Construction Contract**"), the Contractor must certify to the City's Procurement Department that at least forty percent (40%) of the workers who work on a Covered Construction Contract are low- or moderate-income persons. Apprentices and those working in on-the-job training positions shall be considered workers for the purpose of meeting the requirements of Section 17-1000.

(b) A low- or moderate-income person is defined under Section 17-1000 as a person whose income does not exceed more than eighty percent (80%) of the median income for the Philadelphia metropolitan area, as determined or adjusted by the Secretary of Housing and Urban Development pursuant to 42 U.S.C. §5302(a)(20). A person who no longer meets the income eligibility criteria set forth in Section 17-1000 because of employment by a party to a Covered Construction Contract, but who met the criteria on his or her date of hire, shall be deemed a low- or moderate-income person for three years from the date of hire.

(c) Each Contractor shall require all Subcontractors to comply with and be bound by all of the provisions of Section 17-1000 of The Philadelphia Code, and the Contractor shall insert the requirements of Section 17-1000 in all Subcontracts.

(5) Authority's Duties and Covenants Pursuant to 17-1400.

(a) If Authority is a City-Related Agency, as defined at Philadelphia Code Subsection 17-1401(9), Authority shall abide by the provisions of Philadelphia Code Chapter 17-1400 in awarding any contract(s) pursuant to this Operating Agreement as though such contracts were directly subject to the provisions of Chapter 17-1400, except that the exception set forth at Subsection 17-1406(8) shall apply to Authority as if Authority were listed in that subsection.

(b) Unless approved by the City to the contrary, any approvals required by the Philadelphia Code Chapter 17-1400 to be performed by the City Solicitor shall be performed by Authority by its General Counsel; any approvals required to be performed by the Director of Finance shall be performed by Authority by its Chief Financial Officer; and any approvals required to be performed by the Mayor shall be performed by Authority by its Executive Director.

(6) Executive Order 002-04.

(a) Pursuant to Executive Order 002-04, no official or employee in the Executive and Administrative Branch of the City shall solicit or accept, directly or indirectly, anything of value, including any gift, gratuity, favor, entertainment or loan from any of the following sources:

i) A person seeking to obtain business from, or who has financial relations with, the City;

ii) A person whose operations or activities are regulated or inspected by any City agency;

iii) A person engaged, either as principal or attorney, in proceedings before any City agency or in court proceedings in which the City is an adverse party;

iv) A person seeking legislative or administrative action by the City; or

v) A person whose interests may be substantially affected by the performance or nonperformance of the official's or employee's official duties.

Authority understands and agrees that if it offers anything of value to a City official or employee under circumstances where the receipt of such item would violate the provisions of this Executive Order shall be subject to sanctions with respect to future City contracts. Such sanctions may range from disqualification from participation in a particular contract to debarment, depending on the nature of the violation.

(7) Disadvantaged Business Enterprise Participation.

(a) In accordance with Executive Order 2-05, as it may be amended from time to time, the City has established an antidiscrimination policy that relates to the solicitation and inclusion of Minority Business Enterprises ("**MBE**"), Woman Business Enterprises ("**WBE**"), and Disabled Business Enterprises ("**DSBE**") (collectively, "**M/W/DSBE**") in City contracts. The purpose of Executive Order 2-05 is to ensure that all businesses desiring to do business with the City have an equal opportunity to compete by creating access to the City's procurement process and meaningfully increasing opportunities for the participation by M/W/DSBEs in City contracts at all tiers of contracting, as prime contractors, subcontractors and joint venture partners. In furtherance of this policy, the City will, from time to time, establish participation ranges for City Contracts and City Related Special Projects. Authority agrees to comply with the requirements of Executive Order 02-05, and where participation ranges are established by the City, Authority agrees, without limitation, to submit documentation responsive to each of the participation ranges established for the Contract.

(b) In furtherance of the purposes of Executive Order 2-05, Authority agrees to the following:

i) Authority, if it has achieved participation commitments with M/W/DSBEs, represents that it has entered into legally binding agreement(s) with M/W/DSBEs as participants under this Operating Agreement for the services and in the dollar amount(s) and percentage(s) as specified in the M/W/DSBEs Participation Exhibits to this Operating Agreement.

ii) Authority shall secure the prior written approval of the Minority Business Enterprise Council ("**MBEC**"), before making any changes or modifications to any contract commitments made by Authority herein, including, without limitation, substitutions for its MBEs, WBEs and/or DSBEs, changes or reductions in the services provided by its M/W/DSBE Subcontractors, or changes or reductions in the dollar and/or percentage amounts of commitments with its M/W/DSBE Subcontractors.

iii) Unless otherwise specified in a legally binding agreement as described in (2) (a) above, Authority shall, within five (5) business days after receipt of a payment from the City for work performed under this Operating Agreement, deliver to its M/W/DSBE Subcontractors the proportionate share of such payment for services performed by its M/W/DSBE Subcontractors. In

connection with payment of its M/W/DSBE Subcontractors, Authority agrees to fully comply with the City's payment reporting process which may include the use of electronic payment verification systems.

iv) Authority shall, in the event of an increase in units of work and/or compensation under this Operating Agreement, increase its commitments with its M/W/DSBE Subcontractors proportionately. The MBEC may from time to time request documentation from Authority evidencing compliance with this provision.

v) Authority shall submit, within the time frames prescribed by the City, any and all documentation the City may request, including, but not limited to, copies of Subcontract(s) with M/W/DSBEs, participation summary reports, M/W/DSBE Subcontractor invoices, telephone logs and correspondence with M/W/DSBE Subcontractors, cancelled checks and certification of payments. Authority shall maintain all documentation related to this Section for a period of five (5) years from the date of Authority's receipt of final payment under this Operating Agreement.

vi) Authority agrees that the City may, in its sole discretion, conduct periodic reviews to monitor Authority's compliance with the terms of Executive Order 2-05.

vii) Authority agrees that in the event the Director of Finance determines that Authority has failed to comply with any of the requirements of Executive Order 2-05, the City may, in addition to any other rights and remedies it may have under this Operating Agreement which includes termination of this Operating Agreement, exercise one or more of the following remedies which shall be deemed cumulative and concurrent:

(a) Debar Authority from proposing on and/or participating in any future contracts for a maximum period of three (3) years.

(b) Recover as liquidated damages, one percent (1%) of the total dollar amount of this Operating Agreement, which amount shall include any increase by way of amendments to this Operating Agreement, for each one percent (1%) (or fraction thereof) of the shortfall in commitment(s) to Authority's DBE Subcontractors.

No privity of contract exists between the City and any M/W/DSBE Subcontractor identified herein and the City does not intend to give or confer upon any such M/W/DSBE Subcontractor(s) any legal rights or remedies in connection with the subcontracted services under Executive Order 2-05 or by reason of this Operating Agreement except such rights or remedies that the M/W/DSBE Subcontractor may seek as a private cause of action under any legally binding contract to which it may be a party. The remedies enumerated above are for the sole benefit of the City and City's failure to enforce any provision or the City's indulgence of any non-compliance with any provision hereunder, shall not operate as a waiver of any of the City's rights in connection with this Operating Agreement nor shall it give rise to actions by any third parties including identified M/W/DSBE Subcontractors.

It is understood that false certification or representation is subject to prosecution under Title 18 Pa. C.S. Sections 4107.2 and 4904.

(c) In accordance with Section 17-1402(f) of The Philadelphia Code, the Authority shall during the Term of this Operating Agreement, disclose the name and title of each City officer or employee who directly or indirectly advised the Authority, any officer, director or management employee of the Authority, or any Person representing the Authority that a particular Person could be used by the Authority to satisfy any goals established in this Operating Agreement for the participation of minority,

women, disabled or disadvantaged business enterprises. The Authority shall also disclose the date the advice was provided, and the name of such particular Person. Such disclosure shall be made on a form provided by the Department awarding the contract, and the form shall be signed and filed with the Department within five business days after the Authority was so advised.

The Department receiving the disclosure form shall forward copies to the President and Chief Clerk of Council, and to the Mayor, Finance Director, Procurement Department, and the Department of Records.

(8) Compliance with Applicable Law.

(a) "Applicable Law" means all applicable present and future federal, state or local laws, ordinances, executive orders, rules, regulations and all court orders, injunctions, decrees and other official interpretations thereof of any federal, state or local court, administrative agency or governmental body, including the City, the Commonwealth, and the United States of America. Applicable Law includes, without limitation, laws, etc. relating to the environment, the Philadelphia Home Rule Charter, as amended from time to time, the Philadelphia Code, as amended from time to time, including § 9-2404(2)(b) (Predatory Lending), § 10 602(5)(b) (Smoking Prohibited in Public Places), § 17-110(2) (Alcohol Advertisement), § 17-1306 (21<sup>st</sup> Century Minimum Wage Standard), and Executive Order 01-98 (Billboards and Other Advertising Signs).

(b) Authority shall deliver and perform their respective obligations under this Operating Agreement, under and pursuant to the applicable provisions of all Acts of the Pennsylvania General Assembly and applicable ordinances of the City, as such enactments may hereafter be supplemented or amended. Authority shall inform the Responsible Official, in writing, of any notices of violations of any Applicable Law within forty-eight (48) hours of receipt thereof, and shall correct any violations within the time prescribed by law, or immediately in the case of any emergency.

(9) Non-Discrimination; Fair Practices.

(a) The Authority and City acknowledge that they have entered into and intend to perform the Operating Agreement under the terms of the Philadelphia Home Rule Charter, as it may be amended from time to time, and in performing under the Operating Agreement, the Authority shall not discriminate or permit discrimination against any individual because of race, color, religion or national origin. In addition, the Authority shall, in performing under the Operating Agreement, comply with the provisions of the Fair Practices Ordinance of The Philadelphia Code (Chapter 9-1100) and the Mayor's Executive Order No. 4-86, as each may be amended from time to time, both of which prohibit, among other things, discrimination against individuals because of race, color, sex, sexual orientation, religion, national origin, ancestry, age, handicap (including but not limited to Human Immunodeficiency Virus infection), marital status, presence of children or source of income, in employment, housing and services in places of public accommodation. In the event of any breach of this provision, the City may, in addition to any other rights or remedies available under the Operating Agreement, at law or in equity, suspend or terminate the Operating Agreement forthwith.

(b) In accordance with Act 57 of 1998, 62 Pa.C.S. § 3701, in the hiring of employees for the performance of work under the Operating Agreement or any Subcontracts, neither the Authority, nor any of its Subcontractors, nor any Person acting in their behalf shall discriminate, by reason of gender, race, creed, or color, against any citizen of the Commonwealth who is qualified and available to perform the work to which the employment relates. In addition, neither the Authority, nor any of its Subcontractors, nor any Person acting in their behalf shall in any manner discriminate against or intimidate any employee hired for the performance of work under the Operating Agreement on account of



gender, race, creed, or color. In addition to any other remedies available to the City, the Operating Agreement may be cancelled or terminated by the City, and all money due on or to become due under the Operating Agreement may be forfeited for a violation of the terms or conditions of this provision.

(c) Authority agrees to include subparagraphs (a) and (b) of this provision, with appropriate adjustments for the identity of the parties, in all sub-grants or subcontracts which are entered into pursuant to this Operating Agreement.

(d) Authority further agrees to cooperate with the Commission on Human Relations in any manner which the said Commission deems reasonable and necessary for the Commission to carry out its responsibilities under Chapter 17-400 of The Philadelphia Code.

# **Exhibit "B"**

## Management Agreement

**FIRST AMENDMENT  
TO  
AMENDED AND RESTATED MANAGEMENT AGREEMENT**

THIS FIRST AMENDMENT TO AMENDED AND RESTATED MANAGEMENT AGREEMENT (this “**First Amendment**”) is entered into effective \_\_\_\_\_, 2023 (the “**Effective Date**”), by and between the Pennsylvania Convention Center Authority, an agency and public instrumentality of the Commonwealth of Pennsylvania and a body corporate and politic created and existing pursuant to provisions of the Pennsylvania Convention Center Authority Act, 64 P.S. 6001 et seq., as amended (herein called the “**Authority**”), and SMG, a Pennsylvania general partnership and operating subsidiary of ASM Global (“**SMG**”).

**RECITALS**

**WHEREAS**, the parties entered into that certain Amended and Restated Management Agreement, made the \_\_\_ day of January, 2019, intended to be effective December 1, 2018 (the “**Agreement**”); and

**WHEREAS**, the parties desire to amend certain terms of the Agreement, in accordance with the terms and provisions of this First Amendment;

**NOW, THEREFORE**, in consideration of the mutual premises, covenants and agreements herein contained, the parties hereto, intending to be legally bound, agree as follows:

1. The second paragraph of Section 4.2 [relating to SMG fixed fee compensation] of the Agreement is amended in its entirety to read as follows:

4.2       \*\*\*\*\*

As base compensation to SMG for providing the services herein specified, the Authority shall pay SMG during the Management Term the following monthly amount: a monthly fixed fee of \$26, 250 to and including June 1, 2023 and from July 1, 2023 to and including November 1, 2023, a monthly fixed fee of \$31,000.

As base compensation to SMG for providing the services herein specified, the Authority shall pay SMG during the Renewal Term (defined herein), an annual fixed fee of Three Hundred Seventy-Two Thousand Dollars (\$372,000). The Fixed Fee amount in the preceding sentence shall be adjusted upward on the first day of each Fiscal Year during the applicable term by the percentage change published by the Bureau of Labor Statistics of the U.S. Department of Labor, or of any revised or successor index hereinafter published by the Bureau of Labor Statistics or other agency of the United States Government succeeding to its functions (“CPI”) during the one-year period ending in June immediately preceding the Fiscal Year. The Fixed Fee shall be invoiced by SMG to the Authority in equal monthly installments with payment due on or before the thirtieth (30th) day following the Authority’s receipt of such invoices.

2. Term/Renewal. Consistent with Section 3.2 of the Agreement, the Authority hereby exercises its right, and SMG hereby consents, to extend the Agreement for an additional period of five (5) years (the “Renewal Term”) after the initial Management Term. Such Renewal Term shall commence December 1, 2023 and end at midnight on November 30, 2028, unless earlier terminated pursuant to the provisions of the Agreement.

3. Resource Commitment and Contribution. SMG shall commit certain resources, in the amounts and for the purposes described below. Accordingly, the Agreement shall be amended to add new Sections 5.11 and 5.12 (in lieu of those intentionally omitted sections. New Sections 5.11 and 5.12 shall read in their entirety as follows:

5.11 SMG Resource Commitment. During the Renewal Term, SMG will commit the following resources for strategic Facility initiatives described in Schedule 5.12, attached hereto and incorporated herein by reference. These subject matter experts and related resources, valued at \$500,000 in total, will be provided at no cost to the Authority, and will be made available to Authority leadership and the SMG site team to fulfill the strategic initiatives:

- McClintock Associates (Estimated value: 1,000 hours - \$250,000)
- Honeycomb Strategies (Estimated value = 400 hours - \$100,000)
- ASM Market Development (Estimated value = 200 hours - \$50,000)
- ASM Global Partnerships (Estimated value = 100 hours - \$25,000)
- ASM Academy Training Programs (Estimated value = \$25,000)
- Anthony James Partners (Estimated value = 200 hours - \$50,000)

In the event of early termination or expiration of this Agreement, the SMG Resource Commitment shall terminate.

5.12 SMG Strategic Initiative Fund. During the Renewal Term, SMG will make a fund available to the Authority in the amount of Two Hundred Fifty Thousand Dollars (\$250,000) to support the strategic Facility initiatives described in Schedule 5.12 (the “**Strategic Initiative Fund**”) as mutually agreed by the parties, which may include (i) creation of a capital and services plan to respond to the changing needs of visitors; (ii) development of a forward-facing strategic information technology connectivity plan; (iii) funding for training and scholarships for local youth interested in the hospitality industry; or (iv) support for the activation of a digital out of home network, to be included in ASM Global’s nationwide network. For the avoidance of doubt, the Strategic Initiative Fund is in addition to the SMG Resource Commitment described in Section 5.11 above and will not be subject to repayment by the Authority in the event of the early termination or expiration of this Agreement.

4. Except as modified by the express terms of this First Amendment, all of the terms and provisions of the Agreement shall remain in full force and effect, unmodified by the terms of this First Amendment.

5. All capitalized terms not otherwise defined herein shall have the meaning ascribed in the Agreement.

6. This First Amendment may be executed in counterparts, each of which will constitute an original instrument and all of which together will constitute the same instrument. Facsimile and electronically transmitted copies of signatures to this First Amendment shall be deemed authentic and original for all purposes.


**IN WITNESS WHEREOF**, the parties have executed this First Amendment as of the day and year first written above.

**PENNSYLVANIA CONVENTION  
CENTER AUTHORITY**

DocuSigned by:  
By: John McNichol  
5637199EFAAD431...

Its: John McNichol, President & CEO

**SMG**

By: 

Its: Mark D. Rozells, CFO

### **Schedule 5.12**

SMG (now ASM Global) is dedicated to a series of initiatives that will position the PACC at the forefront of the hospitality industry, materially improve the fiscal position of the operation, increase engagement, and provide our organizers, exhibitors, and guests with the memorable experiences that will bring them back year after year. SMG commits to the following initiatives:

- Provide a seamless transition in the leadership role through the continued on-site commitment to the Authority of Bob McClintock through the next two years.
- Complete the implementation of the Philadelphia Alliance, utilizing support from the ASM Market Development Team and the PHL CVB, fulfilling the vision of providing show organizers with completely seamless sales & service delivery processes they want, improving return visitation.
- Implement the labor & management partnership with the Workforce Training program, utilizing the resources of the ASM Global Academy and its online library of training programs, establishing the PACC as the industry leader in development of the people crucial to the success of the Center.
- Create pathways to the future of digital connectivity, supporting the needs of organizers, exhibitors, and guests by leveraging the resources of the ASM Global Information Technology Team.
- Develop and implement a Digital Network & Corporate Partnerships strategy, utilizing the insights from ASM Global Partnerships and the technical expertise of Anthony James Partners.
- Expand the market base for the PACC by developing a comprehensive sales plan for the Corporate Events Market led by the ASM Market Development Team in partnership with the PHL CVB.
- Establish the PACC as Best-in-Class for Sustainability in the industry, building on the success of efforts to date, and leveraging the resources of Honeycomb Strategies.
- Grow engagement with all aspects of the surrounding community through commitment to local advocacy groups.

**EXECUTION COPY**

**AMENDED AND RESTATED MANAGEMENT AGREEMENT**

**BETWEEN**

**PENNSYLVANIA CONVENTION CENTER AUTHORITY**

**AND**

**SMG**

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## MANAGEMENT AGREEMENT

THIS AMENDED AND RESTATED MANAGEMENT AGREEMENT (this “**Agreement**”) is made the \_\_\_ day of January, 2019, intended to be effective December 1, 2018, by and between the Pennsylvania Convention Center Authority, an agency and public instrumentality of the Commonwealth of Pennsylvania (“**Commonwealth**”) and a body corporate and politic created and existing pursuant to provisions of the Pennsylvania Convention Center Authority Act, 64 P.S. 6001 et seq., as amended (the “**PCCA Act**”) (herein called the “**Authority**”), and SMG, a Pennsylvania general partnership, whose current address is 300 Conshohocken State Road, Suite 770, West Conshohocken, PA 19428 (“**SMG**”).

### BACKGROUND

The Authority was established to develop and operate a convention center in Philadelphia, Pennsylvania. The Authority operates and maintains the Pennsylvania Convention Center, which is an exhibition and convention center located in Philadelphia on a site bounded by 11th, Broad, Arch and Race Streets plus the former train shed north of Market Street and East of 12th Street (collectively, the “**Facility**”), subject to the terms of the Operating Agreement.

SMG is engaged, among other things, in the business of providing management services, including operations and marketing services for public assembly facilities, and for purposes of this Agreement, SMG has engaged Synterra Partners to assist SMG with the development and implementation of appropriate and required equal employment and diversity opportunities at the Facility.

The Authority desires to renew the engagement of SMG, and SMG desires to accept such renewed engagement, to provide management services for the Facility on the terms and conditions set forth herein.

The Authority intends to work with SMG in order to ensure provision of high-quality management services, thereby enhancing the use and enjoyment of the Facility,

**NOW, THEREFORE**, in consideration of the mutual premises, covenants and agreements herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

#### **1. Definitions.**

For purposes of this Agreement, the following terms have the meanings referred to in this Section 1;

“**ADA**” - the Americans with Disabilities Act, 42 U.S.C. Sections 12101-12213 as amended by the Civil Rights Act of 1991 (42 U.S.C. Section 1981(a)), as it now exists and as it may be amended in the future by statute or judicial interpretation.

“**Affiliate**” - a Person that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, a specified Person,

For purposes of this definition, "control" means ownership of equity securities or other ownership interests which represent more than 40% of the voting power in the controlled Person,

**"Approved Budget"** - any operating budget submitted by SMG and approved by the Authority and the Commonwealth pursuant to Section 5.

**"Authority"** — as defined in the first paragraph of this Agreement.

**"Authority Expenses"** — the total Commonwealth-approved annual Authority operating expenses less the Approved Budget expenses for the same fiscal year,

**"Authority Representative"** - the senior official of the Authority as from time to time appointed by the Authority, or such individual person as may from time to time be authorized in writing by such official to act for him/her with respect to any or all matters pertaining to this Agreement, As of the date hereof, the Authority Representative is the Chairperson of the Authority's Board of Directors or his or her designee.

**"CERCLA"** - the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act.

**"CPI"** - as defined in Section 4.2.

**"Capital Equipment"** - any and all furniture, fixtures, machinery or equipment, either additional or replacement, having a per item original cost of Five Thousand Dollars (\$5,000.00) or more, or an expected useful life of more than one year.

**"Capital Improvements"** - any and all building additions, alterations, renovations, repairs or improvements that have an original cost of not less than Five Thousand Dollars (\$5,000.00) per project.

**"Facility"** - as defined in the first paragraph of the Background section of this Agreement, and as further defined as the "Convention Center" in that certain Convention Center Lease between Commonwealth and the Authority dated April 20, 2010, amended from time to time and as set forth on Exhibit E.

**"Fiscal Year"** - a one- year period beginning the first day of July and ending June 30th.

**"On-Site Executive Manager"** - The person designated by SMG and approved by the Authority to represent SMG as the senior operating manager of the Facility and reporting to the Authority Representative.

**"Laws"** - all federal, state, local and municipal regulations, ordinances, statutes, rules, laws and constitutional provisions.

**"Losses"** - any and all losses, liabilities, claims, damages and expenses (including reasonable attorney's fees).

**“Management Term”** - as defined in Section 3.1.

**“SMG Net Operating Deficit (Surplus)”** - with respect to a Fiscal Year, the excess, if any, of SMG Operating Expenses for that Fiscal Year over SMG Operating Revenues for that Fiscal Year, in the case of a deficit, and the excess, if any, of SMG Operating Revenues for that Fiscal Year over SMG Operating Expenses for that Fiscal Year, in the case of a surplus. Such value will be shown on line 108 of the SMG Fiscal Year-end Financial Results report prepared by the Authority following the issuance of the Authority’s annual audited financial statements, a template of which is provided in Exhibit D.

**“Operating Agreement”** — that certain Operating Agreement dated April 20, 2010 among the City of Philadelphia, the Authority and the Commonwealth of Pennsylvania (the “Commonwealth”), a copy of which agreement has been provided to SMG prior to the execution and delivery of this Agreement.

**“SMG Operating Expenses”** – in the case of budgeted SMG Operating Expenses, the value of total operating expenses contained in the annual Approved Budget and in the case of actual SMG Operating Expenses, the value of total operating expenses contained in the annual SMG Fiscal Year-end Financial Results report on line 106, a template of which is provided in Exhibit D.

By way of example, SMG Operating Expenses may include any and all expenses of whatever kind or nature incurred directly by SMG in operating and maintaining the Facility that are approved by the Commonwealth pursuant to the annual budget process, including, but not limited to: employee compensation (e.g., base salaries, severance, bonuses and car allowances), employee benefits and related costs (e.g., relocation expenses, parking and other fringe benefits), supplies, material and parts costs, costs of any interns and independent contractors, janitorial and cleaning expenses, data processing costs, dues, subscriptions and membership costs, amounts expended to procure and maintain permits and licenses (including without limitation asbestos removal and hazardous waste removal permits), charges, taxes, excises, penalties and fees, professional fees (including without limitation legal fees associated with labor relations matters), printing and stationery costs, all event-related expenses (e.g., fees payable to promoters and performers, costs for event staffing and costs relating to set-up and clean-up), postage and freight costs, equipment rental costs, computer line charges, repairs and maintenance costs (e.g., elevators and HVAC), security expenses, utility and telephone charges, travel and entertainment expenses in accordance with the Authority’s policies, the cost of employee uniforms, safety and medical expenses, exterminator and waste disposal costs, costs of handling, removing or otherwise dealing with asbestos at the Facility, costs relating to the maintenance of signage systems, the cost of annual independent audits of the Facility, the cost of compliance with laws and regulations, and costs incurred under agreements, commitments, licenses and contracts executed in SMG’s name as provided in Section 2.3 hereof, all as determined in accordance with generally accepted accounting principles and recognized on an accrual basis consistent with Authority practices; provided that Operating Expenses shall not include expenditures in connection with Capital Improvements and Capital Equipment purchases and any expenses relating to SMG personnel based in SMG’s corporate headquarters in Philadelphia, Pennsylvania. (other than the reasonable costs of travel by such personnel in connection with SMG’s management of the Facility, which

costs shall be Operating Expenses). Further, SMG Operating Expenses shall exclude all interest, income tax, depreciation and amortization expenses.

**“SMG Operating Revenues”** — in the case of budgeted SMG Operating Revenues, the value of total operating revenues contained in the annual Approved Budget and in the case of actual SMG Operating Revenues, the value of total operating revenues contained in the annual SMG Fiscal Year-end Financial report on line 24. For an abundance of clarity, Operating Revenues shall include any and all revenues of every kind or nature derived from SMG’s services hereunder, which are generated from the sale of admission tickets and merchandise and may also include revenues derived pursuant to the event services hereof, all as determined in accordance with generally accepted accounting principles and recognized on an accrual basis consistent with Authority practice. SMG Operating Revenues shall not include any hotel tax revenues received by the Authority.

**“PCCA Act”** - as defined in the first paragraph of this Agreement.

**“Person”** - any individual, general partnership, limited partnership, limited liability partnership, partnership, corporation, joint venture, trust, business trust, limited liability company, cooperative, or association, and the successors and assigns of any of the foregoing and, unless the context otherwise requires, the singular shall include the plural, and the masculine gender shall include the feminine and the neuter, and vice versa,

**“Pre-Existing Agreement”** - each contract, license, agreement, option, lease and commitment existing as of the commencement of the Management Term that grants any Person any right (i) to license, use, occupy or rent all or any portion of the Facility, or (ii) to provide services to be used in the management, operation, use, possession, occupation, maintenance, promotion or marketing of all or any portion of the Facility, and that are listed on Exhibit A.

**“Renewal Term”** - the additional period for which this Agreement may be renewed at the option of the Authority in accordance with Section 3.2 hereof beyond the Management Term.

**“SMG”** - as defined in the first paragraph of this Agreement.

## **2. Engagement of SMG; Scope of Services.**

### **2.1 Engagement.**

(a) **General Scope**, The Authority hereby engages SMG to promote, operate and manage the Facility during the Management Term and the Renewal Term, if any, upon the terms and conditions hereinafter set forth, and SMG hereby accepts such engagement.

(b) **Manager of the Facility**. Subject to the terms of this Agreement, SMG shall be the sole and exclusive manager of the Authority to manage, operate and promote the Facility during the Management Term, and Use Renewal Term, if any. In such capacity, SMG shall have exclusive authority over the day-to-day operation of the Facility and all activities therein; provided that SMG shall follow all policies and guidelines of the Authority hereinafter established or

modified by the Authority which the Authority notifies SMG in writing are applicable to the Facility. A list of such policies and guidelines are annexed hereto as Exhibit B. In this capacity, SMG shall be an independent contractor with the ability, under limited circumstances and only upon the written direction of the Authority, to act as a limited agent of the Authority in matters related to procurement of assets, license agreements, retail leases and leased equipment.

(c) Approval of the Authority. The "approval of the Authority" as used in this Agreement shall mean the approval by the Authority Board.

2.2 Scope of Services - Generally: Relationship to Operating Agreement.

(a) During the Management Term, SMG shall perform and furnish such management services and systems as are required by this Agreement or are appropriate or necessary to operate, manage and promote the Facility in a manner consistent with the PCCA Act, the Operating Agreement, Authority By-Laws and SMG's own policies, procedures and the operations of other similar first-class facilities. The foregoing shall not, however, modify the provisions of this Agreement which reserve rights of approval in favor of the Authority and/or the Commonwealth or which reserve certain obligations of the Authority as provided in Section 2.3 hereof.

(b) Whenever SMG performs a duty or responsibility that is to be performed by the Authority under the terms and conditions of the Operating Agreement, SMG shall perform that duty or responsibility in accordance with the terms and conditions of the Operating Agreement, including but not limited to: the permitted uses of the Facility under Section 1 of the Operating Agreement; the operation of the Facility under Section 2 of the Operating Agreement; the preparation and submission of budgets and other financial matters under Section 3 of the Operating Agreement; the submission for approval to the Commonwealth of contracts entered into on behalf of, or in the name of, the Authority as provided for in Section 6 of the Operating Agreement; the maintenance of operating expense levels under Section 7(e) of the Operating Agreement, and the imposition, implementation and performance of any Corrective Action Plan issued pursuant to Section 10 of the Operating Agreement.

(c) Performance by SMG of a duty or responsibility that is to be performed by the Authority under the terms and conditions of the Operating Agreement shall constitute the Authority's performance of the duty or responsibility. Any breach, violation, failure to perform, event of default, or other deficiency by SMG in tile performance of a term or condition of the Operating Agreement shall constitute, shall be treated the same as, and shall have the same force and effect as if the Authority itself committed the breach, violation, failure to perform, event of default, or other deficient performance.

(d) SMG shall fully cooperate with Commonwealth in the Commonwealth's administration of its duties and responsibilities under the Operating Agreement. The Commonwealth shall fully cooperate with SMG when SMG is performing on behalf of the Authority duties and responsibilities that the Authority is required to perform under the Operating Agreement

(e) The terms and conditions of the Operating Agreement shall take precedence over the terms and conditions of this Agreement, except to the extent that the terms and conditions of this Agreement relate to a matter involving the relationship between the Authority and SMG (such as, Sections 4, and 5.9 to hereof).

### 2.3 Responsibilities of Each Party.

The parties agree that SMG shall manage the operations of the Facility, as set forth below, but that the Authority shall retain ultimate responsibility and oversight for matters related to the SMG operations enumerated below and shall retain sole responsibility for matters relating to, but not limited to, executive management; strategic planning; SMG contract oversight and audit; operating and capital budgeting; cash management; debt management; risk management and insurance; accounting and financial reporting; capital program development and implementation; financial, operational, diversity and contract auditing; customer satisfaction assessment; maintenance quality assessment; performance evaluation and reporting; facility, equipment and event inspections; legal affairs; government and contractual compliance; government and legislative relations; property disposition; Authority related human resources, information technology, insurance, procurement, payroll and financial management; Board management and communications; Education and Training program; Reading Terminal Market; and external relations and communications relating to Authority matters. The Authority shall determine the allowable uses of the Facility, have line item budget approval as more fully described in this Agreement, fund all approved operating expenses and capital expenditures, and in accordance with the Operating Agreement prepare and submit every three years to the Commonwealth, a sales and marketing plan including rate schedules for the licensing of space in the Facility.

SMG shall have the sole right and authority during the Management Term, except as otherwise expressly noted in this Agreement, to perform the following management activities, provided they are performed in accordance with the PCCA Act, Operating Agreement, Authority policies and Authority By-Laws:

(a) employ, supervise and direct SMG employees and personnel consistent with the provisions of this Agreement and in accordance with Section 7 as applicable;

(b) administer relationships with all subcontractors, concessionaires and all other contracting parties detailed in the Active Contract Log as shown in Exhibit A, and excepting Capital Improvements and Capital Equipment as outlined in Section 5.8 and subject to Section 2.3(c) hereof, assume responsibility for any and all negotiations, renewals and extensions to the extent SMG deems any of the foregoing to be necessary or desirable relating to such Pre-Existing Agreements, and enforce the Pre-Existing Agreements, Additionally, set forth on Exhibit A attached hereto are those contracts relating to the Facility's operations which (i) SMG will administer on behalf of the Authority, including any renewals or replacements thereof as provided in clause (iii) below, (ii) the revenues and expenses related thereto will be deemed SMG Operating Revenues and SMG Operating Expenses hereunder, and (iii) in connection with the expiration of any such contract. (A) the Authority will have the sole discretion to renew or replace such contract and will execute and deliver the same in its own name and (B) if requested by, and at the direction of, the Authority, SMG will negotiate such renewal or replacement contract for the Authority's signature. Any contract entered into by SMG related to Authority operations or any contract



executed or negotiated by SMG on behalf of the Authority shall (1) be subject to all approval and notice requirements of the Operating Agreement, Authority By-Laws and the PCCA Act, (2) be subject to the Approved Budget, (3) incorporate, as communicated by the Authority in writing, contractor responsibilities, performance standards and performance expectations as required by the Authority, and (4) be developed and executed in accordance with the PCCA Act provisions and Authority policies related to procurement and contracting including any competitive bidding requirements;

(c) negotiate, execute in its own name, deliver and administer any and all licenses, occupancy agreements, rental agreements, booking commitments, advertising agreements, concession agreements, supplier agreements, service contracts including, without limitation, contracts for cleaning, decorating and set-up, snow removal, general maintenance and maintenance and inspection of HVAC systems, elevators, stage equipment, fire control panel and other safety equipment, staffing and personnel needs, including guards and ushers, and other services which are necessary or appropriate, and all other contracts and agreements in connection with the management, promotion and operation of the Facility, all in compliance with any applicable laws, regulations, and policies. Additionally, notwithstanding anything to the contrary contained in this Agreement, (i) all contracts requiring expenditures or resulting in revenues over \$300,000 or for a length of time extending beyond the expiration of this Management Term (other than those involving the license, lease or rental of the Facility in the ordinary course) are subject to the prior approval of and execution by the Authority and, if required, the Commonwealth, and shall be compliant with Section 6 of the Operating Agreement, and (ii) SMG will work with the Authority Representative to identify those contracts involving expenditures that are subject to the state sales tax exemption available to the Authority and in the case of such contracts, the Authority (A) shall execute and deliver such contracts (following SMG's negotiation of the same on behalf of the Authority) and (B) shall permit SMG to administer such executed contracts for the benefit of the Authority and the Facility. For the avoidance of doubt, the expenditures under such contracts shall be an SMG Operating Expense hereunder and shall, at the option and direction of the Authority Representative, either (1) be paid by SMG from the Operating Account described in Section 5.6 hereof or (2) be paid by the Authority and in such event, SMG shall reimburse the Authority for such payment from such Operating Account. In addition, SMG will give the Authority notice of any other contracts entered into by SMG under this Agreement in a manner that will allow the Authority to give timely and appropriate notice to the Commonwealth under the Operating Agreement. All contracts hereunder shall (i) be consistent with the Approved Budget in effect at the time of such contract, (ii) be subject to all approval and notice requirements of the Operating Agreement, Authority By-Laws and the PCCA Act, (iii) incorporate, as communicated by the Authority in writing, contractor responsibilities, performance standards and performance expectations as required by the Authority, and (iv) be developed and executed in accordance with the PCCA Act provisions and Authority policies related to procurement and contracting including any competitive bidding requirements ;

(d) maintain the Facility including the land, building, and furniture, fixtures and equipment in the condition received, reasonable wear and tear excepted, consistent with a first-class facility and. in compliance with all applicable legal requirements; provided that the Authority shall be responsible for undertaking all Capital Improvements and Capital Equipment purchases as provided in Section 5.8. SMG shall conduct an inventory of all furniture, fixtures and equipment at the start of the Management Term, annually at the end of each fiscal year of the Management

Term and at the end of the Management Term or upon contract termination. Any changes in signage shall be approved by the Authority Representative;

(e) rent, lease or purchase all equipment and maintenance supplies necessary or appropriate for the operation and maintenance of the Facility, provided that the Authority shall be responsible for undertaking all Capital Improvements and Capital Equipment purchases pursuant to Section 5.8 in compliance with the provisions of the Operating Agreement;

(f) establish and adjust prices, rates and rate schedules for the aforesaid licenses, agreements and contracts and any other commitments relating to the Facility to be negotiated by SMG in the course of its management, operation and promotion of the Facility provided that such prices, rates and rate schedules are consistent with (1) the Authority Sales and Marketing plan where applicable, (2) the Approved Budget, and (3) any Authority established rate schedules. On an annual basis, as part of the annual budget process, SMG will provide a set of proposed rate schedules for use with the Facility customers in the upcoming fiscal year. In determining such proposed prices and rate schedules, SMG shall evaluate comparable charges for similar goods and services at similar and/or competing facilities and shall provide the Authority with this evaluation as support for its proposed rate schedules and budget. The Authority will review the rate schedule material and determine the approved rate schedules that will be in effect for the upcoming fiscal year as part of its annual budget approval process;

(g) pay, when due, on behalf of the Authority, all SMG Operating Expenses from accounts established pursuant to Sections 5.6 and 5.7 of this Agreement;

(h) after consultation with the Authority and Authority Counsel, and with consent of the Authority Counsel, (1) SMG may institute, which cost shall be an SMG Operating Expense, legal actions or proceedings, including without limitation to collect charges, rents or other revenues due to the Facility or to cancel, terminate or sue for damages under any license, use, advertisement or concession agreement for the breach thereof or default thereunder by any licensee, user, advertiser, or concessionaire at the Facility, and (2) SMG may recommend that the Authority institute, which cost shall be an SMG Operating Expense, legal actions or proceedings, including without limitation to collect charges, rents or other revenues due to the Authority or to cancel, terminate or sue for damages under any license, use, advertisement or concession agreement for the breach thereof or default thereunder by any licensee, user, advertiser, or concessionaire at the Facility, to the extent that any such contract is in the name of, and executed by, the Authority as provided herein. SMG shall, as applicable, consult and cooperate with and keep fully informed the Authority and Authority Counsel as to all legal actions or proceedings in connection with the operation of the Facility and all matters covered by this Agreement. With respect to the matters described in clause (1) above, SMG will not make any offer, settlement, or compromise without the written consent of the Authority Counsel;

(i) maintain a master set of all booking records and schedules for the Facility;

(j) provide day-to-day administrative services in support of its management activities pursuant to the Approved Budget and annual plans described herein, including, but not limited to, the acquisition of services, equipment, supplies and facilities; internal budgeting and

accounting; maintenance and property management; personnel management; record-keeping; collections and billing; and similar services;

(k) engage in such advertising, solicitation, and promotional activities to develop the potential of the Facility and the cultivation of broad community support, including, without limitation, selling advertising inventory and securing product rights for the Facility, subject to Approved Budgets, and establishing an effective system of communication that encourages linkages and collaborative efforts between the Facility and other segments of the hospitality industry, including the Philadelphia Convention and Visitor's Bureau ("PHLCVB"), the Philadelphia hotel industry and other visitor industry segments. SMG shall, work with the PHLCVB to market the Facility for conventions, trade shows and public entertainment shows, all of which work shall be consistent with any existing agreement between the Authority and PHLCVB. SMG will work with the PHLCVB to develop and execute a collaborative sales and marketing plan with roles and responsibilities of each organization clearly defined and measured. In connection with its activities under this Agreement, including, without limitation, advertising relating to the Facility, SMG shall be permitted to use the term "Pennsylvania Convention Center" and logos for such name in its advertising, subject to the approval of the Authority Representative. SMG shall coordinate any community, public and legislative efforts with the Authority Representative.

In general, all corporate or product advertising or sponsorship sales are the responsibility of SMG, subject to the review and approval of such sales by the Authority Representative. For avoidance of doubt, advertising and sponsorship revenue derived at the Facility will be attributed to the Facility as SMG Operating Revenue;

(l) SMG shall prepare and submit annual budgets for the Facility's operation in accordance with Section 5.3 in a timely manner so that the Authority can comply with the Operating Agreement. SMG also shall establish a system of internal controls to provide reasonable assurance that the Facility's resources are used in an effective- and efficient manner, that reliable financial reporting is produced and compliance with laws, regulations and policies is achieved. SMG shall keep full and accurate accounting records relating to its activities at the Facility, in accordance with generally accepted accounting principles and Article 6. After the close of each fiscal year, SMG shall provide detail of all PCCA related financial transactions and activity recorded in SMG's accounting system in a format acceptable to PCCA.

(m) administer payroll systems for all of SMG's employees at the Facility. Persons that remain employees of the Authority or of any subcontractors under any Pre-Existing Agreement or other agreement shall not be included in any such payroll systems;

(n) undertake information technology functions relating to the operations of the Facility, including the Authority's website, and maintain all such technology systems in a manner consistent with first-class convention center standards. SMG shall locate the necessary staff within the Facility offices (as determined by the Authority) to ensure the level of service required pursuant to this Agreement. SMG shall work with the Authority and/or outside consultant of the Authority in the installation and integration of all appropriate systems for the maintenance and protection of Authority-only data.

(o) implement appropriate and required Equal Employment Opportunity and workforce diversity plans in accordance with the Authority's Equal Employment Policy and in full compliance with Exhibit F to the Operating Agreement, the Economic Opportunity Plan, which is attached hereto as Exhibit C;

(p) provide input to the Authority on future renovations and enhancements to the Facility in order to maintain and preserve the quality of the Facility and safeguard the Commonwealth's investment in the Facility. SMG shall recommend any changes SMG believes are appropriate to maintain the Facility and its services as a first-class convention center, including a rolling five (5) year Capital Improvement and Equipment projection; and

(q) directly oversee, implement, enforce, and manage the Authority's Customer Satisfaction Agreement, as entered into by the Authority from time to time, on behalf of the Authority, including direct responsibility for supervising and monitoring Show Labor Workers and Show Unions and Contractors performing work at the Facility, all as set forth in such Agreement.

(r) Provide immediate notice to the Authority and the Chair of the Authority Board's Law and Finance Committee in the event it learns of any litigation or notice of claim, serious personal injury or material damage to the property of the Authority.

#### 2.4 Right of Entry Reserved.

Representatives of the Authority designated in writing by the Authority Representative shall have the right, to enter all portions of the Facility to inspect same, to observe the performance of SMG or any of its subcontractors of any obligations under this Agreement, to install, remove, adjust, repair, replace or otherwise handle any equipment, utility lines, or other matters in, on, or about the premises, or to do any act or thing which the Authority may be obligated or have the right to do under this Agreement or otherwise. Nothing contained in this Section is intended or shall be construed to limit any other rights of the Authority under this Agreement. The Authority's actions shall be conducted such that disruption of SMG's work shall be kept to a minimum. Nothing in this Section shall impose or be construed to impose upon the Authority any independent obligation to construct or maintain or make repairs, replacements, alterations, additions or improvements or create any independent liability for any failure to do so.

#### 2.5 Confidentiality/Nondisclosure.

(a) In connection with the performance of SMG's services hereunder, each party acknowledges that each of them (a "**Disclosing Party**") may provide the other party and its employees, agents and subcontractors including, without limitation, any architectural and engineering firm retained for the Facility, (collectively, a "**Recipient Party**"), with Confidential Information as defined in this Section 2.5. In addition, each party acknowledges that in connection with the performance of the services hereunder, a Disclosing Party may provide a Recipient Party with materials that are protected by copyright of the Disclosing Party.

(b) Each Recipient Party agrees that it shall keep secret and confidential any and all Confidential Information already disclosed and/or to be disclosed to it by a Disclosing

Party, and each Recipient Party shall not divulge any such information, in whole or in part, to any third party except as is expressly permitted in this Section 2.5 or as otherwise required by law.

(c) Each Recipient Party shall not use any such information, except for the express purpose of utilizing it in connection with the operation of the Facility. Each Recipient Party shall (A) not directly or indirectly disclose or discuss any such information with any Person, other than employees, agents and subcontractors of the Recipient Party who are directly concerned with the development, construction and operation of the Facility except as otherwise required by law, and (B) take all steps it would, normally take to protect its own confidential information to ensure that the Confidential Information of the Disclosing Party received by it shall be maintained in confidence and not disclosed or used as provided herein. Notwithstanding the foregoing, each Recipient Party shall be liable to the Disclosing Party for any breaches or violations of this Agreement by any director, officer, employee, subcontractor or agent of the Recipient Party,

(d) **“Confidential Information”** means any and all information disclosed orally, in writing, by inspection or otherwise, to a Recipient Party by a Disclosing Party pursuant to this Agreement and any information developed by a Recipient Party and based upon the information disclosed to the Recipient Party pursuant to this Agreement. Such information includes, but is not limited to, plans, proposals, and lists of furniture, fixtures and equipment. The restrictions upon confidentiality and use of Confidential Information set forth in this Section 2.5 do not apply to information which a Recipient Party can demonstrate was publicly available or lawfully in its possession at the time of its disclosure to the Recipient Party by the Disclosing Party; however, Confidential Information shall not be deemed to be in a Recipient Party’s possession or publicly known simply because it is embraced by more general information in a Recipient Party’s possession.

(e) With, respect to any information or material which is protected by copyright of a Disclosing Party, no part of such materials may be reproduced, stored in a data base and retrieval system or transmitted in any form or by any means - graphic, electronic, photocopying, recording, mechanical or otherwise - without the prior written permission of the Disclosing Party or as otherwise required by law.

(f) Each Recipient Party agrees that the provisions of this Section 2.5 are reasonable and necessary to protect the interests of the Disclosing Party and that the Disclosing Party’s remedies of law for a breach of any of the provisions of this Section 2.5 will be inadequate and that, in connection with any such breach, the Disclosing Party will be entitled, in addition to any other legal remedies at law, to such other remedies which it may legally be entitled. Notwithstanding the foregoing, if a court of competent jurisdiction shall determine any of the provisions of this Section 2.5 to be unreasonable, each Recipient Party agrees to a reaffirmation of those provisions by the court to any limits which the court finds to be reasonable, and each Recipient Party will not assert that such provision shall be eliminated in their entirety by the court.

(g) Notwithstanding the foregoing provisions in this Section 2.5, each Disclosing Party and Recipient Party recognizes that the Authority is a public entity, bound by Freedom of Information Act (FOIA) and appropriate Right to Know Law legal requirements both federally and by the Commonwealth and will allow disclosure and transparency as required by

law, Any disclosures made by the Authority or the Commonwealth in good faith based on the intent of any such legislation will not be a violation of this Section 2.5,

(h) SMG shall provide notice to the Authority and the Chair of the Authority Board's Law and Finance Committee of any request or subpoena under any Right to Know Law within three (3) days of receipt of same.

### **3. Term and Renewal.**

#### **3.1 Management Term and Renewal Term.**

The Management Term of this Agreement shall commence on December 1, 2018 and end at midnight on November 30, 2023, unless extended pursuant to Section 3.2 hereof or terminated earlier pursuant to the provisions of this Agreement.

#### **3.2 Renewal.**

The Authority shall have the right, at its sole discretion, subject to SMG's written consent, to extend this Agreement for a period up to an additional five-year management term (the "Renewal Term<sup>55</sup>"), by giving notice to SMG of such intention not less than seventy-five (75) days prior to the expiration of the Management Term.

### **4. SMG's Compensation.**

#### **4.1 SMG Compensation**

4.2 SMG shall be entitled to a fixed fee for its management of the Facility and may be entitled to an incentive fee as more fully described below. The fixed fee shall be payable upon invoice on a monthly basis and if due, the incentive fee shall be payable upon invoice on an annual basis. If such compensation is not paid in a timely manner, the amount due to SMG shall be paid with interest at an annual interest rate equal to the Prime Rate, as reported by the Wall Street Journal's bank survey, minus 1%. In no event shall a late payment be made later than 5 years after the original due date for such payment of the Fixed Fee.

As base compensation to SMG for providing the services herein specified, the Authority shall pay SMG during the Management Term and the Renewal Term, if any, an annual fixed fee of Three Hundred Fifteen Thousand Dollars (\$315,000). The Fixed Fee amount shall be adjusted upward on the first day of each Fiscal Year during the applicable term by the percentage change in the Philadelphia, Pennsylvania Consumer Price Index for All Urban Consumers (CPI- U) as published by the Bureau of Labor Statistics of the U.S. Department of Labor, or of any revised or successor index hereinafter published by the Bureau of Labor Statistics or other agency of the United States Government succeeding to its functions ("CPI") during the one year period ending in June immediately preceding the Fiscal Year. The Fixed Fee shall be invoiced by SMG to the Authority in equal monthly installments with payment due on or before the thirtieth (30<sup>th</sup>) day following the Authority's receipt of such invoices.

#### **4.3 Incentive Fee.**

(a) Amount. SMG shall have the opportunity to earn an annual Incentive Fee for each Fiscal Year during the Management Term or Renewal Term which shall be split into operational and financial components; provided, however, that in no event shall the aggregate Incentive Fee under Sections 4.3(a)(i) and 4.3(a)(ii) below for any Fiscal Year exceed 100% of the Fixed Fee payable pursuant to Section 4.2 for such year. SMG shall be entitled to the annual Incentive Fee if SMG's performance for the year is deemed to exceed the baseline standards for performance and expected goals as more specifically described in this section 4.3 and in Exhibit G. To the extent that any Fiscal Year is less than a full twelve-month Fiscal Year, the Incentive Fee shall be prorated based upon the number of full months during such shortened Fiscal Year divided by 12. The Incentive Fee shall be an operating expense of the Authority and not of SMG.

(i) Operational Component. The qualitative component of the annual Incentive Fee shall not exceed fifty percent (50%) of the Fixed Fee for the applicable Fiscal Year and is based upon the criteria and formula delineated in Section 4.3(b) below and in Exhibit G. The parties may mutually agree to annual changes in the incentive criteria and associated metrics where the incentive criteria reflect the goals and strategies of the Authority and the incentive metrics measure the relative success of SMG in achieving such goals.

(ii) Financial Component. The financial component of the annual Incentive Fee shall not exceed fifty percent (50%) of the Fixed Fee for the applicable Fiscal Year and is based upon the criteria and formula delineated in Section 4.3(b) below and in Exhibit G. The parties may mutually agree to annual changes in the incentive criteria and associated metrics where the incentive criteria reflect the goals and strategies of the Authority and the incentive metrics measure the relative success of SMG in achieving such goals.

(b) Process and Formula. Exhibit G describes the operational and financial criteria and associated metrics that will be used to assess SMG's annual performance. At the end of each fiscal year, PCCA's Chief Executive Officer shall rate the operational and financial performance of SMG over the prior twelve months by assigning a rating of one (1) to five (5) for each criterion noted in Exhibit G, where a rating of 5 represents excellent performance and a rating of 1 represents failing performance. A weighted total of the ratings is calculated separately for SMG's operational performance and financial performance. SMG is entitled to an incentive fee if either or both of the operational and financial performance scores exceed a weighted total of 3, which is considered to be standard, expected performance. Specifically,

(i) If SMG achieves an operational component rating between 3 and 3.49, then SMG shall be paid an operational incentive fee equal to 25% of the maximum operational component incentive. Similarly, if SMG achieves a financial component rating between 3 and 3.49, then SMG shall be paid a financial incentive fee equal to 25% of the maximum financial component incentive;

(ii) If SMG achieves an operational component rating between 3.5 and 3.99, then SMG shall be paid an operational incentive fee equal to 50% of the maximum operational component incentive. Similarly, if SMG achieves a financial component rating between 3.5 and 3.99, then SMG shall be paid a financial incentive fee equal to 50% of the maximum financial component incentive;

(iii) If SMG achieves an operational component rating between 4 and 4.49, then SMG shall be paid an operational incentive fee equal to 75% of the maximum operational component incentive. Similarly, if SMG achieves a financial component rating between 4 and 4.49, then SMG shall be paid a financial incentive fee equal to 75% of the maximum financial component incentive;

(iv) If SMG achieves an operational component rating between 4.5 and 5, then SMG shall be paid an operational incentive fee equal to 100% of the maximum operational component incentive. Similarly, if SMG achieves a financial component rating between 4.5 and 5, then SMG shall be paid a financial incentive fee equal to 100% of the maximum financial component incentive.

(c) Payment. Any Incentive Fee amount determined pursuant to this Section 4.3 shall be payable to SMG within 30 days after the Authority's receipt of an invoice from SMG which contains a copy of the operational and financial ratings and calculations provided by the Authority's Chief Executive Officer. The incentive fee invoice will be dated no later than December 1 of each year for incentives earned during the previous fiscal year. If such compensation is not paid in a timely manner, the amount due to SMG shall be paid with interest at an annual interest rate equal to the Prime Rate, as reported by the Wall Street Journal's bank survey, minus 1%. In no event shall a late payment be made later than 5 years after the original due date for such payment of the Incentive Fee.

## **5. Funding; Budget; Bank Accounts.**

### **5.1 Operating Funds.**

Subject to Section 5.2, following the approval of the annual operating budget for a Fiscal Year during the Management Term, the Authority shall provide funds as necessary, to SMG to pay all approved SMG Operating Expenses incurred or accrued during the Fiscal Year pursuant to a written request from SMG where such written requests occur no more frequently than monthly. The Authority and SMG acknowledge that pursuant to the Operating Agreement and the PCCA Trust Indenture, in any fiscal year, if actual SMG operating results produce a SMG Net Operating Deficit that is greater than budgeted, the Authority may not be able to provide SMG with the funds to cover such excess deficit until the subsequent fiscal year

### **5.2 Non-Funding.**

(a) The Authority shall have no obligation to provide funds for the payment of Operating Expenses incurred or committed for after the date SMG receives written notice of the fact that insufficient funds or no funds have been appropriated for the Facility (a "Cash Deficiency Notice<sup>1</sup>"). Any failure by the Authority to provide funds for the payment of Operating Expenses incurred or committed for after SMG receives a Cash Deficiency Notice shall not be a breach of or default under this Agreement by the Authority.

(b) If the Cash Deficiency Notice is for insufficient funds, the Authority shall be obligated to pay all Operating Expenses incurred or committed for, up to the date specified in the Cash Deficiency Notice. Any failure by SMG to perform its obligations under this Agreement shall not be a breach of or default under this Agreement if such breach or default results from the



Authority's or Commonwealth's failure to appropriate sufficient funds for the management, operation and promotion of the Facility.

(c) If the Authority appropriates funds at a level or reduces appropriated funds to a level that in SMG's judgment, precludes management of the Facility in accordance with this Agreement, SMG shall continue management of the Facility at a reduced level consistent with anticipated Operating Revenues and available funding.

### 5.3 Fiscal Year Budget.

(a) As part of the Operating Plan described in Section 6.2 and in accordance with the budget schedule set by the Authority in compliance with the Operating Agreement, SMG will prepare a proposed annual operating budget for each Fiscal Year, on an accrual basis and otherwise consistent with the provisions of this Agreement. Such budget shall contain line items for revenues and expenses and the projected SMG Net Operating Deficit (Surplus) and shall be presented by February 1<sup>st</sup> of each year in accordance with Section 5.3(b). Such budget shall be in the format required under the Operating Agreement and shown in Exhibit D.

(b) The annual operating budget referred to in Section 5.3(a) shall be reviewed and is subject to approval by the Authority and shall be in compliance with the Operating Agreement. The Authority shall notify SMG of any changes to the proposed operating budget for the succeeding Fiscal Year, if any. The annual operating budget as reviewed and approved by the Authority shall be the Approved Budget for the succeeding Fiscal Year. If the Approved Budget materially departs from the budget proposed by SMG, SMG shall not be construed to have breached its obligations under this Agreement if the alleged breach is caused by the limitations in the Approved Budget. SMG shall make available the On-Site Executive Manager and responsible finance executive to the Authority and the Commonwealth for consultation during the budget process, for Board meetings throughout the fiscal year and for monthly performance reviews with the Commonwealth. The proposed budget shall include any recommended expenditures for Capital Improvements or Capital Expense over a rolling five (5) year period. In addition, SMG shall assist the Authority in providing periodic Renewal and Replacement Plans and, if required, Corrective Action Plans to the Commonwealth as required by the Operating Agreement.

### 5.4 Budget Modifications Initiated by SMG.

SMG may submit to the Authority Representative at any time prior to the close of a Fiscal Year, but not more than semi-annually, a request for a revised annual operating budget for that Fiscal Year. Such requests must identify the specific budget line items to be revised and whether the bottom-line operating deficit would be impacted. Upon the Approval by the Authority and the Commonwealth (which approval can be withheld for any reason) of such revised budget, the Approved Budget for the applicable Fiscal Year shall be deemed amended to incorporate such revised budget. The Approved Budget may only be amended as set forth in Sections 5.4 and 5.5 of this Agreement. SMG acknowledges that any material nonachievement of budget goals, as defined by the Operating Agreement, and/or audit findings can result in the requirement to develop and implement a Corrective Action Plan by SMG under the Operating Agreement and possible termination for cause under this Agreement.

5.5 Budget Modifications Initiated by the Authority.

If SMG, the Authority or the Commonwealth forecasts in any Fiscal Year during the term of this Agreement, that the actual SMG Net Operating Deficit for the Fiscal Year will be larger than projected in the annual operating budget for that Fiscal Year, the Authority may request from SMG a plan for reduction of Operating Expenses and/or increase of Operating Revenues to a level consistent with the budgeted SMG Net Operating Deficit amount. SMG shall forthwith comply with any such request for a corrective plan and with implementation of any such approved corrective steps. The Approved Budget for that Fiscal Year shall be modified in accordance with any Authority and Commonwealth approved corrective plans. SMG shall not be construed to have breached its obligations under this Agreement if such alleged breach has been caused by the limitations in the modified budget.

5.6 Receipts and Disbursements.

SMG shall establish and maintain in one or more depositories designated by the Authority, one or more operating, payroll and other bank accounts for the promotion, operation and management of the Facility under this Agreement, with signature authority in such employees of SMG and the Authority as SMG and the Authority shall designate. All revenues collected by SMG from the operation of the Facility shall be deposited into said accounts and Operating Expenses shall be paid by SMG from said accounts. All revenues collected by SMG arising from operation of the Facility, including revenues from box office sales, facility or equipment rentals, utility rental agreements, food and beverage concessions, or any other source, and all interest accruing thereon and all funds deposited in such accounts, are the sole property of the Authority, held by SMG for the benefit of the Authority for application as provided in this Agreement. Any amounts remaining in such accounts upon termination of this Agreement for any reason, after payment of all outstanding Operating Expenses approved by the Authority, shall be promptly remitted by SMG to the Authority. The accounts utilized by SMG in the performance of its services hereunder shall be only as set forth in this Section 5.6 and Section 5.7.

5.7 Ticket Sales Revenues.

SMG shall establish an account to hold any ticket sale revenues which it receives with respect to an event to be held at the Facility pending the completion of the event. Such monies are to be held for the protection of ticket purchasers, the Authority and SMG, and to provide a source of funds, as required for payments to performers and promoters and for payments of Operating Expenses that may be required to be paid contemporaneously with the event. At the conclusion of the event, money from this account will be transferred to the operating account from which all approved event expenses shall be paid.

5.8 Capital Improvements: Capital Equipment.

The obligation to pay for, and authority to perform, direct and supervise Capital Improvements and Capital Equipment purchases shall remain with the Authority, and will not be considered Operating Expenses. The Operating Plan submitted pursuant to Section 6.2 shall include SMG's recommendation for Capital Improvements and Capital Equipment purchases to be accomplished during the year and a rolling five (5) year period, and shall be accompanied by

an estimate of the cost of all such items and projects and a request that the Authority budget funds therefore. The Authority shall retain the discretion (i) to determine whether, and to what level, to fund Capital Improvements and Capital Equipment purchases to the Facility and (ii) to approve all plans relating to such Capital Improvements and Capital Equipment purchases (collectively, the "Capital Improvement Plans").

5.9 Limitation of SMG Liability.

Notwithstanding any provision herein to the contrary and except for SMG's express indemnification undertakings in Section 8.1(a), and its express reimbursement undertakings in Section 6.1(b), SMG shall have no financial obligation to fund any cost, expense or liability with respect to the operation, management or promotion of the Facility.

5.10 Funds for Emergency Repairs.

SMG shall have the right to act, but only with the consent of the Authority Representative or the Authority, as applicable, in accordance with the PCCA Act and the Operating Agreement, in situations which SMG determines to be an emergency with respect to the safety, welfare and protection of the general public, including spending and committing funds held in the Operating Expense account of the Facility, even if such expenses are not budgeted. SMG shall have no obligation under any circumstance to spend or commit funds other than funds then available in the operating accounts and/or any other funds provided or promised in writing by the Authority.

5.11 [Intentionally Omitted].

5.12 [Intentionally Omitted].

**6. Records, Audits and Reports.**

6.1 Records and Audits.

(a) SMG shall keep full and accurate accounting records relating to its activities at the Facility in accordance with generally accepted United States accounting principles and shall cooperate with all Authority efforts to provide the Commonwealth with any financial information prescribed by the Operating Agreement or the PCCA Act. SMG shall maintain a system of bookkeeping adequate for its operations hereunder. SMG shall give the Authority's authorized representatives access to such books and records maintained at the Facility when requested by the Authority. SMG shall keep and preserve for at least seven (7) years following each Fiscal Year all sales slips, rental agreements, purchase order, sales books, credit card invoices, bank books or duplicate deposit slips, and other evidence of SMG Operating Revenues and SMG Operating Expenses for the Fiscal Year. Notwithstanding anything to the contrary contained herein, if SMG desires as part of its normal records retention program to destroy any such records after three (3) years following any such Fiscal Year, SMG shall first notify the Authority in writing of such planned record destruction and give the Authority sixty (60) days thereafter to notify SMG that it wishes to take possession of such records, in which event SMG shall provide such records to the Authority. In addition, on or before one forty-five (45) days following each Fiscal Year for which SMG is managing the Facility hereunder (including any short Fiscal Year through the end of the Management Term), SMG shall furnish to the Authority a balance sheet, a statement of profit or

loss and a statement of cash flows for the Facility for the preceding Fiscal Year, prepared in accordance with generally accepted United States accounting principles. The Authority shall have the right to conduct an independent audit of SMG's accounting records by an independent certified public accountant. Any such audit shall contain an opinion expressed by the independent auditor of the accuracy of financial records kept by SMG and of amounts due to the Authority. The audit shall also provide a certification of SMG Operating Revenues and SMG Operating Expenses as defined in this Agreement for the applicable Fiscal Year. The audit shall be conducted by a reputable firm selected by the Authority. Notwithstanding anything to the contrary herein, the costs of such audit shall be deemed SMG Operating Expenses.

(b) The Authority and the Commonwealth shall have the right at any time, and from time to time, to cause auditors to audit all of the books and records of SMG relating to the operation of the Facility, including, without limitation, cash register tapes, credit card invoices, duplicate deposit tapes, and invoices. No costs incurred by the Authority in conducting such audit shall be considered an SMG Operating Expense. If any such audit demonstrates that SMG Operating Revenues or SMG Operating Expenditures reflected in any year-end financial statements prepared by SMG are overstated or understated, (i) SMG shall pay to the Authority the reasonable cost of such audit provided that such audit is not the Authority's annual financial audit and (ii) SMG shall promptly pay any amounts that are due as a result of such overstatement or understatement. The Authority's right to have such an audit made with respect to any Fiscal Year and SMG's obligation to retain the above records shall expire Five (5) years after SMG's statement for such Fiscal Year has been delivered to the Authority. SMG shall cooperate with the Authority to provide the Commonwealth with any prescribed management and performance audits in accordance with the Operating Agreement and the PCCA Act.

## 6.2 Operating Plan.

SMG shall provide to the Authority on or before February 1 prior to the end of each Fiscal Year, an Operating Plan, which shall include the proposed annual operating budget described in Section 5.3 for the next Fiscal Year. The annual Operating Plan shall include information regarding SMG's anticipated operations for the next Fiscal Year, including planned operating maintenance activities by SMG, recommended Capital Improvements and Capital Equipment purchases and budgeted values for the upcoming five fiscal years, anticipated events at the Facility, and anticipated advertising and promotional activities. The annual Operating Plan shall be subject to review, revision and approval by the Authority. Following review and revision by the Authority, SMG shall have thirty (30) days or less to incorporate the Authority's revisions into its plan. Upon approval by the Authority, the annual Operating Plan shall constitute the operating program for SMG for the following Fiscal Year.

## 6.3 Monthly Reports.

By the fifteenth (15<sup>th</sup>) day of each month, SMG shall provide to the Authority monthly reports in a form approved by the Authority Representative to include a Statement of Income, Event Profit and Loss Statement, General Ledger Detail Report, Trial Balances, Cash Reconciliations and Detail of Accrued Expenses. By the twentieth (20<sup>th</sup>) day of each month, SMG shall provide to the Authority a monthly report in a format approved by the Authority Representative and consistent with the requirements of the Operating Agreement setting out the

Facility's anticipated activities and financial condition for the upcoming month and reporting on the prior month's activities and finances. SMG shall include in such report a Balance Sheet, Income Statement, Statement of Activities, Budget Variance Analysis (monthly and year to date), Source and Use of Cash, forecast by month for the remainder of the fiscal year and other financial reports including, but not limited to, departmental expense report and event accounting.

## 7. Personnel Matters

### 7.1 SMG Employees.

(a) Subject to Sections 7.1(d) and 7.2, SMG shall select, train and employ at the Facility such number of employees as SMG deems necessary or appropriate to satisfy its responsibilities hereunder, provided that the total cost for such employees is consistent with the amount of Authority-approved SMG Operating Expenses. SMG shall use its best efforts to recruit employees who will be proficient, productive, and courteous to patrons, and, subject to Sections 7.1(d) and 7.2, SMG shall have authority to hire, terminate and discipline any and all personnel working at the Facility. SMG will require all candidates for employment to be drug tested and be subject to background checks to the extent permitted by law. SMG employees shall comply with the Authority's Code of Conduct and must complete the Authority's Customer Training Program.

(b) SMG shall assign to the Facility a competent, full-time On-Site Executive Manager whose place of employment shall be at the Facility. The Authority shall have the right to approve the selection of any On-Site Executive Manager. From time to time the On-Site Executive Manager may provide assistance in connection with the consulting and/or management services provided "by SMG or any of its Affiliates at other facilities managed, owned or leased by SMG or any of its Affiliates, provided that (i) such assistance does not affect in any material respect the responsibilities and duties of the manager to the Facility and (ii) the cost of the salary and benefits of the manager for the time spent in connection with providing such assistance shall be reimbursed by SMG to the operating account of the Facility. If there is a change to the On-Site Executive Manager, SMG may appoint an interim On-Site Executive Manager but must provide the Authority with 3 days prior notice to the extent practicable and provide the Authority with a recommended permanent replacement within 90 days for the Authority's approval to the extent practicable.

(c) SMG employees at the Facility shall not for any purpose be considered to be employees of the Authority or the Commonwealth, and SMG shall be solely responsible for their supervision and daily direction and control and for setting, and paying as an Operating Expense, their compensation (and federal income tax withholding) and any employee benefits, and all costs related to their employment shall be an Operating Expense.

(d) Unless mutually agreed upon by the Authority Representative and SMG, SMG will not be employing any employees at the Facility who are subject to any collective bargaining agreement; it being acknowledged that as of the date hereof, any such employees are employed by independent subcontractors previously retained by the Authority or retained during the term of this Agreement by SMG (including without limitation the labor supplier, electromechanical and housekeeping services) and that such existing subcontractor agreements are expected to be listed on Exhibit A.

(e) Any SMG employees or employees of SMG contractors terminated or denied permission to access the Facility may not be re-employed or permitted entry into the Facility without the written consent of the Authority Representative.

7.2 [This section is purposefully deleted]

7.3 No Solicitation or Employment by the Authority.

(a) During the period commencing at the beginning of the Management Term and ending one (1) year after the expiration or termination of this Agreement, except with the other Party's prior written consent, neither Party will, for any reason, solicit for employment, or hire, any of the senior management personnel employed by the other Party at the Facility, including, without limitation, the On-Site Executive Manager, director-level employees and department heads. However, this restriction shall not apply to the solicitation of any SMG employees who were employed by the Authority prior to the Transfer Date.

(b) Each party agrees that the provisions of this Section 7.3 are reasonable and necessary to protect the interests of the other party and that the oilier party's remedies at law for a breach of the provisions of this Section 7.3 may be inadequate and that, in connection with any such breach, the other party will be entitled, in addition to any other legal remedies at law, to such other remedies to which it may legally be entitled.

## **8. Indemnification and Insurance.**

(a) SMG shall indemnify, defend and hold harmless the Authority, its officers, agents and employees from and against any and all Losses arising from any material default or breach by SMG of its obligations specified herein; provided, however, that the foregoing indemnification shall not extend to Losses to the extent such Losses (i) are covered by the Authority's commercial insurance covering (A) the Facility and its premises for physical damage or other Loss and (B) business interruption and extra expenses, irrespective of the decision of the Authority to carry or not to carry such insurance, (ii) are caused by or arise out of the services provided by the architects, engineers and other agents retained by the Authority in connection with Capital Improvements or Capital Equipment purchases at the Facility, or (iii) relate to the matters described in Section 8.1 (a)(i) below.

(i) The indemnification and defense obligations of SMG under Section 8.1(a) above shall also not extend to any Losses to the extent that such Losses arise from (A) any material default or breach by the Authority of its obligations specified in this Agreement, (B) the fact that at any time prior to, as if, or after the commencement of the Management Term hereunder the Facility has not been operated, or the Facility and its premises are not or have not been in compliance with all Laws, including, but not limited to, the ADA, (C) the fact that prior to, as of, or after the commencement of the Management Term hereunder there is any condition on, above, beneath or arising from the premises occupied by the Facility which might, under any Law, give rise to liability or which would or may require any "response," "removal" or "remedial action" (as such terms are defined under CERCLA), (D) any structural defect or unsound operating condition with respect to the Facility or the premises occupied by the Facility prior to, as of or after the

commencement of the Management Term hereunder, (E) any obligation or liability under or in respect of any contract, agreement, or other instrument executed by SMG and approved by the Authority(F) any obligation or liability for physical damage or other loss to any real property or personal property assets located at the Facility, or (G) any act or omission by SMG pursuant to the direction or instruction of the Authority, its agents or employees; provided, however, that the foregoing carve-outs above shall not apply to Losses to the extent such Losses arise from any default or breach by SMG of its obligations specified in this Agreement.

(b) The provisions set forth in subparagraph (a) above shall survive termination of this Agreement; provided, however, that except for a claim for indemnification pursuant to Section 8.1(a) shall be valid only if the party entitled to such indemnification provides written notice thereof to the other party prior to three (3) years following the date of termination of this Agreement.

(c) The terms of all insurance referred to in Section 8, including without limitation (i) the property insurance policies of the Authority, and (ii) the policies of any independent contractors retained by the Authority or hired by SMG (such as, the food and beverage concessionaire retained by the Authority and emergency medical technicians who are not employed by SMG), shall, if acceptable to the carriers, preclude subrogation claims against SMG, its partners, the Authority and their respective officers, directors, employees and agents.

(d) The foregoing indemnification rights shall be the exclusive remedies of each party hereto (other than any right to terminate this Agreement pursuant to Section 12) arising from any breach of, default under or performance pursuant to this Agreement.

(e) IN NO EVENT SHALL EITHER PARTY BE LIABLE OR RESPONSIBLE FOR ANY CONSEQUENTIAL, INDIRECT, INCIDENTAL, PUNITIVE, OR SPECIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOST PROFITS), WHETHER BASED UPON BREACH OF CONTRACT OR WARRANTY, NEGLIGENCE, STRICT TORT LIABILITY OR OTHERWISE, AND EACH PARTY'S LIABILITY FOR DAMAGES OR LOSSES HEREUNDER SHALL BE STRICTLY LIMITED TO DIRECT DAMAGES THAT ARE ACTUALLY INCURRED BY THE OTHER PARTY.

## 8.2 Liability Insurance.

(a) SMG shall secure prior to the commencement of the Management Term hereunder and shall keep in force at all times during the term of this Agreement, commercial liability insurance, including public liability and property damage, covering premises liability, and SMG operations hereunder, in the amount of One Million Dollars (\$1,000,000.00) for bodily injury and One Million Dollars (\$1,000,000.00) for property damage, including personal and advertising injury, products and completed operations. SMG is required to have the commercial general liability insurance and any related umbrella policies endorsed on a per location aggregate or per project aggregate basis. SMG shall also maintain Umbrella liability insurance with a limit of Fifty Million Dollars (\$50,000,000).

(b) SMG shall also maintain Comprehensive Automotive Bodily Injury and Property Damage Insurance for business use covering all vehicles operated by SMG officers,

agents and employees in connection with the Facility, whether owned by SMG, the Authority, or otherwise, with a combined single limit of not less than One Million Dollars (\$1,000,000.00) per occurrence (including an extension of hired and non-owned coverage).

(c) Commencing with the Management Term and continuing thereafter during the term hereof, SMG shall also maintain:

(i) professional liability insurance with coverage of at least Two Million Dollars (\$2,000,000.00) for claims of negligent errors, acts or omissions by SMG;

(ii) employment practices liability insurance with coverage of at least Five Million Dollars (\$5,000,000.00) for claims relating to the employment practices of SMG at the Facility pertaining to its employees. Third Party Employment Practices Liability coverage is required;

(iii) Tenant Users Liability insurance which affords coverage to tenants that are uninsured and unable to secure general liability insurance coverage; and

(iv) All-risk legal liability insurance with limits of not less than One Million Dollars (\$1 million) for damage to property of others in the care, custody and control of SMG, which such coverage may be satisfied as part of its commercial general liability insurance described in Section 8.2(a) above.

(d) SMG shall be the named insured under all such insurance to which it is required to maintain pursuant to this Section 8. The Authority, the Commonwealth and the City of Philadelphia shall be additional insureds under the insurance described in Sections 8.2(a) and (b), as their interests may appear, and such insurance in Sections 8.2(a) and (b) shall contain a provision covering the parties' indemnification liabilities to each other. All policies shall be placed with at minimum an A.M. Best rated "A" or better insurance carrier. Nothing herein shall be deemed to be a waiver by the Commonwealth of sovereign immunity.

(e) Certificates evidencing the existence of the above insurance shall be delivered to the Authority's Representative and the Office of Budget of the Governor of the Commonwealth prior to the commencement of the Management Term. Notwithstanding the provisions of this Section 8.2, the parties hereto acknowledge that the above insurance may contain exclusions from coverage which are reasonable and customary for insurance of such type. Copies of all policies must be provided upon request of the Authority.

(f) With respect to insurance procured by it, SMG shall deliver to the Authority's Representative and the Office of Budget of the Governor of the Commonwealth satisfactory evidence of such renewal of such insurance prior to expiration except for any insurance expiring on the termination date of this Agreement or thereafter.

(g) All insurance procured by SMG in accordance with the requirements of this Agreement shall be primary over any insurance earned by the Authority and not require contribution by the Authority, and for the avoidance of doubt, the costs of such insurance shall be an Operating Expense hereunder,



8.3 Workers Compensation Insurance.

SMG shall at all times maintain worker's compensation insurance (including occupational disease hazards) coverage including Employers Liability Limits in amounts of Five Hundred Thousand Dollars (\$500,000) each accident, each disease, and each employee with an authorized insurance company or through the Pennsylvania State Compensation Insurance Fund or through an authorized self-insurance plan approved by the Commonwealth of Pennsylvania insuring its employees at the Facility in amounts equal to or greater than required under law.

8.4 Fidelity Insurance.

SMG shall maintain during the Management Term Fidelity Insurance covering all of SMG's personnel under this Agreement in the amount of One Million Dollars (\$1,000,000.00) for each loss, to reimburse the Authority for losses experienced due to the dishonest acts of SMG's employees. Such coverage must include third-party employee dishonesty, crime coverage including forgery and alteration, computer funds transfer coverage, computer fraud, and money and securities for on and off premises.

8.5 Fiduciary Liability.

SMG shall maintain during the Management Term Fiduciary Insurance covering all of SMG's personnel handling funds under this Agreement, with a \$1,000,000.00 limit.

8.6 Cyber Liability.

SMG shall maintain during the Management Term Cyber Liability Insurance covering SMG under this Agreement, with a \$1,000,000 limit, which such insurance may be procured as an endorsement to its professional liability policy described in Section 8.2(c)(i) above.

8.7 Authority Insurance.

The Authority will purchase and maintain at all times during the term of this Agreement the following insurance policies, the costs of which shall be an Operating Expense hereunder:

(a) Commercial General Liability Insurance in the amount of One Million Dollars (\$1,000,000) each occurrence for bodily injury and property damage, including premises liability, products and completed operations, personal and advertising injury, subject to any Two Million Dollar (\$2,000,000) policy aggregate.

(b) Commercial Automobile Liability Insurance including bodily injury and property damage in the amount of One Million Dollars (\$1,000,000) per occurrence combined single limit including coverage for hired and non-owned auto liability.

(c) Workers Compensation for Pennsylvania Statutory coverage including Employers Liability Limits any amount of Five Hundred Thousand Dollars (\$500,000) each accident, each disease and each employee for all Authority employees.

(d) Commercial Umbrella Liability in excess of General Liability, Automobile Liability, Employers Liability with policy limits totaling Fifty Million Dollars (\$50,000,000) each occurrence and Fifty Million Dollars (\$50,000,000) in the aggregate, including \$10,000 self-insured retention.

(e) Commercial Property coverage at the premises of the Facility described in the policy for ALL RISK OF PHYSICAL LOSS OR DAMAGE except as excluded in such policy. Property Policy provides coverage for Building, Business Personal Property, Time Element and Boiler and Machinery based on limits specified in the policy (currently \$1,037,000,000.00) subject to certain deductibles (the amounts of such deductibles having been provided in writing to SMG prior to the execution and delivery of this Agreement). SMG shall be responsible for the payment of any deductible amount under such policy relating to any loss caused by SMG or a party for whom SMG is responsible.

(f) Commercial Crime coverage for employee dishonesty, forgery or alteration with limits totaling One Million Dollars (\$1,000,000) including theft, disappearance and destruction of money and securities at a limit of Fifty Thousand Dollars (\$50,000), subject to \$2,500 deductible.

(g) Employment Practices Liability coverage in the amount of Five Million Dollars (\$5,000,000) subject to a \$50,000 retention.

Directors & Officers Liability coverage in the amount of Ten Million Dollars (\$10,000,000) for the Board of Directors of the Authority subject to a \$25,000 retention.

#### 8.8 Certain Other Insurance.

(a) If any of the Pre-Existing Agreements consist of agreements with independent contractors to provide services in respect of the Facility, the Authority shall use its best efforts to cause such contractors to name SMG as an additional insured under any insurance maintained by such contractors pursuant to the terms of such Pre-Existing Agreements and in such event to deliver to SMG promptly after request therefor a certificate of such insurance evidencing the existence thereof.

(b) In addition, if SMG enters into any agreements during the Management Term and any Renewal Term (or negotiates any extensions or renewals of any Pre-Existing Agreements) with any serviceman, deliverymen or subcontractors for the provision of services hereunder, SMG shall require such serviceman, deliverymen and contractors (i) to name SMG, the Authority, the Commonwealth and the City of Philadelphia as additional insureds under the liability insurance policies of such serviceman, deliverymen and contractors, and (ii) to provide to SMG a Certificate of Insurance of their commercial general liability, automobile liability and workers compensation coverage that meets the requirements set forth in this Section 8 and with written notice of cancellation and waiver of subrogation in favor of SMG, the Authority, the Commonwealth and the City of Philadelphia.

(c) All insurance requirements set forth herein, including minimum requirements and terms related to cancellation and/or modification of insurance, shall apply to all such serviceman, deliverymen and contractors, to the fullest extent applicable to the portion of the

services they provide; however, SMG and the Authority Representative may mutually agree to modify the application of certain of the minimum insurance requirements (such as, the excess liability level) in those instances where they deem it appropriate.

## **9. Ownership of Assets.**

### **9.1 Ownership.**

The ownership of buildings and real estate, technical and office equipment and facilities, furniture, displays, fixtures, vehicles and similar tangible property located at the Facility shall remain with the Authority. Ownership of and title to all intellectual property rights of whatsoever value, held in the Authority's name shall remain in the name of the Authority. The ownership of consumable assets (such as office supplies and cleaning materials) purchased with Operating Revenues or Authority funds shall remain with the Authority, but such assets may be utilized and consumed by SMG in the performance of Services under this Agreement. The ownership of data processing programs and software owned by the Authority shall remain with the Authority, and the ownership of data processing programs and Software owned by SMG shall remain with SMG. Upon completion of the Management Term or any Renewal Term or in the event of expiration or termination of this Agreement (not due to the breach by the Authority of its obligations hereunder), SMG will provide use to the Authority (and not any third party management company) of any software owned by SMG for a maximum of six (6) months with the Authority compensating SMG for actual costs associated with this provision.

SMG shall not take or use, for its own purposes, customer or exhibitor lists or similar materials developed by the Authority for the use of the Facility, unless written consent is granted by the Authority. Ownership of equipment, furnishings, materials, or fixtures not considered to be real property and other personal property purchased by SMG with Authority funds for use at and for the Facility shall vest in the Authority automatically and immediately upon purchase or acquisition. The assets of the Authority as described herein shall not be pledged, liened, encumbered or otherwise alienated or assigned other than in the ordinary course of business of the Facility without the prior approval of the Authority.

SMG agrees that it is not entitled to and will not claim any tax position or tax benefits related to property ownership of the Facility or its contents.

### **9.2 Authority Obligations.**

Except as herein otherwise set forth, throughout the term of this Agreement, the Authority will maintain full beneficial use and ownership of the Facility and will pay, keep, observe and perform all payments, terms, covenants, conditions and obligations under any bonds, debentures or other security agreements or contracts relating to the Facility to which the Authority may be bound.

## **10. Assignment, Affiliates, Subcontractors.**

### **10.1 Assignment.**

Except as provided in this Section 10, neither this Agreement nor any of the rights or obligations herein may be assigned by either party hereto without the prior written consent of the other party. SMG shall not assign all or any part of its rights or obligations pursuant to this Agreement to an Affiliate without prior written approval of the Authority, and provided that (i) the Affiliate possesses substantially the same degree of expertise and quality of personnel as originally provided under this Agreement, (ii) the assignment is at no increased cost to the Authority, and (iii) nothing shall relieve SMG from liability of all of its obligations hereunder. The parties acknowledge that this Section 10 does not preclude SMG the right to assign and/or pledge its management and incentive fees hereunder to its lender(s) as collateral security for SMG's obligations to its lenders upon prior written approval of the Authority provided that the assignment and/or pledge does not in any event, cover SMG's rights to manage, promote or operate the Facility in accordance with this Agreement.

### **10.2 SMG Transactions with Affiliates.**

In connection with its management responsibilities hereunder relating to the purchase and/or procurement of equipment, materials, supplies, inventories, and services for the Facility, SMG shall have the right, but not the obligation, to purchase and/or procure from, or otherwise transact business with, an Affiliate of SMG, but only if such purchases or procurements are completed on an "arm's length" basis and consistent with Authority procurement policies. To ensure compliance with the PCCA Act, SMG will follow the legislative procurement requirements and Authority policies by performing open competitive bidding using the prescribed processes. SMG will notify the Authority in advance, in writing, of any intent to award purchases of goods or services from SMG Affiliates. In addition, SMG, as agent for the Authority, may license the use of the Facility or any part thereof to itself in connection with any event in the promotion of which SMG is involved, so long as the license fee charged is on prevailing rates and terms or such other rates and terms as the Authority approves.

## **11. Laws and Permits.**

### **11.1 Permits, Licenses, Taxes and Liens.**

SMG shall be responsible to procure any permits and licenses required for the business to be conducted by it hereunder. The Authority shall cooperate with SMG in applying for such permits and licenses. SMG shall deliver copies of all such permits and licenses to the Authority Representative. SMG shall pay promptly, out of the accounts specified in Section 5.6, all taxes, excises, license fees and permit fees of whatever nature arising from its operation, promotion and management of the Facility. SMG shall use reasonable efforts to prevent mechanic's or materialman's or any other lien from becoming attached to the premises or improvements at the Facility, or any part or parcel thereof, by reason of any work or labor performed or materials furnished by any mechanic or materialman, so long as the work, labor or material was provided at SMG's direction and the Authority has supplied funds for the payment of charges therefore in accordance with this Agreement.

## 11.2 Governmental Compliance.

SMG, its officers, agents and employees shall comply with all Laws applicable to SMG's management of the Facility hereunder. Without limiting the foregoing, with respect to the ADA, SMG will comply with Title III of the ADA and the provision of such auxiliary aids or alternate services as may be required by the ADA. Nothing in this Section 11.2 or elsewhere in this Agreement shall, however, require SMG to undertake any of the foregoing compliance activity, nor shall SMG have any liability under this Agreement therefor, if (a) such activity requires any Capital Improvements or Capital Equipment purchases, unless the Authority provides funds for such Capital Improvements and Capital Equipment purchases pursuant to Section 5.9, or (b) any Pre-Existing Agreement fails to require any licensee, lessee, tenant, promoter or user of any portion of the Facilities to comply, and to be financially responsible for compliance with Title III of the ADA in connection with any activities of such licensee, lessee, tenant, promoter or user at the Facilities. Furthermore, SMG shall have the right to require any licensee, lessee, tenant, promoter or user of any portion of the Facility to comply, and to be financially responsible for compliance with Title III of the ADA in connection with any activities of such licensee, lessee, tenant, promoter or user at the Facility.

## 11.3 No Discrimination in Employment.

In connection with the performance of work under this Agreement, SMG shall not discriminate against any Person in matters pertaining to hiring, wages, hours of work, working conditions, promotions, transfers, or any other term of employment because of race, color, creed, religious belief, age, sex, sexual orientation, marital status, national origin, handicap or veteran status except where based on a bona fide occupational qualification, or any other status protected by federal, state or local law.

## 12. **Termination.**

### 12.1 Termination Upon Default.

Either party may terminate this Agreement upon a default by the other party hereunder. A party shall be in default hereunder if (i) such party fails to pay any sum payable hereunder within thirty (30) days after same is due and payable, or (ii) such party fails in any material respect to perform or comply with any of the other terms, covenants, agreements or conditions hereof and such failure continues for more than sixty (60) days after written notice thereof from the other party. In the event that a default (other than a default in the payment of money) is not reasonably susceptible to being cured within the sixty (60) day period, the defaulting party shall not be considered in default if it shall within such sixty (60) day period have commenced with due diligence and dispatch to cure such default and thereafter completes with dispatch and due diligence the curing of such default.

### 12.2 Termination Other Than Upon Default.

(a) At any time at the conclusion of the third (3<sup>rd</sup>) year of the Management Term or the Renewal Term, if applicable, or at any time thereafter during the balance of the Management Term or the Renewal Term, if applicable, by approval of the Authority Board, the Authority may terminate this Agreement without cause, for its convenience, without incurring any further liability

whatsoever, by issuing a Notice of Termination to SMG of such termination, specifying the effective date at least one hundred twenty (120) days prior to the effective date of such termination. For the avoidance of doubt, such Notice of Termination may be given by the Authority prior to the conclusion of the third year of the Management Term, to be effective at the conclusion of such third year.

(b) Either party shall have the right to terminate this Agreement under the circumstances specified in Section 14.6(d) hereof,

### 12.3 Effect of Termination.

(a) In the event this Agreement expires or is terminated, (i) all Operating Expenses incurred or committed for, within the existing Authority guidelines, prior to the date of expiration or termination shall be paid using funds on deposit in the account(s) described in Sections 5.6 and 5.7 and to the extent such funds are not sufficient, the Authority shall pay all such Operating Expenses, in such amounts as it shall reasonably verify, and shall indemnify and hold SMG harmless therefrom, and (ii) the Authority shall promptly pay SMG all fees earned to the date of expiration or termination, with the fixed and incentive fees described in Section 4 being subject to proration, provided that the Authority shall be entitled to an offset for any actual damages directly incurred by the Authority in remedying any default by SMG which resulted in such termination. The offset shall not include payment for any consequential damages and shall not include fees or expenses of a replacement manager for the Facility.

(b) Additionally, in the event this Agreement expires or is terminated, without any further action on the part of SMG or the Authority, SMG shall be deemed to assign, and the Authority shall, or shall cause another management company retained by it to, accept the assignment of SMG's rights, and assume and perform all of SMG's obligations, arising after the date of expiration or termination of this Agreement, under any contracts listed in Exhibit A, licenses, occupancy agreements, rental agreements, booking commitments, advertising agreements, concession agreements, and any other contracts relating to the Facility which have been executed by SMG hereunder, except (i) to the extent that any such license, agreement, commitment or contract was executed by SMG in violation of any of the restrictions applicable to SMG's right to execute such licenses, agreements, commitments or contracts contained in this Agreement and (ii) for any such license, agreement, commitment or contract to which the consent of the other party thereto is required for such assignment and assumption unless such consent is obtained (in the case of any such consent, SMG will use commercially reasonable efforts to obtain such consent and the Authority will cooperate in any reasonable manner with SMG to obtain such consent).

(c) Moreover, in the event this Agreement expires or is terminated, the Authority shall assume, and be responsible for paying, the costs of any withdrawal liability for unfunded vested benefits that may be alleged to be due and owing by SMG under any multi-employer plan covering any of the employees working at the Facility, whether or not (i) such employees may be employed by SMG in the future or by the labor supplier for, or other subcontractor at, the Facility or (ii) such withdrawal liability obligations arise under any Pre-Existing Agreement, the renewal thereof, or any other agreement entered into by SMG during the term hereof in accordance with this Agreement. On an annual basis, as part of the Authority's

annual budget process, SMG shall provide the Authority with an estimated value of this potential withdrawal liability, provided, however, that such estimate shall in no way limit any Authority obligation to pay amounts that are determined to actually be due. The foregoing payment obligation is not an admission of liability by the Authority as to such withdrawal liability with respect to any such plan or labor supplier or other subcontractor.

(d) Upon the expiration of this Agreement or a termination pursuant to Section 12.1 or 12.2, (i) the Authority and SMG shall work cooperatively prior to such expiration or termination to effect an orderly transition of SMG out as manager of the Facility, including without limitation mutually agreeing upon the procedures for such transition and the reimbursement of any costs related to SMG's performance of any such transition activities that are not contemplated in the Approved Budget for such final Fiscal Year or that are expected to occur after such expiration or termination and (ii) all further obligations of the parties hereunder shall terminate except for the obligations in this Section 12.3 and in Sections 7.3, 8 and 12.4; provided, however, that if such termination is the result of a willful default, the non-defaulting party exercising its right to terminate this Agreement shall be entitled to recover actual damages for breach arising from such willful default and in no event shall the Authority or the Commonwealth be liable for the reimbursement of attorneys' fees.

#### 12.4 Surrender of Premises.

Upon expiration or termination of this Agreement, SMG shall surrender and vacate the Facility upon the effective date of the expiration or termination. The Facility and all equipment and furnishings of the Authority shall be returned to the Authority in good repair, reasonable wear and tear excepted, to the extent appropriate funds for maintenance and repair were made available during the term of this Agreement in the Approved Budgets. All reports, records, including financial records, and documents maintained by SMG, including those that might be stored at an off-site location relating to this Agreement, other than materials containing SMG's proprietary information, shall be immediately surrendered to the Authority by SMG upon termination.

### 13. **Performance Bond.**

13.1 SMG shall deliver to the Authority, at the Facility address referenced herein, within five (5) days after SMG's execution and delivery of this Agreement, a Seven Hundred and Fifty Thousand and No/100 (\$750,000) Dollars Performance Bond, substantially in the form attached hereto as Exhibit F. SMG shall be obligated to have such a bond remain in full force and effect throughout the rest of the Management Term and/or any Renewal Term, which obligation includes the annual obligation to renew or replace such bond with another bond in substantially the same form as attached in such exhibit. The costs of the Performance Bond shall be an SMG Operating Expense hereunder. SMG acknowledges and agrees that in the event that SMG fails to promptly and faithfully perform its obligations under this Agreement, the Authority will have the right to seek payment under the Performance Bond, up to the maximum amount of such bond, for its losses and damages related to such failure to perform, including, but not limited to damages, losses, expenses incurred, and any other amounts due hereunder. The proceeds of the Performance Bond shall be deemed fully earned by the Authority as of the date of the delivery of such bond.

13.2 Any claims against the Performance Bond shall be paid to the Authority upon notice by the Authority to the surety writing the Performance Bond. Any funds received by the Authority may be commingled with the Authority's general account funds, and thereafter spent and/or invested as the Authority sees fit, in its sole discretion.

13.3 Not less than annually, and at any other time if the Authority so requests, and/or if a claim is made by the Authority under the Performance Bond, SMG is obligated to provide certification from SMG's surety that the Performance Bond remains in full force and effect in the full amount originally required,

13.4 SMG shall not permit the Performance Bond to lapse, expire or reduce in value during the Management Term and/or Renewal Term, if applicable. The Performance Bond shall not be cancelled or returned to SMG unless and until, a representative of SMG and the Authority inspects the Facility to determine whether SMG has properly performed hereunder and vacated in accordance with the terms of this Agreement, and the Authority provides written confirmation of SMG's full performance and authorizes termination of the Performance Bond.

#### **14. Miscellaneous.**

##### 14.1 Use of Facility at Direction of Authority.

(a) The Authority shall have the right to use the Facility or any part thereof, upon reasonable advance notice and subject to availability, for meetings, seminar's, training classes or other uses without the payment of any rental or use fee, except that direct out-of-pocket expenses incurred in connection with such uses shall be paid by the Authority.

(b) The Authority shall not schedule use of the Facility pursuant to subparagraph (a) of this section if the use will conflict with paying events booked by SMG and shall in all instances be subordinate thereto in terms of priority of use of the Facility.

(c) The Authority shall maintain reasonable office space within the Facility for Authority staff conducting Authority business, to include housekeeping, internet and telephone expenses. The Authority shall maintain its current executive suite.

##### 14.2 Risk of Loss.

If an Event of Force Majeure results in a loss or damage to the Facility, then SMG shall rectify such loss or damage to the extent required by Authority, provided that any cost (less any insurance proceeds received by SMG for the loss or damage) shall be borne by the Authority. SMG shall take all reasonable steps to mitigate the cost of such loss or damage.

##### 14.3 No Partnership or Joint Venture.

Nothing herein contained is intended or shall be construed in any way to create or establish the relationship of partners or a joint venture between the Authority and SMG. None of the officers, agents or employees of SMG shall be or be deemed to be employees of the Authority or the Commonwealth for any purpose whatsoever.



14.4 Entire Agreement.

This Agreement contains the entire agreement between the parties with respect to the subject matter herein and supersedes all prior agreements and understandings with respect thereto. No other agreements, representations, warranties or other matters, whether oral or written, will be deemed to bind the parties hereto with respect to tire subject matter herein.

14.5 Written Amendments.

This Agreement shall not be altered, modified or amended in whole or in part, except in a writing executed by both the Authority and SMG and approved by the Commonwealth.

14.6 Force Majeure.

(a) No party will be liable or responsible to the other party for any delay, damage, loss, failure, or inability to perform caused by a "Force Majeure" if notice is provided to the other party within ten (10) days of date on which such party gains actual knowledge of the event of Force Majeure that such party is unable to perform. The term "Force Majeure" as used in this Agreement means the following: an act of God, strike (except a strike of SMG employees or employees of SMG subcontractors), war, public rioting, lightning, fire, storm, flood, explosions, inability to obtain materials, supplies, epidemics, landslides, lightning storms, earthquakes, floods, storms, washouts, civil disturbances, explosions, breakage or accident to machinery or lines of equipment, temporary failure of equipment, freezing of equipment, terrorist acts, and any other cause whether of the kinds specifically enumerated above or otherwise which is not reasonably within the control of the party whose performance is to be excused and which by the exercise of due diligence could not be reasonably prevented or overcome (it being acknowledged that under no circumstances shall a failure to pay amounts due and payable hereunder be excusable due to a Force Majeure),

(b) Neither party shall be under any obligation to supply any service or services if, and to the extent, and during any period that the supplying of any such service or services, or the provision of any component necessary therefore shall be prohibited or rationed by any Law.

(c) In the event of damage to or destruction of the Facility by reason of fire, storm or other casualty or occurrence of any nature or any regulatory action or requirements that, in either case, is expected to render the Facility materially untenable, notwithstanding the Authority's reasonable efforts to remedy such situation, for a period estimated by an Architect selected by the Authority at the request of SMG of at least one hundred eighty (180) days from the happening of the fire, other casualty or any other such event, either party may terminate this Agreement upon written notice to the other, In the event that the Facility becomes either wholly or partially untenable as a result of any of the foregoing, appropriate adjustments to the Benchmark shall be made.

(d) SMG may suspend performance required under this Agreement, without any further liability, in the event of any act of God or other occurrence, which act or occurrence is of such effect and duration as to, in the joint opinion of SMG and the Authority, effectively curtail the use of the Facility and results in the substantial reduction in the need for the services provided by SMG for a period in excess of ninety (90) days. SMG shall have the right to suspend

performance retroactively effective as of the date that the use of the Facility was effectively curtailed. "Substantial reduction in the need for the services provided by SMG" shall mean a reduction which makes the provision of any services by SMG economically impractical. No payments of the management fees otherwise due and payable to SMG shall be made by the Authority during the period of suspension. In lieu thereof, the Authority and SMG may agree to a reduced management fee payment for the period that reduction in services is required.

(e) In the event of a material increase in any Operating Expense not reasonably within the control of either party, including, by way of example and not by limitation, an increase in the cost of insurance or utilities, the parties shall mutually negotiate and agree in good faith upon an adjustment to the Incentive Fee formula set forth in Section 4.3 to take into account such increased cost(s), but only if such agreement is in compliance with the Operating Agreement and the provisions hereof.

(f) In the case of a Force Majeure event where SMG has suspended performance required under this Agreement, the Authority may elect to manage the operations of the Facility or a portion of the Facility on its own or with a third-party contractor. In such an instance, SMG shall assign all contracts and licenses related to the Facility to the Authority immediately upon notice from the Authority of its intent to operate the Facility. SMG retains the right to resume operations in the event that the force majeure is cured.

#### 14.7 Binding Upon Successors and Assigns; No Third-Party Beneficiaries.

(a) This Agreement and the rights and obligations set forth herein shall inure to the benefit of, and be binding upon, the parties hereto and each of their respective successors and permitted assigns.

(b) This Agreement shall not be construed as giving any Person, other than the parties hereto, the Commonwealth and their successors and permitted assigns, any legal or equitable right, remedy or claim under or in respect of this Agreement or any of the provisions herein contained, this Agreement and all provisions and conditions hereof being intended to be, and being, For the sole and exclusive benefit of such parties and their successors and permitted assigns and for the benefit of no other Person.

14.8 Notices.

Any notice, consent or other communication given pursuant to this Agreement must be in writing and will be effective, either (a) when delivered personally to the party for whom intended, (b) on the second business day following mailing by an overnight courier service that is generally recognized as reliable, (c) on the fifth day following mailing by certified or registered mail, return receipt requested, postage prepaid, or (d) on the date transmitted by telecopy as shown on the telecopy confirmation as long as the telecopy transmission is followed by mailing of the notice by certified or registered mail, return receipt requested, postage prepaid, and in any case addressed to the relevant party as set forth in this section or as a party may otherwise designate.

To the Authority:

Pennsylvania Convention Center Authority  
One Convention Center Place  
1101 Arch Street  
Philadelphia, PA 19107  
Attention: Chief Executive Officer  
Telephone: 215-418-4795  
Facsimile: 215-418-4712

With a copy (which shall not constitute notice) to:

Saul Ewing Arnstein & Lehr LLP  
1500 Market Street, 38 Floor, Centre Square  
West  
Philadelphia, PA 19102-2186  
Attn: George Magnatta  
Telephone: 215-972-7126  
Facsimile: 215-972-1867

To SMG:

SMG House Counsel  
300 Conshohocken State Road  
Suite 770  
West Conshohocken, PA 19428  
Attention: President  
Telecopy: (610)729-1593

With a copy (which shall not constitute notice) to:

Stradley, Ronon, Stevens & Young  
2600 One Commerce Square  
Philadelphia, PA 19103  
Attention: William R. Sasso, Esq. or  
Steven A. Scolari, Esq.  
Telecopy: (215) 564-8120

14.9 Section Headings and Defined Terms.

The section headings contained herein are for reference purposes only and shall not in any way affect the meaning and interpretation of this Agreement. The terms defined herein and in any document executed in connection herewith include the plural as well as the singular and the singular as well as the plural, and the use of masculine pronouns shall include the feminine and neuter. Except as otherwise indicated, all terms defined herein carry the same meaning as from time to time amended, supplemented, waived, or modified in accordance with the provisions of this Agreement.

14.10 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original copy of this Agreement, and all of which, when taken together, shall be deemed to constitute but one and the same Agreement. The fact of execution of this Agreement may be communicated by one party hereto to the other by facsimile or other electronic transmission of the signature page of this Agreement.

14.11 Severability.

The invalidity or unenforceability of any particular provision, or part of any provision of this Agreement shall not affect the validity or enforceability of any of this Agreement, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions or parts were omitted.

14.12 Non-Waiver.

A failure by either party to take any action with respect to any default or violation by the other of any of the terms, covenants, or conditions of this Agreement shall not in any respect limit, prejudice, diminish, or constitute a waiver of any rights of that party to take action with respect to any prior, contemporaneous, or subsequent violation or default or with respect to any continuation or repetition of the original violation or default.

14.13 Consent.

Wherever the consent or approval of either SMG or the Authority is required under the terms of this Agreement, the party whose consent or approval is required shall not unreasonably withhold or delay such consent or approval.

#### 14.14 Certain Representations and Warranties.

(a) The Authority represents and warrants to SMG the following: (i) all required approvals have been obtained, and the Authority has full legal right, power and authority to enter into and perform its obligations hereunder, and (ii) this Agreement has been duly executed and delivered by the Authority and constitutes a valid and binding obligation of the Authority, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally or by general equitable principles.

(b) SMG represents and warrants to the Authority the following: (i) all required approvals have been obtained, and SMG has full legal right, power and authority to enter into and perform its obligations hereunder, (ii) this Agreement has been duly executed and delivered by SMG and constitutes a valid and binding obligation of SMG, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally or by general equitable principles, and (iii) SMG has and shall maintain all appropriate business licenses and permits to lawfully perform all of its obligations hereunder.

(c) SMG further represents and warrants to the Authority that (i) to SMG's actual knowledge, it is currently not in breach of any of its existing Management Agreements at any other facilities, (ii) it has not in the past fifteen (15) years been terminated for cause under any of its Management Agreements at other facilities, and (iii) there has been no materially adverse financial event relative to SMG since the date of its response to the Authority's RFP.

#### 14.15 Governing Law.

This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to otherwise applicable principles of conflicts of law.


#### 14.16 Preserving Tax Free Status.

(a) SMG acknowledges that the Facility has been financed in whole or in part with obligations the interest on which is excludable from gross income from federal income tax purposes and that the Authority may choose to issue additional tax-exempt obligations related to the Facility in the future.

(b) It is the parties' intent in this Agreement to comply with IRS regulations and guidance, including Revenue Procedure 2017-13. Therefore, notwithstanding any other provision of this Agreement, if, in the opinion of nationally recognized bond counsel selected by the Authority, any provision of this Agreement conflicts with or fails to comply with any IRS regulation, ruling, notice or procedure issued prior to or subsequent to the date of this Agreement so as to jeopardize the tax exempt nature of the obligations ("IRS Requirements"), then the parties shall amend this Agreement to the extent necessary to achieve compliance, upon notice from the Authority.


IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

PENNSYLVANIA CONVENTION CENTER  
AUTHORITY

By: 

Name: *John J. McNichols*  
Title: *President & CEO*

SMG

By:   
Name: **John F. Burns**  
Title: **Chief Financial Officer**