

CONFERENCE CENTER MANAGEMENT AGREEMENT

for

SALEM CONFERENCE CENTER

between

**THE URBAN RENEWAL AGENCY OF SALEM, OREGON,
as Agency**

and

**THE SALEM GROUP, LLC
as Manager**

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CONFERENCE CENTER MANAGEMENT AGREEMENT

THIS CONFERENCE CENTER MANAGEMENT AGREEMENT ("Conference Center Management Agreement") is made and entered into as of the 18th day of July, 2003, by and between **THE URBAN RENEWAL AGENCY OF THE CITY OF SALEM**, a quasi-municipal corporation of the State of Oregon (the "Agency"), and **THE SALEM GROUP, LLC**, an Oregon limited liability company (the "Manager").

RECITALS

A. This Conference Center Management Agreement is executed and delivered concurrently with the execution and delivery of other agreements. Marked Exhibit A, attached hereto and by reference incorporated herein is a Schedule of Definitions. Terms using an initial capital letter herein that are not otherwise defined, shall have the meanings given to them in the Schedule of Definitions.

B. The Agency purchased the Conference Center Parcel from VIP's Hotels, Inc., an Oregon corporation ("VIP's"). VIP's is one of the two members that own the Manager.

C. The Agency intends to develop the Conference Center Complex on or about the Conference Center Parcel and to attract and book regional and state conventions and meetings and trade shows and to attract other visitors to and promote the economic development of the City. The Agency also intends for the Conference Center Complex to serve the community, and the Manager will be asked to promote community events.

D. The Manager is experienced in the management and operation of hotels and conference and convention facilities, directly or through its Affiliates.

E. The Manager also intends to own and operate the Hotel Facility on the Hotel Parcel, which is immediately adjacent to the Conference Center Parcel, and at this time, intends to operate the Hotel without a third-party manager.

F. Although the Hotel Facility and the Conference Center Complex will be operated as separate business enterprises (the Manager operating the Conference Center Complex on behalf of the Agency and the Manager operating the Hotel Facility on its own behalf), they will be constructed in a manner such that they are physically joined, with passageways between them, and with certain shared facilities, so that both Facilities may be efficiently and effectively operated.

G. The Agency desires to have the Conference Center Complex managed and operated by the Manager for the Agency in accordance with the terms and conditions and subject to the limitations contained in this Conference Center Management Agreement. It is the intent of the parties that this Agreement operate as a license and not as a lease. The Manager is not a tenant of the Agency.

AGREEMENT

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

ARTICLE 1 DEFINITIONS, TERMS AND REFERENCES

In this Conference Center Management Agreement and any exhibits, addenda or riders hereto, terms utilizing an initial capital letter shall have the meanings set forth in the attached Schedule of Definitions.

ARTICLE 2 ENGAGEMENT OF MANAGER

2.1 Operation of Conference Center Complex. The Agency hereby authorizes and engages the Manager as its exclusive agent to act as the manager of the Conference Center Complex during the Management Term, with exclusive responsibility and complete and full control in the direction, management and supervision of the Conference Center Complex, subject only to the limitations expressed herein and in the other Project Agreements, and the Manager hereby accepts such engagement subject to the terms and conditions expressed in this Conference Center Management Agreement and in the other Project Agreements. The authority of the Manager shall include the use of the Conference Center Complex for public purposes, and without limiting the generality of the foregoing, the Manager is hereby authorized, and shall be obligated, to:

(a) Subject to the Agency providing to the Manager copies thereof, administer and cause compliance with the obligations of the Conference Center Complex under the following agreements:

- (i) REOU Agreement;
- (ii) Marketing Agreement;
- (iii) Operations Manual;
- (iv) Master Lease; and
- (v) Sublease.

(b) In accordance with the Operations Manual, determine all credit policies with respect to the operation of the Conference Center Complex, including entering into policies and agreements with credit card organizations;

(c) In accordance with the Operations Manual, establish entertainment and amusement policies (including pricing) with respect to the conference center component of the Conference Center Complex and actively market the Conference Center Complex to maximize its use and income;

(d) In accordance with the Operations Manual, establish catering and food and beverage policies (including pricing) with respect to the Conference Center Complex;

(e) In accordance with the Operations Manual, establish parking policies (including pricing);

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

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

(h) Determine all labor policies, including wages and salary rates and terms, fringe benefits, pension, retirement, bonus and employee benefit plans, collective bargaining agreements and the hiring or discharge of all employees, with respect to the Manager's Conference Center Complex employees;

(i) Subject to subsection 2.9 hereof, arrange for utility, telephone, extermination, security, trash removal and other services for the operation of the Conference Center Complex;

(j) Establish in consultation with the Agency and CVB all advertising, public relations and promotional policies with respect to the Conference Center Complex, including all paid advertising and press releases;

(k) Subject to subsection 2.9 hereof, purchase all Inventories and all necessary additions to and replacements of Operating Supplies, FF&E and such other services and merchandise as are necessary for the proper operation of the Conference Center Complex. The Manager shall not commingle the purchasing of these items with its purchases for the Hotel Facility without the Approval of the Agency;

(l) In accordance with the Operations Manual and subject to subsection 2.9 hereof, enter into, with the Agency's Approval, such undertakings as the Manager shall from time to time consider appropriate for the operation of the Conference Center Complex;

(m) Hire such persons or organizations as the Manager may deem necessary to provide advice with respect to the Manager's operation of the Conference Center Complex, including attorneys, accountants and other professionals and specialists provided that (i) the Manager shall not hire any attorneys engaged by insurers in accordance with applicable insurance policies and (ii) the Agency's Approval shall be required to engage attorneys or accountants;

(n) Cause all needed repairs and Maintenance to be made to the Conference Center Complex and cause all such other things to be done in or about the Conference Center Complex as shall be necessary to comply with all Governmental Requirements, boards of fire underwriters and other bodies exercising similar functions;

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

(p) Execute and administer contracts for all events, including food and beverage services, at the Conference Center Complex;

(q) In accordance with the Operations Manual, establish and maintain the master set of all booking records and schedules for the Conference Center Complex (such records and schedules shall be provided to the Agency upon request and shall remain the property of the Agency);

(r) Use commercially reasonable efforts to procure and maintain the liquor licenses necessary for the operation of the Conference Center Complex; and

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

2.2 Pre-Opening Management Services. Prior to the Commencement Date, the Manager and its Affiliates shall provide certain pre-opening management and marketing activities ("**Pre-Opening Management Services**") to the Agency in anticipation of Manager assuming management of the Conference Center Complex. The Pre-Opening Management Services will begin on a date ("**Pre-Opening Management Services Beginning Date**") to be mutually agreed upon between the Agency and the Manager, but not less than eighteen (18) months prior to the anticipated Commencement Date. In consideration for such Pre-Opening Management Services, the Agency shall pay all out-of-pocket expenses of the Manager for the Pre-Opening Management Services. The scope of the Pre-Opening Management Services is described in Exhibit 2.2(a) attached hereto. The Manager and the Agency shall jointly develop a pre-opening budget ("**Pre-Opening Budget**") for the expenditures to be incurred by the Manager for the Pre-Opening Management Services not less than eighteen (18) months prior to the Pre-Opening Management Services Beginning Date. Once the Pre-Opening Budget is Approved by the Agency and the Manager, all expenses incurred in connection with the Pre-Opening Management Services and the Pre-Opening Budget (including expenses allocated in accordance with the REOU Agreement) shall be paid by the Agency either directly to the third-party vendors or to the Manager in accordance with a monthly cash forecast of such expenses prepared by the Manager and Approved by the Agency. These expenses shall not exceed those amounts set forth in the Pre-Opening Budget and such excess shall not be reimbursed unless Approved by the Agency; provided, however, in the event either party anticipates a delay in the Commencement Date, or in the event of unforeseen circumstances requiring revision of the Pre-Opening Budget, the Manager shall advise the Agency regarding any additional expenses as a result thereof by submitting such revisions to the Agency for its Approval and shall use commercially reasonable efforts to limit such additional expenses. In addition, everything properly done by the Manager in the performance of its obligations and all expenses properly incurred by the Manager in providing the Pre-Opening Management Services shall be for, and on account of, the Agency. Neither the Manager nor any of its Affiliates shall be obligated to advance any of its or their own funds, and the Agency shall pay for all of the costs and expenses incurred by the Manager in connection with the Manager's performance of the Pre-Opening Management Services to the extent set forth in the Approved Pre-Opening Budget, including, but not limited to, salaries, recruiting, relocation, employee benefits, insurance (including workers compensation) for

Conference Center Complex employees, reasonable travel, marketing, advertising, public relations, temporary offices and other out-of-pocket expenses incurred by the Manager, but specifically excluding any charges for fax, telephone, copying, overnight delivery and postage. The Manager shall not charge the Manager's limited liability company overhead as part of the Pre-Opening Management Services.

2.3 Employees of the Conference Center Complex. Subject to the Governmental Requirements and the provisions set forth in Exhibit 2.3, the Manager shall have the sole right to select, appoint, hire, train, supervise and fire such personnel as the Manager may deem necessary or desirable for the proper operation, maintenance and security of the Conference Center Complex. The Manager shall use reasonable efforts to recruit as many employees as possible that are full-time residents of the City. All personnel of the Conference Center Complex shall be employees of the Manager or an Affiliate and not of the Agency. Notwithstanding the foregoing, the Agency shall have the right to Approve the executive management personnel for the Facilities and all of the initial hiring for both Facilities shall meet the requirements set forth in 24 C.F.R. 570.208 (*i.e.*, fifty-one percent (51%) of the initial job creation for both Facilities shall be filled by low-income persons).

2.4 Name. During the term of this Conference Center Management Agreement, the Conference Center Complex shall at all times be known and designated by the name "**Salem Conference Center**" or such other name or names as from time to time may be selected by the Agency.

2.5 Operation at the Agency's Expense. Except as specifically required herein and in the other Project Agreements, expenses properly incurred by the Manager in performing its duties hereunder shall be paid first from the Agency Account until it is exhausted and then from the Gain-Loss Reserve Account in accordance with and to the extent provided in Article 6. Except as provided for in subsections 2.2 and 2.6 and in the other Project Agreements, if the Manager shall voluntarily elect to advance any funds in payment of Operating Expenses or any other expenditure, which the Manager shall have the right, but not the obligation, to incur, the Manager shall be entitled to be reimbursed out of the Agency Account until it is exhausted and then from the Gain-Loss Reserve Account.

2.6 Quality Standards. The Agency and the Manager agree that the Conference Center Complex shall at all times be Maintained at a quality consistent with similar facilities of comparable size in similar markets with respect to the type, quality and service of food and beverages; training and supervision; and quality of Maintenance and repair. The Agency acknowledges that the Manager's obligation to Maintain such standard on behalf of the Agency is subject to the Agency providing sufficient funds therefor as provided in Article 6.

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

2.8 Operations Manual. The Manager shall prepare (as part of the Pre-Opening Management Services) and periodically update an operations manual ("Operations Manual") for Approval by the Agency describing the services, rental rates, activities, policies, rules and regulations for use and operation of the Conference Center Complex. The Operations Manual shall contain standard forms of agreements, schedules of rates and fees, the Booking Policy, contract services and preferred vendor lists. The Operations Manual shall also contain other policies related to use and operation of the Conference Center Complex, including, but not limited to, insurance requirements, food and alcoholic beverage service, routine repairs, janitorial services, fire prevention and security guidelines. A list of some of the items that will be included in the Operations Manual has been attached as Exhibit 2.8.

2.9 Contracts. In carrying out its responsibilities under this Conference Center Management Agreement, the Manager will, in the ordinary course of business, negotiate and enter into contracts, subcontracts and vendor agreements (in the name of the Manager as agent for the Agency, except as to employees which the Manager shall hire directly and not an agent for the Agency) pertaining to the use and occupancy of the Conference Center Complex, as well as relating to Conference Center Complex operations. The Manager shall maintain a current list of all approved vendors providing services at the Conference Center Complex for the Agency's review. The Manager shall select and contract with such vendors in accordance with the applicable sections or forms set forth in the Operations Manual, which shall include the provisions set forth in Exhibit 2.3. The Manager shall make all payments under all such contracts and agreements as an Operating Expense from the Agency Account until it is exhausted and then from the Gain-Loss Reserve Account.

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

2.9.2 The Manager shall not, without the Agency's Approval:

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

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

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

(d) Enter into any contract that contemplates, entails or relates to any rebate, discount, bonus or other remuneration not accruing to the Agency's account.

2.9.3 The Manager shall select vendors based upon the best combination of cost, quality of goods and services and purchase/delivery terms, which the Manager shall use a competitive bidding process (or other processes dictated by Agency) to ascertain.

2.9.4 Excepting coverage for workers compensation, the Agency will maintain insurance as outlined below, the cost of which shall not be a Conference Center Complex Operating Expense. The Agency shall have the option of including this coverage into its existing insurance program or purchasing separate policies. If the election is to incorporate the insurance into the Agency's existing insurance program, the Manager will accept the deductibles and or self-insured retention (see Exhibit 9.1).

The Manager shall provide workers compensation insurance and require that all vendors, concessionaires, subcontractors and service providers also maintain the coverage listed below (except that vendors, concessionaires, subcontractors and service providers shall not be required to maintain the excess liability coverage set forth in subsection (c) hereof) or as outlined in the Operations Manual:

(a) Commercial General Liability Insurance in an amount of not less than \$1,000,000 combined single limit per occurrence/\$2,000,000 general annual aggregate covering bodily injury, property damage and personal injury. Insurance to cover all operations of contractor.

(b) Automobile Liability Insurance in an amount not less than \$1,000,000 combined single limit covering damages because of bodily injury and covering operation, maintenance or use of any automobile. Garage Keepers coverage shall also be included. The policy will include underinsured and uninsured motorist coverage at the limits equal to the bodily injury limits.

(c) Excess liability coverage shall be purchased with limits of \$10,000,000 per occurrence and shall be excess of General Liability Insurance and Automobile Liability Insurance.

(d) Workers Compensation Insurance shall also be maintained per Oregon Revised Statutes (ORS Chapter 656). Employers Liability Insurance with limits of \$500,000 each accident, \$500,000 disease each employee. \$500,000 disease – policy limit.

(e) Employee Dishonesty Insurance will be in force covering all employees and volunteers. Limits to be determined by the Agency, but no less than \$50,000. Coverage shall include faithful performance and loss of monies and securities.

A Certificate of Insurance and a copy of the endorsement, naming the Manager and the Agency as additional insureds, shall be provided at least fifteen (15) days before inception of contract on the Combined Liability policies.

2.9.5 If (i) there is a Change in Control Event with respect to the Manager or an assignment of this Conference Center Management Agreement to a new Manager or (ii) Manager sells the Hotel Facility, the Manager shall provide at least thirty (30) days' prior written notice to the Agency. The Agency shall have the right to approve, which right to approve shall be subject to Agency's sole discretion, the principals who will control Manager after a Change in

Control Event or the new Manager after an assignment in the case of item (i) and shall have the right to approve, which approval shall not be unreasonably withheld, the new Hotel Owner after a sale in the case of item (ii); provided, however, that the parties agree that Agency may reasonably withhold its approval of the new Hotel Owner in the event that the new Hotel Owner refuses to execute and take all other actions reasonably necessary for the placement upon and enforcement of the Deficit Lien. The Agency's right of approval under this subsection shall also apply, and not be unreasonably withheld, to any management agreement that the new owner of the Hotel Facility intends to enter into with a new manager for the Hotel Facility (other than The Salem Group, LLC). For the purpose of this Conference Center Management Agreement, the term "**Hotel Management Agreement**" shall mean only an agreement between a new owner of the Hotel Facility and a manager other than The Salem Group, LLC.

The Agency's right of review and approval will include a thorough due diligence review to determine the capacity of the new principals that will control Manager (or the new Manager following an assignment) and/or the new owner of the Hotel Facility and its/their principal business agents to perform the duties and responsibilities of operating the Facilities. The Agency shall apply commercially reasonable standards in enforcing its rights of approval under this subsection 2.9.5. The analysis of capacity will be measured against Class-A standards assumed within the Facilities. The business name and reputation of the new Manager is of utmost importance. High quality Facilities, service and management in the Restaurant, the Hotel and the Conference Center Complex must be maintained. The name and reputation of the new principals that will control Manager (or the new Manager following an assignment) or the new owner of the Hotel Facility is part of the marketing program expected by the Agency. In the event of an assignment of this Conference Center Management Agreement by the Manager (either directly or as a result of a Change in Control Event of the Manager), then the Manager shall pay, from its separate funds, to the Agency, an assignment fee of \$100,000 which shall be deposited into the Gain-Loss Reserve Account.

2.10 Joint Contract Services. The Agency and the Manager acknowledge that certain service contracts or vendor agreements may be entered into on a combined basis with those affecting the Hotel Facility in order to consolidate purchasing, maximize utilization, and create efficiency of such operations in the Conference Center Complex. Such service contracts or vendor agreements which are entered into on a joint basis shall also be subject to subsection 2.9 hereof.

ARTICLE 3 COMPLIANCE WITH LAWS

3.1 Compliance by the Manager and the Agency After Commencement Date. The Manager shall make all reasonable efforts to comply with all laws, rules, regulations, requirements, orders, notices, determinations and ordinances of any governing authority, including, without limitation, the state and local liquor authorities, the board of fire underwriters and the requirements of any insurance companies covering any of the risks against which the Conference Center Complex is insured ("**Legal Requirements**"). If the cost of compliance exceeds Two Thousand Five Hundred Dollars (\$2,500) in any instance, the Manager shall promptly notify the Agency and obtain the Approval of the Agency to such expenditure subject to subsection 3.2. All costs of compliance shall be an Operating Expense.

3.2 Right to Contest or Postpone Compliance. With respect to a violation of any Legal Requirements, the Agency and/or the Manager shall have the right to contest the alleged violation and postpone compliance pending the determination of such contest, if so permitted by law and not detrimental to the operation of the Conference Center Complex. If the Agency initiates a contest, as described above, then the Agency shall indemnify and hold harmless the Manager from any loss, cost, damage or expense incurred by the Manager, as a result thereof, not directly caused by the negligence or willful misconduct of the Manager or the Manager's Affiliates. If the Manager initiates a contest, as described above, then the Manager shall indemnify and hold harmless the Agency from any loss, cost, damage or expense incurred by the Agency, as a result thereof, not directly caused by the negligence or willful misconduct of the Agency.

3.3 Manager's Right to Terminate Agreement. Notwithstanding anything in this Conference Center Management Agreement to the contrary, if, within thirty (30) days of receiving the Manager's written request and all information necessary for proper evaluation of the matter, the Agency fails to Approve plans for reasonable accommodation of changes, repairs, alterations, improvements, renewals or replacements to the Conference Center Complex which the Manager determines in its reasonable judgment, as explained in the written materials submitted to the Agency, are necessary to (a) protect the Conference Center Complex, the Agency and/or the Manager from material liability exposure; or (b) ensure material compliance with any applicable Legal Requirements pertaining to life safety systems requirements; then the Manager may, notwithstanding the provisions of Article 4, terminate this Conference Center Management Agreement any time after such thirty- (30-) day period upon twenty (20) days' written notice, provided if the Agency is exercising its right to contest as provided in subsection 3.2 above or has commenced a cure within the 30-day period and is diligently pursuing such cure, the Manager shall have no right to terminate as long as such contest or curative action postpones the need for compliance.

ARTICLE 4 MANAGEMENT TERM; EXTENSION; TERMINATION

4.1 Management Term. The Management Term shall commence on the Commencement Date and shall continue thereafter until the date on which the fifteenth (15th) annual anniversary of the Commencement Date occurs, subject to early termination as provided in subsections 3.3 and 4.2 hereof (the "**Initial Term**"). Thereafter, this Conference Center Management Agreement may be renewed if the parties agree to such renewal for one (1) renewal period of five (5) years (a "**Renewal Term**"), but shall not renew unless the Manager and the Agency mutually agree in writing to renew. For the purposes of this Conference Center Management Agreement, the "**Management Term**" of this Conference Center Management Agreement shall mean the Initial Term and any applicable Renewal Term.

4.2 Termination. This Conference Center Management Agreement may be terminated prior to the expiration of the then effective Management Term upon the occurrence of one or more of the following events:

(a) Upon any Event of Default, at the option of the non-defaulting party exercised by written notice to the defaulting party and following the expiration of all applicable notice and cure periods if all three (3) of the following conditions are satisfied:

(i) The party desiring to take advantage of the termination remedy must first provide the other party with a further notice of default which shall provide the party to whom the notice is directed a further cure period of sixty (60) days (this further cure period is in addition to any cure period that may be a condition to the Event of Default where no termination remedy is being sought);

(ii) If the party receiving the notice disputes the Event of Default that serves as the basis for the termination, then that party may submit the dispute for resolution pursuant to the Dispute Resolution Procedures. No termination may occur while the Dispute Resolution Procedures are pending. A party may exercise its right of termination only if that Event of Default is found to exist at the conclusion of the Dispute Resolution Procedures and the party receiving the notice of termination does not cure that Event of Default within thirty (30) days after the decision is rendered and thereby avoid termination of the Conference Center Management Agreement; and

(iii) In order to exercise a right of termination, there must be not only a finding at the conclusion of the Dispute Resolution Procedures of an Event of Default but a finding that the Event of Default was of such a nature as to constitute (a) intentional or willful neglect of that party's duties and responsibilities or (b) gross negligence or willful misconduct of that party in performing or failing to perform under this Conference Center Management Agreement, which act or omission material adversely affects the Conference Center Complex or this Conference Center Management Agreement. To provide guidance to the mediators, arbitrators and courts that may be involved in the Dispute Resolution Procedures, the parties do not intend for either party to have a right of termination as a result of those Events of Default that constitute mere inadvertence or the like.

(b) Notwithstanding subsection 4.2(a), at the option of Agency, upon at least ninety (90) day's prior written notice if all or a substantial part of the Conference Center Complex is damaged or destroyed by a casualty. Damage or destruction of a substantial part of the Conference Center Complex shall deemed to have occurred if (i) the cost of repair or restoration is more than twenty-five percent (25%) of the fair market value of the Conference Center Complex prior to the damage; or (ii) the entire Conference Center Complex is taken in a condemnation proceeding (a "Total Condemnation") or a portion of the Conference Center Complex is taken such that either party determines in its reasonable judgment that the Conference Center Complex cannot be operated at levels substantially like those experienced prior to the condemnation.

(c) Notwithstanding subsection 4.2(a), at the option of the Agency, if (i) there is a Change of Control Event with respect to the Manager or an assignment of this Conference Center Management Agreement by the Manager; or (ii) the Manager sells the Hotel Facility and the same is not approved by the Agency as provided in subsection 2.9.5; and (iii) the Agency provides to the Manager at least sixty (60) days' written notice of termination, which written notice must be provided to Manager within twelve (12) months of written notice from the Manager to the Agency of the Change of Control Event, assignment or sale and referencing this subsection and the right to terminate.

4.3 Transition Procedures. Upon the expiration or termination of the Management Term, for whatever reason, the Agency and the Manager, at their own expense, shall do the

following (and the provisions of this subsection 4.3 shall survive the expiration or termination of this Conference Center Management Agreement until they have been fully performed):

4.3.1. The Manager shall peacefully vacate and surrender the Conference Center Complex to the Agency within forty-eight (48) hours after the effective date of the termination. The Manager shall leave the Conference Center Complex in a clean and orderly condition.

4.3.2. Within ninety (90) days after delivery of such information as may be required by the Agency to confirm the accuracy and validity of amounts requested by the Manager, the Agency shall pay the Manager all amounts, if any, owing under the applicable provisions of this Conference Center Management Agreement, subject to the Agency's right to assert, in a reasonable manner, an offset as a result of the Manager's breach of this Conference Center Management Agreement or the Manager's or its Affiliates' breach of any other Project Agreement.

4.3.3. The Manager shall turn over, assign and transfer to the Agency without compensation:

(a) All Conference Center Complex assets. Such assets shall include (i) all cash in the Manager's custody and control, whether segregated or commingled with the monies of the Manager and/or other parties, which has been generated in connection with or arising from operations of the Conference Center Complex and (ii) any contracts or agreements then in the Manager's, rather than the Agency's, name.

(b) All coupons, instruments for the payment of money, certificates of deposit, accounts receivable or other contract rights or intangible personal property arising in connection with the operation of the Conference Center Complex.

(c) All equipment, supplies, keys, locks, safe combinations, computer passwords and source codes, websites, telephone and fax numbers associated with the Conference Center Complex, alarm access codes, and key cards.

(d) All of the Manager's and Agency's books and records, including all electronic records, respecting the Conference Center Complex and all contracts, leases, and other documents respecting the Conference Center Complex and which are in the custody or control of the Manager (and the Agency or the successor manager shall assume all contracts made in accordance with this Conference Center Management Agreement).

(e) Where legally permissible, all of the Manager's right, title, and interest in and to all licenses and permits (excluding liquor licenses), if any, used by the Manager in the operation of the Conference Center Complex. The Manager recognizes that all licenses held for the operation of the Conference Center Complex are held for the benefit of the Agency and the Manager has no ownership therein, except in order to fulfill its obligations hereunder.

(f) The Agency shall cause the replacement manager, if any, to recognize all business confirmed for the Conference Center Complex with reservation dates after the expiration or earlier termination of this Conference Center Management Agreement. The Agency shall be responsible for any and all liability that may exist to groups whose confirmed

future reservations are not honored by the Conference Center Complex after expiration or earlier termination of this Conference Center Management Agreement. Any return of prepaid insurance premiums to the Agency shall be net of any cancellation or termination fee charged by the insurance carrier.

(g) The Manager shall provide reasonable assistance to the Agency in facilitating the orderly transfer of the records and data. The Manager shall cooperate with the Agency to the extent possible in order to avoid disruption in the operation of the Conference Center Complex in connection with the transition.

(h) The Manager shall not delete, alter, change, modify and/or optimize any electronic records or data relating to the operation of the Conference Center Complex, whether contained in the computers located at the Conference Center Complex or elsewhere, without prior notice to and the written consent of the Agency, which consent may be withheld in the sole and absolute discretion of Agency.

(i) The Manager and the Agency shall cooperate with each other to effect an orderly transition of management functions from the Manager to the Agency, any transferee of the Agency or to any managing agent designated by the Agency or any transferee of the Agency.

(j) The Manager shall fully cooperate with any replacement manager in assisting the replacement manager in securing a replacement liquor license, if such license is needed. The Manager's obligation in this regard shall include allowing a replacement manager to operate under the Manager's liquor license to the extent allowed by law, provided that (i) the Agency reimburses the Manager for all of the Manager's actual costs thereto, (ii) the Agency fully indemnifies the Manager against all claims against the Manager pursuant to the replacement manager's liquor license, (iii) the replacement manager provides appropriate liquor liability insurance, naming Manager as an additional insured, and (iv) the Manager shall have no obligation to cooperate further beyond ninety (90) days from the date of termination.

ARTICLE 5 BUDGETARY, PLANNING AND REPORTING

5.1 Annual Operating Projection. The Manager shall submit to the Agency at least six (6) months prior to the Commencement Date an Annual Operating Projection for the first full or partial Fiscal Year. Thereafter, the Manager shall submit to the Agency at least ninety (90) days prior to the end of each Fiscal Year an Annual Operating Projection for the succeeding Fiscal Year. The Annual Operating Projection shall include: an operating budget showing estimated Gross Revenues, department profits, Operating Expenses, and for the forthcoming Fiscal Year for the Conference Center Complex: (a) a marketing plan; (b) a staffing plan; (c) a cash flow forecast; (d) a budget of expenditures for replacing FF&E; (e) a detailed one (1) year and summary five (5) year Capital Project projection for making capital improvements to the Conference Center Complex; (f) a proposal for transferring funds periodically during the Fiscal Year from the Gain-Loss Reserve Account to the Agency Account so that there will be adequate working capital in the Agency Account during the Fiscal Year to cover any anticipated Working Capital Shortfall during that Fiscal Year; and (g) the basis of allocation of the Group Services, all in reasonable detail and, where appropriate, with the basis for all assumptions expressly set forth.

The Agency shall review the Annual Operating Projection and either Approve or notify the Manager of any objections to the Annual Operating Projection in writing within thirty (30) business days of its receipt thereof, and the Agency's Approval of the Annual Operating Projection shall not be unreasonably withheld or delayed.

5.2 Annual Operating Projection Disputes. If the Manager and the Agency are unable to agree upon an Annual Operating Projection or any details thereof, the final Annual Operating Projection shall be determined in accordance with the Dispute Resolution Procedures; it being understood that only those details, line items or portions of the Annual Operating Projection which are in dispute shall be the subject of the Dispute Resolution Procedures. It is also understood that the Agency may not dispute any expenses in the Annual Operating Projection which are determined in accordance with the terms of the REOU Agreement or which have otherwise been agreed to by the Agency and the Manager. Pending the conclusion of any Dispute Resolution Procedures, the Annual Operating Projection for all purposes under this Conference Center Management Agreement shall be the Annual Operating Projection for the prior Fiscal Year, modified by increasing the Conference Center Complex's expenses by: (a) the greater of three percent (3%) per annum or the percentage change in the CPI in effect as of the first day of the applicable Fiscal Year as compared to the CPI in effect on the first day of the prior Fiscal Year for which the Agency Approved such line item in the Annual Operating Projection, plus (b) the effects of changes in Governmental Requirements plus (c) to the extent such line item varies directly with a change in revenue, an amount equal to the previous year's expense ratio multiplied by the change in the corresponding revenue amount over the previous year. The Agency and the Manager agree that the Dispute Resolution Procedures shall be the sole procedure for resolving any dispute regarding the Annual Operating Projection.

5.3 Deviations from Annual Operating Projection. The Manager shall diligently pursue all feasible measures to enable the Conference Center Complex to adhere to the Annual Operating Projection, provided, however, the Agency acknowledges and agrees that the Manager will not be responsible for any variances from the Annual Operating Projection that are not as a result of willful misconduct or fraud. Notwithstanding anything herein to the contrary, the Manager is not warranting or guaranteeing in any respect that the actual operating results of the Conference Center Complex during the period covered by the Annual Operating Projection will not materially vary from the projections described in the Annual Operating Projection.

5.4 Books and Records. The Manager shall keep full and adequate books of account and other records reflecting the results of operation of the Conference Center Complex on an accrual basis, all substantially in accordance with GAAP. Such books of account and other records shall not include income and expense for the Hotel Facility or the Restaurant. The books of account and all other records relating to or reflecting the operation of the Conference Center Complex shall be kept either at the Conference Center Complex or at the Hotel Facility, and shall be available to the Agency and its representatives and its auditors or accountants, at all reasonable times for examination, audit, inspection and transcription. All of such books and records pertaining to the Conference Center Complex at all times shall be the property of the Agency and shall not be removed from the Conference Center Complex or the Hotel Facility by the Manager without the Agency's Approval. Also, the Manager shall keep, at its sole cost and expense, full and adequate books of account and other records reflecting the results of operation of the Restaurant on an accrual basis, all substantially in accordance with GAAP. The Manager agrees to make those books and records available for the Agency's inspection from time to time.

upon reasonable advance notice. The Agency agrees that all records relating to the Restaurant shall be kept in strict confidence, except for disclosures required by law.

5.5 Financial Statements. The Manager shall deliver to the Agency within twenty (20) days after the end of each Accounting Period a monthly profit and loss statement showing the results of the operation of the Conference Center Complex for such Accounting Period and for the Fiscal Year to date (including a comparison of results for those periods for such Fiscal Year to such periods in the Annual Operating Projection and for the prior Fiscal Year) certified to be accurate by the Chief Financial Officer of the Manager. Such monthly profit and loss statement and the annual financial statement referred to below shall: (a) be taken from the books and records maintained by the Manager for the Conference Center Complex in the manner described herein above, (b) follow GAAP, allowing for deviations which are necessary in order to comply with this Conference Center Management Agreement; (c) separately state the amount of fees and any other amounts payable or expenses reimbursable to the Manager and its Affiliates; (d) identify the expenses shared among the Hotel Facility, the Kitchen Facility and the Conference Center Complex and the allocation thereof; (e) contain a cash flow forecast for the next succeeding 90 days; (f) include a balance sheet as of the close of such Accounting Period; and (g) be accompanied by an executive summary.

Within one hundred twenty (120) days after the end of each Fiscal Year, Manager shall deliver to the Agency an annual financial statement, audited and certified by the Independent Auditor (if such audit is requested by the Agency prior to the end of such Fiscal Year and if so requested by the Agency then the Agency shall pay the cost thereof from the Gain Loss Reserve Account and not as an Operating Expense), showing the results of operation of the Conference Center Complex during such Fiscal Year, the Gross Revenues and Operating Expenses, and any other information necessary to make the computations required hereby or which may be requested by the Agency, all for such Fiscal Year. The cost and expense of such audited statements shall be an Operating Expense.

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

- (a) convention booking calendar, identifying tentative and confirmed bookings; and
- (b) facility maintenance report identifying breakdowns of, or significant repairs to, major pieces of installed and portable equipment.;

ARTICLE 6 REVENUES AND EXPENSES

6.1 Agency Account. All monies received by the Manager in the operation of the Conference Center Complex shall be deposited in a special account in the Manager's name, as agent of the Agency (excluding any payroll account, which shall be in the Manager's name only), in the bank or trust company recommended by the Manager and Approved by the Agency (the "Agency Account"). Such monies shall not be commingled with the Manager's other funds. Out of the Agency Account, the Manager shall pay all Operating Expenses and capital expenses of the Conference Center Complex in accordance with the provisions of this Conference Center

Management Agreement. Withdrawals from accounts established pursuant to this Article 6 shall be signed by representatives of the Manager only, provided such representatives are bonded or otherwise insured, and the Manager shall supply the Agency with bonds or other insurance upon the Agency's request unless said bond or other insurance shall have been placed by the Agency and delivered directly by the bonding or insurance company to the Agency.

6.2 Cash Management Procedures.

6.2.1 On each business day, all monies collected by the Manager from the operation of the Conference Center Complex shall be deposited into the Agency Account.

6.2.2 All Operating Expenses and all Emergency Capital Project Shortfalls ("Working Capital Expenses") shall be paid out of the Agency Account. If there are not sufficient funds in the Agency Account to fund all Working Capital Expenses when due (a "Working Capital Shortfall"), the Manager shall request a draw to cover the Working Capital Shortfall from the Agency's Gain-Loss Reserve Account, and the Agency shall authorize that draw.

6.2.3 At the end of each Fiscal Year (after the audited statements are delivered pursuant to subsection 5.5), any monies remaining in the Agency Account, relating to the prior Fiscal Year end's operations shall be distributed as follows:

First, paid to Agency and, in the event there exists an Accrued Shortfall, as defined under subsection 6.4, then Agency shall issue a payment to Manager in an amount not to exceed the amount of the Accrued Shortfall; and

Second, paid to the Agency to be shifted into the Gain Loss Reserve Account.

6.3 Gain-Loss Reserve Account Funding. On or before the Commencement Date, the Agency shall establish a separate account (the "Gain-Loss Reserve Account") out of which it shall fund its portion of the Working Capital Shortfalls and Capital Projects. The Agency and the Manager agree to fund the Gain-Loss Reserve Account as follows:

Entity	1/2/05	1/2/06	1/2/07	1/2/08	Total
Agency	\$150,000	\$300,000	\$300,000	\$300,000	\$1,050,000
Manager	\$300,000	\$200,000	\$0.00	\$0.00	\$500,000

If there are not sufficient funds in the Gain-Loss Reserve Account to fund a Working Capital Shortfall or Capital Project during any Fiscal Year, then the Manager agrees to accelerate its payment obligations as described in the above table (with a cap on the initial funding of \$500,000 for the Manager---but the cap shall not limit the obligation to make annual contributions as provided in subsection 6.4) to the extent necessary to provide sufficient funds in the Gain-Loss Reserve Account to fund that Working Capital Shortfall or Capital Project.

6.3.1 The Agency shall continue to make these contributions to the Gain-Loss Reserve Account each Fiscal Year after 2008 until the balance in the Gain-Loss Reserve Account at the end of any Fiscal Year exceeds \$4,000,000 (the "Target Balance"). The Agency may

withdraw any funds in excess of the Target Balance and use such excess in any manner it chooses. Until the account balance reaches the Target Balance, however, funds in the Gain-Loss Reserve Account may only be withdrawn and used to fund the Working Capital Shortfalls and Capital Projects obligations. If at any time the Target Balance falls below \$4,000,000 after it has first reached \$4,000,000, then the Agency shall deposit any funds received under subsection 6.2.3 plus \$300,000 each Fiscal Year until the Target Balance is restored.

6.3.2 Withdrawals may be made from the Gain-Loss Reserve Account during each Fiscal Year to fund Working Capital Shortfalls and Capital Projects. If the Manager needs to make a withdrawal from the Gain-Loss Reserve Account, the Manager shall submit a written request for a withdrawal to Agency. The Agency shall then Approve a withdrawal from the Gain-Loss Reserve Account to fund Working Capital Shortfalls and Capital Projects obligations.

6.3.3 The Agency is the sole owner of the Gain-Loss Reserve Account and may withdraw the full amount thereof upon termination of (i) the REOU Agreement or (ii) the operation of the Conference Center Complex (to the extent Approved by the Manager or to the extent permitted under the REOU Agreement).

6.4 Working Capital Shortfall Reconciliation. At the end of each Fiscal Year, the Manager shall perform and deliver to the Agency a detailed annual reconciliation to determine the amount of the Working Capital Shortfall during that Fiscal Year. The Agency shall have the right to have that reconciliation reviewed by the Independent Auditor (and if so requested by the Agency then the Agency shall pay the cost thereof from the Gain Loss Reserve Account and not as an Operating Expense). That Working Capital Shortfall will have been funded during that Fiscal Year from the Gain-Loss Reserve Account. If there is any Working Capital Shortfall (exclusive of Emergency Capital Project Shortfalls) during the first, second or third Fiscal Years of operation (regardless of whether actually paid from the Gain-Loss Reserve Account), the Manager, shall fund up to the first \$100,000 of the Working Capital Shortfall (exclusive of Emergency Capital Project Shortfalls) during each of those Fiscal Years by reimbursing the Gain Loss Reserve Account. Starting in the fourth Fiscal Year through the date this Conference Center Management Agreement terminates, the Manager shall similarly fund up to the first \$300,000 of the Working Capital Shortfall (exclusive of Emergency Capital Project Shortfalls) during each of those Fiscal Years by reimbursing the Gain-Loss Reserve Account; provided, however, that Manager's responsibility to fund the Working Capital Shortfall shall be reduced to \$200,000 during each of those Fiscal Years after termination of the Sublease. Even though the Working Capital Shortfall will have been paid by withdrawals from the Gain-Loss Reserve Account during each Fiscal Year, the Manager shall be obligated to reimburse the Gain-Loss Reserve Account at the end of each Fiscal Year in accordance with the foregoing amounts. The total of the reimbursements made by the Manager to the Gain-Loss Reserve Account under this subsection 6.4 is referred to for the purpose of subsection 6.2.3 as the "Accrued Shortfall". As noted in subsection 6.2.3, monies available for distribution at the end of each Fiscal Year pursuant to subsection 6.2.3 shall be paid to Agency and shall be used to pay the Manager until the Manager's Accrued Shortfall balance has been reduced to zero, and then any remaining monies shall be transferred by Agency into the Gain-Loss Reserve Account. Upon termination of this Conference Center Management Agreement, the Manager shall have no further obligation to reimburse the Gain-Loss Reserve Account, but shall have no right to recover any Accrued Shortfall balance that remains owing as of the date of the termination of this Conference Center

Management Agreement. Any dispute over the Manager's obligation to reimburse the Gain-Loss Reserve Account shall be resolved in accordance with the Dispute Resolution Procedures.

6.5 Agency Obligation. The parties anticipate that there will always be sufficient funds in the Gain-Loss Reserve Account to fund any Working Capital Shortfalls and Capital Projects during the Fiscal Year. As described in subsection 6.3 above, if there are not sufficient funds in the Gain-Loss Reserve Account to fund any Working Capital Shortfall and Capital Projects during the Fiscal Year, then the Manager has agreed to accelerate its obligations as described in the second row of the table set forth in subsection 6.3 above. If the Manager has fully accelerated all of its obligations as described in that table and if the Manager has funded its payment obligations under subsection 6.4 above, then the Agency shall be solely responsible to fund any remaining Working Capital Shortfalls and Capital Projects.

ARTICLE 7

CAPITAL PROJECTS AND ORDINARY REPAIRS

7.1 Funding of Capital Projects. The Manager shall be entitled to draw monies from the Gain-Loss Reserve Account as provided in subsection 6.3 to fund the Capital Projects Approved in the Annual Operating Projection for that Fiscal Year. If the Manager draws monies from the Gain-Loss Reserve Account to fund a Capital Project of an Emergency Nature that was unanticipated at the time the Annual Operating Projection was Approved and such draw results in a condition under which sufficient Gain-Loss Reserve Account monies are not expected to be sufficient to fund both the Agency's Working Capital Shortfall obligation and all of the Approved Capital Projects, the Manager shall prioritize the Capital Projects that have not been funded and shall only be permitted to undertake such Capital Projects for which there are (or are expected to be) sufficient Gain-Loss Reserve Account funds. Those Capital Projects not undertaken shall become priority projects in the next Fiscal Year's Annual Operating Projection. Nothing contained in this subsection 7.1 shall relieve the Agency of the obligation to fund from the Gain-Loss Reserve Account any Capital Project of an Emergency Nature.

7.2 Ordinary and Non-Structural Repairs and Maintenance. The Manager shall, from time to time, make expenditures from the Agency Account (and to the extent necessary, the Gain-Loss Research Account) for ordinary and non-structural repairs and Maintenance as required by Governmental Requirements or as it reasonably deems necessary to Maintain the Conference Center Complex in good operating condition and in compliance with the Quality Standards and such expenditures shall be considered Operating Expenses. If any such repairs or Maintenance shall be made necessary by any condition against the occurrence of which the Agency has received a guaranty or warranty covering the buildings of the Conference Center Complex or of any supplier of labor or materials for the construction of the Conference Center Complex, then the Manager may invoke said guarantees or warranties in the Agency's or Manager's name and the Agency will cooperate with the Manager in the enforcement thereof.

7.3 Capital Improvements and Repairs. The Manager shall, from time to time, make such alterations, additions, improvements, repairs and replacements in or to the Conference Center Complex as the Agency and the Manager shall Approve or as may be necessary to comply with any Governmental Requirements, or to Maintain the Conference Center Complex in compliance with the Quality Standards, and same shall be made with as little hindrance to the operation of the Conference Center Complex as possible. The Manager shall use its best

business efforts to prevent any liens from being filed against the Conference Center Complex, which arise from any such work and, if any such liens are filed, shall promptly obtain the release thereof.

7.3.1 The Manager shall provide the Agency, as part of the Annual Operating Projection, a one-year and five-year schedule of items that can be reasonably anticipated as necessary Capital Projects. The purpose of this schedule is to allow the Agency to budget for such projects in its capital budget for the ensuing year and to prepare and update a long-range (five-year) capital budget. The Manager's failure to list particular items or projects shall not be deemed a waiver of the Agency's obligation to authorize disbursements to the Manager from the Gain-Loss Reserve Account for such capital expenditures. The Manager shall not be permitted to propose Capital Projects in the Annual Operating Projection for which there will not be, based on the cash flow forecast contained in the Annual Operating Projection, sufficient Gain-Loss Reserve Account monies to fund such projects.

7.3.2 If repairs to the Conference Center Complex are of an Emergency Nature, the Manager may make such repairs, and the Agency shall authorize disbursements to the Manager for the full amount of the emergency repair from the Gain-Loss Reserve Account.

ARTICLE 8 RESERVED

ARTICLE 9 INSURANCE

9.1 Insurance Coverage. The Agency or the Manager, at the direction of the Agency, shall provide and maintain, as an Operating Expense, insurance sufficient to furnish to the Agency and the Manager reasonable and adequate protection in the management and operation of the Conference Center Complex. Such insurance shall provide coverage for comprehensive general liability, automobile, garage keepers' liability, excess/umbrella liability, property insurance and machinery, all as more particularly set forth in the attached Exhibit 9.1. All insurance shall be in the name of the Agency and the Manager as the insureds and shall contain riders and endorsements adequately protecting the interests of the Manager as it may appear including, without limitation, provisions for at least twenty (20) days' notice to the Manager of cancellation or of any material change therein. Prior to the Commencement Date and the commencement of each Fiscal Year thereafter, the party providing insurance shall furnish the other party with certificates (ACORD Form 27) evidencing the insurance coverages required pursuant to Exhibit 9.1 and with evidence of the payment of premiums therefor. The Agency agrees that it will utilize the Manager's insurance program to satisfy the requirements of this subsection 9.1 unless the Agency can obtain more comprehensive coverages at a better price and on more advantageous terms. It shall be the Manager's obligation as the employer, at the Agency's expense, to obtain Workers Compensation, Crime/Fidelity Bond, and Employment Practices coverages as set forth in Exhibit 9.1. If the Agency becomes the employer, this obligation shall become the responsibility of the Agency at its own expense.

9.2 Waiver of Subrogation - the Agency Assumes Risk of Adequacy. The Agency shall have all policies of insurance provide that the insurance company will have no right of subrogation against either party hereto, their agents or employees. The Agency assumes all risks

in connection with the adequacy of any insurance or self-insurance program, and subject to the provisions of Article 14 hereof, waives any claim against the Manager for any liability, costs or expenses arising out of any uninsured claim, in part or in full, of any nature whatsoever, other than that arising from the negligence or willful misconduct of the Manager.

ARTICLE 10 TAXES AND UTILITIES

10.1 Taxes. The Agency shall be solely responsible for payment of any real property taxes and assessments on the Conference Center Complex, and the Hotel Owner, shall be solely responsible for the payment of any real property taxes or assessments on the Hotel. The parties presently expect that the Conference Center Complex will not be subject to real property taxation or assessments. Any obligation to pay real property taxes or assessments by the Agency shall not be an Operating Expense. Notwithstanding the foregoing, to the extent the Parking Facility is subject to real property taxation or assessments, the obligation to pay real property taxes or assessments on the Parking Facility shall be shared between the Agency, as the owner of the Conference Center Complex, and the Hotel Owner. Those real estate taxes and assessments shall be shared on the basis of a ratio determined based on the number of parking spaces allocated to each Facility. The Hotel will be allocated 200 parking spaces and the Conference Center Complex will be allocated the balance of the parking spaces. The real property taxes or assessments against the Parking Facility will be shared and paid based on that ratio. If the Conference Center Complex is subject to real property taxation or assessments, then the Agency, at the Agency's sole expense, may contest the validity or the amount of any such tax or assessment provided that such contest does not materially jeopardize the Manager's or the Agency's rights under this Conference Center Management Agreement. Either party, at its sole expense, may contest the validity or the amount of taxes or assessments levied against the Parking Facility provided that such contest does not materially jeopardize the Agency's rights under this Agreement or as the owner of the Parking Facility. Both parties agree to cooperate with the other in executing any documents or pleadings required for such purpose, but the out-of-pocket costs incurred by either party in so doing shall be not be an Operating Expense but shall be paid from the Gain Loss Reserve Account.

10.2 Payment of Sales and Revenue Taxes. The Manager, and not the Agency, shall be fully responsible for collecting and remitting all sales and revenue taxes required under applicable law (with both parties recognizing that the state of Oregon has no such taxes at this time). If the Manager fails to collect and remit to any taxing authority sufficient amounts of such taxes and if such taxes should have been collected by the Manager from a third party and are no longer collectible, then the Manager shall be required to pay any shortfalls out of its own funds and shall not be entitled to any reimbursement of such payments notwithstanding any other terms or provisions of this Conference Center Management Agreement.

ARTICLE 11 DAMAGE OR DESTRUCTION; CONDEMNATION

11.1 Damage or Destruction.

(a) If, during the Management Term, the whole or any part of the real or personal property used in the operation of the Conference Center Complex is damaged or destroyed by a fire or other casualty required to be covered by the insurance described in Article 9 above, then, subject to subsection 4.2(b) above and Section 6.2 of the REOU Agreement, the Agency shall repair, restore, replace, or rebuild the Conference Center Complex as nearly as is reasonably possible to the value, condition, and character of the Conference Center Complex immediately prior to the occurrence of the damage or destruction. The Manager shall cooperate with the Agency in obtaining all property damage insurance proceeds payable with respect to the peril or event so that the same shall be available to the Agency as the restoration progresses.

(b) If, during the Management Term, the whole or any part of the Conference Center Complex is damaged or destroyed by a fire or other casualty and either subsection 4.2(b) is applicable or Section 6.2 of the REOU Agreement is applicable, then the Agency may terminate this Conference Center Management Agreement by giving written notice to the Manager.

(c) If the Agency is required to repair or rebuild the Conference Center Complex following a fire or other casualty pursuant to this subsection 11.1 or chooses not to terminate this Conference Center Management Agreement pursuant to subparagraph (b) above, then the Agency shall commence the restoration as soon as practicable after the occurrence of the damage or destruction and shall complete the work with due diligence. If a right of termination does exist, the obligation to commence the restoration shall be delayed until the earlier of the giving of the applicable notice of termination (in which event the obligation shall not become operative) or the expiration of the applicable notice period or the written waiver of the right of termination (in which event the obligation to commence and complete the restoration as provided in this Article shall become operative immediately).

11.2 Condemnation.

(a) In the event of a Total Condemnation during the Management Term, this Conference Center Management Agreement shall terminate on the earlier of the date when (i) possession of the Conference Center Complex is taken by the relevant governmental authority or (ii) title to the Conference Center Complex vests in the relevant governmental authority (the "Condemnation Date").

(b) In the event of a condemnation which is less than a Total Condemnation during the Management Term for which neither the Agency nor the Manager exercises (or has the right to exercise) its right to terminate this Conference Center Management Agreement, then, subject to Section 7.2 of the REOU Agreement, the Agency shall repair, restore, replace, or rebuild the Conference Center Complex as nearly as is reasonably possible to the value, condition, and character of the Conference Center Complex immediately prior to the occurrence of the condemnation. If the Agency is required to repair or rebuild the Conference Center Complex following such a condemnation pursuant to this subsection 11.2, the Agency shall

commence the restoration as soon as practicable after the occurrence of the condemnation and shall complete the work with due diligence. If a right of termination does exist, the obligation to commence the restoration shall be delayed until the earlier of the giving of the applicable notice of termination (in which event the obligation shall not become operative) or the expiration of the applicable notice period or the written waiver of the right of termination (in which event the obligation to commence and complete the restoration as provided in this Article shall become operative immediately).

ARTICLE 12

EVENTS OF DEFAULT; REMEDIES

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

12.1 Manager Event of Default. The Manager shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Conference Center Management Agreement to be kept, observed or performed by the Manager, and such default shall continue for a period of thirty (30) days after notice thereof by the Agency to the Manager, unless it is impossible for such breach or non-compliance to be remedied or corrected within such time due to no fault of the Manager, in which event, the Manager shall diligently pursue such remedy or correction until completion which shall be accomplished as soon as reasonably possible.

12.2 Agency Event of Default. The Agency shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Conference Center Management Agreement to be kept, observed or performed by the Agency, and such default shall continue for a period of thirty (30) days after notice thereof by the Manager to the Agency, unless it is impossible for such breach or non-compliance to be remedied or corrected within such time due to no fault of the Agency, in which event, the Agency shall remedy or correct such breach or non-compliance as soon as reasonably possible.

12.3 Remedies. Upon an Event of Default, each party shall have all rights and remedies available at law or in equity, including a right to recover damages; provided, however, that except as expressly permitted in subsection 4.2, neither party may terminate the Conference Center Management Agreement as a consequence of an Event of Default by the other party.

ARTICLE 13

TRANSFER RESTRICTIONS

13.1 Assignment by Manager. Manager acknowledges that Agency is relying upon the personal knowledge, expertise and experience of the Manager in entering into this Agreement, and that its rights under this Agreement may not be assigned nor its duties and obligations delegated. The Manager shall not assign, pledge, encumber or otherwise transfer this Conference Center Management Agreement without the prior written approval of the Agency as detailed in subsection 2.9.5; provided, however, that the Manager shall have the right, without such approval, to assign its interest in this Conference Center Management Agreement to (a) any of its Affiliates or (b) any successor by merger or consolidation with the Manager that does not result in a Change of Control Event. In the event of approval by the Agency to an assignment of this Conference Center Management Agreement by the Manager, no further assignment shall be made without

the express approval in writing of the Agency, as described in subsection 2.9.5, unless such assignment may otherwise be made without such consent pursuant to the terms of this Conference Center Management Agreement. An assignment by the Manager of its interest in this Conference Center Management Agreement pursuant to clause (a) or (b) above shall not relieve the Manager from its obligations hereunder and any assignee must assume and agree to be bound by the provisions of this Conference Center Management Agreement, and any other assignment that is approved by the Agency shall release the Manager from any obligation that may accrue under this Conference Center Management Agreement after the date of the assignment.

13.2 Assignment by Agency. The Agency shall have the right, without the consent of the Manager but after written notice to Manager, to transfer its interest in this Conference Center Management Agreement to any Mortgagee, to any governmental entity, which entity, by acquiring ownership of the Conference Center Complex, must assume and agree to be bound by the provisions of this Conference Center Management Agreement. Upon any such assignment by the Agency, the Agency shall be relieved of all liabilities and obligations under this Conference Center Management Agreement accruing after the effective date of such assignment.

ARTICLE 14

INDEMNIFICATION AND LIMITATION OF LIABILITY

14.1 Indemnification and Limitation of Liability. Subject to the provisions of Article 6, the Agency shall hold harmless, indemnify and defend the Manager and its Affiliates and their respective agents, employees, officers, managers and members from and against all claims (administrative or judicial), damages, losses and expenses (including, but not limited to, attorney fees for pre-trial, trial and appellate proceedings, accounting fees, appraisal fees and consulting and expert witness fees) arising out of or resulting from the Manager's activities performed pursuant to this Conference Center Management Agreement, any past or future building code or life/safety code violations, and injury to person(s) and damage to property or business by reason of any cause whatsoever in and about the Conference Center Complex or elsewhere, and any requirement or award relating to course of employment, working conditions, wages and/or compensation of employees or former employees at the Conference Center Complex, unless such injury or damage is caused by the negligence, willful misconduct or fraud on the part of the Manager or its Affiliates or their respective agents, employees, representatives or independent contractors. Any indemnification shall apply regardless of whether said claim, damage, loss or expense is covered by insurance as herein provided.

14.2 Manager's Indemnification. Subject to the provisions of Article 6, the Manager shall hold harmless, indemnify and defend the Agency, its agents, employees, officers, and officials, from and against all claims, damages, losses and expenses (including, but not limited to, attorney fees for pre-trial, trial and appellate proceedings) arising out of or resulting from the Manager's negligence, willful misconduct or fraud.

14.3 Indemnification Procedure. Upon the occurrence of an event giving rise to indemnification, the party seeking indemnification shall notify the other party and provide the other party with copies of any documents reflecting the claim, damage, loss or expense. The party seeking indemnification is entitled to engage such attorneys and other persons to defend against the claim, damage, loss or expense, and the party seeking indemnification shall not

approve any expenses without Approval from the Agency. The party providing indemnification shall pay the reasonable charges and expenses of such attorneys and other persons on a current basis within thirty (30) days of submission of invoices or bills. If any claim, lawsuit or action (administrative or judicial) is maintained against the Manager, the Agency or the Conference Center Complex due to allegations or actions of the Agency arising prior to the Management Term, the Agency shall bear full and complete responsibility for the defense of the Conference Center Complex, the Agency, and the Manager, specifically including all legal fees and necessary and attendant expenses for the vigorous defense and representation of the interests of the Manager (for pre-trial, trial and appellate proceedings), the Conference Center Complex and the Agency.

14.4 Citizen Suits. Subject to the provisions of Article 6, the Agency shall hold harmless, indemnify and defend the Manager and its Affiliates and their respective agents, employees, officers, managers and members from and against all claims (administrative or judicial), damages, losses and expenses relating to any lawsuits or other challenges to (i) the Agency's creation and authorization of the Conference Center project; (ii) the Manager's management activities under this Conference Center Complex Management Agreement; or (iii) the Developer's services under the Professional Services Development Agreement – Conference Center (as long as such suit is not based on an alleged failure of Manager to fulfill its obligations under this Conference Center Management Agreement or under the Professional Services Development Agreement – Conference Center).

ARTICLE 15 REPRESENTATIONS AND WARRANTIES

15.1 Representations and Warranties of the Agency. To induce the Manager to enter into this Conference Center Management Agreement, the Agency does hereby make the following representations and warranties:

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

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

(c) neither the consummation of the actions contemplated by this Conference Center Management Agreement on the part of the Agency to be performed, nor the fulfillment of the terms, conditions and provisions of this Conference Center Management Agreement, conflicts with or will result in the breach of any of the terms, conditions or provisions of, or

constitute a default under, any agreement, indenture, instrument or undertaking to which the Agency is a party or by which it is bound.

15.2 Representations and Warranties of Manager. To induce the Agency to enter into this Conference Center Management Agreement, the Manager does hereby make the following representations and warranties:

(a) the execution of this Conference Center Management Agreement is permitted by the Articles of Organization and Operating Agreement of the Manager, and this Conference Center Management Agreement has been duly authorized, executed and delivered and constitutes the legal, valid and binding obligation of the Manager enforceable in accordance with the terms hereof:

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

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

ARTICLE 16 MISCELLANEOUS

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

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

16.3 Successors and Assigns. This Conference Center Management Agreement shall be binding upon and inure to the benefit of the Agency, its successors and permitted assigns, and shall be binding upon and inure to the benefit of the Manager, its successors and permitted assigns.

16.4 Governing Law. This Conference Center Management Agreement shall be governed by the laws of the state of Oregon.

16.5 Amendments. This Conference Center Management Agreement may not be modified, amended, surrendered or changed, except by a written instrument executed by the Agency and the Manager.

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

16.7 Inspection Rights. The Agency shall have the right to inspect the Conference Center Complex and examine the books and records of the Manager pertaining to the Conference Center Complex at all reasonable times during the Management Term (and for 18 months thereafter) upon reasonable notice to the Manager, and the Agency shall have access to the Conference Center Complex and the books and records pertaining thereto at all times during the Management Term (and for 18 months thereafter), all to the extent consistent with applicable law and regulations and the rights of guests, tenants and concessionaires of the Conference Center Complex.

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

16.9 No Representation. In entering into this Conference Center Management Agreement, the Manager and the Agency acknowledge that neither the Agency nor the Manager has made any representation to the other regarding projected earnings, the possibility of future success or any other similar matter respecting the Conference Center Complex, and that the Manager and the Agency understand that no guaranty is made to the other as to any specific amount of income to be received by the Manager or the Agency or as to the future financial success of the Conference Center Complex.

16.10 Relationship. The relationship of the Agency and the Manager shall be that of principal and agent. Neither this Conference Center Management Agreement nor any agreements, documents or transactions contemplated hereby shall in any respect be interpreted, deemed or construed as making the Manager a partner or joint venturer with the Agency or as creating any similar relationship or entity, and the Agency agrees that it will not make any

contrary assertion, contention, claim or counterclaim in any action, suit or other legal proceeding involving the Manager and the Agency.

16.11 Entire Agreement. The Project Agreements constitute the entire agreements between the parties relating to the subject matter hereof, superseding all prior agreements or undertakings, oral or written.

16.12 Force Majeure. In the event of an occurrence of an event of *Force Majeure* (a "Force Majeure Event"), then the Manager or the Agency, as applicable, shall be deemed to be excused from performance of those obligations hereunder which such Force Majeure Event has adversely affected the ability of such party to perform.

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

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

16.15 Notices. Any notice, consent, approval, or other communication which is provided for or required by this Conference Center Management Agreement must be in writing and may be delivered in person to any party or may be sent by a facsimile transmission, telegram or telex, courier or registered or certified U.S. mail, with postage prepaid, return receipt requested. Any such notice or other written communications shall be deemed received by the party to whom it is sent (a) in the case of personal delivery, on the date of delivery to the party to whom such notice is addressed as evidenced by a written receipt signed on behalf of such party, (b) in the case of facsimile transmission or telegram, two (2) business days after the date of transmission, (c) in the case of courier delivery, the date receipt is acknowledge by the party to whom such notice is addressed as evidenced by a written receipt signed on behalf of such party, and (d) in the case of registered or certified mail, the earlier of the date receipt is acknowledged on the return receipt for such notice or three (3) business days after the date of posting by the United States Post Office. For purposes of notice, the addresses of the parties hereto shall be as follows, which addresses may be changed at any time by written notice given in accordance with the provision:

If to Agency:

The Urban Renewal Agency of Salem, Oregon
c/o C. Randall Tosh
City of Salem, Oregon
Legal Department
555 Liberty Street, S.E., Room 205
Salem, OR 97301-3503
Telephone No.: (503) 588-6085
Facsimile No.: (503) 361-2202
Email Address: rtosh@open.org

with a copy to:

Timothy J. Sercombe, Esq.
Preston Gates & Ellis LLP
222 SW Columbia Street, Suite 1400
Portland, Oregon 97201
Telephone No.: (503) 228-3200
Facsimile No.: (503) 248-9085
Email: tsercombe@prestongates.com

If to Manager:

The Salem Group, LLC
29757 SW Boones Ferry Road
Wilsonville, Oregon 97070
Attention: Steven V. Johnson
Telephone No.: (503) 682-9284
Facsimile No.: (503) 682-9257
Email Address: steve.j@vipsinc.net

Failure of, or delay in delivery of any copy of a notice or other written communication shall not impair the effectiveness of such notice or written communication given to any party to this Conference Center Management Agreement as specified herein. The parties agree that upon giving any notice or other written communication in accordance with the foregoing procedure they shall each then use their reasonable best efforts to advise the other party by telephone that a written communication has been sent under this Conference Center Management Agreement; such telephonic advice shall not impair the effectiveness of any written communication otherwise given in accordance with this Section. If a Mortgagee for one party notifies the other party that a Mortgage has been placed against the Hotel or the Conference Center Complex and provides a notice address, then any written notice shall also be sent to such Mortgagee at that notice address.

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

16.17 Dispute Resolution Procedures. If a dispute should arise concerning the interpretation or application of any of the provisions of any Project Agreement, including this Conference Center Management Agreement, the parties agree the dispute shall be resolved in accordance with the Dispute Resolution Procedures.

16.18 Exclusive Compensation. The payments to be made to the Manager hereunder shall be in lieu of all other or further compensation or commissions of any nature whatsoever for

the services described herein and this Conference Center Management Agreement shall be considered as a special agreement between the parties hereto covering the appointment and compensation of the Manager to the exclusion of any other method of compensation unless otherwise agreed to in writing.

16.19 No Debt or Pledging of Tax Increment Revenue. The parties acknowledge and agree that the Agency has not pledged any of its tax increment revenues to any amounts due under this Agreement. The parties further acknowledge and agree that the Agency's outstanding and future bonds, notes and other debt obligations have a superior lien on the tax increment revenues to any amounts due under this Agreement and that the obligations of the Agency do not constitute a debt of the Agency or the City or any other political subdivision of the state.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the Agency and the Manager have executed this Conference Center Management Agreement as of the date first above written.

AGENCY:

THE URBAN RENEWAL AGENCY OF THE
CITY OF SALEM

By: Robert D. DeLong
Name: Robert D. DeLong
Title: City Manager of the City of Salem,
Oregon, Acting as the Authorized
Agent of the Urban Renewal Agency
of the City of Salem

MANAGER

THE SALEM GROUP, LLC

By: VIP'S HOTELS, INC. MEMBER
By: STEVE V. JOHNSON
Name: STEVE V. JOHNSON
Title: PRESIDENT

By: WINSTON DEVELOPMENT COMPANY, MEMBER
By: STEVE V. JOHNSON
Name: STEVE V. JOHNSON
Title: PRESIDENT

SCHEDULE OF DEFINITIONS

Terms used in any of the Project Agreements that are not specifically defined therein shall have the following meanings (and not every defined term in this Schedule will be used in every Project Agreement to which it is attached):

- Accounting Period: means each of twelve (12) accounting periods consisting of one (1) full (or partial, as is likely to be the case in the first accounting period of the first Fiscal Year and the last accounting period in which the termination of the Conference Center Management Agreement occurs) calendar month occurring each Fiscal Year.
- Accrued Shortfalls: shall have the meaning set forth in subsection 6.4 of the Conference Center Management Agreement.
- Affiliate: means any parent, subsidiary, affiliated or related corporation, limited liability company or other entity of the Manager, or any officer, director, employee, member or stockholder of the Manager or of any said parent, subsidiary, affiliated or related corporation, limited liability company or other entity, except a stockholder or member owning less than ten percent (10%) of the issued and outstanding stock or membership interests of the Manager or of such parent, subsidiary, affiliated or related corporation, limited liability company or other entity.
- Agency: means the Urban Renewal Agency of the City of Salem, Oregon, a quasi-municipal corporation of the State of Oregon.
- Agency Account: means a special account or accounts, bearing the name of the Conference Center Complex, established by the Manager in a bank or trust company selected by the Manager and Approved by the Agency.
- Annual Operating Projection: means schedules containing the annual operating projections for the Conference Center Complex and certain other matters prepared and submitted by Manager to the Agency pursuant to the Conference Center Management Agreement.
- Approval or Approved: means prior written approval which, except as otherwise provided in the Project Agreements, shall not be unreasonably withheld, conditioned or delayed. If a party desires to ensure that a party has either given or withheld its Approval within a certain period of days, then the party may provide its request for Approval in writing by certified mail, return receipt requested, and indicate in the notice that it will be deemed approved if not disapproved within fifteen (15) days. A request sent by certified mail, return receipt requested, shall be deemed made five (5) business days following the date of mailing. The other party shall have fifteen (15) days in which to grant or deny its Approval. If a request is sent by certified mail, return receipt requested, and if the party to whom the notice is directed does not respond within the 15-day period, then the Approval shall be deemed given. A party seeking Approval who provides notice in any other manner shall not be entitled to the presumption that the Approval is automatically

given if no response is made within the 15-day period. All notices shall be sent to the addresses specified in the Project Agreements.

- Architect: means LMN Architects, a Washington corporation, registered to do business in the state of Oregon.
- Banquet Equipment: means items of that generally can be used to service banquets in the Conference Center Complex including tables, chairs, podiums, portable bars, display/exhibit tables, buffet lines, dance floors, standard audio visual equipment (flip charts, screens, etc.), warming/serving carts, audio-visual equipment, vacuums, steam cleaners, trash receptacles, none of which shall be marked with any service marks of the Hotel. Banquet Equipment shall not be used in the Hotel or in the Restaurant. All Banquet Equipment shall be the property of the Agency.
- Benefited Parcels: means the Parcels benefiting from a particular Easement or other right and deemed to be the dominant tenement.
- Benefited Party: means the party benefiting from a particular Easement (as hereinafter defined) or other right.
- Booking Policy: shall have the meaning set forth in subsection 2.7 of the Conference Center Management Agreement.
- Building Easement: means the agreement between The Salem Group, LLC and Agency, dated July 18, 2003.
- Burdened Parcels: means the Parcels bound and burdened by a particular Easement or other right and deemed to be the servient tenement.
- Burdened Party: means the party bound and burdened by a particular Easement or other right.
- Buyer: shall have the meaning set forth in Section 6.2 of the REOU Agreement.
- CVB: means the Convention and Visitors' Bureau of the City.
- Capital Projects: means projects relating to FF&E repairs and replacements and other nonroutine repairs, alterations, maintenance, and refurbishment to the Conference Center Complex that are normally capitalized under GAAP, including, by way of example, but not limited to, exterior and interior repainting, mechanical systems, elevators, floors and roofs.
- Change of Control Event: means, with respect to The Salem Group, LLC, any change in management control such that neither Bob Smith, Steven Johnson nor VIP's (or any one of them) is actively involved in controlling and overseeing the business operations of The Salem Group, LLC. Change of Control as to any other entity means the sale or

transfer of more than fifty percent (50%) of the ownership interests or a change in the control of the management of that entity.

- City: The city of Salem, Oregon, a municipal corporation established under the laws of the state of Oregon.
- Commencement Date: for purposes of the Conference Center Management Agreement means the date upon which the Conference Center Complex is legally allowed and actually begins to accept and service business within the Conference Center Complex.
- Concession Areas: means any area within the Conference Center Complex where food and beverage products are sold from permanent or built-in display/preparation/sales equipment. Concession Areas include condiment display areas, seating/standing areas, areas containing trash receptacles for concession patrons and other areas within an approximate 50-foot radius of the concession counter. The Concession Areas are part of the Conference Center Complex.
- Condemnation Date: shall have the meaning set forth in subsection 11.2(a) of the Conference Center Management Agreement.
- Conference Center Complex: means the planned meeting space to be developed on the Conference Center Parcel which shall include, without limitation, approximately 72,000 gross square feet of conference center space, including a grand ballroom, a junior ballroom, exhibit space, meeting rooms, support pre-function and circulation areas, parking and supporting back-of-house areas and related furniture, fixtures, operating supplies and equipment and the Kitchen Facilities and Support Facilities, as long as the Master Lease is in place, all as more fully set forth in the Plans.
- Conference Center Management Agreement: means that certain Conference Center Management Agreement between the Agency and the Manager covering the management of the Conference Center Complex.
- Conference Center Parcel: means the parcel of land located in the City, more fully described in Exhibit A attached to and made a part of the REOU Agreement, together with all of the rights, easements and appurtenances pertaining to such land.
- Contractor means Rushforth Construction Company, Inc., a Washington corporation, registered to do business in the state of Oregon.
- Cost of Operations: means (i) the costs of food, non-alcoholic beverages, alcoholic beverages and any other product that contributes to Gross Agreement Revenues served to both customers and employees, at gross invoice prices less trade discounts (but not cash discounts) plus transportation, storage and delivery charges. To these costs shall be credited commissary sales, steward sales, refunded beverage deposits, and other miscellaneous offsets to costs; (ii) the costs of salaries and wages of all employees employed by Manager including vacation pay, severance pay, bonus, incentive pay,

gratuity disbursements, and holiday pay; (iii) the costs of Employee benefits including payroll taxes, insurance, pension benefits and other benefits customary in the conference center industry; (iv) normal other expenses attendant to providing a food and beverage concession operation including the cost of China; Glassware; Silver; Linen; Contract Cleaning; Laundry & Dry Cleaning; Licenses; Music and Entertainment; Operating Supplies (Utensils, cleaning supplies, guest supplies, paper supplies, printing and stationary and menus); Uniforms and miscellaneous costs as such expense are defined under for a Food and Beverage Department in the Uniform System of Accounts for the Hotels; (v) a pro-rata share of the utilities consumed in the operation of the Kitchens and Restaurant; (vi) a pro-rata share of Conference Center Complex Security costs; (vii) applicable taxes, insurance and equipment rental expenses; (viii) Manager's Smallwares Fund contribution; and (ix) any other costs directly related to providing the services required under the Agreement.

- Default Rate: means twelve percent (12%) per annum.
- Deficit Lien: shall have the meaning set forth in Section 9.1 of the REOU Agreement.
- Developer: shall have the meaning set forth in Recital H of the REOU Agreement and the recitals of the Development Agreements and shall include Developer's successors and assigns and any replacement developer.
- Development Agreements: shall have the meaning set forth in the Recitals of the REOU Agreement.
- Dispute Notice: shall have the meaning set forth in subsection 10.1.1 of the REOU Agreement.
- Dispute Resolution Procedures: shall have the meaning set forth in Section 10.1 of the REOU Agreement.
- Easement for Construction: means the right to obtain access to such portions of the Burdened Parcels as is reasonably necessary for the purpose of performing the initial construction of improvements contemplated in the REOU Agreement, or in the Plans, on or in any part of the Benefited Parcels; provided, that such construction is performed in accordance with the Plans, and such access is temporary and does not unreasonably interfere with or have a Material Adverse Effect on the use, development or operation of such Burdened Parcels by the Burdened Party and/or the Occupants thereof, and further provided that such Benefited Party shall provide such Burdened Party with written notice thereof at least ten (10) days before the commencement of such access describing in reasonable detail: (i) the nature and scope of the construction; (ii) the projected time for completion of the construction; and (iii) the specific affected areas within the Burdened Parcels.
- Easement for Emergency Ingress and Egress: means, in the event of an Emergency, such temporary Easements as are reasonably necessary for the preservation or life and/or property, including the right to use all stairways, escalators, ramps,

corridors, entrances and exits, including access thereto, located within the Burdened Parcels for emergency ingress or egress of all Occupants and Permittees.

- **Easement for Maintenance:** means the right to use the Burdened Parcels for purposes of performing Maintenance to the Benefited Parcels. Such Maintenance shall be performed in accordance with the REOU Agreement and shall not interfere unreasonably with or have a Material Adverse Effect on the use, development or operation of such Burdened Parcels by the Burdened Party and/or the Occupants and Permittees.
- **Easement for Parking Facility:** The Parking Facility is owned by the Agency and constructed partially upon the Conference Center Parcel and partially upon the Hotel Parcel. The Hotel Owner shall have an easement over and across that portion of the Parking Facility located on the Conference Center Parcel necessary for motor vehicles, bicycles and pedestrians to access and use that portion of the Parking Facility located on the Conference Center Parcel. The Agency shall have an easement over and across that portion of the Parking Facility located on the Hotel Parcel necessary for construction, replacement, repair and maintenance of the facility and for motor vehicles, bicycles and pedestrians to access and use that portion of the Parking Facility located on the Hotel Parcel. Additionally, if there are roadway or accessways located on the Hotel Parcel or the Conference Center Parcel that are designed to access the Parking Facility, then the easements shall extent to and include those roadways and accessways. Two hundred (200) of the parking spaces shall be allocated for Hotel use and the balance for the Conference Center Complex use.
- **Easement for Pedestrian Access:** means the right to use the Burdened Parcels for pedestrian ingress and egress in areas identified on the Easement Plan as "Pedestrian Access" areas, or as otherwise agreed to by the Burdened Party and the Benefited Party, including, but not limited to, transporting such materials as can be carried by pedestrians.
- **Easement for Utilities:** means the right to use the Burdened Parcels for the purpose of the installation, Maintenance, operation and use of one or more utility lines, pipes, conduits, ducts, vents, cables, wire, conductors, and related equipment in, on or across the Burdened Parcels as identified in the Utility Plan. Such installation rights include the right to locate, within the Burdened Parcels, mechanical equipment, electrical equipment, life safety equipment (including, without limitation, smoke and fire detection systems, and related fixtures and equipment), utility lines, pipes, conduits, cables, transformers, switchgear, circuit breakers, wires, conductors, chases, ducts, stand pipes, ventilation systems or other utility facilities, for the purposes of providing electric service, potable water, gas service, life safety service, ventilation service, telecommunications service, sanitary sewer service, and any other utility service commonly used by commercial users to the Benefited Parcels in such areas identified in the Utility Plan or otherwise agreed to by the Benefited Party and the Burdened Party. Except for an Emergency, such installation or Maintenance shall be performed in accordance with the REOU Agreement and the Plans and shall not interfere unreasonably with or have a Material Adverse Effect on the use, development or operation of such Burdened Parcels by the Burdened Party and/or the Occupants and Permittees. Upon completion of such installation or

Maintenance, such Benefited Party shall restore the Burdened Parcels to its condition immediately prior to the commencement thereof.

- Easement for Vertical Transportation Use: means the right to use the Vertical Transportation Facilities to provide pedestrian ingress or egress and to transport materials, equipment and freight, in accordance with such reasonable rules and regulations as the Manager (as long as the Conference Center Management Agreement remains in effect) may, from time to time, promulgate in writing.
- Easement Plan: means the plan, as the same may be amended or revised pursuant to the REOU Agreement, including any notes and addenda thereto, illustrating the Pedestrian Access areas, and Vertical Transportation areas. The initial Easement Plan is attached to the REOU Agreement as Exhibit C and made a part thereof. After the Facilities are constructed, as-built plans shall be prepared by the Developer and an amended and restated Easement Plan shall be prepared and recorded as an amendment and supplement to the Easement Plan set forth in Exhibit C.
- Easements: means any easement expressly created or reserved by the REOU Agreement and those depicted in the Easement Plan and the Utility Plan.
- Emergency: means a combination of circumstances or the resulting state that requires immediate action in order to prevent: (i) harm or damage to persons or property; or (ii) important systems from being rendered imminently inoperable.
- Emergency Capital Project Shortfalls: means the amount that exceeds the monies in the Gain-Loss Reserve Account for Capital Projects of an Emergency Nature as of the date of the expenditure.
- Emergency Nature: means a situation which, if not cured immediately, (1) creates an imminent danger to persons or property; (2) an unsafe condition at the Conference Center Complex, threatening persons or property; and/or (3) that if left unrepaired, would materially interfere with the operation of the Conference Center Complex.
- Event of Default: shall have the meaning given to such term in each Project Agreement.
- F&B: means Food and Beverage.
- FF&E: means furniture, furnishings, light fixtures, equipment, food service equipment and all other items of personal property customarily installed in or used in connection with the operation of the Conference Center Complex and the Restaurant.
- Facility: means either the Conference Center Complex or the Hotel, as the context suggests or requires. When used with respect to the Agency, "Facility" means the Conference Center Complex (including ownership of the Parking Facility and while the Master Lease remains in place, then the Kitchen Facility and the Support Facilities) and, when used with respect to the Hotel Owner, "Facility" means the Hotel (including use of

a portion of the Parking Facility and while the Master Lease and the Sublease remain in place, then the Restaurant). "Facilities" mean the Conference Center Complex and the Hotel, collectively.

- Facility Annual Operating Budget: means an annual operating budget, including a capital budget, prepared by the Manager for the Conference Center Complex as more fully described in the Conference Center Management Agreement.
- Final Completion: means completion of all punch list items, delivery and installation of all remaining FF&E and obtaining all final permits that remain undone or not complete following the Commencement Date.
- Fiscal Year: means a calendar Fiscal Year starting on January 1 and ending on December 31 or portion thereof depending upon the Commencement Date and the date of termination (as determined in accordance with Article 4 of the Conference Center Management Agreement).
- Force Majeure: means any of the following which may have a Material Adverse Effect on the Facility or market in which the Facility operates (i) an act of God, (ii) acts of war, (iii) acts of terrorism, (iv) civil disturbance, (v) labor disputes among Facility employees or providers of services, material or equipment, (vi) reasonably unforeseeable weather conditions, (vii) reasonably unforeseeable unavailability of materials, supplies or equipment and delays in transportation, (viii) governmental action (including revocation of any license or permit necessary for the development, construction and/or operation of the Facility not caused by the act or omission of the party owning such Facility), or (ix) any other causes, other than downturns in the local or national economy, that are beyond the control of either party.
- Force Majeure Event: shall have the meaning set forth in Section 16.12 of the Conference Center Management Agreement and in Section 1.1 of the Professional Services Development Agreement – Conference Center.
- GAAP: means generally accepted accounting principles consistently applied.
- Gain-Loss Reserve Account: shall have the meaning set forth in subsection 6.3 of the Conference Center Management Agreement.
- Governmental Requirements: means all laws, statutes, codes, acts, constitutions, ordinances, judgments, decrees, injunctions, orders, resolutions, rules, regulations, permits, licenses, authorizations, administrative orders and other requirements of any federal, state, county, municipal or other government or any subdivision, agency, authority, department, court, commission, board, bureau or instrumentality of any of them having jurisdiction over the Agency, the Hotel Owner and the Facilities, or any of them.
- Gross Revenues: means all revenues, receipts and income of any kind derived directly or indirectly from or in connection with the Conference Center Complex (including, but not limited to, facility or equipment rentals, payments from licensees or

concessionaires, box office sales, utility rental agreements, payments for advertising, signage and naming rights), whether on a cash basis or credit, paid or collected, determined in accordance with GAAP, excluding, however: (1) working capital or other funds furnished by the Agency or the Manager, including those paid from the Gain-Loss Reserve Account, (2) federal, state and municipal excise, sales and use taxes collected directly from patrons and guests or as part of the sales price of any foods, services or displays, such as gross receipts, admissions, cabaret or similar or equivalent taxes and paid over to federal, state or municipal governments, (3) gratuities, (4) rents and charges received under the Sublease and parking fees received from the Hotel Owner under Section 2.7 of the REOU Agreement which shall be paid directly to the Agency, and (5) proceeds of insurance and condemnation except for proceeds of business interruption insurance.

- **Group Services:** means certain services best provided to the Agency and the Manager's Affiliates on a group, rather than on an individual, basis, the cost of which group services shall be without mark-up or profit and shall be allocated on a fair and equitable basis among the Agency and the Manager's Affiliates, benefiting therefrom, in the manner described in the Annual Operating Projections. The Group Services may include: (1) advertising; (2) payroll processing through ADP or a similar company, (3) MIS or IT support services; (4) recruiting and relocation; (5) training; and (6) such other services as the Manager may propose in writing and subject to the Agency's Approval.
- **Hotel:** means the business-class hotel, having approximately one hundred and ninety-four (194) guest rooms, to be developed by Developer on or about the Hotel Parcel, to include, at the discretion of the Hotel Owner, guestrooms and suites, retail space, appropriate support facilities such as a restaurant(s), a lounge(s) or bar(s), and supporting back-of-the-house areas, together with such other amenities and features characteristic of a business-class hotel. The term "Hotel" includes the Restaurant as long as the Master Lease and Sublease remain in place.
- **Hotel Management Agreement:** has the meaning given to such term in subsection 2.9.5 of the Conference Center Management Agreement.
- **Hotel Owner:** shall mean The Salem Group, LLC, an Oregon limited liability company, and its permitted successors and assigns.
- **Hotel Parcel:** that portion of the Land that will be owned by the Hotel Owner which will contain the Hotel, the Restaurant Pad, the Kitchen Pad and the Support Facilities, and is more fully set forth and described in Exhibit B attached to and made a part of the REOU Agreement, together with all of the rights, easements and appurtenances pertaining to the Land.
- **Independent Auditor:** means a reputable firm of independent certified public accountants having appropriate experience and Approved by the Agency.
- **Initial Term:** shall have the meaning set forth in subsection 4.1 of the Conference Center Management Agreement.

- Inventories: means “inventories of merchandise” and “inventories of supplies” as defined by GAAP, such as food and beverage inventories, paper products, menus, expendable office and kitchen supplies, fuel, cleaning supplies, reserve stocks and similar items all necessary to the operation of the Conference Center Complex.
- Kiosk Areas: means any area within the Conference Center Complex, other than concession areas, where food and beverage products are vended from portable or moveable display/preparation/sales equipment such as a coffee cart or hot dog stand. Kiosk Areas include any seating/standing areas within an approximate 25-foot radius of any kiosk display. The Kiosk Areas are part of the Conference Center Complex.
- Kitchen Facility: means the catering kitchen located in on the Hotel Parcel used by the Agency pursuant to the Master Lease and all equipment, appliances, cookware, utensils and other items used in connection with food and beverage preparation for events held in the Conference Center Complex.
- Land: means that parcel of land comprising one city block between Liberty Street and Commercial Street and Trade Street and Ferry Street, consisting of approximately 103,000 square feet, which parcel is legally described in the Title Commitment together with all rights, privileges, members licenses and easements appurtenant to such tracts or parcels.
- Legal Requirements: shall have the meaning set forth in subsection 3.1 of the Conference Center Management Agreement.
- Maintenance or Maintain: means any and all of the following if and to the extent applicable: repair, replacement, restoration of damage (whether caused by casualty, condemnation or otherwise), improvement, upkeep (including, but not limited to testing, maintaining, cleaning, washing, painting and decorating) and inspection (including, but not limited to, inspection for the purpose of reading utility meters and inspections required by Governmental Requirements).
- Management Term: shall mean the term of the Conference Center Management Agreement as set forth in subsection 4.1 of the Conference Center Management Agreement.
- Manager: means The Salem Group, LLC, an Oregon limited liability company, and shall include the Manager’s permitted successors and assigns and any replacement manager.
- Marketing Agreement: that certain Marketing Agreement between the CVB, the City and the Manager relating to the long-term marketing of the Conference Center Complex.
- Master Lease: that certain Master Lease between the Hotel Owner as lessor and the Agency as lessee, having a term of 99 years, dated the same date as the Conference

Center Management Agreement and covering the Restaurant Pad, the Kitchen Pad, and the Support Facilities.

- Material Adverse Effect: means any circumstance or event which individually or in the aggregate could have a material adverse effect on the Facilities, or either of them, or their use, occupancy or operation.
- Mediation Notice: shall have the meaning set forth in subsection 10.1.2 of the REOU Agreement.
- Mortgage: means a deed of trust, mortgage, security agreement, trust indenture, or similar agreement creating a lien upon or security interest in or conveying title to all or any part of or interest in the Hotel Parcel and/or the improvements constituting the Hotel, or the Conference Center Parcel and/or the improvements constituting the Conference Center Complex, as security for a debt.
- Mortgagee: means the holder of a Mortgage.
- Notice Not to Rebuild: shall have the meaning set forth in Section 6.2 of the REOU Agreement.
- Occupant: means a Person legally possessing any part of a Parcel, whether a party or a tenant, subtenant, licensee, concessionaire, operator, or manager.
- Operations Manual: shall have the meaning set forth in subsection 2.8 of the Conference Center Management Agreement.
- Operating Expenses: means any and all expenses reasonably incurred by the Manager in the operation and maintenance of the Conference Center Complex, including, without limitation, (1) operating expenses allocated to the Conference Center Complex pursuant to the REOU Agreement; (2) salaries and employee expense and taxes of employees of the Conference Center Complex, including reasonable salaries, wages, bonuses and other compensation and social benefits (which shall include, but not be limited to, life, medical and disability insurance and retirement benefits); (3) expenditures for ordinary and nonstructural repairs and maintenance necessary to maintain the Conference Center Complex in good operating condition and in compliance with the Quality Standards; (4) expenditures for utilities, insurance, governmental fees and assessments, laundry service; (5) the cost of Inventories and Operating Supplies, license fees; (6) expenditures for advertising, marketing, reservation systems, if any, federal, state and municipal excise, sales and use taxes, except those collected directly from guests and patrons as part of the sales price of any goods, services or displays, such as gross receipts, admissions, cabaret or similar or equivalent taxes and paid over to federal, state or municipal governments; (7) all amounts to be paid into any reserve account other than the Gain-Loss Reserve Account; and (8) rentals paid for items leased in the day-to-day operation of the Conference Center Complex. Operating Expenses specifically exclude (a) capital expenditures paid by Agency for which there were not sufficient funds in the Gain-Loss Reserve Account; (b) amounts paid to the Manager as a fee under subsection 6.2.3 of the

Conference Center Management Agreement; (c) amortization expense; (d) depreciation expense; (e) any part of Manager's central office overhead or general or administrative expense (as opposed to that of the Conference Center Complex); (f) any rent payable by the Hotel Owner under the Sublease; (g) any parking fees payable to the Agency under Section 2.7 of the REOU Agreement; and (h) real property taxes and assessments on either Facility other than real property taxes or assessments on the Parking Facility which are to be shared between the Agency and the Manager as described in subsection 10.1 of the Conference Center Management Agreement. Notwithstanding the foregoing, the following shall be considered Operating Expenses and the Agency shall reimburse the Manager from the Gain-Loss Reserve Account for: (i) the salaries or wages of any officers, directors or employees of the Manager or the Manager's Affiliates who shall be regularly or temporarily employed or assigned on a full-time basis at the Conference Center Complex; (ii) personnel providing professional services to the Manager in connection with matters involving the Conference Center Complex, which services shall be charged at rates which approximate the Manager's Affiliates' costs associated with such personnel (other than those involved in the preparation and negotiation of the Project Agreements); (iii) the out-of-pocket expenses of the Manager incurred for the account of or in connection with the Conference Center Complex operations for reasonable travel expenses of employees, officers and other representatives and consultants of the Manager and its Affiliates, but specifically excluding any charges for fax, telephone, copying, overnight delivery and postage; and (iv) Group Services. The Agency and the Manager acknowledge and agree that certain expenses incurred for the Hotel and the Conference Center Complex, as an integrated project, shall be allocated equitably between the Hotel and the Conference Center Complex as set forth in the Operating Manual, in the REOU Agreement, or as otherwise agreed to among the Agency and the Hotel Owner.

- Operating Supplies: means all chinaware, glassware, linens, silverware, uniforms, utensils and other similar items necessary to the operation of the Conference Center Complex.
- Parcels: means as to the Agency, the Conference Center Parcel, and as to the Hotel Owner, the Hotel Parcel.
- Parking Facility: means the approximately 300-stall parking garage that will be owned by the Agency and located both on the Conference Center Parcel and the Hotel Parcel and serve both the Conference Center Complex and the Hotel Facility.
- Permitted Use: means as to the Conference Center Parcel, a first-class urban convention center together with customary and accessory uses thereto, and as to the Hotel Parcel, a business-class hotel, together with customary and accessory uses thereto, each developed, constructed and operated in accordance with the Quality Standard including the Restaurant.
- Permittees: means the Occupants' officers, directors, partners, members, employees, agents, contractors, subcontractors, licensees, guests, customers, visitors, and invitees, as authorized by the applicable party.

- **Person:** means an individual, partnership, limited liability company, limited liability partnership, unincorporated association, corporation, business trust, or any other form of business or government entity or authority.
- **Personnel:** shall have the meaning set forth in Section 3.7 of the REOU Agreement.
- **Plans:** means the final, Approved drawings and specifications for the construction of the Conference Center Complex and the Hotel, as the same may be revised from time to time by Approval of the parties or pursuant to the Joint Development Agreement. The Plans were prepared by the Architect.
- **Pre-Opening Budget:** shall have the meaning set forth in subsection 2.2 of the Conference Center Management Agreement.
- **Pre-Opening Management Services:** shall have the meaning set forth in subsection 2.2 of the Conference Center Management Agreement.
- **Pre-Opening Management Services Beginning Date:** shall have the meaning set forth in subsection 2.2 of the Conference Center Management Agreement.
- **Project Agreements:** means the (1) Conference Center Management Agreement; (2) REOU Agreement; (3) Joint Development Agreement; (4) Master Lease; (5) Marketing Agreement; (6) Sublease; and (7) Building Easement. The Project Agreements shall not be construed, singularly or together, as a pledging by Agency of any of its tax increment revenues to any amounts due under the agreements. Agency's outstanding and future bonds, notes and other debt obligations shall have a superior lien on the tax increment revenues to any amounts due under the agreements and the obligations of the Agency do not constitute a debt of the Agency or the City or any other political subdivision of the state.
- **Quality Standard:** means the standards of use, operation, Maintenance, repair and housekeeping for the Facilities, including, but not limited to, standards regarding daily Maintenance and routine upkeep, security, signage, temperature control and lighting, more fully described in Exhibit D attached to and made a part of the REOU Agreement.
- **REOU Agreement:** means that certain Reciprocal Easement, Operating and Use Agreement, dated July 18, 2003, entered into between the Agency and the Hotel Owner pertaining to the integration of the Hotel and the Conference Center Complex and the allocation of certain expenses between the Hotel and the Conference Center Complex.
- **Renewal Term:** shall have the meaning set forth in subsection 4.1 of the Conference Center Management Agreement.
- **Restaurant:** the Restaurant Pad that will be master leased to the Agency, subleased by the Agency to the Hotel Owner, and then, with a construction allowance from the Agency, improved by the Hotel Owner with an approximately 6,000 square foot restaurant.

- Restaurant Pad: shall have the meaning set forth in Recital D of the REOU Agreement.
- Seller: shall have the meaning set forth in Section 6.2 of the REOU Agreement.
- Sublease: means that certain sublease between the Agency as sublessor and the Hotel Owner as sublessee having a term of 98 years and 364 days dated July 18, 2003, and covering the Restaurant Pad.
- Support Facilities: shall have the meaning set forth in Recital D of the REOU Agreement.
- Target Balance: shall have the meaning set forth in subsection 6.3.1 of the Conference Center Management Agreement.
- Total Condemnation: shall have the meaning set forth in subsection 4.2(b) of the Conference Center Management Agreement.
- Utility Plan: means the plan, as the same may be amended or revised pursuant to the REOU Agreement, including any notes and addenda thereto, illustrating any Easement for Utilities created under the REOU Agreement. The initial Utility Plan is attached to the REOU Agreement as Exhibit E and made a part thereof. After the Facilities are constructed, as-built plans shall be prepared by the Contractor and an amended and restated Utility Plan shall be prepared and recorded as an amendment and supplement to the Easement Plan set forth in Exhibit E.
- Vertical Transportation Facilities: means the stairs, escalators, ramps, freight elevators and passenger elevators located on the Burdened Parcels in such areas designated on the Easement Plan as "Vertical Transportation" areas.
- VIP's: means VIP's Hotels, Inc., an Oregon corporation.
- Work: shall have the meaning set forth in subsection 3.5.1 of the REOU Agreement.
- Working Capital Shortfall: shall have the meaning set forth in subsection 6.2.2 of the Conference Center Management Agreement.

EXHIBIT 2.3

GOVERNMENTAL REQUIREMENTS

A. Federal Requirements:

1. Non-discrimination in employment on the basis of race, color, creed, religion, political ideology, age (except legitimate minimum age and retirement provisions), sex, marital status, sexual orientation, national origin, veteran status or the presence of any sensory, mental or physical handicap (unless based on a bona fide occupational qualification) in regard to any position for which the employee is qualified in compliance with all applicable federal, state and local laws, rules and regulations. This requirement shall apply to, but not be limited to the following: employment, recruitment or recruitment advertising, lay-off, demotion or termination, rates of pay or other forms of compensation and selection for training, including apprenticeships. Any violation of this provision shall be considered an event of default;
2. Civil rights legislation including the Civil Rights Acts of 1964 and 1968, and Executive Order 11063 as amended by Executive Order 12259 and by Executive Order 12892, and prohibitions against discrimination on the basis of age under the Age Discrimination Act or with respect to an otherwise qualified handicapped individual as provided in section 794 of title 29;
3. The accessibility requirements of the Americans with Disabilities Act of 1990 and Section 504 of the Rehabilitation Act of 1973;
4. The Copeland Act's "anti-kickback" prohibition;
5. The National Environmental Policy Act of 1969;
6. The Flood Disaster Protection Act of 1973;
7. The Uniform Relocation Assistance and Real Property Acquisition Act of 1970 (URA), as amended;
8. The equal employment opportunity provisions of Executive Order 11246 as amended by Executive Orders 11375, 12086, and 13279;
9. Section 3 of the Housing and Urban Development Act of 1968, as amended (relating to jobs created as part of the funded activity being made available to low-income persons residing in areas of community development projects);
10. The Lead Contamination and Control Act of 1988 and the Residential Lead-Based Paint Hazard Reduction Act of 1992;

11. Financial administration policies and requirements in Office of Management and Budget (OMB) circulars; and
12. The loan eligibility and objectives set forth in Agency's application and under 24 CFR 570.208 and 24 CFR 570.703.

B. State Public Contract Provisions:

"Contractor" shall mean Manager.

All requirements of Oregon Revised Statutes 279.310 through 279.430, 279.545 through 279.650, and 279.835 through 279.855, including but not limited to the following, as applicable, are incorporated herein by reference.

1. If Contractor fails, neglects or refuses to make prompt payment of any claim for labor or services furnished by any person in connection with this Contract as such claim becomes due, Agency may pay such claim to the person furnishing the labor or services and charge the amount of the payment against funds due or to become due Contractor by reason of the Contract. The payment of a claim in the manner authorized above shall not relieve the Contractor or its surety from its obligation with respect to any unpaid claims.
2. Contractor and its subcontractors, if any, are subject to Oregon Workers' Compensation Law, which requires all employers that employ subject workers who work under this Contract in the State of Oregon to comply with ORS 656.017 and provide the required workers' compensation coverage, unless such employers are exempt under ORS 656.126. Contractor shall ensure that each of its subcontractors, if any, complies with these requirements.
3. Contractor shall, upon demand, furnish to the Agency, written proof of workers' compensation insurance coverage. Contractor is required to submit written notice to the Agency thirty (30) days prior to cancellation of said coverage.
4. Contractor is not eligible for any Federal Social Security, unemployment insurance, or workers' compensation benefits from compensation or payments paid to Contractor under the contract.
5. Contractor shall use recyclable products to the maximum extent economically feasible in the performance of the contract.
6. Contractor is engaged as an independent contractor and will be responsible for any federal or state taxes applicable to any payments made under this Contract.
7. Contractor has filed federal and state income tax returns in the name of the business as part of the personal income tax return, for the previous year, for labor or services performed as an independent contractor in the previous year.

8. Contractor agrees and certifies that it is a corporation in good standing and licensed to do business in the State of Oregon. Contractor agrees and certifies that it has complied and will continue to comply with all Oregon laws relating to the performance of Contractor's obligations under this Contract.
9. Contractor is not an employee of Metro, any special district, or local government, including Agency, the federal government or the State of Oregon.
10. Contractor shall:
 - 10.1 Make payment promptly, as due, to all persons supplying to the Contractor labor and material for the prosecution of the work provided for in the contract documents;
 - 10.2 Pay all contributions or amounts due to the State Accident Insurance Fund incurred in the performance of this Contract;
 - 10.3 Not permit any lien or claim to be filed or prosecuted against the Agency on account of any labor or material furnished; and
 - 10.4 Pay to the Department of Revenue all sums withheld from employees pursuant to ORS 316.167.
11. The Contractor shall promptly as due, make payment to any person, co-partnership or association or corporation furnishing medical, surgical and hospital care or other needed care and attention, incident to sickness or injury, to the employee of such Contractor, of all sums which the Contractor agrees to pay for such services and all moneys and sums which the Contractor collected or deducted from the wages of employees pursuant to any law, contract or agreement for the purpose of providing or paying for such service.
12. The employee shall be paid at least time and a half for all overtime worked in excess of ten (10) hours a day or in excess of forty (40) hours in any one week, whichever is greater, and for work performed on the legal holidays specified in a collective bargaining agreement or in ORS 279.334 (1)(a)(C)(ii) to (vii), except for individuals who are excluded under ORS 653.010 to 653.261 or under 29 U.S.C. sections 201 to 209 from receiving overtime.
13. An employer must give notice to employees who work on a contract for services in writing, either at the time of hire or before commencement of work on the contract, or by posting a notice in a location frequented by employees, of the number of hours per day and days per week that the employees may be required to work.
14. Contractor will comply with 279.835 et seq. in the procurement of products and services from a nonprofit agency for disabled individuals.

EXHIBIT 2.8

LIST OF PROVISIONS FOR OPERATIONS MANUAL

The Operations Manual shall include a number of provisions, including those relating to the following items:

1. Staffing Model;
2. Parking Management Policies;
3. Booking Guidelines, Records and Schedules;
4. Food and Beverage Pricing Policies;
5. Credit and Billing Policies, Debt Collection;
6. Entertainment and Amusement Policies;
7. Event Management Policies;
8. Conference Center Services;
9. Advertising, Public Relations and Promotional Policies;
10. Purchasing of Supplies (Operational and Inventories);
11. Facility Repair and Maintenance;
12. Contract Administration (Events, Food and Beverage Services);
13. Liquor Sales and License Policies;
14. Agency Obligations for Property Manager;
15. Standard Form of Agreements;
16. Schedules of Rates and Fees;
17. Preferred Vendor List;
18. Insurance Requirements;
19. Security Guidelines;

20. Catering Policies (Pricing, Menus, Standards of Service);
21. Concessions and Kiosks Policies;
22. Corporate Sponsorship Policies;
23. Requirements for Manager's Recordkeeping;
24. Agency Audits; and
25. Parking Operations and Policies.

EXHIBIT 9.1

INSURANCE

Insurance Policies; Coverages. Manager shall provide insurance coverage for comprehensive general liability, automobile, workers compensation, crime/fidelity bond and employment practices, garage keepers' liability, excess/umbrella liability, property and machinery, as follows:

1. Commercial property insurance on the improvements constituting the Conference Center (except as otherwise provided in the Master Lease or Sublease), any and all furniture, equipment, supplies and other property owned, leased, held or possessed by Manager and Agency and contained in the Conference Center against all risk of physical loss in an amount not less than one hundred percent (100%) of the actual replacement cost of such improvements (excluding foundation);

2. Commercial liability insurance protecting and indemnifying the Agency against any and all claims for damages to person or property or for loss of life or of property occurring upon, in or about the land underlying the Conference Center, the improvements and the adjoining streets, other than streets dedicated to the public and accepted for maintenance by the public, with a limit of not less than One Million Dollars (\$1,000,000) per occurrence with umbrella coverage of not less than Ten Million Dollars (\$10,000,000);

3. Automobile, crime/fidelity bond and employment practices, garage keepers' liability, and machinery coverage of not less than One Million Dollars (\$1,000,000);

4. Worker's compensation (including employer's liability insurance) covering Manager's employees providing the statutory benefits required under Oregon law;

5. Such other insurance, and in such amounts, as the parties may from time to time be required to maintain pursuant to the terms of the Project Agreements; and

6. Such other insurance, and in such amounts, as the parties may from time to time be required to maintain pursuant to the terms of any Mortgage with respect to either Facility; provided, however, in the event the holder of any Mortgage encumbering the Hotel Facility requires additional insurance with respect to the Conference Center Complex, the cost of any such additional insurance shall be borne exclusively by the Hotel Owner.

Other Policy Requirements. All policies of insurance maintained pursuant to this Agreement shall comply with the following requirements:

1. All of the policies of insurance provided for in this Agreement shall be with reputable companies licensed and authorized to issue such policies in such amounts in the state of Oregon. Upon request, Manager shall deliver certificates (ACORD Form 27) showing such insurance to be in full force and effect to Agency. Such certificates shall be endorsed to show the receipt by the issuer of the premiums for such insurance or shall be accompanied by

other evidence of payment of such premiums. If the premium covers more than one (1) year and may be paid in installments, then only an annual installment must be paid in advance. Such policies shall contain express waivers by the insurer of any rights of subrogation against the Agency. The deductible amount for any insurance, coverage shall not exceed two percent (2%) of the policy amount without Approval of Agency;

2. All insurance required by this Agreement shall name the Manager as insured and the Agency as additional insured and may name any Mortgagee or any other persons, all as their respective interests may appear; and

3. Each policy of insurance required to be maintained under this Agreement shall provide that it may not be cancelled by the insurer for nonpayment of premiums or otherwise until at least thirty (30) days after service of notice of the proposed cancellation upon the Agency (and its Mortgagee if the Mortgagee has provided notice of its Mortgage and a notice address).

Premiums. Except as set forth in the Master Lease and Sublease, Manager shall be solely responsible for the premiums for the insurance policies required to be maintained by it hereunder; provided, however, the premium for the property insurance maintained by the Agency, with respect to the Parking Facility, shall be paid in full by the Agency.

EXHIBIT 2.2(a)

PRE-OPENING MANAGEMENT SERVICES

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

1. Prepare a Pre-Opening Budget for Approval by the Agency.
2. Recruit, relocate, train and employ the employees of the Conference Center Complex. The Manager shall use reasonable efforts to recruit as many employees as possible who are full-time residents of the City.
3. Conduct rate and pricing surveys (e.g., exhibit and meeting room rental, equipment and labor rates, etc.) on a national and regional basis, in consultation with the Agency and the CVB to determine the appropriate pricing structure for the Conference Center Complex.
4. In consultation with the Agency and the CVB, develop a mission statement for the Conference Center Complex to maximize utilization of the Conference Center Complex facilities and economic impact on the City.
5. Provide recommendations to the Agency regarding booking policies based on an evaluation of competitive convention centers, local market considerations and the goals of the Agency.
6. Develop a detailed pre-opening marketing plan to aggressively market the Conference Center Complex on a local, regional and national level during the pre-opening phase of the Conference Center Complex.
7. Develop and submit the Operations Manual to the Agency for Approval.
8. With consideration to the Agency's financial objectives and the local operating environment, determine which event services will be provided in-house and which will be provided through third-party vendor relationships.
9. Develop strategies to maximize the Agency's financial returns with respect to third-party vendor service programs, advertising and naming programs.

10. Solicit proposals, select providers and award vendor, concession and subcontractor contracts subject to the terms of this Conference Center Management Agreement.
11. Prepare and submit standard forms of user agreements, contracts, subcontracts, license agreements and requests for proposals to the Agency for Approval.
12. Develop "partnerships" with the CVB, local hotels, Salem Chamber of Commerce, and develop coordinated sales and promotional strategies.
13. Work with the CVB and the Manager's contacts to develop a database of meeting planners, tradeshow organizers and event planners with booking potential for the Conference Center Complex.
14. Participate with the CVB and local hotels in tradeshow, develop and implement advertising, direct mail and public relations programs to develop leads for the Conference Center Complex.
15. Establish catering policies, food and beverage pricing, menus, service standards and catering promotional material.
16. Prepare monthly status reports reflecting the Manager's activities on behalf of the Conference Center Complex.
17. Create exposure for the Conference Center Complex in the local community and establish communications channels with the CVB, local hotels, area leisure attractions and the local business community through newsletters, "round-table" meetings and electronic media.
18. Develop and maintain a website for the Conference Center Complex providing sales and booking information on-line including: plans specifications and room layouts for the exhibit and meeting facilities, event services information and pricing, a convention calendar, links to related sites for local hotels, local attractions, the CVB, transportation and the Chamber of Commerce.
19. Provide a task force of experts and personnel from the Manager's corporate office to supervise and assist with the Pre-Opening Management Services.
20. Assist the Agency in applying for and procuring (in the Manager's name and/or the Agency's name as required by local authorities) all licenses and permits required for the operation of the Conference Center Complex, including, but not limited to, all licenses for the sale of alcoholic beverages.
21. Prepare the Annual Operating Projection for the Conference Center Complex's first year of operations.

22. Coordinate with the pre-opening activities of the Hotel Facility in order to take advantage of the cost efficiencies of joint operation.
23. Book events to occur at the Conference Center Complex on and following the Commencement Date.
24. Render any other services incidental to the preparation and organization of the Conference Center Complex's operations as may be reasonably required for the Conference Center Complex to be adequately staffed and capable of operating on the Commencement Date.

