

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

PURSUANT TO SECTION 12, 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): May 21, 1998

PMC COMMERCIAL TRUST
(Exact name of Registrant as specified in its Charter)

TEXAS	0-22148	75-6446078
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. Employer Identification Number)

17290 Preston Road
3rd Floor
Dallas, Texas 75252
(Address of principal executive offices)

Registrant's telephone number, including area code: (972) 349-3200

Not Applicable
(Former name or former address, if changed since last report)

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Item 5. Other Events.

(a) On June 3, 1998, PMC Commercial Trust, a Texas real estate investment trust ("PMC Commercial"), and Supertel Hospitality, Inc., a Delaware corporation ("Supertel"), entered into an Agreement and Plan of Merger pursuant to which Supertel will merge with and into PMC Commercial (the "Merger"). The consideration to be paid by PMC Commercial would be 0.6 common shares of PMC Commercial (the "Common Shares") for each share of Supertel, subject to adjustment in the event the average trading price of the Common Shares for the ten trading days ending five days before the respective shareholder meetings to approve the Merger drops below \$17.50 or increases above \$24.00. The Merger is subject to a number of conditions, including approval by the shareholders of PMC Commercial and the stockholders of Supertel.

Additionally, the agreement provides that the stockholders of Supertel will receive a preclosing dividend of certain of Supertel's earnings and profits which, if less than \$3.00 per share of Supertel Common Stock, allows Supertel to terminate the agreement. The special dividend would be payable only if the merger occurs. PMC Commercial anticipates that the Merger will be consummated in September or October 1998.

Under the agreement, PMC Commercial would acquire the hotel assets of Supertel in a transaction valued at approximately \$134 million, including approximately \$61 million of equity (based on the closing price of the PMC Commercial common shares on June 3, 1998) with the remainder consisting of the assumption of debt and/or cash.

The 62 hotels (containing 4,453 rooms) acquired by PMC Commercial pursuant to the merger will be leased to Norfolk Hospitality Management Co. (the "Lessee"), an entity to be owned by certain officers and employees of Supertel. The Lessee will pay an annual base rent of \$15,000,000 (including certain reserve requirements of \$600,000) plus additional rent in the amount of 20% of every dollar of annual gross revenues in the excess of \$42,000,000 and 25% of every dollar of gross revenues in excess of \$50,000,000. The lease agreement has a five year initial term with options for additional two year terms.

(b) On May 21, 1998, PMC Commercial entered into a definitive agreement to acquire and leaseback 30 AmeriHost(R) hotels with Amerihost Properties, Inc., a hotel development, operating and management company ("Amerihost"). The average age of these properties is less than 3 years. The transaction is expected to close within 90 days subject to customary procedures and documentation. This acquisition reflects a modification to PMC Commercial's strategic growth plan to target ownership in properties in addition to providing mortgages.

Under the terms of the agreement, Amerihost will guarantee the 10 year lease on behalf of its wholly-owned subsidiary which will be the lessee of such properties. The lease has an initial fixed payment of \$7.3 million per year with maximum 2 percent annual CPI increases beginning after the third year. The contract also has two lease renewal options of five years each. The 30 hotels, with a total of 1,834 rooms, were developed by Amerihost and are located in 13 states.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

- 2.1 Agreement and Plan of Merger, dated as of June 3, 1998 by and between PMC Commercial Trust and Supertel Hospitality, Inc.
- 2.2 Agreement of Purchase and Sale, dated as of May 21, 1998, by and among the various corporations identified on Exhibit A thereto.
- 10.1 Master Lease Agreement, dated as of June 3, 1998, by and between PMC Commercial Trust and Norfolk Hospitality Management Co.
- 99.1 Press Release, dated May 21, 1998.
- 99.2 Press Release, dated June 4, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 5, 1998

PMC COMMERCIAL TRUST

By: /s/ Lance B. Rosemore

Lance B. Rosemore
President and Chief Executive Officer

PMC COMMERCIAL TRUST
INDEX TO EXHIBITS

EXHIBIT -----	PAGE -----
2.1	Agreement and Plan of Merger, dated as of June 3, 1998 by and between PMC Commercial Trust and Supertel Hospitality, Inc.
2.2	Agreement of Purchase and Sale, dated as of May 21, 1998, by and among the various corporations identified on Exhibit A thereto.
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99.2	Press Release, dated June 4, 1998.

AGREEMENT AND PLAN OF MERGER

dated as of June 3, 1998

PMC COMMERCIAL TRUST

and

SUPERTEL HOSPITALITY, INC.

TABLE OF CONTENTS

ARTICLE 1	THE MERGER	1
1.1	The Merger	1
1.2	The Closing.	1
1.3	Effective Time.	2
ARTICLE 2	CHARTER AND BYLAWS OF THE SURVIVING ENTITY	2
2.1	Charter	2
2.2	Bylaws.	2
ARTICLE 3	DIRECTORS AND OFFICERS	2
3.1	Directors.	2
3.2	Officers.	2
ARTICLE 4	STH STOCK	2
4.1	Conversion of the STH Stock.	2
4.2	Exchange of Certificates Representing STH Common Stock.	4
4.3	Appraisal Rights	6
ARTICLE 5	REPRESENTATIONS AND WARRANTIES OF STH	7
5.1	Existence; Good Standing; Authority; Compliance with Law.	7
5.2	Authorization, Validity and Effect of Agreements.	7
5.3	Capital Structure.	8
5.4	Subsidiaries.	8
5.5	Other Interests.	9
5.6	No Violation.	9
5.7	SEC Documents.	9
5.8	Litigation.	10
5.9	Absence of Certain Changes.	10
5.10	Taxes.	11
5.11	Books and Records.	12
5.12	Employee Benefit Plans.	12
5.13	Labor Matters.	12
5.14	No Brokers.	13
5.15	Opinion of Financial Advisor	13
5.16	PMCT Share Ownership.	13
5.17	Related Party Transactions.	13
5.18	Contracts and Commitments.	13
5.19	Development Rights.	14
5.20	Certain Payments Resulting From Transactions.	15
5.21	Convertible Securities.	15
5.22	Compliance with Applicable Laws.	15
5.23	Insurance.	16

5.24	Subsidiaries of STH.	16
5.25	Acquisitions by STH and its Subsidiaries.	16
ARTICLE 6	ADDITIONAL REPRESENTATIONS AND WARRANTIES AND COVENANTS RELATING TO HOTELS AND REAL PROPERTY	16
6.1	Representations and Warranties	16
6.2	STH Deliverables	20
6.3	STH Property Reports	21
ARTICLE 7	REPRESENTATIONS AND WARRANTIES OF PMCT	22
7.1	Existence; Good Standing; Authority; Compliance with Law	22
7.2	Authorization, Validity and Effect of Agreements.	23
7.3	Capitalization.	24
7.4	Subsidiaries.	24
7.5	Other Interests.	24
7.6	No Violation.	24
7.7	SEC Documents.	25
7.8	Litigation.	26
7.9	Absence of Certain Changes.	26
7.10	Taxes.	26
7.11	Books and Records.	27
7.12	Employee Benefit Plans.	27
7.13	Labor Matters.	28
7.14	No Brokers.	28
7.15	Opinion of Financial Advisor	29
7.16	STH Share Ownership.	29
7.17	PMCT Common Shares.	29
7.18	Convertible Securities.	29
7.19	Related Party Transactions.	29
7.20	Contracts and Commitments.	29
ARTICLE 8	COVENANTS	30
8.1	Acquisition Proposals.	30
8.2	Earnings and Profits Dividend	31
8.3	Conduct of Businesses.	31
8.4	Damage to Property	35
8.5	Meetings of Shareholders.	35
8.6	Filings; Other Action.	35
8.7	Inspection of Records.	35
8.8	Publicity.	36
8.9	Registration Statement.	36
8.10	Listing Application.	37
8.11	Further Action.	37
8.12	Expenses.	37
8.13	Governance.	37

8.14	Reorganization.	37
8.15	Third Party Consents.	38
8.16	Efforts to Fulfill Conditions.	38
8.17	Representations, Warranties and Conditions Prior to Closing.	38
8.18	Cooperation of the Parties.	38
8.19	Tax Election	38
8.20	Directors and Officers Insurance	38
8.21	PMCT Earnings and Profits Dividend	39
ARTICLE 9	CONDITIONS	39
9.1	Conditions to Each Party's Obligations to Effect the Merger.	39
9.2	Conditions to Obligations of STH to Effect the Merger.	40
9.3	Conditions to Obligation of PMCT to Effect the Merger.	40
ARTICLE 10	TERMINATION	41
10.1	Termination by Mutual Consent.	41
10.2	Termination by Either PMCT or STH.	42
10.3	Termination by STH.	42
10.4	Termination by PMCT.	43
10.5	Effect of Termination and Abandonment.	43
10.6	Extension; Waiver.	45
ARTICLE 11	GENERAL PROVISIONS	45
11.1	Certain Definitions	45
11.2	Nonsurvival of Representations, Warranties and Agreements.	45
11.3	Notices.	45
11.4	Assignment; Binding Effect; Benefit.	47
11.5	Entire Agreement.	47
11.6	Confidentiality.	47
11.7	Amendment.	49
11.8	Governing Law.	49
11.9	Counterparts.	49
11.10	Headings.	50
11.11	Interpretation.	50
11.12	Waivers.	50
11.13	Incorporation.	50
11.14	Severability.	50
11.15	Enforcement of Agreement.	50
11.16	Subsidiaries.	50
11.17	Non-Recourse.	50

SCHEDULES

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Schedule 5.3	-	Capitalization
Schedule 5.4	-	Subsidiaries
Schedule 5.7	-	SEC Documents
Schedule 5.8	-	Litigation
Schedule 5.9	-	Absence of Certain Changes
Schedule 5.10	-	Taxes
Schedule 5.12	-	Employee Benefit Plans
Schedule 5.13	-	Labor Matters
Schedule 5.16	-	PMCT Share Ownership
Schedule 5.18	-	Contracts and Commitments
Schedule 5.19	-	Development Rights
Schedule 5.20	-	Certain Payments Resulting From Transactions
Schedule 5.21	-	Convertible Securities
Schedule 5.22	-	Compliance with Applicable Regulations
Schedule 5.23	-	Insurance
Schedule 6.1(a)	-	Title
Schedule 6.1(d)	-	Operating Agreements
Schedule 6.1(g)	-	Violations of Applicable Law
Schedule 6.1(i)	-	Administrative Actions
Schedule 6.1(j)	-	Zoning
Schedule 6.1(r)	-	Compliance with Architectural Barriers Legislation
Schedule 6.1(s)	-	Environmental
Schedule 7.3	-	Capitalization
Schedule 7.4	-	Subsidiaries
Schedule 7.7	-	SEC Documents
Schedule 7.8	-	Litigation
Schedule 7.10	-	Taxes
Schedule 7.12	-	Employee Benefit Plans
Schedule 7.16	-	STH Share Ownership
Schedule 7.19	-	Related Party Transactions
Schedule 7.20	-	Contracts and Commitments
Exhibit 9.3(d)	-	Affiliates

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of June 3, 1998, is entered into by and between PMC Commercial Trust, a Texas real estate investment trust ("PMCT") and Supertel Hospitality, Inc., a Delaware corporation ("STH").

RECITALS

A. The Board of Trust Managers of PMCT and the Board of Directors of STH each have determined that a business combination between PMCT and STH is in the best interests of their respective shareholders and presents an opportunity for their respective companies to achieve long-term strategic and financial benefits, and accordingly have agreed to effect a merger subject to the terms and conditions set forth herein.

B. For federal income tax purposes, it is intended that the merger provided for herein shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and for financial accounting purposes shall be accounted for as a "purchase."

C. PMCT and STH desire to make certain representations, warranties and agreements in connection with the merger.

NOW, THEREFORE, in consideration of the foregoing premises, the representations, warranties, covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, PMCT and STH hereby agree as follows:

ARTICLE 1

THE MERGER

1.1 The Merger. Subject to the terms and conditions of this Agreement, and in accordance with the Delaware General Corporation Law (the "DGCL") and the Texas Real Estate Investment Trust Act (the "REIT Act"), at the Effective Time (as defined in Section 1.3), STH shall be merged with and into PMCT (the "Merger"). Following the Merger, the separate existence of STH shall cease and PMCT shall be the surviving entity in the Merger (the "Surviving Entity"). The Merger shall have the effects specified in Section 254 of the DGCL and Section 23.10 of the REIT Act.

1.2 The Closing. Subject to the terms and conditions of this Agreement, the closing of the Merger (the "Closing") shall take place at the offices of Winstead Sechrest & Minick P.C., located at 1201 Elm, 5400 Renaissance Tower, Dallas, Texas 75270, at 9:00 a.m., local time, on the second business day after satisfaction or waiver of the conditions set forth in Article 9, or at such other time, date or place as PMCT and STH may agree. The date on which the Closing occurs is hereinafter referred to as the "Closing Date."

1.3 Effective Time. If all the conditions to the Merger set forth in Article 9 shall have been fulfilled or waived (and this Agreement shall not have been terminated as provided in Article 10), PMCT and STH shall cause a certificate of merger satisfying the requirements of the DGCL and articles of merger satisfying the requirements of the REIT Act to be properly executed, verified and delivered for filing in accordance with the DGCL and the REIT Act and shall make all other filings or recordings required under the DGCL and the REIT Act. The Merger shall become effective upon the later of (i) the filing of the articles of merger with the County Clerk of Dallas County, Texas and (ii) the filing of the certificate of merger with the Secretary of State of the State of Delaware in accordance with the DGCL, or at such later time which PMCT and STH shall have agreed upon and designated in such filings in accordance with applicable law.

ARTICLE 2

CHARTER AND BYLAWS OF THE SURVIVING ENTITY

2.1 Charter. The Declaration of Trust of PMCT in effect immediately prior to the Effective Time shall be the charter of the Surviving Entity, until duly amended in accordance with applicable law.

2.2 Bylaws. The Bylaws of PMCT in effect immediately prior to the Effective Time shall be the Bylaws of the Surviving Entity, until duly amended in accordance with applicable law.

ARTICLE 3

DIRECTORS AND OFFICERS

3.1 Directors. The Board of Trust Managers of PMCT immediately prior to the Effective Time shall be the Board of Trust Managers of the Surviving Entity as of the Effective Time and immediately following the Effective Time Paul J. Schulte shall be elected as a trust manager of the Surviving Entity.

3.2 Officers. The officers of PMCT immediately prior to the Effective Time shall be the officers of the Surviving Entity as of the Effective Time.

ARTICLE 4

STH STOCK

4.1 Conversion of the STH Stock.

(a) At the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, each share of the common stock, par value \$0.01 per share (the "STH Common Stock"), of STH issued and outstanding immediately prior to the Effective Time shall, except as provided in Section 4.3 with respect to shares of STH Common Stock as to which appraisal rights, if available, shall have been exercised, cease to be outstanding and be converted into the right to

receive six-tenths (0.6) of a common share of beneficial interest, par value \$0.01 per share (the "PMCT Common Shares"), of PMCT (the "Exchange Ratio"). If the Average PMCT Trading Price (as defined below) is (i) greater than \$24.00, PMCT shall have the right to terminate this Agreement, in the manner provided in Section 4.1(b), unless STH shall elect, in the manner provided in Section 4.1(b), to decrease the Exchange Ratio to a fraction equal to (A) \$14.40 divided by (B) the Average PMCT Trading Price, calculated to the nearest one-one thousandth of a share, or (ii) less than \$17.50, STH shall have the right to terminate this Agreement, in the manner provided in Section 4.1(b) unless PMCT shall elect, in the manner provided in Section 4.1(b), to increase the Exchange Ratio to a fraction equal to (A) \$10.50 divided by (B) the Average PMCT Trading Price.

"Average PMCT Trading Price" shall mean the average of the closing sale prices per PMCT Common Share on the American Stock Exchange for the ten trading days ending on the fifth trading day immediately preceding the scheduled date of the first of the meetings contemplated by Section 8.5 (the "Determination Date").

(b) In the event that either PMCT or STH shall elect to terminate this Agreement in the circumstances contemplated by Section 4.1(a), then the party initiating the termination (the "Terminating Party") shall give notice of termination (the "Termination Notice") to the other party hereto (the "Receiving Party") prior to 6:00 p.m. (Dallas time) on the first trading day following the Determination Date. Such termination shall become effective automatically, without the action of either party, at 6:00 p.m. (Dallas time) on the trading day immediately preceding the date of the first of the meetings contemplated by Section 8.5, unless prior to 6:00 p.m. (Dallas time) on the second trading day following the Determination Date, the Receiving Party shall deliver notice to the Terminating Party to the effect that it has elected to increase or decrease the Exchange Ratio, as the case may be, in the manner contemplated by Sections 4(a)(i) and 4(a)(ii).

(c) As a result of the Merger and without any action on the part of the holder thereof, at the Effective Time, except as provided in Section 4.3 with respect to shares of STH Common Stock as to which appraisal rights, if available, shall have been exercised, each holder of a certificate (a "Certificate") representing any shares of STH Common Stock shall thereafter cease to have any rights with respect to such shares of STH Common Stock, except the right to receive, without interest, the PMCT Common Shares and cash for fractional shares of PMCT Common Shares in accordance with Sections 4.1(a) and 4.2(d) upon the surrender of such Certificate.

(d) Each share of STH Common Stock issued and held in STH's treasury at the Effective Time, if any, shall, by virtue of the Merger, cease to be outstanding and shall be canceled and retired without payment of any consideration therefor.

(e) (i) As soon as practicable following the date of this Agreement, the Board of Directors of STH (or, if appropriate, any committee administering STH's 1994 Stock Option Plan and 1997 Stock Plan (together, the "STH Stock Option Plans")) shall adopt such resolutions or take such other actions as may be required to effect the following with respect to all options to purchase shares of STH Common Stock granted under the STH Stock Option Plans or otherwise ("Options") not exercised prior to the Closing Date:

(A) adjust the terms of all such Options to purchase shares of STH Common Stock to provide that, at the Effective Time, each Option outstanding and not otherwise exercised immediately prior to the Effective Time shall expire and the holder of such Option shall only be entitled to receive, with respect to such Option, a number of PMCT Common Shares equal to the quotient of (1) the product of (x) the difference between the product of the Exchange Ratio multiplied by the Average PMCT Trading Price minus the exercise price per share of STH Common Stock issuable upon the exercise of such Option multiplied by (y) the number of shares of STH Common Stock for which such Option was exercisable divided by (2) the Average PMCT Trading Price, calculated to the nearest one-one thousandth of a share, subject to the provisions of Section 4.1(c) hereof; and

(B) make such other changes to the STH Stock Option Plans as it deems appropriate to give effect to the Merger (subject to the approval of PMCT, which approval shall not be unreasonably withheld).

(ii) The provisions in the STH Stock Option Plans providing for the issuance, transfer or grant of any capital stock of STH or any interest in respect of any capital stock of the STH shall be deleted as of the Effective Time, and STH shall use its best efforts to ensure that following the Effective Time no holder of an Option or any participant in any STH Stock Option Plan shall have any right thereunder to acquire any capital stock of STH, PMCT or the Surviving Corporation, except as provided in Section 4.1(e)(i).

(iii) From and after the date of this Agreement, no additional options shall be granted by STH or the STH Subsidiaries (as hereinafter defined) under the STH Stock Option Plans or otherwise, except as may be required by the terms of the STH Stock Option Plans with respect to non-employee directors of STH.

4.2 Exchange of Certificates Representing STH Common Stock.

(a) As of the Effective Time, PMCT shall deposit, or shall cause to be deposited, with an exchange agent selected by PMCT, which shall be PMCT's Transfer Agent or such other party reasonably satisfactory to STH (the "Exchange Agent"), for the benefit of the holders of shares of STH Common Stock, for exchange in accordance with this Article 4, certificates representing the shares of PMCT Common Shares and the cash in lieu of fractional shares (such cash and certificates for shares of PMCT Common Shares together with any dividends or distributions with respect thereto, being hereinafter referred to as the "Exchange Fund") to be issued pursuant to Section 4.1 and paid pursuant to this Section 4.2 in exchange for outstanding shares of STH Common Stock.

(b) Promptly after the Effective Time, PMCT shall cause the Exchange Agent to mail to each holder of record of a Certificate or Certificates (i) a letter of transmittal which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as PMCT may reasonably specify and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing shares of PMCT Common Shares and

cash in lieu of fractional shares. Upon surrender of a Certificate for cancellation to the Exchange Agent, together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and such other documents as may be reasonably required by the Exchange Agent, the holder of such Certificate shall be entitled to receive in exchange therefor (A) a certificate representing the number of whole shares of PMCT Common Shares and (B) a check representing the amount of cash in lieu of fractional shares, if any, and unpaid dividends and distributions, if any, which such holder has the right to receive in respect of the Certificate surrendered pursuant to the provisions of this Article 4, after giving effect to any required withholding tax, and the Certificate so surrendered shall forthwith be canceled.

No interest will be paid or accrued on the cash in lieu of fractional shares and unpaid dividends and distributions, if any, payable to holders of Certificates. In the event of a transfer of ownership of STH Common Stock which is not registered in the transfer records of STH, a certificate representing the proper number of shares of PMCT Common Shares, together with a check for the cash to be paid in lieu of fractional shares, may be issued to such a transferee if the Certificate representing shares of such STH Common Stock is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid.

(c) Notwithstanding any other provisions of this Agreement, no dividends or other distributions on PMCT Common Shares shall be paid with respect to any shares of STH Common Stock represented by a Certificate until such Certificate is surrendered for exchange as provided herein. Subject to the effect of applicable laws, following surrender of any such Certificate, there shall be paid to the holder of the certificates representing whole shares of PMCT Common Shares issued in exchange therefor, without interest, (i) at the time of such surrender, the amount of dividends or other distributions with a record date after the Effective Time theretofore payable with respect to such whole shares of PMCT Common Shares and not paid, less the amount of any withholding taxes which may be required thereon, and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such whole shares of PMCT Common Shares, less the amount of any withholding taxes which may be required thereon.

(d) At and after the Effective Time, there shall be no transfers on the stock transfer books of STH of the shares of STH Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to PMCT, they shall be delivered to the Exchange Agent, canceled and exchanged for certificates for shares of PMCT Common Shares and cash in lieu of fractional shares, if any, and unpaid dividends and distributions deliverable in respect thereof pursuant to this Agreement in accordance with the procedures set forth in this Article 4.

(e) No fractional shares of PMCT Common Shares shall be issued pursuant hereto. Notwithstanding any other provision of this Agreement, each holder of shares of STH Common Stock exchanged pursuant to the Merger who would otherwise have been entitled to receive a fraction of a PMCT Common Share (after taking into account all Certificates delivered by such

holder) shall receive, from the Exchange Agent in accordance with the provisions of this Section 4.1(e), a cash payment in lieu of such fractional PMCT Common Shares.

(f) Any portion of the Exchange Fund (including the proceeds of any investments thereof and PMCT Common Shares) that remains unclaimed by the former stockholders of STH one year after the Effective Time shall be delivered to PMCT. Any former stockholders of STH who have not theretofore complied with this Article 4 shall thereafter look only to PMCT for delivery of their PMCT Common Shares, and payment of cash in lieu of fractional shares and unpaid dividends and distributions on the PMCT Common Shares deliverable in respect of each share of STH Common Stock such stockholder holds as determined pursuant to this Agreement, in each case, without any interest thereon.

(g) None of PMCT, STH, the Exchange Agent or any other person shall be liable to any former holder of shares of STH Common Stock for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

(h) In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if required by PMCT or the Exchange Agent, the posting by such person of a bond in such reasonable amount as PMCT may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent or PMCT will issue in exchange for such lost, stolen or destroyed Certificate the PMCT Common Shares and cash in lieu of fractional shares, and unpaid dividends and distributions on PMCT Common Shares as provided in Section 4.2(c), deliverable in respect thereof pursuant to this Agreement.

4.3 Appraisal Rights. Notwithstanding the terms of Section 4.1(a), to the extent appraisal rights are available under Section 262 of the DGCL, shares of STH Common Stock outstanding immediately prior to the Effective Time and held by a holder who has properly exercised appraisal rights for such shares in accordance with the DGCL and who, as of the Effective Time has not effectively withdrawn or lost such appraisal rights (the "Dissenting Shares"), shall not be converted into the right to receive PMCT Common Shares as provided in Section 4.1(a), but shall be converted into the right to receive such consideration as may be determined to be due with respect to such Dissenting Shares pursuant to the DGCL. If after the Effective Time such holder fails to perfect or withdraws or loses his or her appraisal rights, such shares of STH Common Stock shall be treated as if they had been converted as of the Effective Time into the right to receive PMCT Common Shares as provided in Section 4.1(a). STH shall give PMCT prompt written notice of any demands received by STH for appraisals of shares of STH Common Stock. STH shall not, except with the prior written consent of PMCT, make any payment with respect to, or settle or offer to settle, any such demands.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF STH

STH represents and warrants to PMCT as set forth below and subject to those matters set forth in the Disclosure Schedule.

5.1 Existence; Good Standing; Authority; Compliance with Law. STH is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. STH is duly licensed or qualified to do business as a foreign corporation and is in good standing under the laws of any other state of the United States in which the character of the properties owned or leased by it therein or in which the transaction of its business makes such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on the business, results of operations or financial condition of STH and the STH Subsidiaries taken as a whole (an "STH Material Adverse Effect"). STH has all requisite corporate power and authority to own, operate, lease and encumber its properties and carry on its business as now conducted. Each STH Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, has the corporate power and authority to own its properties and to carry on its business as it is now being conducted, and is duly qualified to do business and is in good standing in each jurisdiction in which the ownership of its property or the conduct of its business requires such qualification, except for jurisdictions in which such failure to be so qualified or to be in good standing would not have an STH Material Adverse Effect.

Neither STH nor any of the STH Subsidiaries is in violation of any order of any court, governmental authority or arbitration board or tribunal, or any law, ordinance, governmental rule or regulation to which STH or any STH Subsidiary or any of their respective properties or assets are subject, where such violation would have an STH Material Adverse Effect. STH and the STH Subsidiaries have obtained all licenses, permits, contract rights, including, without limitation, any necessary franchise arrangements, and other authorizations and have taken all actions required by Applicable Law, governmental regulations or otherwise in connection with their business as now conducted, where the failure to obtain any such item or to take any such action would have an STH Material Adverse Effect. Complete and correct copies of STH's and the STH Subsidiaries' charters and bylaws, which reflect all amendments made thereto, have been delivered or made available to PMCT and its counsel. The minute books and other records of STH and the STH Subsidiaries contain in all material respects accurate records of all meetings and accurately reflect in all material respects all other corporate action of the stockholders and directors and any committees of the boards of directors of STH and the STH Subsidiaries. Neither STH nor the STH Subsidiaries are in default under or in violation of any provision of their respective charters or bylaws. For the purposes of this Agreement, the term "STH Subsidiary" shall include the entities set forth on Schedule 5.4 hereto, which are all of STH's subsidiaries.

5.2 Authorization, Validity and Effect of Agreements. STH has the requisite corporate power and authority to enter into the transactions contemplated hereby and to execute and deliver this Agreement and all other documents, agreements and instruments related to the transactions

contemplated by this Agreement, including, without limitation, the Agreement of Sale (the "Agreement of Sale") to be dated as of June 3, 1998 by and between STH and Supertel Hospitality Management Co. ("Supertel Management") and the Supertel Omnibus Assignment and Assumption Agreement (the "Super 8 Assignment Agreement") by and among STH, PMCT, Supertel Management and Super 8 Motels, Inc., in the forms previously provided (collectively, the "STH Ancillary Agreements"). Subject only to the approval of this Agreement and the transactions contemplated hereby by the holders of a majority of the outstanding shares of STH Common Stock, the consummation by STH of this Agreement, the STH Ancillary Agreements and the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of STH and no other corporate action on the part of STH is necessary to authorize this Agreement, the STH Ancillary Agreements or the transactions contemplated hereby or thereby. This Agreement has been duly executed and delivered by STH and constitutes, and the STH Ancillary Agreements to which STH is a party (when executed and delivered by STH pursuant thereto) will constitute, the valid and legally binding obligations of STH, enforceable against STH in accordance with their respective terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and general principles of equity.

5.3 Capital Structure. The authorized capital stock of STH consists of ten million (10,000,000) shares of STH Common Stock and one million (1,000,000) shares of Class A Preferred Stock, \$1.00 par value per share (the "STH Preferred Stock"). As of March 31, 1998, (a) there were 4,840,000 shares of STH Common Stock issued and outstanding, and no shares of STH Preferred Stock are issued and outstanding, (b) no shares of STH Common Stock or STH Preferred Stock were held by STH in its treasury, and (c) 139,200 shares of STH Common Stock were issuable upon the exercise of outstanding options (the "STH Options") under the STH Stock Option Plan. STH has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the stockholders of STH on any matter. All such issued and outstanding shares of STH Common Stock are duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights. Except (i) for the STH Options and (ii) as provided on Schedule 5.3 hereto, there are not at the date of this Agreement any existing options, warrants, calls, subscriptions, convertible securities, or other rights, agreements or commitments which obligate STH or any of the STH Subsidiaries to issue, transfer or sell any shares of capital stock of STH or any of the STH Subsidiaries. There are no bonds, debentures, notes or other indebtedness of STH having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which stockholders of STH may vote. There are no outstanding contractual obligations of STH or any of the STH Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of STH or any capital stock, voting securities or other securities or other ownership interests in any of the STH Subsidiaries or make any material investment (in the form of a loan, capital contribution or otherwise) in any person (other than one of the STH Subsidiaries). Except as provided in Section 4.1(d), after the Effective Time, PMCT will have no obligation to issue, transfer or sell any shares of capital stock or other equity interest of STH or PMCT pursuant to any STH Benefit Plan (as defined in Section 5.12).

5.4 Subsidiaries. STH owns directly or indirectly all of the outstanding shares of capital stock of the STH Subsidiaries listed on Schedule 5.4 hereto. Except as set forth on Schedule 5.4 hereto, each of the outstanding shares of capital stock in each of the STH Subsidiaries is duly

authorized, validly issued, fully paid and nonassessable, and is owned, directly or indirectly, by STH free and clear of all liens, pledges, security interests, claims or other encumbrances. The following information for each STH Subsidiary is set forth on Schedule 5.4 hereto: (a) its name and jurisdiction of incorporation; (b) its authorized capital stock; and (c) the name of each stockholder and the number of issued and outstanding shares of capital stock held by it.

5.5 Other Interests. Except for interests in the STH Subsidiaries, neither STH nor any STH Subsidiary owns directly or indirectly any interest or investment (whether equity or debt) in any corporation, partnership, joint venture, business, trust or entity (other than investments in short-term investment securities).

5.6 No Violation. Neither the execution and delivery by STH of this Agreement or the STH Ancillary Agreements nor the consummation by STH of the transactions contemplated hereby or thereby in accordance with the terms hereof or thereof, will: (a) conflict with or result in a breach of any provisions of the Certificate of Incorporation or Bylaws of STH or the charter or bylaws of any of the STH Subsidiaries; (b) result in a breach or violation of, a default under, or, except as set forth in the STH Stock Option Plans, the triggering of any payment or other material obligations pursuant to, or accelerate vesting under, the STH Stock Option Plans, or any grant or award made under any of the foregoing; (c) except as contemplated by the STH Ancillary Agreements or as forth in the schedules to this Agreement, violate, or conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination or in a right of termination or cancellation of, or accelerate the performance required by, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties of STH or the STH Subsidiaries under, or result in being declared void, voidable or without further binding effect, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust or any license, franchise, permit, lease, contract, agreement or other instrument, commitment or obligation to which STH or any of the STH Subsidiaries is a party, or by which STH or any of the STH Subsidiaries or any of their properties is bound or affected, except for any of the foregoing matters which, individually or in the aggregate, would not have an STH Material Adverse Effect; or (d) other than any filings required under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Securities Act of 1933, as amended (the "Securities Act"), the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), applicable state securities and "Blue Sky" laws or the filing of the Certificate of Merger with the Secretary of State of the State of Delaware (collectively, the "Regulatory Filings"), require any consent, approval or authorization of, or declaration, filing or registration with, any domestic governmental or regulatory authority, except where the failure to obtain any such consent, approval or authorization of, or declaration, filing or registration with, any governmental or regulatory authority would not, individually or in the aggregate, have an STH Material Adverse Effect.

5.7 SEC Documents. Schedule 5.7 hereto sets forth all reports, schedules, forms, statements and other documents STH has filed with the U.S. Securities and Exchange Commission (the "SEC") pursuant to the Securities Act and the Exchange Act since March 1, 1994 (the "STH Reports") and such STH Reports constitute all reports, schedules, forms, statements and other

documents required to be filed by STH under the Securities Act, the Exchange Act and the rules and regulations promulgated thereunder (the "Securities Laws") since such date.

As of their respective dates, the STH Reports (a) complied as to form in all material respects with the applicable requirements of the Securities Laws and (b) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each of the consolidated balance sheets of STH included in or incorporated by reference into the STH Reports (including the related notes and schedules) (i) complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, (ii) were prepared in all material respects in accordance with generally accepted accounting principles ("GAAP"), and (iii) fairly presented in all material respects the consolidated financial position of STH and the STH Subsidiaries as of its date in conformity with GAAP. Each of the consolidated statements of income, retained earnings and cash flows of STH included in or incorporated by reference into the STH Reports (including any related notes and schedules), (A) complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, (B) were prepared in all material respects in accordance with GAAP, and (C) fairly presented in all material respects the results of operations, retained earnings or cash flows, as the case may be, of STH and the STH Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect) in conformity with GAAP.

Except as and to the extent set forth in the STH Reports and except for liabilities incurred in connection with this Agreement and the transactions contemplated hereby, neither STH nor any of the STH Subsidiaries has any material liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) that would be required to be reflected on, or reserved against in, a balance sheet of STH or in the notes thereto, prepared in accordance with generally accepted accounting principles consistently applied, except liabilities arising in the ordinary course of business since such date which would not have an STH Material Adverse Effect.

5.8 Litigation. To the knowledge of STH, except as set forth on Schedule 5.8 hereto, there are (a) no continuing orders, injunctions or decrees of any court, arbitrator or governmental authority to which STH or any STH Subsidiary is a party or by which any of its properties or assets are bound or, to the knowledge of STH, to which any of its directors, officers or affiliates is a party or by which any of their properties or assets are bound, and (b) no actions, suits or proceedings pending against STH or any STH Subsidiary or, to the knowledge of STH, against any of its directors, officers or affiliates or, to the knowledge of STH, threatened against STH or any STH Subsidiary or against any of its directors, officers or affiliates, at law or in equity, or before or by any federal or state commission, board, bureau, agency or instrumentality.

5.9 Absence of Certain Changes. Except as disclosed in the STH Reports filed with the SEC prior to the date hereof or on Schedule 5.9 hereto, since the date of the most recent financial statements included in the STH Reports (the "Financial Statement Date"), (a) STH and the STH Subsidiaries have conducted their business in all material respects in the ordinary course of such

business (which for purposes of this Section 5.9 only, shall include all acquisitions of real estate properties and financing arrangements made in connection therewith and the operation of hotels located thereon or otherwise set forth on Schedule 5.9 hereto); (b) no event has caused an STH Material Adverse Effect and there has been no event, occurrence or circumstance that with the passage of time would reasonably be expected to cause an STH Material Adverse Effect; (c) as of the date hereof, there has not been any declaration, setting aside or payment of any dividend or other distribution with respect to the STH Common Stock or any split, combination or reclassification of STH's capital stock; and (d) there has not been any material change in STH's accounting principles, practices or methods. There are no material unsatisfied judgments, orders (other than orders of general applicability), decrees or stipulations affecting STH or any STH Subsidiary or to which one of them is a party.

5.10 Taxes. Except as set forth on Schedule 5.10 hereto, STH and each of its Subsidiaries (a) have timely filed all federal, state and foreign tax returns, including, without limitation, information returns and reports required to be filed by any of them for tax periods ended prior to the date of this Agreement, or requests for extensions have been timely filed and any such request has been granted and has not expired and all such returns are accurate and complete to the knowledge of STH in all material respects, (b) has paid or accrued in accordance with GAAP all taxes shown to be due and payable on such returns or which have become due and payable pursuant to any assessment, deficiency notice, 30-day letter or other notice received by it, and (c) has properly accrued in accordance with GAAP all material taxes for such periods and periods subsequent to the periods covered by such returns. Except as set forth on Schedule 5.10 hereto, neither STH nor any of the STH Subsidiaries has received written notice that the federal, state and local income and franchise tax returns of STH or any STH Subsidiary will be examined by any taxing authority. Except as set forth on Schedule 5.10 hereto, neither STH nor any of the STH Subsidiaries has executed or filed with the Internal Revenue Service (the "IRS") or any other taxing authority any agreement now in effect extending the period for assessment or collection of any income or other taxes.

Except as set forth on Schedule 5.10, neither STH nor any of its Subsidiaries is a party to any pending action or proceeding by any governmental authority for assessment or collection of taxes, and no claim for assessment or collection of taxes has been asserted against it. True, correct and complete copies of all federal, state and local income or franchise tax returns filed by STH and each of the STH Subsidiaries have been delivered to PMCT or made available to representatives of PMCT. Except as set forth on Schedule 5.10 hereto, the tax returns filed by STH and any STH Subsidiary have not been, and are not being, to the knowledge of STH, examined by the IRS or other relevant taxing authorities for any period nor are there any pending or, to the knowledge of STH, threatened examinations or tax claims asserted by any such authorities. There are no tax liens on any of the property of STH. Except as otherwise disclosed on Schedule 5.10, STH is not a party to, or bound by, any tax indemnity, tax sharing or tax allocation agreement. Neither STH nor any of the STH Subsidiaries holds any asset that is subject to a consent filed pursuant to Section 341(f) of the Code and regulations thereunder. For purposes of this Section 5.10, "taxes" includes any interest, penalty or additional amount payable with respect to any tax.

5.11 Books and Records. All books and records relating to operating income and expenses of all of the Hotels furnished or made available to PMCT by STH or STH's agent were and shall be those maintained by STH in regard to the Hotels in accordance with GAAP. The books of account and other financial records of STH and the STH Subsidiaries are accurately reflected in all material respects in the financial statements included in the STH Reports.

5.12 Employee Benefit Plans. All employee benefits plans and other benefit arrangements covering employees of STH and the STH Subsidiaries (the "STH Benefit Plans") are set forth in Schedule 5.12 hereto. True and complete copies of the STH Benefit Plans have been made available to PMCT. To the extent applicable, the STH Benefit Plans comply, in all material respects, with the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code, and any STH Benefit Plan intended to be qualified under Section 401(a) of the Code has been determined by the IRS to be so qualified. No STH Benefit Plan is covered by Title IV of ERISA or Section 412 of the Code. Neither STH nor any STH Benefit Plan has incurred any liability or penalty under Section 4975 of the Code or Section 502(i) of ERISA. Each STH Benefit Plan has been maintained and administered in all material respects in compliance with its terms and with ERISA and the Code to the extent applicable thereto.

Except as set forth on Schedule 5.12 there are no pending or, to the knowledge of STH, threatened claims against or otherwise involving any of the STH Benefit Plans and no suit, action or other litigation (excluding claims for benefits incurred in the ordinary course of STH Benefit Plan activities) has been brought against or with respect to any such STH Benefit Plan, except for any of the foregoing which would not have an STH Material Adverse Effect. All material contributions required to be made as of the date hereof to the STH Benefit Plans have been made or provided for. Neither STH nor any of the STH Subsidiaries has any liabilities or obligations with respect to any such STH Benefit Plan, whether accrued, contingent or otherwise, nor to the knowledge of STH are any such liabilities or obligations expected to be incurred, except for ongoing funding obligations or contributory obligations required by the terms of any STH Benefit Plan. Neither STH nor any entity under "common control" with STH within the meaning of ERISA Section 4001 has contributed to, or been required to contribute to, any "multiemployer plan" (as defined in Sections 3(37) and 4001(a)(3) of ERISA).

Except as set forth on Schedule 5.12, STH does not maintain or contribute to any plan or arrangement which provides or has any liability to provide life insurance, medical or other employee welfare benefits to any employee or former employee upon his retirement or termination of employment and STH has never represented, promised or contracted (whether in oral or written form) to any employee or former employee that such benefits would be provided.

5.13 Labor Matters. Neither STH nor any of the STH Subsidiaries is a party to, or bound by, any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor union organization, except as set forth on Schedule 5.13. There is no unfair labor practice or labor arbitration proceeding pending or, to the knowledge of STH, threatened against STH or the STH Subsidiaries relating to their business, except for any such proceeding which would not have an STH Material Adverse Effect. To the knowledge of STH, there are no organizational efforts with respect to the formation of a collective bargaining unit presently being made or

threatened involving employees of STH or any of its Subsidiaries. There have been no material work stoppages, strikes or other concerted actions by employees of STH or any of the STH Subsidiaries other than those that would not have an STH Material Adverse Effect.

5.14 No Brokers. Except the fee to be paid to ABN AMRO Incorporated by STH as described below, STH has not entered into any contract, arrangement or understanding with any person or firm which may result in the obligation of STH or PMCT to pay any finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby. STH is not aware of any claim for payment of any finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby.

5.15 Opinion of Financial Advisor. STH has retained ABN AMRO Incorporated to review the transactions contemplated by this Agreement and to issue an opinion to the effect that, as of the date of such opinion the consideration is fair to holders of STH Common Stock from a financial point of view.

5.16 PMCT Share Ownership. Except as expressly described in the Recitals hereto or as may be set forth in Schedule 5.16, neither STH nor any of the STH Subsidiaries owns any PMCT Common Shares or other securities convertible shares of beneficial interest of PMCT.

5.17 Related Party Transactions. Except for employment agreements with its executive officers and option agreements (including loan transactions in connection therewith) issued to STH officers, directors and other key employees pursuant to the STH Stock Option Plans, copies of which have been delivered to PMCT, and which are true, complete and correct when delivered or made available, there are no arrangements, agreements or contracts entered into by STH or any of the STH Subsidiaries with (a) any consultant, (b) any person who is an officer, director or affiliate of STH or any of the STH Subsidiaries, any relative of any of the foregoing or any entity of which any of the foregoing is an affiliate, or (c) any person who acquired STH Common Stock in a private placement.

5.18 Contracts and Commitments.

(a) Schedule 5.18 hereto (with paragraph references corresponding to those set forth below) contains a true and complete list of each of the following contracts (true and complete copies or, if none, reasonably complete and accurate written descriptions of which, together with all amendments and supplements thereto, have been delivered or made available to PMCT), to which STH or any of the STH Subsidiaries is a party or by which any Hotel is bound:

(i) all contracts providing for the management of the Hotels;

(ii) all franchise agreements (the "Franchise Agreements");

(iii) all material contracts providing for a commitment of employment or consultation services for a specified or unspecified term;

(iv) all contracts with any person containing any provision or covenant prohibiting or materially limiting the ability of STH or any of the STH Subsidiaries to engage in any business activity or to compete with any person;

(v) all partnership, joint venture, stockholders' or other similar contracts with any person;

(vi) all notes, debentures, bonds and other evidence of indebtedness which are secured or collateralized by mortgages, deeds of trust or other security interests in any Hotel or any personal property of STH or any of the STH Subsidiaries;

(vii) all contracts relating to any business combination;

(viii) all contracts between or among STH or any of the STH Subsidiaries, on the one hand, and any of their stockholders or affiliates, on the other hand;

(ix) all collective bargaining or similar labor contracts;
and

(x) all other contracts that involve the annual payment or potential annual payment pursuant to the terms of such contract, by or to STH or any of the STH Subsidiaries of more than \$25,000 or aggregate payments in excess of \$300,000 that will not (A) be fully performed on or prior to the Effective Time, (B) expire by their terms within 90 days following the Effective Time, or (C) be cancelable by the Surviving Entity, without penalty, upon not more than 30 days notice, including, without limitation, all leases, contracts for purchase and sale of assets, advance booking contracts and banquet contracts.

(b) Each contract required to be disclosed on Schedule 5.18 is in full force and effect and constitutes a legal, valid and binding agreement, enforceable in accordance with its terms and, except as disclosed on Schedule 5.18, neither STH, any of the STH Subsidiaries nor, to the knowledge of STH, any other party to such contract is in violation, breach or default under any such contract (or with notice or lapse of time or both would be in violation, breach or default under any such contract), the effect of which, individually or in the aggregate, could reasonably be expected to result in an STH Material Adverse Effect.

(c) The Franchise Agreements disclosed on Schedule 5.18 constitute all of the franchise or similar agreements necessary to operate and manage the Hotels and neither STH nor any STH Subsidiary has received any notice or has any knowledge of an event of default or termination or proposed termination under any such Franchise Agreement.

5.19 Development Rights. Schedule 5.19 hereto sets forth a list of all material agreements entered into by STH or any of the STH Subsidiaries relating to the development, rehabilitation, capital improvement or construction of hotels or additions thereto or other real estate properties,

which development or construction has not been substantially completed as of the date of this Agreement. Such agreements, true and correct copies of all of which have been delivered to PMCT, have not been modified and are valid and enforceable in accordance with their respective terms.

5.20 Certain Payments Resulting From Transactions. Except for the payments described in Section 5.17 and except for option agreements (and loans made in connection therewith) executed pursuant to the STH Stock Option Plan, deferred compensation arrangements with certain STH executive officers and employment agreements with certain STH officers each of which arrangements and agreements is set forth on Schedule 5.20 hereto, the execution of, and performance of the transactions contemplated by, this Agreement will not (either alone or upon the occurrence of any additional or subsequent events) (a) constitute an event under any STH Benefit Plan, policy, practice, agreement or other arrangement or any trust or loan (the "Employee Arrangements") that will or may result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any employee, director or consultant of STH or any of the STH Subsidiaries or (b) result in the triggering or imposition of any restrictions or limitations on the right of STH or PMCT to amend or terminate any Employee Arrangement and receive the full amount of any excess assets remaining or resulting from such amendment or termination, subject to applicable taxes. Except as set forth on Schedule 5.20, no payment or benefit which will be required to be made pursuant to the terms of any agreement, commitment or STH Benefit Plan, as a result of the transactions contemplated by this Agreement, to any officer, director or employee of STH or any of the STH Subsidiaries, will be characterized as an "parachute payment" within the meaning of Section 280G(b)(2) of the Code.

5.21 Convertible Securities. Except as set forth on Schedule 5.21, STH has no outstanding options, warrants or other securities exercisable for, or convertible into, shares of STH Common Stock, the terms of which would require any anti-dilution adjustments by reason of the consummation of the transactions contemplated hereby.

5.22 Compliance with Applicable Laws.

(a) Except as disclosed on Schedule 5.22 hereto, all Hotels and the operation thereof currently are in substantial compliance with the requirements of all Applicable Laws, except where the failure to so comply would not, individually or in the aggregate, be reasonably likely to result in an STH Material Adverse Effect; and to the knowledge of STH, there are no material commitments or agreements with any of such agencies affecting any Hotel which have not been fully disclosed to PMCT in writing.

(b) Except as disclosed on Schedule 5.22 hereto, neither STH nor any of the STH Subsidiaries has received any written notice of uncured violations at any of the Hotels of zoning, building, fire, health or any other applicable statute, ordinance or regulation, relating to any of the Hotels, the construction or any occupancy thereof, except for violations that, individually or in the aggregate with respect to any Hotel, would not be reasonably likely to result in an STH Material Adverse Effect, nor are there presently pending against STH or against any of the Hotels any judgments relating to any of the above matters, any judicial proceedings or administrative actions

or any state of facts which, to the knowledge of STH, with notice or lapse of time, could reasonably be expected to give rise to any such proceedings or actions, in either case that would be reasonably likely to result in an STH Material Adverse Effect.

(c) Neither STH nor any of the STH Subsidiaries has received any written notice that any material permits, licenses or consents not already obtained are required by any governmental agencies in connection with the use and occupancy of any of the Hotels or any material improvements thereto.

5.23 Insurance. The insurance policies listed and described on Schedule 5.23 hereto are currently in force. Neither STH nor any of the STH Subsidiaries has received any notice from any insurer of any of the Hotels or any part thereof requesting any improvements, alterations, additions, corrections or other work in, on or about the improvements thereto, whether related to any of the Hotels or to the operation of any occupant thereof, which have not been cured or satisfied.

5.24 Subsidiaries of STH. All subsidiaries of STH which were taxed for federal income tax purposes as "S" corporations at the time of their acquisition by STH were taxed as "S" corporations from their respective dates of formation and had no earnings and profits prior to their acquisition by STH.

5.25 Acquisitions by STH and its Subsidiaries. Neither STH nor any of its subsidiaries has made an acquisition which would constitute a "reorganization" under Section 368(a) of the Code.

ARTICLE 6

ADDITIONAL REPRESENTATIONS AND WARRANTIES AND COVENANTS RELATING TO HOTELS AND REAL PROPERTY

6.1 Representations and Warranties. STH represents and warrants to PMCT as set forth below:

(a) Title to Hotels. Except as set forth on Schedule 6.1(a) hereto, STH has on the Effective Time and STH will have on the Closing Date good and indefeasible fee simple title to the Hotels, free and clear of all conditions, exceptions, or reservations.

(b) No Consents Required. No consent, except that of the franchisor(s) listed on Schedule 6.1(b) hereto, those associated with the Regulatory Filings, that of the STH shareholders and those required by Section 8.15, waiver, approval, or authorization of, or filing, registration, or qualification with, or notice to, any Governmental Authority or any other entity or person (including, without limitation, its directors is required to be made, obtained, or given by STH in connection with the execution, delivery, and performance of this Agreement, except such consent, waiver, approval, authorization, filing, registration or qualification which has been made, obtained or given.

(c) STH Not a Foreign Person. STH is not a "foreign person" but is a "United States person" as such terms are defined in the Foreign Investment in the Real Property Tax Act of 1980 and Sections 1445 and 7701 of the Code; that is to say, STH is a domestic corporation or trust which is not a foreign estate or foreign trust within the meaning of Section 7701(a)(30)(c) of the Code.

(d) Operating Agreements. Except as set forth on Schedule 6.1(d) hereto, no portion of any Hotel is subject to the burdens or obligations of any Operating Agreement and all Operating Agreements are current and not in default other than defaults that will not, individually or in the aggregate, have an STH Material Adverse Effect.

(e) Tenant Leases. Except as may be specifically noted to the contrary on Schedule 6.1(e) hereto:

(i) STH or an STH Subsidiary is the sole owner of the lessor's interest in all of the Leases and all Leases are in full force and effect without current material default by either STH or the respective tenants;

(ii) none of the Leases that are material to STH has been modified in a material way, except as reflected in amendments to which PMCT has had access;

(iii) all obligations of the lessor under the Leases with respect to the performance of work or the installation of equipment or materials required to have been performed at or prior to the Effective Time have been fully observed and performed, except for such failures that, individually or in the aggregate, will not have an STH Material Adverse Effect;

(iv) no tenant is or shall become entitled to any material concession, rebate, allowance, or free rent for any period subsequent to the Closing, without the prior written consent of PMCT, except as set forth in the Lease with respect to such tenant;

(v) no tenant has any purchase option or other interest (other than its leasehold tenancy for a specified term) in any of the Land and/or the Improvements; and

(vi) no tenant has given STH or any STH Subsidiary notice of its intention to vacate its demised premises prior to the end of the term of its lease.

(f) No Condemnation. There is no pending condemnation or similar proceeding affecting any of the Land, the Improvements, or the Personal Property or any portion thereof, and neither STH nor any STH Subsidiary has received any written notice and each has no knowledge that any such proceeding is contemplated.

(g) No Violations of Applicable Law. To the knowledge of STH, except as set forth on Schedule 6.1(g) hereto, the current location, ownership, operation, use, and occupancy of all of the Land and Improvements thereon do not violate any Applicable Law, including, without limitation, all Environmental Laws and the Architectural Barriers Legislation. To the knowledge of STH, except as set forth on Schedule 6.1(g) hereto, there are no violations of any Applicable Law affecting any portion of any of the Land, the Improvements or the Personal Property, and no written notice of any such violation has been issued by any Governmental Authority.

(h) Changes in Applicable Laws. Neither STH nor any STH Subsidiary has any information or knowledge of any change contemplated in any of the Applicable Laws or any judicial or administrative action, or any action by adjacent landowners, or any fact or condition relating to any of the Hotels which is reasonably likely to materially adversely affect, prevent or limit the use of any of the Hotels as hotels of the size and nature currently being operated.

(i) No Administrative Actions. To STH's or any STH Subsidiary's knowledge, except as set forth on Schedule 6.1(i) hereto, no Hotel is now, to STH's or any STH Subsidiary's knowledge, the subject of any administrative investigation, action or judicial proceeding in regard to sex, age, or racially discriminatory practices initiated by any Governmental Authority, or any private citizen, and no such investigation, administrative action, or judicial proceeding is now pending, nor is any Hotel presently operating under any court order or administrative agreement in regard to alleged sex, age, or racially discriminatory practices.

(j) Zoning. To STH's or any STH Subsidiary's knowledge, except as set forth on Schedule 6.1(j) hereto, there are no pending or, to STH's knowledge, threatened requests, applications or proceedings to alter or restrict the zoning or other use restrictions applicable to any Hotel; neither STH nor any STH Subsidiary has received any notice from any Governmental Authority of zoning, building, fire, water, use, health, environmental or other violations of Applicable Law issued in respect of any Hotel that have not been heretofore corrected, and no such violations exist; all of the Improvements and the present uses thereof are permitted, conforming structures and uses under all applicable zoning and building laws and ordinances.

(k) Parties in Possession. There are no adverse parties in possession of any of the Hotels or of any part thereof and no parties in possession thereof except STH and the tenants under the Leases, except as otherwise expressly disclosed herein, and no party has been granted any license, lease, or other right relating to the use or possession of any of the Hotels except the tenants under the Leases, or except as otherwise expressly disclosed herein.

(l) No Other Contracts. There are no contracts or other obligations outstanding for the sale, exchange or transfer of any of the Hotels or any portion thereof or the business operated thereon.

(m) Utilities. All utilities required by Applicable Laws for the operation of all of the Improvements including, but not limited to, water, sewer, gas and electric, enter each parcel of Land through adjoining public streets or if they pass through adjoining private land, do so in accordance with valid public or private easements which inure to the benefit of STH. All of said utilities are installed and operating and all installation and connection charges have been paid in full and no fact, condition, or proceeding exists which would result in the termination or impairment of the furnishing of or an increase in rates or services to any of the Hotels of the foregoing utility services.

(n) Access to Land. There are adequate means of ingress and egress for vehicular and pedestrian traffic to and from each parcel of Land and each adjoining street, road or highway. All routes of ingress and egress to and from each parcel of Land, to the extent they pass through adjoining land do so in accordance with valid public or private easements which inure to the benefit of STH. To STH's or any STH Subsidiary's knowledge no parcel of Land or any Improvements located thereon violates any restriction, condition or agreement contained in any easement, reciprocal easement, restrictive covenant, or similar instrument or agreement affecting such Land or Improvements or any part thereof.

(o) Maintenance and No Defects. To STH's or any STH Subsidiary's knowledge, the roofs of the buildings comprising all of the Improvements are free of material leaks; the foundations and all mechanical systems including air-conditioning, plumbing, heating, sewage drainage and electrical have been maintained in all material respects in accordance with industry practices.

(p) Insurance. Neither STH nor any STH Subsidiary has received, and has no other knowledge or information of, any written notice from any insurance company or board of fire underwriters requesting the performance of any material work or alteration with respect to any of the Hotels, or requiring an increase in the insurance rates applicable to any of the Hotels. To the knowledge of STH, all of the Hotels comply with the requirements of all insurance carriers providing insurance therefor.

(q) Property Not in Flood Area. No portion of any parcel of Land is situated in an area designated by the Secretary of the United States Department of Housing and Urban Development (or by any other federal, state, municipal, or other governmental instrumentality) as having special flood or mudslide hazards.

(r) Compliance with Architectural Barriers Legislation. To STH's knowledge, except as set forth on Schedule 6.1(r) hereto, all of the Improvements were built and continue to be in full compliance with all legal requirements relative to architectural barriers or accommodations of disabled persons, including, without limitation, applicable Architectural Barriers Legislation.

(s) Environmental. To STH's knowledge, except as set forth on Schedule 6.1(s) hereto, there are no Environmental Conditions and there is no Environmental Noncompliance

with respect to any Hotel. All material Permits have been obtained, are valid and in good standing. To STH's knowledge, all operations on or at each Hotel are and have been conducted in material compliance with all applicable Environmental Laws. Neither STH nor any STH Subsidiary has received any Notification from any governmental instrumentality seeking any information or alleging any violation of any Applicable Law or Environmental Law. Neither STH nor any STH Subsidiary has caused or permitted any Hotel to be used to generate, manufacture, refine, transport, treat, recycle, store, handle, dispose of, transfer, produce, or process any Hazardous Materials or solid waste, except in small quantities utilized in connection with routine maintenance or repair of the Hotel, all of which have been and will be stored, used, handled, and disposed of in full compliance with all Environmental Laws other than such noncompliance that, individually or in the aggregate, will not have an STH Material Adverse Effect. Neither STH nor any STH Subsidiary has caused or permitted, and has no knowledge of, any Release of any such Hazardous Materials on-site or off-site of any Hotel other than such releases that, individually or in the aggregate, will not have an STH Material Adverse Effect.

6.2 STH Deliverables. STH has, prior to the execution of this Agreement, delivered to PMCT, or provided PMCT access to, true and correct copies of each of the following:

(a) Leases. Each Lease covering or relating to each Hotel, together with any amendments thereto or other documents creating further obligations or agreements in connection therewith.

(b) Operating Statements. Operating statements covering the Hotel for the fiscal year ended December 31, 1997, which statements are prepared in the ordinary course of STH's business and form the basis for STH's financial statements.

(c) Tax Statements. Copies of the most recent ad valorem and personal property tax statements with respect to each Hotel received.

(d) Plans and Specifications. A full set of "as-built" plans, specifications and architectural floor plans for all of the Improvements to the extent available, and the name and address of the project architects, if known.

(e) Operating Agreements. A list of all Operating Agreements together with a copy of each Operating Agreement.

(f) List of Defects. A list of all defects or malfunctions affecting any part of the Hotels and of which STH or any STH Subsidiary has knowledge with respect to foundations, walls, roofs, heating, electrical, plumbing or air conditioning equipment or systems, and drainage or sewage equipment or systems other than such defects or malfunctions that, individually or in the aggregate, will not result in an STH Material Adverse Effect.

(g) Insurance Policies. Copies of all of STH's or an STH Subsidiary's fire, hazard, liability and other insurance policies currently in force with respect to the Hotels.

(h) Commission Agreements. All leasing or other commission agreements with respect to the Hotels and a list of all unpaid commissions which identifies the payee, amount and date or event upon which such commission will become due and payable.

(i) Updated record searches relating to existing environmental site assessments for each Hotel.

(j) A written architectural review of each Hotel previously identified and agreed upon by STH and PMCT (each an "Architectural Review") to determine such Hotel's compliance with Architectural Barriers Legislation by an architect certified as to such matters and reasonably acceptable to PMCT. Such Architectural Review shall contain an estimate of the cost of bringing any noncomplying Hotel into compliance with all Architectural Barriers Legislation.

6.3 STH Property Reports. STH shall, as soon as possible but in no event later than forty-five (45) days from the date hereof (except as provided below), cause to be furnished to PMCT:

(a) Copies of the current Title Policies held by STH as to each Hotel;

(b) Title Updates as to each Hotel where there is existing title insurance and, at STH's option, title reports or updates to legal opinions where there are legal opinions, in all cases dated as of a date following the date hereof. At such time as STH causes the Title Updates or such reports or opinions to be furnished to PMCT, STH shall further cause to be furnished to PMCT true, correct, and legible copies of all instruments referred to in each Title Update, report or opinion as conditions or exceptions to title to each Hotel, including liens, which have not previously been provided pursuant to Section 6.3(a), and a certificate stating that a search has been made of both the state and county records wherein financing statements and security agreements are filed pursuant to the Uniform Commercial Code of the state in which the Hotel is located and that such search indicates all security interests or liens of any kind or nature, including, but not limited to, any equipment financing or leasing arrangements, that are claimed by any person against the Hotel, or any part thereof; and

(c) A copy of the Survey of each parcel of Land and the Improvements located thereon previously identified and agreed upon by STH and PMCT, prepared by the Surveyor, dated as of a date following the issuance of the certificate of occupancy with respect to the applicable Hotel, to the extent not previously provided to PMCT. Such Surveys shall include a metes and bounds legal description of each parcel of Land, shall accurately show the location and dimensions of all the Improvements located thereon, encroachments, uses (including the location of all highways, streets, roads, easements, alleys and rights-of-way upon or adjacent to the Land) and encumbrances which are visible on the ground or listed on the applicable Title Policy and Title Update (identifying each by volume and page

reference, if applicable), shall recite an exact area of the Land, shall show all building set-back lines, shall contain a certificate specifically addressed to PMCT and STH which shall substantially state "(i) this survey is true and correct, was made on the ground as per the field notes shown hereon, correctly shows the boundary lines and dimensions and area of the land indicated hereon and each individual parcel thereof indicated hereon, correctly shows the location of all buildings, structures and other improvements and visible items on the subject property, and correctly shows the location and dimensions of all easements, alleys, streets, roads, rights-of-way, building set-back lines and other matters of record of which the undersigned has been advised affecting the subject property according to the legal description in such easements and other matters (with instrument, book and page number indicated); (ii) except as shown, there are no improvements, easements, rights-of-way, party walls, visible uses, conflicts, or other matters of record of which the undersigned has been advised affecting the subject property, there are no encroachments or protrusions onto adjoining premises, streets or alleys by any buildings, structures or other improvements on the subject property, there are no encroachments on the subject property by buildings, structures or other improvements situated on adjoining premises, and there are no encroachments on any easements located on the subject property by any buildings, structures or other improvements situated on the subject property; (iii) the distance from the nearest intersecting street and road to the subject property is as shown hereon; and (iv) no part of the subject property is within an area designated on a Federal Flood Insurance Rate Map or Flood Hazard Boundary Map as having special flood hazards." The Survey (i) as to Hotels located in Texas, must conform to the current Texas Surveyors Association Standards and Specifications for a Category IA, Condition II Survey and (ii) as to Hotels located in all other states, must be prepared as an "Urban" class survey according to "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" as adopted by the American Land Title Association and the American Congress on Surveying and Mapping in 1992. STH shall provide the Surveyor with a copy of this Section 6.3(c) when the Survey is ordered.

(d) A schedule of all operating inventory at the Hotels as of a date no more than five business days prior to the Closing Date.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF PMCT

PMCT represents and warrants to STH as set forth below.

7.1 Existence; Good Standing; Authority; Compliance with Law. PMCT is a real estate investment trust duly organized, validly existing and in good standing under the laws of the State of Texas. PMCT is duly licensed or qualified to do business and is in good standing under the laws of any other state of the United States in which the character of the properties owned or leased by it therein or in which the transaction of its business makes such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on the business, results of operations or financial condition of PMCT and its subsidiaries (each a "PMCT Subsidiary") taken

as a whole (a "PMCT Material Adverse Effect"). PMCT has all requisite power and authority to own, operate, lease and encumber its properties and carry on its business as now conducted. Each PMCT Subsidiary is a corporation, limited liability company or partnership duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has the corporate or partnership power and authority to own its properties and to carry on its business as it is now being conducted, and is duly qualified to do business and is in good standing in each jurisdiction in which the ownership of its property or the conduct of its business requires such qualification, except for jurisdictions in which such failure to be so qualified or to be in good standing would not have a PMCT Material Adverse Effect.

Neither PMCT nor any PMCT Subsidiary is in violation of any order of any court, governmental authority or arbitration board or tribunal, or any law, ordinance, governmental rule or regulation to which PMCT or any PMCT Subsidiary or any of their respective properties or assets is subject, where such violation would have a PMCT Material Adverse Effect. PMCT and the PMCT Subsidiaries have obtained all licenses, permits and other authorizations and have taken all actions required by applicable law or governmental regulations in connection with their business as now conducted, where the failure to obtain any such item or to take any such action would have a PMCT Material Adverse Effect. Complete and correct copies of PMCT's Declaration of Trust and the PMCT Subsidiaries' charters and bylaws, which reflect all amendments made thereto, have been delivered or made available to STH and its counsel. The minute books and other records of PMCT and the PMCT Subsidiaries contain in all material respects accurate records of all meetings and accurately reflect in all material respects all other corporate action of the stockholders and directors and any committees of the Board of Trust Managers of PMCT and the boards of directors of the PMCT Subsidiaries. Neither PMCT nor any PMCT Subsidiary is in default under or in violation of any provision of their respective charters or bylaws. For the purposes of the immediately preceding sentence, the term "PMCT Subsidiary" shall include the entities set forth on Schedule 7.4 attached hereto, which are all of PMCT's subsidiaries.

7.2 Authorization, Validity and Effect of Agreements. PMCT has the requisite power and authority to enter into the transactions contemplated hereby and to execute and deliver this Agreement and all other documents, agreements and instruments related to the transactions contemplated by this Agreement to which each of them is a party (the "PMCT Ancillary Agreements"). Subject only to the approval of the issuance of the shares of PMCT Common Shares pursuant to the Merger contemplated hereby by the holders of two-thirds of the outstanding shares of PMCT Common Shares, present and voting thereon, the consummation by PMCT of this Agreement, the PMCT Ancillary Agreements and the transactions contemplated hereby and thereby have been duly authorized by all requisite action on the part of PMCT and no other action on the part of PMCT is necessary to authorize this Agreement, the PMCT Ancillary Agreements or the transactions contemplated hereby or thereby. This Agreement constitutes, and the PMCT Ancillary Agreements (when executed and delivered pursuant hereto for value received) will constitute, the valid and legally binding obligations of PMCT enforceable against PMCT in accordance with their respective terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and general principles of equity.

7.3 Capitalization. The authorized capital stock of PMCT consists of 100,000,000 shares of beneficial interest, which may consist of PMCT Common Shares or such other types of classes of securities as PMCT's Board of Trust Managers may, from time to time, create. As of June 3, 1998, (a) there were 6,509,231 shares of PMCT Common Shares issued and outstanding and (b) no shares of PMCT Common Shares were held by PMCT in its treasury. PMCT has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the shareholders of PMCT on any matter. All such issued and outstanding shares of PMCT Common Shares are duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights. Except as set forth on Schedule 7.3 hereto, there are not at the date of this Agreement any existing options, warrants, calls, subscriptions, convertible securities, or other rights, agreements or commitments which obligate PMCT or any of the PMCT Subsidiaries to issue, transfer or sell any shares of stock or other equity interest of PMCT or any of the PMCT Subsidiaries, other than the issuance, by PMCT of up to 95,021 PMCT Common Shares upon the exercise of stock options issued to employees and trust managers. There are no agreements or understandings to which PMCT is a party with respect to the voting of any shares of PMCT Common Shares or which restrict the transfer of any such shares, except in order to protect its REIT status. There are no bonds, debentures, notes or other indebtedness of PMCT having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which shareholders of PMCT may vote. There are no outstanding contractual obligations of PMCT or any of the PMCT Subsidiaries to repurchase, redeem or otherwise acquire any shares of PMCT or any capital stock, voting securities or other securities or other ownership interests in any of the PMCT Subsidiaries or make any material investment (in the form of a loan, capital contribution or otherwise) in any person (other than one of the PMCT Subsidiaries).

7.4 Subsidiaries. Except as set forth in Schedule 7.4 hereto, PMCT owns directly or indirectly all of the outstanding shares of capital stock or all of the partnership or other equity interests of each of the PMCT Subsidiaries listed on Schedule 7.4 free and clear of all liens, pledges, security interests, claims or other encumbrances. Each of the outstanding shares of capital stock of or other equity interest in each of the PMCT Subsidiaries is duly authorized, validly issued, fully paid and nonassessable. The following information for each PMCT Subsidiary is set forth on Schedule 7.4, if applicable: (a) its name and jurisdiction of incorporation or organization; (b) its authorized capital stock or share capital or partnership or other interests; (c) the name of each shareholder or owner of an equity interest and the number of issued and outstanding shares of capital stock or share capital or percentage ownership for non-corporate entities held by it; and (d) the name, ownership structure and equity owners of the general partner(s).

7.5 Other Interests. Except for interests in the PMCT Subsidiaries, neither PMCT nor any PMCT Subsidiary owns directly or indirectly any interest or investment (whether equity or debt) in any corporation, partnership, joint venture, business, trust or entity (other than investments in short-term investment securities).

7.6 No Violation. Neither the execution and delivery by PMCT of this Agreement or the PMCT Ancillary Agreements nor the consummation by PMCT of the transactions contemplated

hereby or thereby in accordance with the terms hereof or thereof, will: (a) conflict with or result in a breach of any provisions of the Declaration of Trust or Bylaws of PMCT; (b) result in a breach or violation of, a default under, or the triggering of any payment or other material obligations pursuant to, or accelerate vesting under, any of PMCT's Stock Option Plans, or any grant or award made under any of the foregoing; (c) violate, or conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination or in a right of termination or cancellation of, or accelerate the performance required by, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties of PMCT or the PMCT Subsidiaries under, or result in being declared void, voidable or without further binding effect, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust or any license, franchise, permit, lease, contract, agreement or other instrument, commitment or obligation to which PMCT or any of the PMCT Subsidiaries is a party, or by which PMCT or any of the PMCT Subsidiaries or any of their properties is bound or affected, except for any of the foregoing matters which, individually or in the aggregate, would not have a PMCT Material Adverse Effect; or (d) other than the Regulatory Filings require any consent, approval or authorization of, or declaration, filing or registration with, any domestic governmental or regulatory authority, except where the failure to obtain such consent, approval or authorization of, or declaration, filing or registration with, any governmental or regulatory authority would not have a PMCT Material Adverse Effect.

7.7 SEC Documents. Schedule 7.7 hereto sets forth all reports, schedules, forms, statements and other documents PMCT has filed with the SEC pursuant to the Securities Act and the Exchange Act since June 25, 1993 (the "PMCT Reports") and such PMCT Reports constitute all reports, schedules, forms, statements and other documents required to be filed by PMCT under the Securities Laws since such date.

As of their respective dates, the PMCT Reports (a) complied as to form in all material respects with the applicable requirements of the Securities Laws and (b) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each of the consolidated balance sheets of PMCT included in or incorporated by reference into the PMCT Reports (including the related notes and schedules) (i) complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, (ii) were prepared in all material respects in accordance with GAAP, and (iii) fairly presented in all material respects the consolidated financial position of PMCT and the PMCT Subsidiaries as of its date in conformity with GAAP. Each of the consolidated statements of income, retained earnings and cash flows of PMCT included in or incorporated by reference into the PMCT Reports (including any related notes and schedules) (A) complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, (B) were prepared in accordance with GAAP, and (C) fairly presented the results of operations, retained earnings or cash flows, as the case may be, of PMCT and the PMCT Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect) in conformity with GAAP.

Except as and to the extent set forth in the PMCT Reports and except for liabilities incurred in connection with this Agreement and the transactions contemplated hereby, neither PMCT nor any of the PMCT Subsidiaries has any material liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) that would be required to be reflected on, or reserved against in, a balance sheet of PMCT or in the notes thereto, prepared in accordance with generally accepted accounting principles consistently applied, except liabilities arising in the ordinary course of business since such date which would not have a PMCT Material Adverse Effect.

7.8 Litigation. There are (a) no continuing orders, injunctions or decrees of any court, arbitrator or governmental authority to which PMCT or any PMCT Subsidiary is a party or by which any of its properties or assets are bound or, to the knowledge of PMCT, to which any of its directors, officers, or affiliates is a party or by which any of their properties or assets are bound, and (b) except as set forth in Schedule 7.8 hereto, no actions, suits or proceedings pending against PMCT or any PMCT Subsidiary or, to the knowledge of PMCT, against any of its directors, officers, or affiliates or, to the knowledge of PMCT, threatened against PMCT or any PMCT Subsidiary or against any of its directors, officers, or affiliates, at law or in equity, or before or by any federal or state commission, board, bureau, agency or instrumentality, that in the case of clause (a) or (b) above are reasonably likely, individually or in the aggregate, to have a PMCT Material Adverse Effect.

7.9 Absence of Certain Changes. Except as disclosed in the PMCT Reports filed with the SEC prior to the date hereof, since the date of the most recent financial statements included in the PMCT Reports (the "Financial Statement Date"), (a) PMCT and the PMCT Subsidiaries have conducted their business in all material respects in the ordinary course of such business (which, for purposes of this Section 7.9 only, shall include all financing arrangements made in connection with the acquisition and/or development of real estate properties); (b) no event has caused a PMCT Material Adverse Effect and there has been no event, occurrence or circumstance that with the passage of time would reasonably be expected to cause a PMCT Material Adverse Effect; (c) except as otherwise permitted pursuant to the terms of this Agreement, as of the date hereof there has not been any declaration, setting aside or payment of any dividend or other distribution with respect to the PMCT Common Shares or any split, combination or reclassification of the PMCT Common Shares; and (d) there has not been any material change in PMCT's accounting principles, practices or methods. There are no material unsatisfied judgments, orders (other than orders of general applicability), decrees or stipulations affecting PMCT or any PMCT Subsidiary or to which one of them is a party.

7.10 Taxes. Except as set forth on Schedule 7.10 hereto, PMCT and each of its Subsidiaries (a) have timely filed all federal, state and foreign tax returns, including, without limitation, information returns and reports required to be filed by any of them for tax periods ended prior to the date of this Agreement, or requests for extensions have been timely filed and any such request has been granted and has not expired and all such returns are absolute and complete to the knowledge of PMCT in all material respects, (b) has paid or accrued in accordance with GAAP all taxes shown to be due and payable on such returns or which have become due and payable pursuant to any assessment, deficiency notice, 30-day letter or other notice received by it, and (c) has properly accrued in accordance with GAAP all material taxes for such periods subsequent to the periods

covered by such returns. Except as set forth on Schedule 7.10 hereto, neither PMCT nor any of the PMCT Subsidiaries has received written notice that the federal, state and local income and franchise tax returns of PMCT or any PMCT Subsidiary will be examined by any taxing authority. Except as set forth on Schedule 7.10 hereto, neither PMCT nor any of the PMCT Subsidiaries has executed or filed with the IRS or any other taxing authority any agreement now in effect extending the period for assessment or collection of any income or other taxes.

Except as set forth on Schedule 7.10 hereto, neither PMCT nor any of the PMCT Subsidiaries is a party to any pending action or proceeding by any governmental authority for assessment or collection of taxes, and no claim for assessment or collection of taxes has been asserted against it. True, correct and complete copies of all federal, state and local income or franchise tax returns filed by PMCT and each of the PMCT Subsidiaries have been delivered to STH or made available to representatives of STH. Except as set forth on Schedule 7.10 hereto, the tax returns filed by PMCT and any PMCT Subsidiary have not been, and are not being, to the knowledge of PMCT, examined by the IRS or other relevant taxing authorities for any period nor are there any pending or, to the knowledge of PMCT, threatened examinations or tax claims asserted by any such authorities. There are no tax liens on any of the property of PMCT. Except as otherwise disclosed on Schedule 7.10, PMCT is not a party to, or bound by, any tax indemnity, tax sharing or tax allocation agreement. PMCT (i) has qualified to be taxed as a REIT pursuant to Sections 856 through 859 of the Code for its taxable years ended December 31, 1994 through 1997, inclusive (ii) has operated, and intends to continue to operate, in such a manner as to qualify to be taxed as a REIT pursuant to Sections 856 through 859 of the Code for its taxable year ended on the effective date of the Merger, and (iii) has not taken or omitted to take and will not take or omit to take any action which could result in, and each of the executive officers of PMCT, each acting in his or her respective capacity as such, has no actual knowledge of, a challenge to its status as a REIT. Following consummation of the Merger in accordance with the provisions of this Agreement, PMCT will continue to meet the requirements for qualification and taxation as a REIT under the Code. PMCT represents that each of its Subsidiaries which is a corporation for federal income tax purposes and of which all the outstanding capital stock is owned solely by PMCT (or by PMCT and one or more of the PMCT Subsidiaries or by one or more of the PMCT Subsidiaries) is a Qualified REIT Subsidiary as defined in Section 856(i) of the Code. Neither PMCT nor any of the PMCT Subsidiaries holds any asset (i) the disposition of which could be subject to rules similar to Section 1374 of the Code as a result of an election under IRS Notice 88-19 or (ii) that is subject to a consent filed pursuant to Section 341(f) of the Code and regulations thereunder. For purposes of this Section 7.10, "taxes" includes any interest, penalty or additional amount payable with respect to any tax.

7.11 Books and Records. The books of account and other financial records of PMCT and the PMCT Subsidiaries are accurately reflected in all material respects in the financial statements included in the PMCT Reports.

7.12 Employee Benefit Plans. All employee benefits plans and other benefit arrangements covering employees of PMCT and the PMCT Subsidiaries (the "PMCT Benefit Plans") are set forth on Schedule 7.12. True and complete copies of the PMCT Benefit Plans have been or will be made available to STH. To the extent applicable, the PMCT Benefit Plans comply, in all material respects,

with the requirements of ERISA, and the Code, and any PMCT Benefit Plan intended to be qualified under Section 401(a) of the Code has been determined by the IRS to be so qualified. No PMCT Benefit Plan is covered by Title IV of ERISA or Section 412 of the Code. No PMCT Benefit Plan nor PMCT has incurred any liability or penalty under Section 4975 of the Code or Section 502(i) of ERISA. Each PMCT Benefit Plan has been maintained and administered in all material respects in compliance with its terms and with ERISA and the Code to the extent applicable thereto.

Except as set forth on Schedule 7.12, there are no pending or, to the knowledge of PMCT, threatened claims against or otherwise involving any of the PMCT Benefit Plans and no suit, action or other litigation (excluding claims for benefits incurred in the ordinary course of PMCT Benefit Plan activities) has been brought against or with respect to any such PMCT Benefit Plan, except for any of the foregoing which would not have a PMCT Material Adverse Effect. All material contributions required to be made as of the date hereof to the PMCT Benefit Plans have been made or provided for. Neither PMCT nor any PMCT Subsidiary has any liabilities or obligations with respect to any such PMCT Benefit Plan, whether accrued, contingent or otherwise, nor to the knowledge of PMCT are any such liabilities or obligations expected to be incurred. Neither PMCT nor any entity under "common control" with PMCT within the meaning of ERISA Section 4001 has contributed to, or been required to contribute to, any "multiemployer plan" (as defined in Sections 3(37) and 4001(a)(3) of ERISA).

Except as set forth on Schedule 7.12, PMCT does not maintain or contribute to any plan or arrangement which provides or has any liability to provide life insurance, medical or other employee welfare benefits to any employee or former employee upon his retirement or termination of employment and PMCT has never represented, promised or contracted (whether in oral or written form) to any employee or former employee that such benefits would be provided.

7.13 Labor Matters. Neither PMCT nor any of the PMCT Subsidiaries is a party to, or bound by, any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor union organization. There is no unfair labor practice or labor arbitration proceeding pending or, to the knowledge of PMCT, threatened against PMCT or the PMCT Subsidiaries relating to their business, except for any such proceeding which would not have a PMCT Material Adverse Effect. To the knowledge of PMCT, there are no organizational efforts with respect to the formation of a collective bargaining unit presently being made or threatened involving employees of PMCT or any of the PMCT Subsidiaries. There have been no material work stoppages, strikes or other concerted actions by employees of PMCT or any of the PMCT Subsidiaries other than those that would not have a PMCT Material Adverse Effect.

7.14 No Brokers. Except the fee to be paid to J.C. Bradford & Co. by PMCT as described below, PMCT has not entered into any contract, arrangement or understanding with any person or firm which may result in the obligation of PMCT or STH to pay any finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby. PMCT is not aware of any claim for payment of any finder's fees, brokerage or agent's commissions or other like payments in

connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby.

7.15 Opinion of Financial Advisor. PMCT has retained J.C. Bradford & Co. to review the transactions contemplated by this Agreement and to issue an opinion to the effect that, as of the date of such opinion, the Exchange Ratio is fair, from a financial point of view, to PMCT and the holders of PMCT Common Shares.

7.16 STH Share Ownership. Except as expressly described in the Recitals hereto or as may be set forth in Schedule 7.16, neither PMCT nor any of the PMCT Subsidiaries owns any shares of capital stock of STH or other securities convertible into capital stock of STH.

7.17 PMCT Common Shares. The issuance and delivery by PMCT of PMCT Common Shares in connection with the Merger and this Agreement have been duly and validly authorized by all necessary action on the part of PMCT except for the approval of its shareholders contemplated by this Agreement. The PMCT Common Shares to be issued in connection with the Merger and this Agreement, when issued in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable.

7.18 Convertible Securities. PMCT has no outstanding options, warrants or other securities exercisable for, or convertible into, shares of PMCT Common Shares, the terms of which would require any anti-dilution adjustments by reason of the consummation of the transactions contemplated hereby.

7.19 Related Party Transactions. Schedule 7.19 hereto sets forth a list of all arrangements, agreements and contracts entered into by PMCT or any of the PMCT Subsidiaries with (a) any consultant, or (b) any person who is an officer, director or affiliate of PMCT or any of the PMCT Subsidiaries, any relative of any of the foregoing or any entity of which any of the foregoing is an affiliate. Copies of such documents, all of which have been or will be delivered or made available to STH prior to May 8, 1998, are or will be true, complete and correct when delivered or made available.

7.20 Contracts and Commitments. Except for loan commitments made by PMCT in the ordinary course of its business, Schedule 7.20 sets forth (a) all unsecured notes or other obligations of PMCT and the PMCT Subsidiaries which individually may result in total payments in excess of \$750,000, (b) notes, debentures, bonds and other evidence of indebtedness which are secured or collateralized by mortgages, deeds of trust or other security interests in the PMCT properties or personal property of PMCT and the PMCT Subsidiaries, and (c) each Commitment entered into by PMCT or any of the PMCT Subsidiaries which individually may result in total payments or liability in excess of \$750,000. True and correct copies of the foregoing have been delivered or made available to STH. None of PMCT or any of the PMCT Subsidiaries has received any notice of a default that has not been cured under any of the documents described in clause (a) or (b) above or is in default respecting any payment obligations thereunder beyond any applicable grace periods. All joint venture agreements to which PMCT or any of the PMCT Subsidiaries is a party are set forth

on Schedule 7.20 and PMCT or the PMCT Subsidiaries are not in default with respect to any obligations, which individually or in the aggregate are material, thereunder.

ARTICLE 8

COVENANTS

8.1 Acquisition Proposals. Prior to the Effective Time, STH and PMCT each agree (a) that neither of them nor any of their Subsidiaries shall, and each of them shall direct and use its best efforts to cause its respective officers, trust managers, directors, employees, agents, affiliates and representatives (including, without limitation, any investment banker, attorney or accountant retained by it or any of its Subsidiaries) not to, initiate, solicit or encourage, directly or indirectly, any inquiries or the making or implementation of any proposal or offer (including, without limitation, any proposal or offer to its shareholders) with respect to a merger, acquisition, tender offer, exchange offer, consolidation or similar transaction involving, or any purchase 20% or more of the assets or equity securities (or any debt securities convertible into equity securities) of, such party or any of its Subsidiaries, other than the transactions contemplated by this Agreement (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal") or engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal; (b) that it will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing and each will take the necessary steps to inform the individuals or entities referred to above of the obligations undertaken in this Section 8.1; and (c) that it will notify the other party immediately if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with, it; provided, however, that nothing contained in this Section 8.1 shall prohibit the Board of Trust Managers or the Board of Directors of such party from (i) furnishing information to or entering into discussions or negotiations with, any person or entity that makes an unsolicited bona fide Acquisition Proposal, if, and only to the extent that, (A) the Board of Trust Managers or Board of Directors of such party determines in good faith that such action is required for such body to comply with its fiduciary duties to shareholders imposed by law as advised by counsel, (B) prior to furnishing such information to, or entering into discussions or negotiations with, such person or entity, such party provides written notice to the other party to this Agreement to the effect that it is furnishing information to, or entering into discussions with, such person or entity, and (C) subject to any confidentiality agreement with such person or entity (which such party determined in good faith was required to be executed in order for such body to comply with its fiduciary duties to shareholders imposed by law as advised by counsel), such party keeps the other party to this Agreement informed of the status (but not the terms) of any such discussions or negotiations; and (ii) to the extent applicable, complying with Rule 14e-2 promulgated under the Exchange Act with regard to an Acquisition Proposal.

Nothing in this Section 8.1 shall (x) permit any party to terminate this Agreement (except as specifically provided in Article 10 hereof), (y) permit any party to enter into any agreement with

respect to an Acquisition Proposal during the term of this Agreement (it being agreed that during the term of this Agreement, no party shall enter into any agreement with any person that provides for, or in any way facilitates, an Acquisition Proposal (other than a confidentiality agreement in customary form)), or (z) affect any other obligation of any party under this Agreement.

8.2 Earnings and Profits Dividend. The Earnings and Profits Dividend shall be paid to STH shareholders of record as of a date not more than five (5) trading days nor fewer than three (3) trading days before the Closing Date. STH shall declare such dividend not less than 10 days nor more than 15 days prior to the record date for such dividend. STH and PMCT shall cause the Earnings and Profits Dividend to be distributed immediately following the Closing.

8.3 Conduct of Businesses.

(a) Prior to the Effective Time, except as may be set forth in the schedules to this Agreement or as contemplated by this Agreement, unless the other party has consented in writing thereto, PMCT and STH:

(i) Shall use their reasonable efforts, and shall cause each of their respective Subsidiaries to use their reasonable efforts, to preserve intact their business organizations and goodwill and keep available the services of their respective officers and employees;

(ii) Shall confer on a regular basis with one or more representatives of the other to report operational matters of materiality and, subject to Section 8.1, any proposals to engage in material transactions;

(iii) Shall promptly notify the other of any material emergency or other material change in the condition (financial or otherwise), business, properties, assets, liabilities, prospects or the normal course of their businesses or in the operation of their properties, any material governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), or the breach in any material respect of any representation, warranty, covenant or agreement contained herein; and

(iv) Shall promptly deliver to the other true and correct copies of any report, statement or schedule filed with the SEC subsequent to the date of this Agreement.

(b) Prior to the Effective Time, except as may be set forth in the schedules to this Agreement, unless PMCT has consented (such consent not to be unreasonably withheld or delayed) in writing thereto, STH:

(i) Shall, and shall cause each of the STH Subsidiaries to, conduct its operations according to their usual, regular and ordinary course in substantially the same manner as heretofore conducted;

(ii) Shall not amend its Certificate of Incorporation or Bylaws;

(iii) Shall not merge or consolidate with any other person;

(iv) Shall not (A) except pursuant to the exercise of options, warrants, conversion rights and other contractual rights existing on the date hereof and disclosed pursuant to this Agreement, issue any shares of its capital stock, effect any stock split, reverse stock split, stock dividend, recapitalization or other similar transaction, (B) grant, confer or award any option, warrant, conversion right or other right (other than so-called "reload options" which have heretofore been authorized for issuance in connection with the application of existing STH Common Stock to the exercise price of existing options) not existing on the date hereof to acquire any shares of its capital stock, (C) increase any compensation or enter into or amend any employment agreement with any of its present or future officers or directors, or (D) adopt any new employee benefit plan (including any stock option, stock benefit or stock purchase plan) or amend any existing employee benefit plan in any material respect, except for changes which are less favorable to participants in such plans;

(v) Except for the payment of the Earnings and Profits Dividend in accordance with Section 8.2, shall not declare, set aside or pay any dividend or make any other distribution or payment with respect to any shares of its capital stock;

(vi) Other than in the ordinary course of its business, shall not, and shall not permit any of the STH Subsidiaries to, sell or otherwise dispose of (A) any Land, Hotel Improvements, Personal Property or any of its capital stock or other interests in the STH Subsidiaries, in each case which are material, individually or in the aggregate, or (B) except as otherwise contemplated by the Agreement of Sale, any of its other assets which are material, individually or in the aggregate;

(vii) Other than in the ordinary course of its business, shall not, and shall not permit any of the STH Subsidiaries to, make any loans, advances or capital contributions to, or investments in, any other person;

(viii) Shall not, and shall not permit any of the STH Subsidiaries to, pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business consistent with past practice or in accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the most recent consolidated financial statements (or the notes thereto) of STH included in the STH Reports or incurred in the ordinary course of business consistent with past practice;

(ix) Shall not, and shall not permit any of the STH Subsidiaries to, enter into any commitment which individually may result in total payments or liability by or to it in excess of \$50,000 in the case of any one commitment or in excess of \$125,000 for all commitments;

(x) Shall not, and shall not permit any of the STH Subsidiaries to, enter into any commitment with any officer, director or affiliate of STH or any of the STH Subsidiaries

except to the extent the same occur in the ordinary course of business consistent with past practice and would not have an STH Material Adverse Effect;

(xi) Shall manage and operate each Hotel in all material respects in accordance with the practices and in the manner it was managed and operated on the date hereof;

(xii) Shall maintain in all material respects the Improvements and FF&E in a manner consistent with past practices;

(xiii) Shall enter into no material agreement with respect to the operation or maintenance of any portion of any Hotel without the prior written consent of PMCT;

(xiv) Other than in the ordinary course of business, shall not, without the prior written consent of PMCT, permit any material structural modifications or additions to any Hotel, or sell or permit to be sold or otherwise dispose of any item or group of items constituting a portion of any Hotel;

(xv) Shall maintain STH's existing or comparable insurance coverage with respect to each Hotel from the date of execution of this Agreement through the Effective Time or earlier termination of this Agreement;

(xvi) Shall not further encumber or permit encumbrance of any Hotel in any manner;

(xvii) Shall promptly notify PMCT in writing of the receipt by STH of any material written levy (or threatened levy) against any Hotel of any special governmental assessment or similar occurrence;

(xviii) Shall promptly notify PMCT in writing of any violation, alleged violation or anticipated violation, of any Applicable Law or Environmental Law, of which it gains knowledge or is notified which is likely to have a STH Material Adverse Effect;

(xix) Shall not execute an assignment of any Lease, an assignment of any rent accruing under any Lease or the assignment of any room rent or booking; and

(xx) To the extent a notice of assumed name or similar document relating to any name, trademark, trade style or trade name assigned or passed to PMCT hereunder has been filed with any federal, state, county or local governmental agency, shall, at PMCT's request, withdraw such filing and assist PMCT in any reasonable manner to protect PMCT's interest in any such name, trademark, trade style, trade name or Servicemark assigned or passed to PMCT hereunder.

(c) Prior to the Effective Time, except as may be set forth in the schedules to this Agreement, unless STH has consented (such consent not to be unreasonably withheld or delayed) in writing thereto, PMCT:

(i) Shall, and shall cause each of the PMCT Subsidiaries to, conduct its operations according to their usual, regular and ordinary course in substantially the same manner as heretofore conducted;

(ii) Shall not amend its Declaration of Trust or Bylaws;

(iii) Shall not merge or consolidate with any other person;

(iv) Shall not (A) except pursuant to the exercise of options, warrants, conversion rights and other contractual rights existing on the date hereof and disclosed pursuant to this Agreement, issue any of its shares of beneficial interest, effect any share split, reverse share split, share dividend, recapitalization or other similar transaction, (B) grant, confer or award any option, warrant, conversion right or other right not existing on the date hereof to acquire any of its shares of beneficial interest, (C) amend any employment agreement with any of its present or future officers or trust managers, or (D) adopt any new employee benefit plan (including any share option, share benefit or share purchase plan);

(v) Shall not declare, set aside or pay any dividend or make any other distribution or payment with respect to any shares of its capital stock, except (A) its regular quarterly dividends not to exceed per quarter \$0.50 per share of PMCT Common Shares, (B) a special dividend payable to PMCT shareholders contemporaneously with the Closing in an amount not to exceed \$0.50 per share, and (C) any other dividend or distribution necessary for PMCT to maintain its ability to qualify to be taxed as a REIT under the Code;

(vi) Except as will be set forth in the schedules to this Agreement, shall not, and shall not permit any of the PMCT Subsidiaries to, sell or otherwise dispose of, except in the ordinary course of business, any of its assets which are material, individually or in the aggregate;

(vii) Shall not, and shall not permit any of the PMCT Subsidiaries to, pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business consistent with past practice or in accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the most recent consolidated financial statements (or the notes thereto) of PMCT included in the PMCT Reports or incurred in the ordinary course of business consistent with past practice;

(viii) Shall not, and shall not permit any of the PMCT Subsidiaries to, enter into any Commitment which individually may result in total payments or liability by or to it in excess of \$750,000 other than in the ordinary course of business; and

(ix) Shall not, and shall not permit any of the PMCT Subsidiaries to, enter into any Commitment with any officer, director or affiliate of PMCT or any of the PMCT Subsidiaries, except as provided herein or in the Schedules to this Agreement and except in the ordinary course of business.

8.4 Damage to Property. STH agrees to give PMCT prompt notice of any material fire or other material casualty affecting any of the Hotels between the date hereof and the Closing Date or of any actual or threatened taking or condemnation of all or any portion of any of the Land or the Improvements.

8.5 Meetings of Shareholders. Each of PMCT and STH will take all action necessary in accordance with applicable law and its organizational documents to convene a meeting of its shareholders as promptly as practicable to consider and vote upon or otherwise to obtain the consent of its shareholders to (a) in the case of PMCT, the approval of the issuance of the shares of PMCT Common Shares pursuant to the Merger and (b) in the case of STH, the approval of this Agreement and the transactions contemplated hereby. The Board of Trust Managers of PMCT and the Board of Directors of STH shall each recommend such approval and PMCT and STH shall each take all lawful action to solicit such approval, including, without limitation, timely mailing the Proxy Statement (as defined in Section 8.9); provided, however, that such recommendation or solicitation is subject to any action taken by, or upon authority of, the Board of Trust Managers of PMCT or the Board of Directors of STH, as the case may be, in the exercise of its good faith judgment as to its fiduciary duties to its shareholders imposed by law as advised by counsel. PMCT and STH shall coordinate and cooperate with respect to the timing of such meetings and shall use their best efforts to hold such meetings on the same day.

8.6 Filings; Other Action. Subject to the terms and conditions herein provided, STH and PMCT shall: (a) use all reasonable efforts to cooperate with one another in (i) determining which filings are required to be made prior to the Effective Time with, and which consents, approvals, permits or authorizations are required to be obtained prior to the Effective Time from governmental or regulatory authorities of the United States, the several states, third party secured and unsecured lenders and rating agencies in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and (ii) timely making all such filings and timely seeking all such consents, approvals, permits or authorizations; (b) use all reasonable efforts to obtain in writing any consents required from third parties in form reasonably satisfactory to STH and PMCT necessary to effectuate the Merger; and (c) use all reasonable efforts to take, or cause to be taken, all other action and do, or cause to be done, all other things necessary, proper or appropriate to consummate and make effective the transactions contemplated by this Agreement. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purpose of this Agreement, the proper officers and directors or trust managers of PMCT and STH shall take all such necessary action.

8.7 Inspection of Records. From the date hereof to the Effective Time, each of STH and PMCT shall allow all designated officers, attorneys, accountants and other representatives of the other access at all reasonable times to the records and files, correspondence, audits and properties,

as well as to all information relating to commitments, contracts, titles and financial position, or otherwise pertaining to the business and affairs of STH and PMCT and their respective Subsidiaries.

8.8 Publicity. The initial press release relating to this Agreement shall be a joint release and thereafter STH and PMCT shall, subject to their respective legal obligations (including requirements of stock exchanges and other similar regulatory bodies), consult with each other, and use reasonable efforts to agree upon the text of any press release, before issuing any such press release or otherwise making public statements with respect to the transactions contemplated hereby and in making any filings with any federal or state governmental or regulatory agency or with any national securities exchange with respect thereto.

8.9 Registration Statement. As soon as practicable following the date of this Agreement, PMCT and STH shall prepare and file with the SEC a preliminary proxy statement (the "Proxy Statement") in form and substance satisfactory to each of PMCT and STH, and PMCT shall prepare and file with the SEC a Registration Statement on Form S-4 (the "Registration Statement"), in which the Proxy Statement will be included as a prospectus. Each of PMCT and STH shall use its best efforts to (a) respond to any comments of the SEC and (b) have the Registration Statement declared effective under the Securities Act and the rules and regulations promulgated thereunder as promptly as practicable after such filing and to keep the Registration Statement effective as long as is reasonably necessary to consummate the Merger. Each party will notify the other promptly of the receipt of any comments from the SEC and of any request by the SEC for amendments or supplements to the Registration Statement or the Proxy Statement or for additional information and will supply the other with copies of all correspondence between such party or any of its representatives and the SEC, with respect to the Registration Statement or the Proxy Statement. Whenever any event occurs which is required to be set forth in an amendment or supplement to the Registration Statement or the Proxy Statement, PMCT or STH, as the case may be, shall promptly inform the other of such occurrence and cooperate in filing with the SEC and/or mailing to the shareholders of PMCT and the stockholders of STH such amendment or supplement. PMCT shall use its best efforts to obtain, prior to the effective date of the Registration Statement, all necessary state securities law or "Blue Sky" permits or approvals required to carry out the transactions contemplated by this Agreement and will pay all expenses incident thereto. PMCT agrees the Proxy Statement and each amendment or supplement thereto, at the time of mailing thereof and at the time of the respective meetings of shareholders of PMCT and STH, or, in the case of the Registration Statement and each amendment or supplement thereto, at the time it is filed or becomes effective, will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, the foregoing shall not apply to the extent that any such untrue statement of a material fact or omission to state a material fact was made by PMCT in reliance upon and in conformity with written information concerning STH furnished to PMCT by STH specifically for use in the Proxy Statement. STH agrees the written information provided by it specifically for inclusion in the Proxy Statement and each amendment or supplement thereto, at the time of mailing thereof and at the time of the respective meetings of shareholders of PMCT and STH, or, in the case of written information provided by STH specifically for inclusion in the Registration Statement or any amendments or supplement thereto, at the time it is filed or becomes

effective, will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. PMCT will advise STH, promptly after it receives notice thereof, of the time when the Registration Statement has become effective or any supplement or amendment has been filed, the issuance of any stop order, the suspension of the qualification of the PMCT Common Shares issuable in connection with the Merger for offering or sale in any jurisdiction, or any request by the SEC for amendment of the Proxy Statement or the Registration Statement or comments thereon and responses thereto or requests by the SEC for additional information.

8.10 Listing Application. PMCT shall promptly prepare and submit to the American Stock Exchange ("AMEX") a listing application covering the PMCT Common Shares issuable in the Merger, and shall use its reasonable efforts to obtain, prior to the Effective Time, approval for the listing of such PMCT Common Shares, subject to official notice of issuance.

8.11 Further Action. Each party hereto shall, subject to the fulfillment at or before the Effective Time of each of the conditions of performances set forth herein or the waiver thereof, perform such further acts and execute such documents as may reasonably be required to effect the Merger.

8.12 Expenses. Subject to Section 10.5, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby, other than those associated with the filing, printing and distribution of the Proxy Statement and the Registration Statement which shall be borne by PMCT, shall be paid by the party incurring such expenses.

8.13 Governance. PMCT's Board of Trust Managers shall take all action necessary to cause the full Board of Trust Managers of PMCT at the Effective Time to take all such action necessary to cause Paul J. Schulte to be selected and elected as a trust manager of PMCT for a term expiring at the 1999 annual meeting of shareholders, following the Effective Time, to fill one new position to be created in connection with the transaction contemplated hereby; provided that, notwithstanding the foregoing, the shareholders of PMCT at the 1999 annual meeting of shareholders shall vote on the election of Mr. Schulte for a one year term. If, prior to the Effective Time, such person shall decline or be unable to serve as a trust manager, STH shall designate another person to serve in such person's stead, which person shall be reasonably acceptable to PMCT.

8.14 Reorganization. From and after the date hereof and until the Effective Time, neither PMCT nor STH nor any of their respective Subsidiaries or other affiliates shall (a) knowingly take any action, or knowingly fail to take any action, that would jeopardize qualification of the Merger as a reorganization within the meaning of Section 368(a) of the Code; or (b) enter into any contract, agreement, commitment or arrangement with respect to the foregoing. Following the Effective Time, PMCT shall not take any action that would not jeopardize the characterization of the Merger as a reorganization within the meaning of Section 368(a) of the Code.

8.15 Third Party Consents. PMCT and STH each shall take all necessary corporate and other action and will use its commercially reasonable efforts to obtain the consents and applicable approvals from third parties that may be required to enable it to carry out the transactions contemplated by this Agreement.

8.16 Efforts to Fulfill Conditions. PMCT and STH each shall use commercially reasonable efforts to insure that all conditions precedent to its obligations hereunder are fulfilled at or prior to the Closing.

8.17 Representations, Warranties and Conditions Prior to Closing. Neither PMCT nor STH shall voluntarily take any action that would reasonably be expected to cause its representations and warranties contained in this Agreement not to be true and correct on and as of the Closing Date in all material respects. Prior to Closing, PMCT and STH each shall promptly notify the other in writing (a) if any representation or warranty contained in this Agreement is discovered to or becomes untrue in any material respect or (b) if PMCT or STH fails to perform or comply in any material respect with any of its covenants or agreements contained in this Agreement or it is reasonably expected that it will be unable to perform or comply in any material respect with any of its covenants or agreements contained in this Agreement.

8.18 Cooperation of the Parties. PMCT and STH each will cooperate with the other in supplying such information as may be reasonably requested by the other in connection with obtaining consents or approvals to the transactions contemplated by this Agreement.

8.19 Tax Election. PMCT agrees to timely file a Notice 88-19 Election with respect to built-in gain assets acquired by PMCT as a result of the Merger, which election will provide that PMCT will be taxed upon built-in gain with respect to the sale of any such property within ten years after the Closing Date to the extent the fair market value of such property at Closing exceeds the adjusted tax basis of such property at Closing.

8.20 Directors and Officers Insurance.

(a) PMCT shall provide, or shall cause the Surviving Entity to provide, STH's current covered insureds continuation coverage under STH's existing Directors and Officers Liability and Employment Practice Liability insurance and indemnification policy (including any fiduciary liability policy) to provide coverage with respect to any claims made during the six-year period following the Effective Time for events occurring prior to the Effective Time (the "D&O Insurance") or, if substantially equivalent insurance coverage is unavailable, the best available coverage and PMCT shall pay the deductible amounts associated with claims made under such D&O Insurance; provided, however, that the Surviving Entity shall not be required to pay one-time premium for the D&O Insurance in excess of \$125,000, but if such annual premium would but for this proviso exceed such amount, the PMCT shall purchase as much coverage as possible for such amount.

(b) The provisions of this Section 8.20 are intended to be for the benefit of, and shall be enforceable by, each such covered insured, and such covered insured's heirs and personal representatives and shall be binding on all successors and assigns of PMCT.

8.21 PMCT Earnings and Profits Dividend. To the extent the Earnings and Profits Amount has been reduced as provided in the definition thereof, PMCT hereby agrees to pay to its shareholders of record as of a date after Closing, on a pro rata basis, the amount by which the Earnings and Profits Amount was so reduced on or prior to December 31, 1998. Such dividend payment shall be in addition to PMCT's regular quarterly dividend for such period.

ARTICLE 9

CONDITIONS

9.1 Conditions to Each Party's Obligations to Effect the Merger. The respective obligation of each party to effect the Merger shall be subject to the fulfillment at or prior to the Closing Date of the following conditions:

(a) This Agreement and the transactions contemplated hereby shall have been approved in the manner required by the Declaration of Trust of PMCT and the Certificate of Incorporation and Bylaws of STH, and by applicable law or by applicable regulations of any stock exchange or other regulatory body and by the holders of the issued and outstanding shares of capital stock of STH and PMCT entitled to vote thereon.

(b) Neither of the parties hereto shall be subject to any order or injunction of a court of competent jurisdiction which prohibits the consummation of the transactions contemplated by this Agreement. In the event any such order or injunction shall have been issued, each party agrees to use its reasonable efforts to have any such injunction lifted.

(c) The Registration Statement shall have become effective and all necessary state securities law or "Blue Sky" permits or approvals required to carry out the transactions contemplated by this Agreement shall have been obtained and no stop order with respect to any of the foregoing shall be in effect.

(d) PMCT shall have obtained the approval for the listing of the PMCT Common Shares issuable in the Merger on the AMEX, subject to official notice of issuance.

(e) All consents, authorizations, orders and approvals of (or filings or registrations with) any governmental commission, board, other regulatory body or third parties required in connection with the execution, delivery and performance of this Agreement shall have been obtained or made, except for filings in connection with the Merger and any other documents required to be filed after the Effective Time and except where the failure to have obtained or made any such consent, authorization, order, approval,

filing or registration would not have a material adverse effect on the business, results of operations or financial condition of PMCT and STH (and their respective Subsidiaries), taken as a whole, following the Effective Time.

9.2 Conditions to Obligations of STH to Effect the Merger. The obligation of STH to effect the Merger shall be subject to the fulfillment at or prior to the Closing Date of the following conditions, unless waived by STH:

(a) PMCT shall have performed its agreements contained in this Agreement required to be performed on or prior to the Closing Date and the representations and warranties of PMCT contained in this Agreement shall be true and correct in all material respects as of the Closing Date as if made on the Closing Date, except representations and warranties made as of a specific date (which shall be true and correct in all material respects as of such date), and STH shall have received a certificate of the President or an Executive Vice President of PMCT, dated the Closing Date, certifying to such effect.

(b) STH shall have received the opinion of Winstead Sechrest & Minick P.C. of Dallas, Texas ("PMCT's Counsel"), dated the Closing Date, to the effect that commencing with its taxable year ended December 31, 1994, PMCT was organized and has operated in conformity with the requirements for qualification as a REIT under the Code and that, after giving effect to the Merger, PMCT's proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code (with customary exceptions, assumptions and qualifications and based upon customary representations) and to the effect that the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, that STH and PMCT will each be a party to that reorganization within the meaning of Section 368(a) of the Code and as to such other customary matters as STH may reasonably request, such opinion to be reasonably satisfactory to STH. In rendering its opinion, PMCT's Counsel shall be entitled to rely as to any factual matter upon certificates given by executive officers of STH and PMCT.

(c) From the date of the Agreement through the Effective Time, there shall not have occurred any change in the financial condition, business or operations of PMCT and the PMCT Subsidiaries, taken as a whole, that would have or would be reasonably likely to have a PMCT Material Adverse Effect.

(d) The opinion of ABN AMRO Incorporated addressed to the Board of Directors of STH that the consideration to be received by the stockholders of STH is fair, from a financial point of view, shall not have been withdrawn or materially modified.

(e) PMCT shall have entered into the Super 8 Assignment Agreement.

9.3 Conditions to Obligation of PMCT to Effect the Merger. The obligations of PMCT to effect the Merger shall be subject to the fulfillment at or prior to the Closing Date of the following conditions, unless waived by PMCT:

(a) STH shall have performed its agreements contained in this Agreement required to be performed on or prior to the Closing Date and the representations and warranties of STH contained in this Agreement shall be true and correct in all material respects as of the Closing Date as if made on the Closing Date and PMCT shall have received a certificate of the Chief Executive Officer, President or an Executive Vice President of STH dated the Closing Date, certifying to such effect.

(b) PMCT shall have received the opinion of PMCT's Counsel, dated the Closing Date, to the effect that the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, that PMCT and STH will each be a party to that reorganization within the meaning of Section 368(a) of the Code. PMCT shall also have received an opinion from McGrath, North, Mullin & Kratz, P.C. ("STH's Counsel") as to such customary matters as PMCT may reasonably request, such opinion to be reasonably satisfactory to PMCT. In rendering its opinion, STH's Counsel shall be entitled to rely as to any factual matter upon certificates given by executive officers of PMCT and STH.

(c) From the date of this Agreement through the Effective Time, there shall not have occurred any change in the financial condition, business or operations of STH and the STH Subsidiaries, taken as a whole, that would have or would be reasonably likely to have an STH Material Adverse Effect.

(d) Each "affiliate" of STH (within the meaning of the Securities Laws) listed on Exhibit 9.3(d) hereto shall have delivered to PMCT a written agreement to the effect that such person will not offer to sell, sell or otherwise dispose of any of the PMCT Common Shares issued in the Merger, except, in each case, pursuant to an effective registration statement or in compliance with Rule 145, as amended from time to time, or in a transaction which, in the opinion of legal counsel reasonably satisfactory to PMCT, is exempt from the registration requirements of the Securities Act and that the certificates representing the PMCT shares issued to him or her in the Merger may bear a legend to such effect.

(e) STH and Supertel Management shall have entered into the STH Ancillary Documents.

(f) The opinion of J.C. Bradford & Co. addressed to the Board of Trust Managers of PMCT that the Exchange Ratio is fair, from a financial point of view, to PMCT and the holders of PMCT Common Shares, shall not have been withdrawn or materially modified.

ARTICLE 10

TERMINATION

10.1 Termination by Mutual Consent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, before or after the approval of this Agreement by the shareholders of STH or PMCT or by the mutual written consent of PMCT and STH, with the prior approval of their Boards of Trust Managers or Directors, respectively.

10.2 Termination by Either PMCT or STH. This Agreement may be terminated and the Merger may be abandoned by action of the Board of Directors of STH or the Board of Trust Managers of PMCT if (a) the Merger shall not have been consummated by November 30, 1998, (b) a meeting of STH's stockholders shall have been duly convened and held and the approval of STH's stockholders required by Section 9.1(a) shall not have been obtained at such meeting or at any adjournment thereof, (c) a meeting of PMCT's shareholders shall have been duly convened and held and the approval of PMCT's shareholders required by Section 9.1(a) shall not have been obtained at such meeting or at any adjournment thereof, (d) PMCT or STH elects to terminate this Agreement pursuant to Section 4.1(a), or (e) a United States federal or state court of competent jurisdiction or United States federal or state governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable, provided that the party seeking to terminate this Agreement pursuant to this clause (e) shall have used commercially reasonable efforts to remove such order, decree, ruling or injunction, and provided, in the case of a termination pursuant to clause (a) above, that the terminating party shall not have breached in any material respect its obligations under this Agreement in any manner that shall have proximately contributed to the occurrence of the failure referred to in said clause. The notice of termination shall include the reasons, if any, for such termination and shall be considered Confidential Material under Section 11.6.

10.3 Termination by STH. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, before or after the adoption and approval by the stockholders of STH referred to in Section 9.1(a), by action of the Board of Directors of STH, if (a) in the exercise of its good faith judgment as to its fiduciary duties to its stockholders imposed by law, as advised by counsel, the Board of Directors of STH determines that such termination is required by reason of an STH Acquisition Proposal being made, (b) the Board of Trust Managers of PMCT withdraws, materially modifies or changes in a manner materially adverse to STH its recommendations to PMCT's shareholders of this Agreement or the Merger, (c) the Board of Trust Managers of PMCT postpones the date scheduled for the meeting of shareholders of PMCT to approve this Agreement and the transactions contemplated hereby beyond October 31, 1998 or fails to set a date for such meeting by such date, except with the written consent of STH, (d) there has been a breach by PMCT of any representation or warranty contained in this Agreement which would have or would be reasonably likely to have a PMCT Material Adverse Effect, which breach is not curable by October 31, 1998, (e) there has been material breach of any of the covenants or

agreements set forth in this Agreement on the part of PMCT, which breach is not curable or, if curable, is not cured within 30 days after written notice of such breach is given by STH to PMCT, or (f) the per share Earnings and Profits Dividend payable to each holder of STH Common Stock at Closing would be less than \$3.00 per share.

10.4 Termination by PMCT. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, before or after the approval by the shareholders of PMCT referred to in Section 9.1(a), by action of the Board of Trust Managers of PMCT, if (a) the Board of Directors of STH withdraws, materially modifies or changes in a manner materially adverse to PMCT its recommendation to STH's stockholders of this Agreement or the Merger, (b) the Board of Directors of STH postpones the date scheduled for the meeting of stockholders of STH to approve this Agreement and the transactions contemplated hereby beyond October 31, 1998 or fails to set a date for such meeting by such date, except with the written consent of PMCT, (c) there has been a breach by STH of any representation or warranty contained in this Agreement which would have or would be reasonably likely to have an STH Material Adverse Effect, which breach is not curable by October 31, 1998, (d) there has been a material breach of any of the covenants or agreements set forth in this Agreement on the part of STH, which breach is not curable or, if curable, is not cured within 30 days after written notice of such breach is given by PMCT to STH, or (e) the aggregate amount of Indebtedness is greater than \$73 million, unless such excess is the result of general market conditions.

10.5 Effect of Termination and Abandonment.

(a)(i) If an election to terminate this Agreement is made by PMCT pursuant to Section 10.2(b) or by STH pursuant to Section 10.3(a), and an Acquisition Proposal relating to STH shall have been made and, within one year from the date of such termination, STH consummates that STH Acquisition Proposal or enters into an agreement to consummate an STH Acquisition Proposal which is subsequently consummated within 18 months from the date of such termination, STH shall pay to PMCT, provided PMCT was not in material breach of its obligations hereunder at the time of such termination, as liquidated damages and not as a penalty or forfeiture, an amount equal to the lesser of (A) \$1,200,000 (the "Liquidated Damages Amount") and (B) the maximum amount permitted as liquidated damages pursuant to applicable Delaware law, provided that the Liquidated Damages Amount shall not exceed the sum of (1) the maximum amount that can be paid to PMCT without causing PMCT to fail to meet the requirements of Sections 856(c)(2) and (3) of the Code determined as if the payment of such amount did not constitute income described in Sections 856(c)(2)(A)-(H) and 856(c)(3)(A)-(I) of the Code ("Qualifying Income"), as determined by PMCT's certified public accountants, plus (2) an amount equal to the Liquidated Damages Amount less the amount payable under clause (1) above in the event PMCT receives a letter from PMCT's Counsel indicating that PMCT has received a ruling from the IRS to the effect that Liquidated Damages Amount payments constitute Qualifying Income. In addition to the Liquidated Damages Amount, PMCT shall be entitled to receive from STH (or its successor in interest) up to \$700,000, the first \$400,000 of which will consist of an unaccountable reimbursement of PMCT's costs and expenses and the remaining

\$300,000 will be for reimbursement of documented out-of-pocket costs and expenses in connection with this Agreement and the transactions contemplated hereby incurred by PMCT.

(ii) If an election to terminate this Agreement is made by STH pursuant to Section 10.2(c) or by PMCT pursuant to Section 10.4(a), and an Acquisition Proposal relating to PMCT shall have been made and, within one year from the date of such termination, PMCT consummates that PMCT Acquisition Proposal or enters into an agreement or consummate a PMCT Acquisition Proposal which is subsequently consummated within 18 months from the date of such termination, PMCT shall pay to STH, provided STH was not in material breach of its obligations hereunder at the time of such termination, as liquidated damages and not as a penalty or forfeiture, the Liquidated Damages Amount. In addition to the Liquidated Damages Amount, STH shall be entitled to receive from PMCT (or its successor in interest) up to \$700,000, the first \$400,000 of which will constitute of an unaccountable reimbursement of STH's costs and expenses and the remaining \$300,000 will be for reimbursement of documented out-of-pocket costs and expenses in connection with this Agreement and the transactions contemplated hereby incurred by STH.

(iii) The payments to which PMCT and STH are entitled under this Section 10.5(a) shall be their sole remedy with respect to the termination of this Agreement under the circumstances contemplated by this Section 10.5(a).

(b) (i) If an election to terminate this Agreement is made by PMCT pursuant to (A) Section 10.2(b) (except as a result of a default or breach hereunder by PMCT) and no Acquisition Proposal with respect to STH is in existence at such time or (B) Section 10.4(e), PMCT shall be entitled to receive from STH all documented out-of-pocket costs and expenses in connection with this Agreement and the transactions contemplated hereby (the "Expenses") incurred by PMCT, up to a maximum of \$700,000. If an election to terminate this Agreement is made by STH pursuant to Section 10.3(f), PMCT shall be entitled to receive from STH all Expenses incurred by PMCT, up to a maximum of \$300,000. The payments to which PMCT is entitled under this paragraph shall be its sole remedy with respect to the termination of the Agreement under the circumstances contemplated in this paragraph.

(ii) If an election to terminate this Agreement is made by STH pursuant to Section 10.2(c) (except as a result of a default or breach hereunder by STH) and no Acquisition Proposal with respect to PMCT is in existence at such time, STH shall be entitled to recover from PMCT all Expenses incurred by STH, up to a maximum of \$700,000. The payment to which STH is entitled under this paragraph shall be its sole remedy for termination of the Agreement in such circumstances.

(c) If this Agreement is terminated pursuant to Section 10.3(d), Section 10.3(e), Section 10.4(c) or Section 10.4(d), the non-terminating party shall, provided that the terminating party was not in material breach of its obligations hereunder at the time of such termination, pay the

terminating party all Expenses, up to a maximum of \$700,000, incurred by it and the non-terminating party shall remain liable to the terminating party for its breach.

(d) The payment of the Liquidated Damages Amount or any of the Expenses pursuant to this Article 10 shall be by wire transfer or bank check, within 10 days of the date of the event that triggers the payment requirements set forth in this Article 10.

(e) In the event of termination of this Agreement and the abandonment of the Merger pursuant to this Article 10, all obligations of the parties hereto shall terminate, except the obligations of the parties pursuant to this Section 10.5 and Sections 8.8 and 8.12 and except for the provisions of Sections 11.4, 11.5, 11.6, 11.7, 11.8, 11.9, 11.11, 11.14, 11.15 and 11.17. In the event PMCT is required to file suit to seek all or a portion of such Liquidated Damages Amount, and it ultimately succeeds, it shall be entitled to all expenses, including attorney's fees and expenses, which it has incurred in enforcing its right hereunder.

10.6 Extension; Waiver. At any time prior to the Effective Time, any party hereto, by action taken by its Board of Directors or Trust Managers, as the case may be, may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE 11

GENERAL PROVISIONS

11.1 Certain Definitions. Except as may otherwise be set forth in this Agreement, capitalized terms used but not defined herein shall have the meanings set forth in the glossary attached hereto as "Appendix A".

11.2 Nonsurvival of Representations, Warranties and Agreements. All representations, warranties and agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall not survive the Merger; provided, however, that the agreements contained in Article 4, Sections 8.2, 8.6, 8.13, 8.14, 8.19, 8.20 and 8.21, and this Article 11 shall survive the Merger.

11.3 Notices. Any notice required to be given hereunder shall be in writing and shall be sent by facsimile transmission (confirmed by any of the methods that follow), courier service (with proof of service), hand delivery or certified or registered mail (return receipt requested and first-class postage prepaid) and addressed as follows:

If to PMCT:

PMC Commercial Trust
Department 101
17290 Preston Road, 3rd Floor
Dallas, Texas 75252
Facsimile: (972) 349-3265

with a copy to:

Mr. Lance B. Rosemore
President
PMC Commercial Trust
17290 Preston Road, 3rd Floor
Dallas, Texas 75252

and with a copy (which shall not constitute notice) to:

Winstead Sechrest & Minick P.C.
1201 Elm Street
5400 Renaissance Tower
Dallas, Texas 75270
Attention: Kenneth L. Betts, Esq.
Facsimile: (214) 745-5390

If to STH:

Mr. Paul J. Schulte
Chief Executive Officer
Supertel Hospitality, Inc.
309 North 5th Street
Norfolk, Nebraska 68701
Facsimile: (402) 371-4229

with a copy (which shall not constitute notice) to:

McGrath, North, Mullin & Kratz, P.C.
One Central Park Plaza, Suite 1400
222 South Fifteenth Street
Omaha, Nebraska 68102
Attention: David L. Hefflinger, Esq.
Facsimile: (402) 341-0216

or to such other address as any party shall specify by written notice so given, and such notice shall be deemed to have been delivered as of the date so delivered.

11.4 Assignment; Binding Effect; Benefit. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Notwithstanding anything contained in this Agreement to the contrary, except as provided in the following sentence, nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or their respective heirs, successors, executors, administrators and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement. The provisions of Article 4 and Sections 7.12, 7.13 and 7.14 (collectively, the "Third Party Provisions") shall benefit the persons identified therein.

11.5 Entire Agreement. This Agreement, the Exhibits, the Schedules, the STH Ancillary Agreements, the PMCT Ancillary Agreements and any documents delivered by the parties in connection herewith constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings among the parties with respect thereto. No addition to or modification of any provision of this Agreement shall be binding upon any party hereto unless made in writing and signed by all parties hereto.

11.6 Confidentiality. (a) As used herein, "Confidential Material" means, with respect to either party hereto (the "Providing Party"), all information (written or oral) furnished (whether before or after the date hereof) by the Providing Party and its trust managers, directors, officers, employees, affiliates or representatives of advisors, including counsel, lenders and financial advisors (collectively, the "Providing Party Representatives") to the other party hereto (the "Receiving Party") or such Receiving Party's directors, officers, employees, affiliates or representatives of advisors, including counsel, lenders and financial advisors or the Receiving Party's potential sources of financing for the transactions contemplated by this Agreement (collectively "the Receiving Party Representatives") and all analyses, compilations, forecasts and other studies or other documents prepared by the Providing Party or the Providing Party Representatives in connection with its or their review of the transactions contemplated by this Agreement which contain or reflect such information. The term "Confidential Material" does not include, however, information which (i) at the time of disclosure or thereafter is generally available to and known by the public other than as a result of a disclosure directly or indirectly by the Receiving Party or the Receiving Party Representatives in violation of this Agreement, (ii) at the time of disclosure was available on a nonconfidential basis from a source other than the Providing Party or the Providing Party Representatives, providing that such source is not and was not bound by a confidentiality agreement with the Providing Party, (iii) was known by the Receiving Party prior to receiving the Confidential Material from the Providing Party or has been independently acquired or developed by the Receiving Party without violating any of its obligations under this Agreement, or (iv) is contained in any STH Reports or PMCT Reports or the Proxy Statement/Prospectus.

(b) Subject to paragraph (c) below or except as required by law, the Confidential Material will be kept confidential and will not, without the prior written consent of the Providing Party, be disclosed by the Receiving Party or its Representatives, in whole or in part and will not be used by the Receiving Party or its Representatives, directly or indirectly, for any purpose other than in connection with this Agreement, the Merger or the evaluating, negotiating or advising with respect to a transaction contemplated herein. Moreover, each Receiving Party agrees to transmit Confidential Material to its Representatives only if and to the extent that such Representatives need to know the Confidential Material for purposes of such transaction and are informed by such Receiving Party of the confidential nature of the Confidential Material and of the terms of this Section.

(c) In the event either Receiving Party, its Representatives or anyone to whom such Receiving Party or its Representatives supply the Confidential Material, are requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand, any informal or formal investigation by any government or governmental agency or authority or otherwise in connection with legal processes) to disclose any Confidential Material, such Receiving Party agrees (i) to immediately notify the Providing Party of the existence, terms and circumstances surrounding such a request, (ii) to consult with the Providing Party on the advisability of taking legally available steps to resist or narrow such request and (iii) if disclosure of such information is required, to furnish only that portion of the Confidential Material which, in the opinion of such Receiving Party's counsel, such Receiving Party is legally compelled to disclose and to cooperate with any action by the Providing Party to obtain an appropriate protective order or otherwise reliable assurances that confidential treatment will be accorded the Confidential Material (it being agreed that the Providing Party shall reimburse the Receiving Party for all reasonable out-of-pocket expenses incurred by the Receiving Party in connection with such cooperation).

(d) In the event of the termination of this Agreement in accordance with its terms, promptly upon request from either Providing Party, the Receiving Party shall, except to the extent prevented by law, redeliver to the Providing Party or destroy all tangible Confidential Material and will not retain any copies, extracts or other reproductions thereof in whole or in part. Any such destruction shall be certified in writing to the Providing Party by an authorized officer of the Receiving Party supervising the same. Notwithstanding the foregoing, each Receiving Party and one Representative designated by each Receiving Party shall be permitted to retain one permanent file copy of each document constituting Confidential Material.

(e) Each party hereto further agrees that if this Agreement is terminated in accordance with its terms, for a period of one year from the date of termination (i) it will not offer to hire or hire any person currently or formerly employed by the other party with whom such party has had contact prior hereto other than persons whose employment shall have been terminated by such other party prior to the date of such offer to hire or hiring and (ii) neither it nor its Affiliates shall directly or indirectly, (A) (1) solicit, seek or offer to effect or effect, (2) negotiate with or provide any information to the Board of Directors or Trust Managers of the other party, any director or officer of the other party or any stockholder of the other party with respect to, (3) make any statement or proposal, whether written or oral, either alone or in concert with others, to the Board of Directors

or Trust Managers of the other party, any trust manager, director or officer of the other party or any stockholder of the other party or any other person with respect to, or (4) make any public announcement (except as required by law in respect of actions permitted hereby) or proposal or offer whatsoever (including, but not limited to, any "solicitation" of "proxies" as such terms are defined or used in Regulation 14A of the Exchange Act) with respect to, (u) any form of business combination or similar or other extraordinary transaction involving the other party or any Affiliate thereof, including, without limitation, a merger, tender or exchange offer or liquidation of the other party's assets, (v) any form of restructuring, recapitalization or similar transaction with respect to the other party or any Affiliate thereto, (w) any purchase of any securities or assets, or rights or options to acquire any securities or assets (through purchase, exchange, conversion or otherwise), of the other party or any Affiliate thereof, (x) any proposal to seek representation on the Board of Directors or Trust Managers of the other party or otherwise to seek to control or influence the management, Board of Directors or Trust Managers or policies of the other party or any Affiliate thereof, (y) any request or proposal to waive, terminate or amend the provisions of this Section 11.6 or (z) any proposal or other statement inconsistent with the terms of this Section 11.6 or (B) instigate, encourage, join, act in concert with or assist (including, but not limited to, providing or assisting in any way in the obtaining of financing for, or acting as a joint or co-bidder for the other party with) any third party to do any of the foregoing, unless and until such party has received the prior written invitation or approval of a majority of the Board of Directors or Trust Managers of the other party to do any of the foregoing; provided that without such invitation or approval, either party may at any time, on a confidential non-public basis, submit to the Chief Executive Officer or, if none, the President of the other party a proposal to (a) amend any of the provisions of this Section 11.6(e) or (b) effect a business combination or other extraordinary transaction with the other party providing for the acquisition of all or substantially all of the assets or the securities of the other party, including, without limitation, a merger, tender offer or exchange offer. Each party hereto agrees that it will not agree with any third party to waive its rights under this Section 11.6.

11.7 Amendment. This Agreement may be amended by the parties hereto, by action taken by their respective Boards of Directors or Trust Managers, at any time before or after approval of this Agreement or any other matter presented in connection with the Merger by the shareholders of STH and PMCT, but after any such shareholder approval, no amendment shall be made which by law requires the further approval of shareholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

11.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas without regard to its rules of conflict of laws.

11.9 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto.

11.10 Headings. Heading of the Articles and Sections of this Agreement are for the convenience of the parties only and shall be given no substantive or interpretive effect whatsoever.

11.11 Interpretation. In this Agreement, unless the context otherwise requires, words describing the singular number shall include the plural and vice versa, and words denoting any gender shall include all genders and words denoting natural persons shall include corporations and partnerships and vice versa.

11.12 Waivers. Except as provided in this Agreement, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party hereto of a breach of any provision hereunder shall not operate or be construed as a waiver of any prior or subsequent breach of the same or any other provision hereunder.

11.13 Incorporation. The Schedules and all Exhibits attached hereto and thereto and referred to herein and therein are hereby incorporated herein and made a part hereof for all purposes as if fully set forth herein.

11.14 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

11.15 Enforcement of Agreement. The parties hereto agree that irreparable damage would occur in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any Texas Court, this being in addition to any other remedy to which they are entitled at law or in equity.

11.16 Subsidiaries. As used in this Agreement, the word "Subsidiary" when used with respect to any party means any corporation, partnership, joint venture, business trust or other entity, of which such party directly or indirectly owns or controls at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization.

11.17 Non-Recourse. Neither the officers, trust managers nor shareholders of PMCT shall be personally bound or have any personal liability hereunder. STH shall look solely to the assets of PMCT for satisfaction of any liability of PMCT with respect to this Agreement and the Ancillary Agreements to which it is a party. STH will not seek recourse or commence any action against any

of the shareholders of PMCT or any of their personal assets, and will not commence any action for money judgments against any of the directors or officers of PMCT or seek recourse against any of their personal assets, for the performance or payment of any obligation of PMCT hereunder or thereunder. Neither the directors, officers nor shareholders of STH shall be personally bound or have any personal liability hereunder. PMCT shall look solely to the assets of STH for satisfaction of any liability of STH with respect to this Agreement and the Ancillary Agreements to which it is a party. PMCT will not seek recourse or commence any action against any of the stockholders of STH or any of their personal assets, and will not commence any action for money judgments against any of the directors or officers of STH or seek recourse against any of their personal assets, for the performance or payment of any obligation of STH hereunder or thereunder.

IN WITNESS WHEREOF, the parties have executed this Agreement and caused the same to be duly delivered on their behalf on the day and year first written above.

ATTEST: PMC COMMERCIAL TRUST

By: /s/ Andrew S. Rosemore

Andrew S. Rosemore
Executive Vice President and
Chief Operating Officer

By: /s/ Lance B. Rosemore

Lance B. Rosemore
President and Chief Executive
Officer

ATTEST: SUPERTEL HOSPITALITY, INC.

By: /s/ Steve H. Borgmann

Steve H. Borgmann
Executive Vice President and
Chief Operating Officer

By: /s/ Paul J. Schulte

Paul J. Schulte
President and Chief Executive
Officer

"Applicable Laws" means any applicable federal, state county or municipal law, statute, ordinance, rule, regulation, order or determination of any governmental authority or any board of fire underwriters (or other body exercising similar functions), or any restrictive covenant or deed restriction or zoning ordinance or classification affecting any of the Hotels, including without limitation, all applicable codes, flood disaster laws and health and Environmental Laws, rules and regulations.

"Architectural Barriers Legislation" means the Americans With Disabilities Act of 1990, P.L. 101-336, as amended.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consumables" means all engineering, maintenance and housekeeping supplies, including soap, cleaning materials and matches; laundering and toilet supplies provided to guests as part of hotel services; stationery and printing; and other supplies of all kinds, whether used, unused, or held in reserve storage for future use in connection with the maintenance or operation of, or the services provided by each Hotel, which are on hand on the Closing Date, subject to such depletion and including such resupplies as shall occur and be made in the normal course of business, excluding Food and Beverage, Operating Equipment and all items of personal property owned by Lessees, guests, employees, or other persons furnishing food or services to each Hotel.

"Earnings and Profits Amount" shall mean the aggregate amount of STH's accumulated and current earnings and profits, calculated as of the end of the calendar month preceding the month in which the Closing Date occurs, subject to certain adjustments thereto, as set forth on Exhibit A hereto, and shall be set forth in certificate of the chief financial officer of STH, certifying as to the Earnings and Profits Amount and the method of its calculation. The Earnings and Profits Amount shall be calculated on a tax basis consistent with the earnings and profits calculations given to PMCT by STH prior to the execution of the Agreement.

"Earnings and Profits Dividend" shall mean the dividend of the Earnings and Profits Amount, reduced on a dollar-for-dollar basis by the amount of Indebtedness of STH in excess of \$70 million, made from STH to the holders of the STH Common Stock pursuant to Section 8.2 of this Agreement.

"Environmental Conditions" means conditions of the environment, including the ocean, natural resources (including flora and fauna), soil, surface water, ground water, any actual or potential drinking or water supply, subsurface strata, or air, including ambient air, relating to or arising out of the use, handling, storage, treatment, recycling, generation, transportation, release, spilling, leaking, pumping, pouring, emptying, discharging, injecting, escaping, leaching, disposal, dumping or threatened release of Hazardous Materials from, in, on, or onto any of the parcels of Land.

"Environmental Laws" means without limitation (i) the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984, as now or hereafter amended ("RCRA") (42 U.S.C. Section 6901 et seq.), (ii) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, as now or hereafter amended ("CERCLA") (42 U.S.C. Section 9601 et seq.), (iii) the Clean Water Act, as now or hereafter amended ("CWA") (33 U.S.C. Section 1251 et seq.), (iv) the Toxic Substances Control Act, as now or hereafter amended ("TSCA") (15 U.S.C. Section 2601 et seq.), (v) the Clean Air Act, as now or hereafter amended ("CAA") (42 U.S.C. Section 7401 et seq.), (vi) all regulations promulgated under any of the foregoing, (vii) any local, state or foreign law, statute, regulation or ordinance analogous to any of the foregoing, and (viii) any other federal, state, local, or foreign law (including any common law), statute, regulation, or ordinance regulating, prohibiting, or otherwise restricting the placement, discharge, release, threatened release, generation, treatment, or disposal upon or into any environmental media of any substance, pollutant, or waste which is now or hereafter classified or considered to be hazardous or toxic to human health or the environment.

"Environmental Noncompliance" means, but is not limited to: (i) the Release of any Hazardous Material into the environment, any storm drain, sewer, septic system or publicly owned treatment works, in violation of any effluent or emission limitations, standards or other criteria or guidelines established by any Environmental Law; (ii) any noncompliance of physical structure, equipment, process or premises with the requirements of building or fire codes, zoning or land use regulations or ordinances, conditional use permits and the like; (iii) any noncompliance with federal, state or local requirements governing occupational safety and health; (iv) any operations, procedures, designs, and the like at or on any of the parcels of Land that do not conform to the statutory or regulatory requirements of any Environmental Law (including land use regulations and ordinances) intended to protect public health, welfare and the environment; (v) the failure to have obtained permits, licenses, variances or other governmental authorizations necessary for the legal use and/or operation of any equipment, process, or any activity at any parcel of Land; and (vi) the operation and/or use of any process or equipment in violation of any permit condition, schedule of compliance, administrative or court order and the like, as any of the foregoing may be applicable to any parcel of Land.

"Equipment Leases" shall mean all material leases, rental or other agreements for the use of the FF&E, together with all amendments thereto.

"FF&E" shall mean as to each parcel of Land all fixtures, furniture, furnishings, equipment, machinery, apparatus, appliances, and other articles of depreciable personal property now owned or leased by STH or any STH Subsidiary and located on such Land and used or usable in connection with the business or Improvements located thereon, subject to such depletions, and replacements as shall occur and be made in the normal course of business excluding, however: (i) Consumables, (ii) Operating Equipment, (iii) Liquor Inventory and Liquor Personalty, (iv) Food and Beverage, (v) Improvements, (vi) Vehicles, and (vii) property owned by Lessees, guests, employees or other persons furnishing goods or services to the business or Improvements located thereon.

"Governmental Authority" means any and all applicable courts, boards, agencies, commissions, offices, or authorities of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise) whether now or hereafter in existence.

"Hazardous Materials" means any substance, product matter, material, waste, solid, liquid, gas, or pollutant, the generation, storage, disposal, handling, recycling, release (or threatened release), treatment, discharge, or emission of which is regulated, prohibited, or limited under any Environmental Law and shall also include, without limitation, (i) gasoline, diesel fuel, fuel oil, motor oil, waste oil, and any other petroleum hydrocarbons, including any additives or other by-products associated therewith, (ii) asbestos and asbestos-containing materials in any form, (iii) polychlorinated biphenyls, (iv) any substance the presence of which on the Property (A) requires reporting or remediation under any Environmental Law; (B) causes or threatens to cause a nuisance at any Hotel or poses or threatens to pose a hazard to the health or safety of persons at any Hotel; or (C) which, if it emanated or migrated from at any Hotel, could constitute a trespass, nuisance or health or safety hazard to persons on adjacent property, (v) radon, (vi) urea formaldehyde foam insulation, and (vii) underground storage tanks, whether empty, filled or partially filled with any substance.

"Hotel" means each parcel of Land together with the Improvements and Personal Property located on, at or used in connection with each parcel of Land.

"Improvements" means all buildings, structures, and other improvements, including such fixtures as shall constitute real property, located on each parcel of Land including, but not limited to, the hotel buildings containing guest rooms, meeting rooms, dining and beverage facilities, office space, parking lots, swimming pools, sheds, and all other hotel amenities (but specifically excluding FF&E).

"Indebtedness" means the aggregate liabilities of STH as of the end of the calendar month preceding the month in which the Closing Date occurs, as accrued on the balance sheet of STH as of such date prepared in accordance with GAAP, subject, however, to those adjustments set forth on Exhibit B attached hereto.

"Land" means each parcel of land being described more fully on Exhibit C attached hereto together with all interest, if any, of STH in and to strips and gores, if any, between the Land and abutting properties and any land lying in or under the bed of any street, alley, road or right-of-way, open or proposed, abutting or adjacent to the Land.

"Leases" means all of STH's interest in material leases, subleases and rental agreements (written or verbal, now or hereafter in effect) that grant a possessory interest in and to space situated on each parcel of Land or in the Improvements or that otherwise grant rights with regard to use of all or any portion of such Land or such Improvements, and all prepaid rentals (to the extent applicable to a period beyond the Closing Date) and security deposits under the Leases.

"Lessees" means the tenants under Leases.

"Miscellaneous Hotel Assets" shall mean all contract rights, as-built plans, specifications and architectural drawings and floor plans relating to the construction of each Hotel, construction contracts, all written reports relating to the condition of each Property, leases, concessions, assignable warranties covering any portion of each Hotel or the FF&E located thereat, and other items of intangible personal property owned by STH and relating to the ownership or operation of the Hotel, including, but not limited to, (i) Service Contracts, (ii) Equipment Leases, (iii) Permits, (iv) Hotel Names, (v) cash or other funds, in petty cash or house banks, (vi) assignable utility and similar deposits, (vii) Bookings, and (viii) prepaid amounts under any Service Contracts, Equipment Leases, Leases, or Permits.

"Notification" means any written summons, citation, directive, order, claim, litigation, pleading, investigation, proceeding, judgment, letter, or any other written communication from any governmental instrumentality, any entity or any individual, concerning any intentional or unintentional act or omission which has resulted in or which may result in any Environmental Noncompliance or Environmental Claim.

"Operating Agreements" means all material contracts of employment, management, maintenance, service, supply or rental, franchise or license agreements or other contracts outstanding relating to the operations of the Hotels.

"Operating Equipment" shall mean all material china, glassware, linens, and silverware owned by seller, whether in use or held in reserve storage for future use, in connection with the operations of each Hotel, which are on hand and located at each Hotel on the Closing Date, subject to such depletion and including such resupplies as shall be made in the normal course of business.

"Other Rights" means all rights, titles and interests of STH and any STH subsidiary in and to any easements, reciprocal easements, rights-of-way, rights of ingress or egress or other interests in, on, or to, any land, highway, street, road or avenue, open or proposed, in, on, across, in front of, abutting or adjoining the Land; all goodwill relating to the Land and Improvements; all telephone exchanges, if any, related to the operation and management of any Hotel; all keys to locks at each of the Improvements; and all office furniture, furnishings, equipment and machinery, if any, in STH's management office in the Improvements; any and all rights of STH in and to any contracts or agreements with any city or municipality relating in any manner to the Land, all rights, titles and interests of STH in and to any condemnation award made or to be made, after the Effective Time, in respect of the Hotels and in and to any unpaid award for damage to the Hotels by reason of casualty to the Hotels or change of grade of any street.

"Permits" means all permits, consents, licenses, certificates, approvals, registrations, and authorizations which are required by any Applicable Law or Environmental Law for operation of each Property.

"Personal Property" means the FF&E, the Operating Equipment, the Miscellaneous Hotel Assets, and all other machinery, equipment, fixtures, the trade name, and personal property of every

kind and character, and all accessories and additions thereto, owned by STH and located in or on or used in connection with each parcel of Land or the Improvements or the operations thereon.

"Property" means, collectively, the Land, Leases, Improvements, Personal Property and Other Rights.

"Release" means releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, ejecting, escaping, leaching, disposing, seeping, infiltrating, draining, or dumping of any Hazardous Material. This term shall be interpreted to include both the present and past tense, as appropriate.

"STH Property Reports" shall mean the (a) Title Policies, (b) the Title Updates, (c) the instruments referred to in the Title Policies and Title Updates, (d) the Surveys, (e) the Architectural Reviews, (f) the Phase 1 Assessments, and (g) the Phase 2 Assessments, if any.

"Survey" means the survey of each parcel of Land and Improvements located thereon prepared by the Surveyor in accordance with the terms and provisions of Section 6.3.

"Surveyor" means a Registered Public Surveyor or a Registered Professional Engineer duly and currently licensed by the state in which each parcel of Land is located.

"Title Policy" means as to each Hotel the Owner's Policy of Title Insurance held by STH.

"Title Update" means as to each Title Policy (other than those dated after the date hereof) the written confirmation of the title company that issued such Title Policy of all matters of a public record affecting all or any portion of the property covered by such Title Policy that have been filed in the public record since the effective date of the coverage of such Title Policy.

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT, made as of the 21st day of May, 1998 (the "Effective Date"), by and among the various corporations identified on Exhibit "A" attached hereto and made part hereof (collectively "Seller"), each having an address at 2400 E. Devon Avenue, Suite 280, Des Plaines, Illinois 60018, and PMC COMMERCIAL TRUST, a Texas real estate investment trust, having an address at 17290 Preston Road, 3rd Floor, Dallas, Texas 75252 ("Purchaser");

WITNESSETH:

ARTICLE ONE

PURCHASE AND SALE OF THE PROPERTY

Seller hereby agrees to assign, transfer, convey and sell to Purchaser, and Purchaser hereby agrees to purchase from Seller, upon the terms and conditions set forth in this Agreement, all of Seller's respective right, title and interest in and to those certain thirty (30) motel/hotels commonly known respectively by the street addresses set forth on Exhibit "B" attached hereto and made a part hereof and as more particularly described below (hereinafter referred to, collectively, as the "Property"). As used herein, the term "Property" shall also refer to each and every one of the thirty (30) individual motel/hotels, and the term "Seller" shall also refer to each and every one of the signatories hereto, depending on the context in which the defined term is utilized. Capitalized terms not defined in context are defined in Article Eighteen hereof. Each Property shall include, respectively:

1.1 those certain parcels of land located in the cities, counties and states more particularly described on Exhibits "B-1" through "B-30" (collectively, the "Land");

1.2 all buildings and improvements (the "Improvements") located on, over or beneath the Land (the Land and Improvements hereinafter referred to, collectively, as the "Real Estate");

1.3 all Personal Property, and

1.4 all Appurtenances and Appurtenant Easements.

ARTICLE TWO

PURCHASE PRICE

2.1 Purchase Price. The purchase price (the "Purchase Price") for the Property shall be SEVENTY-THREE MILLION AND NO/100 DOLLARS (\$73,000,000.00), payable as follows:

- (a) Five Hundred Thousand and No/100 Dollars (\$500,000.00) (the "Deposit"), by check, subject to collection, payable to the order of Escrow Agent (as hereinafter defined) upon execution of this Agreement, to be held in escrow pursuant to the provisions of Article Fifteen hereof; interest accruing thereon, if any, shall follow the disposition of the principal sum; and;
- (B) Seventy-two Million, Five Hundred Thousand and No/100 Dollars (\$72,500,000.00), less any interest accrued on the Deposit as of the Closing (as hereinafter defined), representing the balance of the Purchase Price, shall be paid at the Closing, payable (1) by wire transfer of immediately available federal funds to an account designated by Seller, or (2) in the form of a credit

equal to the amount of indebtedness secured by each Existing Mortgage (as hereinafter defined) and assumed by Purchaser, or both. Purchaser and Seller shall execute mutually acceptable escrow instructions, consistent with the provisions of this Agreement, in connection with the escrow to be created pursuant hereto.

2.2 Allocation of Purchase Price. The Purchase Price shall be allocated among the Property as set forth on Exhibit "C" attached hereto and made part hereof, and the values so determined shall be reflected in the documentary fee or transfer taxes, if any, paid at the Closing.

2.3 Assumption of Mortgages. Various mortgages, deeds of trust or deeds to secure debt, as the case may be, encumber one or more of the motel/hotels which comprise the Property (each an "Existing Mortgage"). To the extent permissible under the terms and provisions of a particular Existing Mortgage, Purchaser may assume the obligations of the mortgagor or grantor thereunder, and the borrower under the note(s) secured thereby, and shall receive a credit against the Purchase Price equal to the amount of indebtedness at the date of Closing so assumed by Purchaser. Purchaser shall pay Seller at the Closing, without credit against the Purchase Price, any and all prepayment premiums or penalties payable upon the prepayment of any Existing Mortgage not assumed by Purchaser. With respect to any Property encumbered by an Existing Mortgage which Purchaser desires to assume, Seller and Purchaser agree to cooperate with each other to effect the sale of such Property hereunder in a manner, if possible, which would not violate the applicable provisions of such Existing Mortgage regarding the sale or transfer of such Property. In the event that Purchaser elects to assume the Existing Mortgage with respect to any Property located in Marysville, Ohio, Plainfield, Indiana, Sycamore, Illinois, Macomb, Illinois, or Tupelo, Mississippi

but such assumption cannot be consummated prior to the Closing Date stipulated in Section 4.1, the Closing Date with respect to any such Property shall be adjourned for a period ending no later than June 30, 1999; provided, however that the Purchase Price will be reduced by an amount equal to Thirty-nine Thousand Eight Hundred Three and No/100 Dollars (\$39,803.00) multiplied by the number of rooms for each such Property with respect to which the Closing Date has been so adjourned, and the sum of Fifteen Thousand and No/100 Dollars (\$15,000.00) shall remain in escrow with the Escrow Agent for each Property with respect to which the Closing Date has been so adjourned. In the event that any such assumption ultimately is not allowed by the mortgagee under such Existing Mortgage, Purchaser or Seller may (i) elect to pay the prepayment penalty which would be due upon the repayment of the loan secured by such Existing Mortgage and consummate the transaction contemplated herein with respect to the Property encumbered by such Existing Mortgage, or (ii) reject such Property whereupon the Agreement shall terminate with respect to such Property and the escrow funds attributable to such Property shall be returned to Purchaser, and neither party hereto shall have any further claim against the other by reason of this Agreement with respect to such Property. Notwithstanding anything contained herein to the contrary, all due diligence rights of Purchaser with respect to any such Property are expressly reserved upon any such adjournment of the Closing Date with respect to any such Property.

ARTICLE THREE

SURVEY AND TITLE

3.1 Surveys. As soon as practical after the Effective Date, Seller shall deliver or cause to be delivered to Purchaser an as-built, ALTA survey (collectively, the "Surveys") of each Property. The Surveys shall be sufficient to permit the Title Insurance Company to delete the standard printed

survey exception in the title policy or otherwise obtain the ALTA survey endorsement. The Surveys shall indicate the location and dimensions of all of the Improvements.

3.2 Title Commitments. As soon as practical after the Effective Date, Purchaser shall obtain the title commitment (collectively, the "Title Commitments") for each property, together with copies of all documents (collectively, the "Title Documents") constituting exceptions to Seller's title as reflected in the Title Commitments.

3.3 Review Period. Purchaser shall have the Inspection Period (as hereinafter defined) in which to review the Title Commitments, Title Documents, UCC Searches (as hereinafter defined) and Phase I Audits (as hereinafter defined) and to deliver to Seller in writing such reasonable objections as Purchaser may have to anything contained or set forth in such documents. Each item to which Purchaser does not accept in writing within such period shall not be deemed to be a Permitted Exception. Seller shall have and be entitled to a reasonable period of time within which to clear such objection(s) and shall cure title or remove said exceptions or defect which may be removed by the payment of money at the expense of Seller of up to (a) \$50,000.00 in the aggregate with respect to each property and (b) \$500,000.00 as an aggregate for all of the Property. Notwithstanding anything to the contrary, Seller shall have no obligation to cure title or remove said objection(s) which may be removed by the payment of money at an expense to Seller in excess of (a) \$50,000.00 with respect to each Property, and (b) \$500,000.00 in the aggregate for all of the Property. If Seller (I) is unable or unwilling to remove any such objection and fails to cause the Title Insurance Company to remove the same from Purchaser's title insurance policies (collectively, the "Title Policies"), or affirmatively insure against the same, or (II) is unable to convey the Property as herein agreed to be conveyed, then Purchaser shall have the option of either (A) waiving such

objection(s) and proceeding with the Closing, accepting title subject to such objection(s) without any abatement or reduction of the Purchase Price; or (B) excluding each such Property from the transaction contemplated by this Agreement, subject to the terms and conditions and with a credit against the Purchase Price for each Property as set forth in Section 6.6 hereof. Without limiting the generality of the foregoing, Seller shall not be obligated to bring any action or proceeding to remove any title objection(s).

3.4 Liens or Encumbrances. Any lien or encumbrance, or apparent lien or encumbrance, appearing of record against the Property, which can be discharged by the payment of money, shall not be an objection to title, provided Seller allows the amount thereof to be credited to Purchaser as an adjustment to the Purchase Price at the time of the Closing. A lien or encumbrance dischargeable by satisfaction shall not be deemed an objection to title, if, at the time of the Closing, Seller shall cause to be delivered to the Title Insurance Company either (A) a duly executed and acknowledged satisfaction, along with the filing fee, or (B) a payoff letter and the appropriate funds to satisfy the lien or encumbrance. Seller shall apply the proceeds of the sale to the satisfaction of any or all liens or encumbrances. Notwithstanding anything to the contrary contained within this Article Three, no matter shall be an objection to title if the Title Insurance Company is willing to insure the Property without exception therefor or affirmatively insure against collection out of the Property by reason thereof. The provisions of this Section 3.4 are subject to the terms and conditions set forth in Section 2.3 above.

3.5 Title Policy. At the Closing, Seller shall cause the Title Insurance Company to modify (by interlineation or otherwise) the Title Commitments so as to then reflect a current commitment by a duly licensed title insurance company to issue to Purchaser the Title Policies,

insuring good and indefeasible title to the Land and the Improvements in Purchaser, subject only to the Permitted Exceptions and the standard printed exceptions, except that:

(a) The exception relating to restrictions against the Property shall be deleted, except for such restrictions which are Permitted Exceptions;

(b) the exception relating to ad valorem taxes and assessments shall except only standby fees, taxes and assessments owing for the current and subsequent years; and

(c) Purchaser shall receive the ALTA survey endorsement.

3.6 Title Charges. The cost for the Title Policies shall be paid by Seller at the Closing, and the additional costs for endorsements, if any, selected by Purchaser (or its lenders) shall be paid by Purchaser.

ARTICLE FOUR

CLOSING DATE

4.1 Closing Date. The closing of title under this Agreement (the "Closing") shall take place on or about June 30, 1998 (the "Closing Date), at the offices of the Title Insurance Company, 18333 Preston Road, Suite 410, Dallas, Texas 75252, or at such other location as may be reasonably agreeable to the parties.

ARTICLE FIVE

SPECIAL CONDITIONS

5.1 Conditions Precedent. The obligation of Seller to sell the Property to Purchaser is subject to the satisfaction on or before the Closing of the following conditions:

(a) Seller shall have received the prior written consent of Seller's Board of Directors to the sale of the Property to Purchaser upon the terms and

conditions set forth in this Agreement, which consent shall be in the form of a duly authorized resolution from each member of Seller's Board of Directors, and shall be provided to Purchaser within seven (7) days after the Effective Date.

- (b) Purchaser, Amerihost Properties, Inc. and AmeriHost Inns, Inc. shall enter into a master agreement (the "Master Agreement"), and Purchaser and AmeriHost Inns, Inc. shall enter into a lease for each Property (the "Property Leases"), on terms and conditions substantially as set forth on Exhibits "D" and "E", respectively, attached hereto and made part hereof.
- (c) Purchaser shall have complied with all of its obligations herein provided.
- (d) Purchaser shall cooperate with Seller in the consummation of tax-free exchanges with respect to the Property, including, without limitation, the assignment of this Agreement by Purchaser to a tax-free exchange trust in order to accomplish the foregoing, provided Purchaser shall receive customary indemnities from Seller and reimbursement of costs therefor.

5.2

Covenants.

- (a) From and after the Effective Date, up to the Closing Date, Seller may enter into agreements with respect to the Property which are necessary or desirable in connection with the operation of the Property in the ordinary course of business, so long as no such agreements relate to the sale of any portion of the Personal Property.
- (b) Any liquor licenses or permits utilized in the operation of the business at the

Property presently held by Seller or its affiliates shall continue without assignment or transfer in Seller's name or its affiliate's name through the Closing Date.

- (c) The repairs and improvements at the Plainfield and Marysville properties as referenced on Exhibit "F", attached hereto and made a part hereof, must be either completed or funds must be placed in escrow for such purpose prior to Closing.

ARTICLE SIX

PURCHASER'S INSPECTIONS AND APPROVALS

6.1 Submittal to Purchaser. Seller agrees that Purchaser shall be entitled to enter upon the Property and to conduct such inspections, audits and reviews of any and all information and materials it deems necessary to effect a complete analysis of the proposed purchase and sale. The Purchaser shall complete its due diligence before the expiration of the Inspection Period. The following items (the "Due Diligence Items") will be delivered to Purchaser prior to the Closing or will be delivered to Purchaser within the time period after the date hereof as prescribed in Article Three. The cost and expense of obtaining and delivering the Due Diligence Items to Purchaser shall be paid by Seller, unless otherwise stated below:

- (a) The Surveys;
- (b) Any appraisals of the Property in the possession of Seller or its agent or employees;
- (c) The architectural plans and specifications for the Property.
- (d) The Books and Records. Subject to the provisions of Section 17.10 hereof,

Seller specifically permits Purchaser to disclose information revealed in the Books and Records to its lenders, if any, and professional advisors, and in any document (and amendments and supplements thereto) which Purchaser may be obligated to file with the Securities and Exchange Commission. Upon reasonable advance notice, Seller shall make available to the accountants of Purchaser such financial information as Purchaser's accountants reasonably require for investigation of the financial history of the operations of the Property. Seller has also provided monthly statements of operations for fiscal year 1997 and 1998 through the month of the Closing (the statement of operations for the month of the Closing to be made available after the Closing);

- (e) A UCC secured transactions search (collectively, the "UCC Searches") from each of the applicable recording offices with respect to the Property, together with a litigation search related to Seller and the Property for the county in which the Property is located;
- (f) Phase I Audits for each Property. Seller, at its sole cost and expense, shall provide to Purchaser an update of the Phase I Audit for each Property listed on Exhibit "G" attached hereto and made a part hereof.
- (g) Policies of title insurance for the Property, if any, in the possession of Seller or its agents or employees, together with the Title Commitments and the Title Documents, which shall be delivered to Purchaser by the Title Insurance Company;

- (h) A descriptive summary of all pending litigation, if any, affecting the Property, and of any written notice of violation of any of the Legal Requirements applicable to the Property;
- (i) Copies of all of Seller's insurance policies for the Property or certificates thereof; and
- (j) All other documents and information in the possession of Seller or its agents or employees, or reasonably available to Seller, relating to the Property, which Purchaser reasonably requests.

6.2 Authorization for Inspection. Upon reasonable request by Purchaser, Seller will grant authority to Purchaser and any of Purchaser's representatives to obtain information provided for or contemplated in Section 6.1 hereof from any third parties. Said authorization will be provided in writing if requested by Purchaser. All such information shall be subject to the provisions of Section 17.10.

6.3 Adverse Phase I Audit. If any Phase I Audit states that Hazardous Materials may be in or under the Land or within the Improvements, or otherwise evidences any adverse environmental matter at the Property, Purchaser shall have the right to reject such Property pursuant to Section 6.4 by giving written notice to Seller of its intention to do so prior to the end of the Inspection Period. If, notwithstanding such adverse Phase I Audit, Purchaser desires to proceed with the transaction contemplated hereby with respect to such Property, then Purchaser shall have the right to order promptly, at its expense, a Phase II Site Assessment of the Land and the Improvements directed and certified to Purchaser and its lender, including materials samplings on and adjacent to the Land, to determine the extent and nature of any contamination by Hazardous

Materials. If such Phase II Site Assessment reveals the necessity for material environmental clean-up of for the Property, then Purchaser may reject such Property pursuant to Section 6.4 by giving written notice to Seller of its intention to do so within five (5) business days after receipt by Purchaser of such Phase II Site Assessment.

6.4 Purchaser's Acceptance or Rejection; Cure or Waiver. If Purchaser disapproves of any matter relating to any Property arising from Purchaser's review of the Surveys, the Title Commitments, the UCC Searches or the Phase I Audits, it shall give Seller written notice of such disapproval not later than the expiration of the Inspection Period, or such later date as referenced in Section 6.3, Section 11.1 or Section 11.2. If any matter is disapproved upon the foregoing notice, then Purchaser may elect in such notice either to (a) request that Seller cure specific matters disapproved; or (b) reject such Property from the terms and conditions of this Agreement subject to Section 6.6. If Purchaser requests Seller to cure any such matter, Seller shall, within four (4) business days, indicate in writing to Purchaser whether it shall elect to cure any such matter disapproved under clause (a) above. If Seller is unwilling to cure such matter prior to the Closing, then Purchaser may, in its sole discretion, within four (4) business days of written notice of Seller's refusal to cure, elect, by written notice to Seller of its intention to do so, to (i) waive all matters disapproved and not cured, accept all matters relating to the Property which have been cured, and proceed with the acquisition of the Property; or (ii) reject such Property from the terms and conditions of this Agreement subject to Section 6.6.

6.5 Effect of Termination. If this Agreement shall be terminated by Purchaser in the exercise of its rights of termination as provided hereunder, the Deposit, and all interest earned thereon, if any, shall be promptly returned to Purchaser by Escrow Agent, this Agreement shall be

null and void, and neither party shall have any further obligation or liability to the other party, except as expressly herein provided.

6.6 Partial Exclusion. Seller agrees to close the sale of the Property on the terms and conditions herein contemplated, provided that not more than six (6) motel/hotels shall have been rejected by Purchaser pursuant to the provisions of Section 6.4., other than any Property rejected as allowed pursuant to Section 11.1 and Section 11.2 hereof. Notwithstanding the foregoing, Seller may, at its sole discretion, elect to close the sale of the Property on the terms and conditions herein contemplated if more than six (6) motels/hotels have been rejected by Purchaser pursuant to the provisions of Section 6.4. In any event, however, the Purchase Price shall be reduced by an amount equal to Thirty-nine Thousand Eight Hundred Three and No/100 Dollars (\$39,803.00) multiplied by the number of rooms for each such Property rejected. Upon rejection in accordance with the provisions of this Article Six, such Property shall be deemed deleted from the terms and conditions of this Agreement and this Agreement shall be deemed so modified and amended as to give effect to such rejection.

ARTICLE SEVEN

SELLER'S REPRESENTATIONS, WARRANTIES AND AGREEMENTS

Seller represents, warrants and agrees that the following facts and conditions exist on the date of execution hereof by Seller and shall exist as of the Closing Date, subject to updating by Seller to the Closing Date and to limitations otherwise set forth in this Article Seven:

7.1 Title. Seller owns fee simple title to the Real Estate, including the Land described in Exhibit "A", which, as of the Closing, shall be free and clear of all mortgages, except those Existing Mortgages which are assumed by Purchaser, certain of which Existing Mortgages contain

the assumption fees as set forth on Exhibit "H" attached hereto and made a part hereof (those Properties being the only Properties whose mortgages or related promissory notes contain prepayment penalties upon prepayment of the respective notes), and all liens, encumbrances, subleases, tenancies, security interests, covenants, conditions, restrictions, rights-of-way, easements, judgments, and title defects, other than the Permitted Exceptions. To the Knowledge of Seller, there are no pending or deferred Impositions of Governmental Authorities affecting the Property, except for real property and personal property taxes for the year of the Closing. To the Knowledge of Seller, no easements materially burdening the Property interfere with the use, maintenance, repair, or operation of the Property, and all easements necessary for the lawful operation of the Property, including all access, ingress, support and mechanical easements necessary or incident thereto, are in full force and effect and are not subject to termination, cancellation or rescission. Seller will assist in obtaining lender estoppel letters in a form reasonably satisfactory to Purchaser.

7.2 Zoning and Land Use Matters. To the Knowledge of Seller, all permanent certificates of occupancy for the Real Estate have been issued, and all conditions thereof, if any, have been fully complied with and require no further action. Seller has received no written notice of any requirements for obtaining necessary licenses, permits, authorizations or approvals with respect to the Property which Seller does not now possess or maintain, and Seller has received no written notice of any unwillingness of Governmental Authorities to renew any Permits and Licenses. To the Knowledge of Seller, the Property, as constructed and operated, is substantially in compliance with the terms, conditions and requirements imposed upon the Property by the Permitted Exceptions. To the Knowledge of Seller, the acquisition of the Property by Purchaser will not cause a violation, default or breach of any such Permitted Exceptions and there is no event of default currently in

existence under any such instrument which constitutes, and there is no event which, but for the giving of notice or the passage of time, or both, will constitute, an event of default thereunder.

7.3 Health, Environmental and Fire Codes. To the Knowledge of Seller, there are no Hazardous Materials in, on or under the Property, except for Permitted Hazardous Materials, and Seller has received no written notice that the Property is not substantially in compliance with applicable fire codes, building codes, health codes or other Legal Requirements which presently apply to the Property or the operation of all businesses thereon which remain unresolved.

7.4 No Adverse Action. There are no pending (and Seller has received no written notice from Governmental Authorities threatening) condemnation or other similar proceedings affecting the Property or any portion thereof, or pending public improvements in, about or outside the Property, which will affect access or create additional cost to Seller. There is no claim, legal action, tax audit, or other proceeding of any type, including, without limitation, any action of a civil or criminal nature, or any action or proceeding before any arbitration board or tribunal, pending against or affecting the Property which will materially adversely affect Purchaser upon the consummation of this acquisition. To the Knowledge of Seller, there are no pending claims against Seller arising out of injury to persons or property occurring in or on the Property as a result of any accident or occurrence on the Property thereon during the period of ownership of the Property by Seller which will materially adversely affect Purchaser upon consummation of this acquisition or are not covered by insurance. There is no pending claim or legal action of any type related to any employment matter related to the operation of the Property which will materially adversely affect Purchaser upon consummation of this acquisition or is not covered by insurance.

7.5 Authorization. Seller has all requisite corporate power and authority to perform its obligations under this Agreement, and the execution, delivery and performance of this Agreement by Seller has been duly and validly authorized by all officers and directors whose approval is required under the corporate documentation of Seller. Each person executing and delivering this Agreement, and all documents to be executed and delivered in regard to the consummation of the transaction herein, has due and proper authority to execute and deliver those documents. This Agreement, and all documents executed and delivered by Seller in connection with the transaction herein, shall constitute valid and binding obligations of Seller, enforceable against Seller in accordance with their terms.

7.6 Organization. Each Seller is a duly organized and validly existing corporation under the laws of the state of its formation, authorized to transact business in each state where the Property owned by such Seller is situated, with full power to enter into and perform this Agreement and to convey, assign, transfer and lease the Property.

7.7 Legal Requirements. To the Knowledge of Seller, there are no outstanding citations or violations of Legal Requirements in connection with the operation of the Property or the sale or provision of food or beverages thereon.

7.8 Business Records. All documents, items and information, including, without limitation, the Books and Records, which have been or will be made available by Seller to Purchaser as Review Items in accordance with the terms of this Agreement, have been maintained in the ordinary course of business, fairly reflect the financial condition of the applicable Property in all material respects, and are true and accurate.

7.9 No Breach of Prohibition. The transactions contemplated by this Agreement are not restrained or prohibited by any injunction, order or judgment rendered by any court or other governmental agency of competent jurisdiction. To the Knowledge of Seller, no proceedings have been initiated or are pending in which any creditor of Seller or any other person seeks to restrain such transactions or otherwise attach the applicable Property. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (a) be in material violation of any agreements, or (b) conflict with or result in the material breach or violation of any law, regulation, writ, injunction, decree of any court or governmental body or agreement of any nature, applicable to Seller and the Property.

7.10 No Adverse Notices. Seller has received, within the past year, no notice from any insurance company which has issued a policy with respect to any portion of the Property, from any board of fire underwriters, or from any Governmental Authority, requesting or requiring the performance of any repairs, alterations, renovations or other physical work on the Property, which has not been substantially completed.

7.11 No Union Contracts; Other Employee Matters. Seller warrants that there are no union contracts in effect with respect to the Employees, and that Purchaser shall incur no liability to the Employees arising out of Purchaser's acquisition of the Property.

7.12 Easements. Seller will cooperate fully with Purchaser, but at no expense to Seller, in seeking any corrective documents reasonably deemed necessary by Purchaser to clarify the location and validity of any Appurtenant Easement benefiting the Property.

7.13 Tax Matters. Seller has duly filed all federal, state, county and municipal, excise, sales, hotel occupancy and other tax returns and reports, or timely extensions thereof, required to be filed up to the date hereof with respect to the Property. To the Knowledge of Seller, all such returns are true and correct in all material respects, and Seller has paid all taxes, interest and penalties shown on such returns or reports, or claimed to be due to any federal, state, county and municipal or other taxing authority.

7.14 Property Condition. Seller warrants that each Property not yet inspected by Purchaser is in substantially the same general condition, normal wear and tear excepted, as those motel/hotels previously inspected by Purchaser, and Seller will maintain each Property in such same general condition until the Closing.

7.15 Bulk Transfers. Seller will take all actions necessary to comply with any bulk transfer laws applicable to this transaction and Purchaser will cooperate with any such actions at no cost to Purchaser.

7.16 Representations and Warranties of Seller. All of the representations and warranties of Seller are true and correct in all material respects, to the Knowledge of Seller, and do not contain untrue statements of a material fact or omit any material fact that would make the representations and warranties misleading. All representations and warranties of Seller shall survive the Closing and continue in full force and effect for a period of two (2) years after the Closing.

ARTICLE EIGHT

PURCHASER'S REPRESENTATIONS AND WARRANTIES

8.1 Purchaser's Duty of Review. Purchaser is entering into this Agreement in reliance on its own knowledge and familiarity with the motel/hotel industry and its inspection of the Property. Purchaser is not relying on any representation of Seller, or its officers, shareholders or agents, except as expressly set forth in this Agreement or the Exhibits attached to this Agreement.

8.2 Warranties and Representations. Purchaser represents, warrants and agrees that the following facts and conditions exist on the date of execution hereof and shall exist as of the Closing Date:

- (a) Organization. Purchaser is a Texas real estate investment trust duly organized and validly existing and in good standing under the laws of the State of Texas, and has power and authority to own its properties and to transact the business in which it is engaged. Purchaser has taken all necessary action to authorize the execution, delivery and performance of this Agreement and all of the documents executed and delivered by Purchaser in connection with the transaction described herein, all of which constitute valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms.
- (b) Authority. Purchaser has the right, power, legal capacity and authority to enter into and perform its obligations under this Agreement, and no approvals or consents of any persons other than Purchaser are required in connection with this Agreement. The execution of this Agreement and the

consummation of the transactions contemplated hereby will not result in or continue any default or event that, with the giving of notice or lapse of time, or both, would be a default, breach or violation of the organizational instruments or laws governing Purchaser or any lease, license, promissory note, conditional sales contract, commitment, indenture, mortgage, deed of trust, or other agreement, instrument, or arrangement to which Purchaser is a party or by which Purchaser is bound.

8.3 Representations and Warranties of Purchaser. All of the representations and warranties of Purchaser are true and correct in all material respects and do not contain untrue statements of a material fact or omit any material fact that would make any of the representations and warranties misleading. The representations and warranties herein contained shall survive the Closing and shall continue in full force and effect for a period of two (2) years.

ARTICLE NINE

DEFAULTS; FAILURE TO PERFORM; LIQUIDATED DAMAGES

9.1 Default of Purchaser. IN THE EVENT (A) ALL OF THE CONDITIONS TO THIS AGREEMENT SHALL HAVE BEEN SATISFIED OR WAIVED; (B) SELLER SHALL HAVE FULLY PERFORMED OR TENDERED PERFORMANCE OF ITS OBLIGATIONS HEREUNDER; (C) PURCHASER SHALL FAIL TO PERFORM ITS OBLIGATION HEREUNDER; AND (D) THE CLOSING SHALL FAIL TO OCCUR SOLELY AS A RESULT OF PURCHASER'S DEFAULT HEREUNDER, THEN, AS SELLER'S SOLE AND EXCLUSIVE REMEDY FOR PURCHASER'S FAILURE TO CLOSE, THE ENTIRE AMOUNT OF THE DEPOSIT (PLUS ALL INTEREST ACCRUED THEREON, IF ANY) SHALL BE

IMMEDIATELY PAID TO SELLER. PURCHASER AND SELLER HEREBY ACKNOWLEDGE AND AGREE THAT SELLER'S DAMAGES WOULD BE DIFFICULT OR IMPOSSIBLE TO DETERMINE AND THE AMOUNT OF THE DEPOSIT (PLUS ALL INTEREST ACCRUED THEREON, IF ANY) IS THE PARTIES' BEST AND MOST ACCURATE ESTIMATE OF DAMAGES SELLER WOULD SUFFER IN THE EVENT THE TRANSACTION PROVIDED FOR IN THIS AGREEMENT FAILS TO CLOSE. PURCHASER AND SELLER AGREE THAT SELLER'S RIGHT TO RETAIN THE DEPOSIT (PLUS ALL INTEREST ACCRUED THEREON IF ANY) SHALL BE THE SOLE AND EXCLUSIVE REMEDY OF SELLER IN THE EVENT OF A BREACH OF THIS AGREEMENT BY PURCHASER AS PROVIDED ABOVE.

9.2 Default of Seller. If Seller defaults in its obligations hereunder after the expiration of any notice and cure periods, if applicable, Purchaser may, as its sole remedy, at its option, either: (A) terminate this Agreement and receive a refund of the Deposit, whereupon the obligations of the parties hereto, other than those expressly set forth to survive termination hereof, shall terminate, and neither shall have any further claim against the other by reason of this Agreement or (B) seek an action for specific performance under this Agreement. Purchaser agrees that it shall not record this Agreement or any memorandum hereof unless Seller has defaulted in its obligations hereunder. This Section 9.2 shall survive Closing or other termination of this Agreement.

9.3 Failed Funds. If a payment made on account of the Purchase Price, whether the Deposit or otherwise, is by check, and if said check fails due collection, Purchaser shall be deemed in default hereunder, and Seller, at its sole option, may declare this Agreement terminated pursuant to Section 9.1 hereof and may pursue its remedies against Purchaser upon said check and/or this Agreement or in any other manner permitted by law, such remedies being cumulative, but in no

event shall Seller have any obligations to Purchaser hereunder.

ARTICLE TEN

CLOSING DOCUMENTS

10.1 Closing Documents of Seller. At the Closing, Seller shall deliver or cause to be delivered to Purchaser the following:

- (a) A special, limited warranty deed, as customarily provided on a state-by-state basis, conveying good and indefeasible title in the Property (the "Deed") to Purchaser, duly executed and acknowledged by Seller subject only to the Permitted Exceptions.
- (b) A bill of sale, duly executed and acknowledged by Seller, conveying title to the Personal Property to Purchaser.
- (c) A certificate stating that Seller is not a "Foreign Person" within the meaning of IRC Section 1445(f)(3).
- (d) The Title Policies, issued at Seller's sole cost and expense, by the Title Insurance Company, insuring Purchaser as owner of the Property, subject only to the Permitted Exceptions.
- (e) An Indemnity Agreement, duly executed and acknowledged by Seller, pursuant to which Seller agrees to indemnify, defend and hold harmless Purchaser, and its shareholders, directors and officers, from any and all claims, losses, damages and expenses which shall have arisen from any violation of the Americans for Disabilities Act at the Property prior to the Closing.

- (f) An Indemnity Agreement duly executed and acknowledged by Seller, pursuant to which Seller agrees to indemnify, defend and hold harmless Purchaser, and its shareholders, directors and officers, from any and all claims, losses, damages and expenses which shall have arisen from an "Environmental Problem" (as hereinafter defined) before the Closing. "Environmental Problem" shall mean the presence or release of any Hazardous Materials from, onto, on or under any portion of the Property, or the violation of any environmental law with respect to the Property or any part thereof, or the failure to abide by the terms of any permit or approval required under any environmental law with respect to the Property or any part thereof.
- (g) Such other instruments and documents as may be reasonably required to consummate the transaction herein contemplated, including but not limited to, the Property Lease, the Master Agreement and related guaranty of Amerihost Properties, Inc.

10.2 Closing Documents of Purchaser. At the Closing, Purchaser shall deliver or cause to be delivered to Seller the following:

- (a) The balance of the cash portion of the Purchase Price provided in Article One hereof, less any interest accrued on the Deposit.
- (b) The Property Leases, executed by Purchaser, as lessor, in each instance.
- (c) The Master Agreement, executed by Purchaser.
- (d) Evidence of Purchaser's power and authority to enter into the subject

transaction, and evidence of the signatories' authority to sign on behalf of Purchaser.

- (e) A letter addressed to Escrow Agent directing Escrow Agent to deliver the Deposit and any interest thereon, if any, to Seller, and releasing Escrow Agent from any and all liability in connection with the subject transaction.
- (f) An Indemnity Agreement duly executed and acknowledged by Purchaser, pursuant to which Purchaser agrees to indemnify, defend and hold harmless Seller, and its shareholders, directors and officers, from any and all claims, losses, damages and expenses which shall have arisen from an "Environmental Problem" (as hereinafter defined) after the Closing, where the Environmental Problem is caused by Purchaser. "Environmental Problem" shall mean the presence or release of any Hazardous Materials from, onto, on or under any portion of the Property, or the violation of any environmental law with respect to the Property or any part thereof, or the failure to abide by the terms of any permit or approval required under any environmental law with respect to the Property or any part thereof.
- (g) Such other instruments and documents as may be reasonably required to consummate the transaction herein contemplated.

ARTICLE ELEVEN

RISK OF LOSS

11.1 Casualty Loss. The risk of loss or damage to the Property by fire or other casualty, until the Closing, is assumed by Seller, but without any liability or obligation of Seller to repair same, except Seller, at Seller's sole option, shall have the right to repair or replace such loss or damage to the Property. If Seller elects (such election to be made within twenty (20) days after Seller shall have actual knowledge of such damage) to make such repair or replacement, and such repair or replacement can be fully complete prior to the Closing, this Agreement shall continue in full force and effect. If Seller does not elect to repair or replace any such loss or damage or such repair or replacement damage cannot be completed prior to the Closing, the following shall control:

If the Improvements on any motel/hotels comprising the Property shall be materially damaged or destroyed by fire, storm or other casualty before the Closing, Purchaser shall have the right to reject any such Property pursuant to Section 6.4 by giving written notice thereof to Seller within fourteen (14) days after receiving written notice of such material destruction and Purchaser shall receive a reduction in the Purchase Price as set forth in Section 6.6. If Purchaser shall not elect to reject such Property, or if said destruction is immaterial, this Agreement shall continue in full force and effect without any modification or abatement of the Purchase Price, and Purchaser shall be entitled to receive an absolute assignment (without representation or warranty by or recourse against Seller) from Seller of any interest Seller may have otherwise had in the proceeds of any insurance on the Property (including any rent loss or business interruption insurance proceeds allocable to the period from and after the Closing), except for any expense theretofore incurred by Seller for restoration or safety in connection therewith, which sum shall be reimbursed by Purchaser

to Seller at the Closing.

11.2 Eminent Domain. If notice of any action, suit or proceeding shall be given after the date hereof, but prior to the Closing, for the purpose of taking by eminent domain or condemning any material part of the Property, then Purchaser and Seller shall each have the right to reject any such Property pursuant to Section 6.4 by written notice to the other party given within fourteen (14) days after receiving notice of such condemnation or taking and Purchaser shall receive a reduction in the Purchase Price as set forth in Section 6.6. If neither Purchaser nor Seller elects to reject such Property as above provided, or if the taking or condemnation is of an immaterial part of the Property, or in the event of a change of legal grade, the award with respect to such condemnation, taking or change, except for any expense theretofore incurred by Seller for restoration or safety in connection therewith, which sum shall be reimbursed by Purchaser to Seller at the Closing, shall be assigned (without representation or warranty by or recourse against Seller) to Purchaser without further consideration, and this Agreement shall continue in full force and effect without any modification or abatement of the Purchase Price or any liability or obligation on the part of Seller by reason of such taking, and the definition of "Property" shall be accordingly amended. Any taking of any portion of an Improvement shall be considered "material" for purposes of this Section 11.2.

ARTICLE TWELVE

CONDITION "AS IS"; NO FURTHER REPRESENTATIONS

12.1 Condition of Property. Purchaser represents that it has inspected the Property and is thoroughly acquainted with its condition, and it is agreed and understood that neither Seller nor any person purporting to act for Seller has made or now makes any representations as to the physical condition (including, without limitation, the presence of any Hazardous Materials, or any condition

which would violate any laws regarding environmental matters), layout, leases, footage, rent, income, expense, operation or any other matter or thing affecting or relating to the Property or to this Agreement, except as specifically set forth in this Agreement, and that no party hereto is relying on any statement or representation made by any other which is not embodied in this Agreement. Purchaser hereby expressly acknowledges that no representation has been made which is not expressly set forth in this Agreement, and Purchaser further agrees to take and accept the Property "as is" and in its condition at the Closing. This Article shall survive the Closing and delivery of the Deed or other termination of this Agreement..

ARTICLE THIRTEEN

FINANCIAL MATTERS; COSTS

13.1 Sales Tax. Although it is not anticipated that any sales tax shall be due and payable in connection with this transaction, Purchaser agrees that Purchaser shall indemnify, defend and hold Seller harmless from and against any and all liability for any sales tax regardless of jurisdiction which may now or hereafter be imposed upon Seller with respect to this transaction. This provision shall survive the Closing and delivery of the Deed.

13.2 Other Changes. Purchaser and Seller shall each pay one-half of all escrow charges. The parties shall be responsible for all transfer taxes or documentary taxes which are payable upon the delivery and/or recording of the Deed or of any document contemplated by this Agreement, and the charges incurred in connection with the recording of any instrument contemplated hereby on the basis of custom in the jurisdiction in which the Property is situated. Notwithstanding the foregoing, costs related to endorsements to the Title Policies or to Surveys shall be borne by Purchaser.

13.3 Closing Statements. The Title Insurance Company shall prepare customary

settlement or closing statements (the "Closing Statements") which shall include the items set forth in Section 13.2, at least two (2) days before the Closing Date, and each party shall cause its designated representatives to assist the Title Insurance Company in doing so. All ad valorem, personal property and hotel occupancy taxes, if applicable, shall be pro rated as of the Closing Date.

ARTICLE FOURTEEN

BROKERAGE

14.1 Broker. Seller and Purchaser represent and warrant to each other that they have not dealt with any broker in connection with this transaction. Seller agrees to indemnify and hold Purchaser harmless from all loss, damage, cost and expense (including reasonable attorney's fees and disbursements) that Purchaser may suffer as a result of any claim for a fee, commission or payment of any description brought by any person with whom Seller may have dealt in connection with this transaction. Purchaser agrees to indemnify and hold Seller harmless from all loss, damage, cost and expense (including reasonable attorneys' fees and disbursements) that Seller may suffer as a result of any claim for a fee, commission or payment of any description brought by any person with whom Purchaser may have dealt in connection with this transaction. The representations and covenants set forth in this Section 14.1 shall survive delivery of the Deed and the Closing or other termination of this Agreement.

ARTICLE FIFTEEN

THE DEPOSIT - ESCROW

15.1 Deposit.

(a) The Deposit shall be delivered to the Title Insurance Company ("Escrow Agent"), and Escrow Agent shall hold the proceeds thereof in escrow and dispose of

such sums only in accordance with the provisions of this Agreement.

(b) Escrow Agent shall place the Deposit in (I) certificates of deposit issued by a bank with a Texas office, (II) money market funds in a bank with a Texas office, or a company such as Dreyfus Liquid Assets, Inc., or as otherwise approved in writing by Purchaser and Seller, (III) U.S. Treasury bills or other similar securities, or (IV) a segregated, interest bearing bank account. Any interest earned thereon shall be paid to the party entitled to receive the Deposit simultaneously with disbursement of the Deposit. The party receiving such interest shall pay any income taxes thereon. At the Closing, the Deposit and the interest thereon, if any, shall be paid by Escrow Agent to Seller. If for any reason the Closing has not occurred, and either party makes a written demand upon Escrow Agent for payment of such amount stating the basis for such demand, Escrow Agent shall give written notice to the other party of such demand along with a copy thereof. If Escrow Agent does not receive a written objection from the other party to the proposed payment within 15 days after the giving of such notice by Escrow Agent, which objection states the basis therefor, Escrow Agent is hereby authorized to make such payment to the demanding party. If Escrow Agent does receive such written objection within such 15-day period, or, if for any other reason, Escrow Agent in good faith shall elect not to make such payment, Escrow Agent shall continue to hold such amount until otherwise directed by written instructions from the parties to this Agreement or a final judgment of a court, and shall disburse said funds accordingly. Escrow Agent shall send a copy of any objection to the original demanding party. However, Escrow Agent shall have

the right at any time to deposit the escrowed proceeds and interest thereon, if any, with the clerk of the court of the county in which any Property is located, or with the clerk of the court in which any litigation between Seller and Purchaser is pending, or in any other court which Escrow Agent may select in the Chicago metropolitan area, in an action for interpleader, all costs thereof to be borne by whichever of Seller or Purchaser is the losing party. Escrow Agent shall give written notice of such deposit to Seller and Purchaser. Upon such deposit or payment pursuant to this Agreement, Escrow Agent shall be relieved and discharged of all obligations and responsibilities hereunder.

(c) The parties acknowledge that Escrow Agent is acting solely as a stakeholder at their request and for their convenience; that Escrow Agent shall not be deemed to be the agent of either of the parties; and that Escrow Agent shall not be liable to either party for any act or omission on its part unless taken or suffered in willful disregard of this Agreement. Escrow Agent may act upon any instrument or writing believed by Escrow Agent to be genuine and to be signed and presented by the proper party. Seller and Purchaser shall jointly and severally indemnify and hold Escrow Agent harmless from and against all costs, claims and expenses, including reasonable attorneys' fees (including the value of same if Escrow Agent represents itself), incurred in connection with the performance of Escrow Agent's duties hereunder. Escrow Agent shall have no duties or responsibilities except those expressly set forth in this Agreement. Escrow Agent shall not be bound by any modification of this Agreement, unless the Same is in writing, signed by Seller and

Purchaser and delivered to Escrow Agent, and if Escrow Agent's duties are affected thereby, unless Escrow Agent shall have given prior written consent thereto. If Escrow Agent shall be uncertain as to its duties or rights hereunder, or shall receive instructions from Purchaser or Seller, which, in Escrow Agent's opinion, are in conflict with any of the provisions hereof, Escrow Agent shall be hold or apply the Deposit pursuant to subparagraph (b) hereof and may decline to take any other action.

ARTICLE SIXTEEN

MERGER OF UNDERSTANDINGS

16.1 Merger. It is understood and agreed that all understandings and agreements heretofore had between the parties hereto are hereby merged into this Agreement, which alone fully and completely expresses their agreement, and that this Agreement is entered into after full investigation, neither party relying upon any statement or representation made by Seller or Purchaser or anyone else not embodied in this Agreement. This paragraph shall survive the Closing and delivery of the Deed or other termination of this Agreement.

ARTICLE SEVENTEEN

MISCELLANEOUS

17.1 Entire Agreement. This Agreement and the exhibits attached hereto embody the entire agreement between the parties in connection with this transaction, and there are no oral agreements existing between the parties relating to this transaction which are not expressly set forth herein. This Agreement may not be modified or, except as expressly provided to the contrary herein, canceled or terminated, except in a writing signed by all parties hereto. This Agreement may be

executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

17.2 Waiver. Failure of either party to object to any act or omission on the part of the other party, no matter how long the same may continue, shall not be deemed to be a waiver by such party of any of its rights hereunder, unless expressly provided to the contrary herein. No waiver by any party at any time, express or implied, of any breach of any provision of this Agreement, shall be deemed a waiver of a breach of any other provision of this Agreement or a consent to any subsequent breach of the same or any other provision. If any action by any party shall require the consent or approval of another party, such consent or approval of such action on any one occasion shall not be deemed a consent to or approval of said action on any subsequent occasion.

17.3 Assignment. Purchaser may not assign any of its right, title or interest in this Agreement, or its right to the Deposit and any interest thereon, without the prior written consent of Seller, which consent shall be at Seller's sole discretion.

17.4 Headings. The captions, section numbers and article numbers appearing in this Agreement are inserted only as a matter of convenience, and do not define, limit, construe or describe the scope or intent of such sections or articles of this Agreement. Furthermore, as used in this Agreement, any gender shall include any other gender, the singular shall include the plural, and the plural shall include the singular, wherever applicable.

17.5 Third Parties. No party other than Seller, Purchaser and their respective successors and permitted assigns, shall have any rights to enforce or rely upon this Agreement.

This Agreement is binding upon and made solely for the benefit of Seller, Purchaser and their respective heirs, personal representatives, successors and permitted assigns.

17.6 Notices.

- (a) Except as expressly provided to the contrary in this Agreement, notices which must or may be given by any party hereto must be in writing and shall be deemed as given hereunder upon actual receipt, if by personal delivery to the addresses set forth below, or, if properly addressed, if sent by certified or registered mail, return receipt requested, four (4) days after depositing such notice with postage prepaid at the rates and with the status certified or registered in a United States mailbox, or one (1) day after depositing such notice, with proper payment or credit arrangement, in the custody of a nationally recognized overnight delivery service. Notice shall be deemed properly addressed if sent to the following addresses:

If to Seller: Amerihost Properties, Inc.
2400 E. Devon Street
Suite 280
Des Plaines, IL 60018
Attn: Michael P. Holtz,
President and Chief Executive Officer

With copies to: Helen R. Friedli, P.C.
c/o McDermott Will & Emery
227 West Monroe Street
Chicago, IL 60606-5096
Attn: Helen R. Friedli, Esq.

If to Escrow Agent: Stewart Title Guaranty Corporation
18333 Preston Road, Suite 410
Dallas, TX 75252
Attn: Tom Irons, Esq.

If to Purchaser: PMC Commercial Trust
 17290 Preston Road
 Dept. 101
 3rd Floor
 Dallas, TX 75252
 Attn: Jan F. Salit,
 Executive Vice President and
 Chief Investment Officer, and
 Andrew S. Rosemore, Executive
 Vice President

With a copy to: PMC Commercial Trust
 17290 Preston Road
 3rd Floor
 Dallas, TX 75252
 Attn: Cheryl T. Murray, Esq.
 General Counsel

- (b) Except as set forth to the contrary herein, any party may designate, by notice in writing as above provided, a new or other address to which such notice or demand shall thereafter be so given, made or mailed.
- (c) The respective attorneys for the parties are hereby authorized (i) to give any notice which the party is required to give or may give under this Agreement; and (ii) to agree to adjournments of the Closing. It is understood that Seller's attorney is McDermott, Will & Emery, and Purchaser's attorney is Cheryl T. Murray, Esq.

17.7 Governing Law. This Agreement shall be governed by the laws of the State of Illinois, without cognizance to conflicts of laws rules.

17.8 Survival. The provisions, representations, warranties, covenants and agreements of this Agreement shall survive the Closing of the transaction contemplated hereby, unless expressly provided herein to the contrary.

17.9 Enforcement of Agreement. The parties hereto agree that irreparable damage would occur in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which they are entitled at law or in equity.

17.10 Satisfaction. The acceptance of a Deed by Purchaser for each Property shall be deemed to be a full performance of and discharge of any and all agreements and obligations on the part of Seller to be performed pursuant to the provisions of this Agreement, except those, if any, which are herein specifically stated to survive delivery of such Deed.

17.11 Confidentiality. All of the information heretofore or hereafter supplied by Seller to Purchaser shall be deemed confidential and shall not be revealed by Purchaser other than to a bank or other financial institution or investment banker or rating agency which shall provide Purchaser with financing in connection with the purchase of the Property, provided that this provision shall not apply to disclosure or utilization necessary or appropriate under applicable securities laws. In the event that the transaction herein shall not close, all such information shall be returned to Seller, and copies thereof shall not be retained by Purchaser or any lending institution. This Section shall survive the Closing and delivery of the Deed or other termination of this Agreement.

17.12 Mutuality. This Agreement has been executed after negotiation and the opportunity by both parties to have this Agreement reviewed and revised by legal counsel of their choice.

17.13 Marketing. Seller agrees not to market the Property or solicit or accept any offer for the purchase and sale of the Property from the date hereof through the earlier to occur of (a) the Closing Date, and (b) the earlier termination of this Agreement.

ARTICLE EIGHTEEN

DEFINITIONS

Wherever used in this Agreement, the following terms have the meanings set forth in this Article Eighteen:

"Appurtenances" shall mean all of Seller's right, title and interest in all rights of way, drives, rights in adjoining streets, sidewalks, alleyways, passages, curbs, berms and similar rights and areas used in connection with the Property; all development rights for the Land or Improvements, whether vested or not; all planned unit development (PUD) plans and other development approvals for the Land and the Improvements; all appurtenant rights of lateral support and encroachment rights; and all leases of property situated off-site, but used in connection with the operation of the Improvements.

"Appurtenant Easements" shall mean all easements and licenses on or over land or improvements, other than the Land and Improvements, which benefit the Land or Improvements, including, but not limited to, all easements providing access to the Land from public streets, roads and ways, all easements, licenses and agreements for location, maintenance and replacement of off-

premises signs of the business and utility service lines, and all easements for parking and storage on adjoining property.

"Books and Records" shall mean all books of account and annual statements of operations for 1996 and 1997 with respect to the Property (including audited statements to the extent the same have been audited); the 1998 budgets and all books of account and preliminary statements of the operations for the current 1998 fiscal year for the Property to date, which are kept by Seller in the ordinary course of business of operating the Property, and monthly statements of operations of the Property for 1997 and 1998 through the month of the Closing (the statement of operations for the month of the Closing to be provided after the Closing).

"Employees" shall mean all persons employed by Seller in connection with the management and operation or possession of the Property during the pendency of this Agreement.

"Excepted Items" shall mean the following property which is excluded from the definition of "Personal Property" hereunder: (a) items owned by independent contractors and business entities and not used in the operation of the Property; (b) all items (prepaid or otherwise) stored, maintained, or operated at the Property and consumed in the ordinary course of business, (c) cash in bank accounts and petty cash maintained at the Property, checks and money orders; (d) room reservation deposits of any kind or nature, (e) receivables, if any, (f) utility deposits, if any, of every type and nature, including any interest accrued thereon, and (g) all accounts payable with respect to the Property, whether owing or accruing prior to, on or after the Closing Date.

"Governmental Authorities" shall mean all federal, state, county, municipal and local governments, administrative agencies and quasi-governmental authorities having jurisdiction over the Property.

"Hazardous Materials" shall mean any and all substances which are or become defined as a "hazardous waste," "hazardous substance" pollutant or contaminant under any Legal Requirements, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. Section 9601 et seq.), as amended, and/or the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), as amended, and/or the federal regulations implementing such Acts; "Hazardous Materials" shall include, but are not limited to, petroleum products and asbestos.

"Impositions" shall mean all real estate, personal property and hotel occupancy taxes, general and special assessments imposed by Governmental Authorities, water and sewer charges, and fees and charges assessed or imposed by Governmental Authorities upon all or part of the Property and which are or may become a lien on the Property.

"Improvements" shall mean all buildings and structures erected or located on the Land and Appurtenant Easements at the date of this Agreement, or at any time between the date of this Agreement and the Closing Date, including all machinery, equipment and fixtures owned by Seller and attached to such buildings and structures and used for operation or maintenance of the buildings and structures, all parking area and driveway surfaces, and curbs and drainage features, all landscaping, pool areas, all utility lines and appurtenances and all signs and structural supports for signs.

"Inspection Period" shall mean the period of time beginning on the date of receipt of the last Survey, Title Commitment (including Title Documents), UCC Search or Phase I Audit, and/or updates thereto, and ending thirty (30) days thereafter, however, in no event shall this Inspection Period extend beyond the Closing Date.

"Knowledge of Seller" shall mean the actual knowledge of Seller.

"Legal Requirements" shall mean all laws, codes, ordinances, rules, regulations, and requirements of all Governmental Authorities existing at the date of this Agreement or at any time between the date of this Agreement and the Closing Date applicable to all or part of the Property or the ownership, operation, management, maintenance, development, improvements, repair, renovation, lease, sale, encumbering, transfer, use or manner of use of all or part of the property (including, without limitation, any law, code, ordinance, rule, regulation or requirement relating to Hazardous Materials).

"Permits and Licenses" shall mean all permits, licenses, certificates of occupancy, sales tax permits, and renewals thereof, which are material to the normal operation of the Property.

"Permitted Exceptions" shall mean any defects, liens, encumbrances, covenants, restrictions, easements, reservations, agreements and other matters affecting title to the Property to which Purchaser does not object prior to the expiration of the Inspection Period.

"Permitted Hazardous Materials" shall mean Hazardous Materials in ordinary quantities which are customarily used in the operation, maintenance and repair of hotels and lodging facilities similar to the Property and which are stored and handled according to manufacturers' standards and guidelines and in compliance with all applicable Legal Requirements, and prepackaged office supplies, cleaning materials, personal grooming items and other similar items sold for consumer use.

"Personal Property" excludes the Excepted Items and shall mean all fixtures, furnishings and equipment located at the Property and required for the operation of the Improvements as a motel/hotel, including, without limitation, office furnishings and equipment (exclusive of all of the vehicles used in the operation of the Improvements); fittings, machinery, heating and cooling systems, tools, maintenance equipment, appliances, wires and installed telephones, televisions, pictures, rugs, kitchen equipment, and all other fixtures and personal property of every kind and nature, other than the Excepted Items, which are located on, attached to, appurtenant to or used in the operation, maintenance, management or security of the Property or any portion of the Property, and which are owned by Seller, including Personal Property (other than Excepted Items) acquired by Seller between the date of this Agreement and the Closing Date, and all replacements, substitutions and additions of and to all of the foregoing. Personal Property does not include assignable trade names and goodwill. Seller does not lease any Personal Property, but rather, owns all Personal Property used in operation of the Property.

"Phase I Audit" shall mean a Phase I environmental site assessment of the Property with respect to Hazardous Materials from a qualified environmental audit firm experienced in Phase I environmental site assessments, as selected by Purchaser, to be made within the Inspection Contingency Period and pursuant to the ASTM Standard Practice for Environmental Site Assessments.

"Phase II Site Assessment" shall mean a phase II environmental site assessment of the Property with respect to Hazardous Materials from a qualified environmental audit firm experienced with Phase II environmental site assessments, as selected by Purchaser, to be made pursuant to ASTM Standard Practice for Environmental Site Assessments.

"Title Insurance Company" shall mean Stewart Title Guaranty Corporation.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SELLER:

[AMERIHOST PROPERTIES SUBSIDIARIES
to be listed as signatories]

By: /s/ Michael P. Holtz

Michael P. Holtz
President and Chief Executive Officer

PURCHASER:

PMC COMMERCIAL TRUST,
a Texas Real Estate Investment Trust

By: /s/ Lance B. Rosemore

Name: Lance B. Rosemore
Title: President

The undersigned, Amerihost Properties, Inc., a Delaware corporation, and the sole shareholder of Seller, hereby joins this Agreement solely for the purpose of performing its duties and obligations as set forth in Section 5.1 (b) and Section 6.6, if applicable.

AMERIHOST PROPERTIES, INC.

By: /s/ Michael P. Holtz

Michael P. Holtz, President

The undersigned, AmeriHost Inns, Inc., a Delaware corporation, hereby joins this Agreement solely for the purpose of performing its duties and obligations as set forth in Section 5.1 (b).

AMERIHOST INNS, INC.

By: /s/ Michael P. Holtz

Michael P. Holtz, President

SCHEDULE OF EXHIBITS

A Property-Owning Subsidiaries

B Street Addresses

B-1 to B-30 Land

C Price Allocation per Property

D Form of Master Agreement

E Form of Property Lease

F Repairs for Marysville, Ohio and Plainfield, Indiana

G Phase I Audit Update Property

H Assumption Fees

MASTER AGREEMENT

THIS MASTER AGREEMENT (this "AGREEMENT") is made and entered into as of this ____ day of June, 1998, by and among PMC COMMERCIAL TRUST (the "LESSOR"), and AMERIHOST PROPERTIES, INC. ("AMERIHOST") AND AMERIHOST INNS, INC. (the "LESSEE").

RECITALS

WHEREAS, the Lessor has acquired those certain _____ (___) hotels (the "INITIAL HOTELS") listed on Exhibit A attached hereto;

WHEREAS, simultaneously with the execution of this Agreement, the Lessor has leased the Initial Hotels to the Lessee;

WHEREAS, Amerihost is a guarantor of the Lessee's obligation to pay rent under the Property Leases (as hereinafter defined), on the terms and conditions set forth therein, and

WHEREAS, the parties hereto desire to enter into this Agreement to set forth certain agreements relating to the matters set forth herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the foregoing premises, the representations, warranties and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto

agree as follows:

ARTICLE I

DEFINITIONS

Unless the context otherwise requires, (a) all capitalized terms not otherwise defined herein shall have the meanings set forth in the Property Leases, (b) references to the singular shall include the plural and vice versa, (c) references to designated "Articles," "Sections" or other subdivisions are references to the designated Articles, Sections or other subdivisions of this Agreement, (d) all accounting terms not otherwise defined herein shall have the meanings assigned to them in accordance with GAAP and (e) the words "herein," "hereof," and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

ARTICLE II

LEASING OF HOTELS

2.1 Initial Hotels. Simultaneously with entering into this Agreement, the Lessor and the Lessee have entered into an individual lease in the form attached hereto as Exhibit "B" (the "PROPERTY LEASE") for each of the Initial Hotels at the rents specified on Exhibit "C" attached hereto.

2.2 Additional Hotels. Lessor and Lessee may also from time to time agree to the lease of Additional Hotels (herein so called) to Lessee. The lease of Additional Hotels shall

be by mutual agreement of Lessor and Lessee and upon such terms and conditions as are contained in form of the Property Lease attached hereto as Exhibit B and such Additional Hotels shall become subject to the terms and conditions of this Agreement as amended to reference such Additional Hotels and the Amerihost Guaranty (as hereinafter defined).

ARTICLE III

RENT

So long as this Agreement remains in effect, Lessee promises to pay to Lessor, in lawful money of the United States of America, in immediately available funds, rents in the amount specified below:

3.1 The annual amount of rent (the "Base Rent"), payable in equal monthly installments as set forth on Schedule I attached hereto, shall initially be \$_____ until adjusted as provided in the Property Leases or as adjusted with the addition of Additional Hotels. The Base Rent shall be paid monthly in advance in the manner as set forth in Section 3.1 of the Property Leases.

ARTICLE IV

RESERVES

4.1 Reserves. (a) Lessee shall deposit monthly during the Lease Term (on or before the 15th day of the subsequent month) into the Capital Expenditure Reserve Account an amount which is equal to two percent (2%) of Room Revenues for all Initial Hotels and Additional Hotels, as the case may be, for the prior month.

(b) Lessee shall also deposit monthly during the Lease Term (on or before the 15th day of the subsequent month) into the FF&E Reserve Account an amount equal to two percent (2%) of the Room Revenues for all Initial Hotels and Additional Hotels, as the case may be, for the prior month.

ARTICLE V

ESCROW

Section 5.1 Escrow. The Lessee has deposited in escrow (the "ESCROW") with Lessor, and Lessor hereby acknowledges receipt of, the sum of \$_____ (the "ESCROW FUNDS"), representing a sum equivalent to two months' Base Rent under all Property Leases. The Escrow Funds shall be invested in "Qualified Investments." The Lessor shall cause earnings thereon to be remitted annually to the Lessee not later than the first day of February of each year in which the Escrow is maintained, provided that an Event of Default has not occurred and is continuing under the Property Lease. Notwithstanding the foregoing provision, the Lessee shall have the option from time to time, as a substitute for cash, upon reasonable notice to the Lessor, to provide a letter of credit (the "LETTER OF CREDIT") in favor of the Lessor in the amount of the Escrow Funds, in form and substance, and issued by an issuer, reasonably acceptable to the Lessor.

Section 5.2 Coverage Ratio. The Escrow hereby created shall continue until such date that the ratio of Net Operating Income in the aggregate on all of the Initial Hotels to the aggregate Base Rent of all Initial Hotels shall equal or exceed a ratio of 1.25 to 1.0 (such rent

coverage ratio hereinafter called the "RCR"), as of the first day of each quarter during the term of the Escrow, on a trailing 12-month basis commencing on December 31, 1999. In the event Additional Hotels are added under this Agreement, an Escrow pursuant to Section 5.1 shall be established with respect to such Additional Hotels and shall continue pursuant to the terms and conditions set forth in this Section 5.2. Lessor shall have the right to draw on the Escrow Funds upon the occurrence of an Event of Default by the Lessee in the payment of Base Rent to the extent necessary to cure the shortfall in payment of Base Rent and Lessee must replenish the Escrow within two (2) business days after written notice from Lessor.

Section 5.3 Financial Reports. During the term of this Agreement, the Lessee shall provide detailed monthly statements to the Lessor within forty-five (45) days of each fiscal period outlining financial results for the Property during the accounting period and year-to-date, compared to the previous fiscal year and budget. Annual financial consolidating statements shall be sent to the Lessor not later than one hundred twenty (120) days after the end of the Lessee's fiscal year. The Lessee agrees timely to provide financial data and to cooperate fully with the Lessor in connection with prompt quarterly and annual reconciliations of the monthly payments of Base Rent with the Net Operating Income for equivalent periods.

Section 5.4 Termination of Escrow. Within ten (10) days after the submission of evidence reasonably satisfactory to the Lessor that the RCR has been achieved, the Lessor shall remit the Escrow Funds, together with earnings thereon, if any, or return the Letter of Credit, as the case may be, to the Lessee and the appropriate Escrow created hereunder shall be closed and of no further force and effect.

ARTICLE VI

AMERIHOST GUARANTY

Amerihost hereby executes this Agreement to acknowledge and confirm Amerihost's agreement to guarantee to the Lessor the prompt and complete payment of the Base Rent and Additional Rent under the Property Leases in the form of guaranty attached hereto as Exhibit D (the "Amerihost Guaranty"); it being expressly understood and agreed that this is a continuing guaranty and an instrument for the payment of money only, and that the obligation of Amerihost is and shall be absolute under any and all circumstances.

ARTICLE VII

NON-COMPETITION

During the term of this Agreement, Lessor, Lessee and Amerihost shall not (and shall take reasonable actions to assure that any Related Party of Lessor, Lessee or Amerihost shall not) within fifteen (15) miles of the Project develop a property by constructing a new motel/hotel project without the written approval of the Lessor or Lessee, as the case may be.

ARTICLE VIII

DEFAULT

Section 8.1 Event of Default. An Event of Default (herein so called) shall exist under this Agreement if any of the following occur:

(a) Base Rent Payment. Lessee breaches any of its obligations to pay Base Rent as provided in Section 3.1 hereof and in Sections 3.1 and 3.2 of any of the

Property Leases subject to any notice and cure period contained in the Property Leases.

(b) Capital Expenditure Reserve Account. A breach by Lessee of its obligation to fund the Capital Expenditure Reserve Account as provided in Section 4.1(a) hereof and Section 3.7(d) of the Property Leases subject to any notice and cure period contained in the Property Leases.

(c) FF&E Reserve Account. A breach by Lessee of its obligation to create and fund the FF&E Reserve Account as provided in Section 4.1(b) hereof and Section 3.7(f) of the Property Leases subject to any notice and cure period contained in the Property Lease.

(d) Failure of Lessee to replenish the Escrow within two (2) business days after written notice from Lessor.

(e) Failure of Amerihost to honor the terms of the Amerihost Guaranty.

8.2 Remedies. Upon the occurrence of an Event of Default, Lessor shall have the right to terminate this Agreement upon ten (10) days written notice to Lessee; in which event Lessor shall have all the rights and remedies as set forth in Section 12.2 of the Property Leases and this Agreement.

ARTICLE IX
MISCELLANEOUS

Section 9.1 Modification, Amendments and Waivers. No modification, amendment or waiver of any provision of this Agreement shall be effective unless the same is in a writing signed by all parties to this Agreement.

Section 9.2 Notices. All notices and other communications pursuant to this Agreement shall be in writing and personally served or mailed as provided in the Property Lease.

Section 9.3 Successors and Assigns. The provisions of this Agreement shall be binding upon the parties hereto and all of their successors and assigns and inure to the benefit of the parties hereto and their permitted successors and assigns.

Section 9.4 Termination. This Agreement shall terminate at such time as all of the Property Leases have terminated, except that the Escrow created under Article V and the Amerihost Guaranty created under Article VI shall terminate on the terms and conditions therein provided.

Section 9.5 Governing Law. This Agreement shall be governed by the laws of the State of Texas, without giving effect to the principles of conflicts of law thereof.

Section 9.6 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be an original, with the same force and effect as if the signatures thereto and hereto were upon the same instrument.

Section 9.7 Waiver. Each party waives, to the extent permitted by applicable law, any right to a trial by jury in any proceedings brought by either party to enforce the provisions of this Agreement.

Section 9.8 Time of the Essence. Time is of the essence of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

LESSOR

PMC COMMERCIAL TRUST

By: _____
Name: _____
Title: _____

LESSEE

AMERIHOST INNS, INC.

By: _____
Name: _____
Title: _____

GUARANTOR

AMERIHOST PROPERTIES, INC.

By: _____
Name: _____
Title: _____

LEASE AGREEMENT

BY AND BETWEEN

PMC COMMERCIAL TRUST, AS LANDLORD

AND

AMERIHOST INNS, INC., AS TENANT

TABLE OF CONTENTS

	Page

RECITALS	1
ARTICLE I DEFINITIONS	2
ARTICLE II DEMISE; TERM; LEASE YEAR	
2.1 Demise	7
2.2 Term	7
2.3 Lease Year	7
2.4 Renewal Options	8
ARTICLE III RENT AND OTHER CHARGES	
3.1 Base Rent	8
3.2 Consumer Price Index Adjustments to Base Rent	8
3.3 Payment of Impositions	9
3.4 Utilities and Operating Expenses	12
3.5 Location of Payments	12
3.6 No Setoff	12
3.7 Capital Expenditure Reserve Account	13
3.8 Specified FF&E and Operating Equipment	16
ARTICLE IV ALTERATIONS AND ADDITIONS	16
4.1 Alterations	16
4.2 Construction Liens	17
4.3 Removal of Improvements	17
ARTICLE V REPAIRS AND MAINTENANCE	18
5.1 Tenant's Obligations	18
5.2 Termination for Decline in Quality	19
5.3 Surrender	19
5.4 Right of Entry	19
ARTICLE VI HAZARDOUS SUBSTANCES	20
6.1 No Hazardous Substances	20
6.2 Indemnity	20
6.3 Survival	20

TABLE OF CONTENTS

	Page

ARTICLE VII COVENANTS OF TENANT	21
7.1 Use of Project	21
7.2 Continuing Covenants	21
7.3 Operating Supplies	22
7.4 Legal Requirements	22
7.5 FF&E and Operating Equipment	22
7.6 Permits and Licenses	22
7.7 Tenant's Obligation to Manage	23
7.8 Permitted Contests	23
ARTICLE VIII RESERVED	24
ARTICLE IX INSURANCE AND INDEMNITIES	24
9.1 Insurance Coverages	24
9.2 Insurance Policies	26
9.3 Exemption of Landlord from Liability	26
9.4 Indemnification	27
9.5 Mutual Waiver of Subrogation	27
9.6 Insurance Premium Escrow	27
ARTICLE X DAMAGE OR DESTRUCTION	28
10.1 Reports on Insurance Claims	28
10.2 Insurance Proceeds	28
10.3 Reconstruction in the Event of Damage or Destruction	29
10.4 Abatement of Rent	30
ARTICLE XI CONDEMNATION	30
11.1 Taking of Whole	30
11.2 Partial Taking	30
11.3 Tenant's Award	31
ARTICLE XII DEFAULTS; REMEDIES	31
12.1 Defaults	31
12.2 Landlord's Remedies	32

TABLE OF CONTENTS

	Page

12.3 Landlord May Perform	34
ARTICLE XIII ASSIGNMENT AND SUBLETTING	34
13.1 Assignment by Tenant	34
13.2 Tenant Ownership	37
13.3 Assignment Due to Bankruptcy	38
13.4 Transfer of Landlord's Rights	40
13.5 Licenses and Leasehold Mortgages	41
ARTICLE XIV RIGHT OF FIRST REFUSAL	43
14.1 Right of First Refusal	43
14.2 Conditions of Offer	44
14.3 Restraining Order	44
14.4 Exclusion from Right of First Refusal	44
ARTICLE XV GENERAL PROVISIONS.	45
15.1 Estoppel Certificate	45
15.2 Landlord's Liability	45
15.3 Severability	45
15.4 Captions	46
15.5 Complete Agreement	46
15.6 Tenant's Remedies	46
15.7 Franchise Obligations	46
15.8 Notices	46
15.9 Waivers	47
15.10 Recording	47
15.11 Holding Over	48
15.12 Covenants and Conditions	48
15.13 Binding Effect	48
15.14 Subordination and Attornment.	48
15.15 No Joint Venture	49
15.16 Quiet Enjoyment	49
15.17 Expansion of Project	49

TABLE OF CONTENTS

	Page

15.18 Counterparts	49
15.19 Brokers	49
15.20 Tenant's Right to Cure	49
15.21 Breach by Landlord	49
15.22 Landlord to Grant Easements, etc.	50
15.23 Governing Law; Submission to Jurisdiction	50
15.24 REIT Compliance	51
15.25 Financings	51
15.26 Landlord's Right to Inspect	51
15.27 "As Is" Lease	51
15.28 Third Party Beneficiary	52
15.29 No Merger of Title	52

LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease") is made and entered into as of the ___ day of June, 1998 by and between PMC COMMERCIAL TRUST, a Texas real estate investment trust ("Landlord"), and AMERIHOTEL INNS, INC., a Delaware corporation ("Tenant").

REFERENCE PAGE

In addition to the other terms elsewhere defined in this Lease, the following terms, wherever used in this Lease, shall have the meaning set forth in this Reference Page.

1. PREMISES: The motel property located at _____.
2. NAME: AmeriHost Inn.
3. COMMENCEMENT DATE: June ___, 1998
4. EXPIRATION DATE: June ___, 2008
5. LEASE TERM: Ten (10) years, as the term may be extended upon Tenant's exercise of either one or both of Tenant's two (2) options to extend the Lease Term for five (5) years each.
6. BASE RENT: The rent set forth in Schedule I annexed hereto and made a part hereof.
7. PROJECT: The Land, Improvements, FF&E, and Operating Equipment, which comprise a two (2) story motel, containing ___ rooms, located at the Premises.

The Reference Page information is incorporated into and made a part of this Lease. In the event of any conflict between any Reference Page information and the Lease, the Lease shall control.

RECITALS:

A. Landlord is the owner of the Project.

B. Tenant has represented to Landlord that it has substantial experience in the operation, management and maintenance of facilities similar to the Project and recognizes Landlord's expectation that Tenant will use such experience to operate the Project.

C. Tenant desires to lease from Landlord and Landlord desires to lease to Tenant the Project for the operation by Tenant of a motel and Tenant desires to lease and operate the Project subject to and in accordance with the terms and conditions set forth herein.

AGREEMENTS:

NOW, THEREFORE, for good, fair and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and, intending to be legally bound hereby, Landlord and Tenant hereby covenant and agree as follows:

ARTICLE I

DEFINITIONS

The following words and terms shall have the following meanings ascribed to them:

1.1 "ADDITIONAL RENT" shall mean all costs, expenses, charges and other amounts owed by Tenant to Landlord hereunder, other than Base Rent. Additional Rent shall include any cost incurred by Landlord in fulfilling Tenant's obligations hereunder. Additional Rent shall be due and payable two (2) business days following written demand, unless specifically provided to the contrary in this Lease; and shall bear interest at the Default Rate from the date paid by Landlord until the date paid by Tenant to Landlord, if applicable.

1.2 "AWARD" shall have the meaning ascribed to such term in Section 11.1 hereof.

1.3 "BANKRUPTCY CODE" shall mean the United States Bankruptcy Code, as amended.

1.4 "CAPITAL EVENT" shall mean any of the following events: (a) any sale, assignment, transfer or refinancing of the Lessee's interest in the Project; (b) the receipt of any insurance payments or damage recoveries paid to the Lessee in respect of the Project; and (c) any condemnation or eminent domain proceedings relating to all or part of any leasehold interest in the Project.

1.5 "CAPITAL EXPENDITURE RESERVE ACCOUNT" shall have the meaning ascribed to such term in Section 3.7 hereof.

1.6 "CONSUMER PRICE INDEX" shall mean The "U.S. City Average, All Items" Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor (Base: 1982-1984=100), or any successor index thereto.

1.7 "DEFAULT" shall mean an event which but for the giving of notice or passing of time, or both, would constitute an Event of Default hereunder.

1.8 "DEFAULT RATE" shall mean the annual rate of interest of two percent (2%) over the Prime Rate as published in The Wall Street Journal, Southwest Edition, or such lesser amount as may be the maximum amount permitted by applicable law.

1.9 "ENVIRONMENTAL REGULATION(S)" means any law, rule, regulation, permit or agreement relating to the environment, human health or safety now existing or hereafter enacted.

1.10 "EVENT OF DEFAULT" shall have the meaning ascribed to such term in Section 12.1 hereof.

1.11 "FF&E" shall mean all furniture, furnishings and equipment owned by Landlord and located at the Project as of the date of this Lease and required for the operation of the Improvements as a motel, including, without limitation, (a) office furnishings and equipment, (b) specialized motel equipment necessary for the operation of any portion of the Improvements as a motel, including equipment for kitchens, laundries, dry cleaning facilities, bars, restaurants, public rooms, commercial and parking spaces, and recreational facilities and (c) all other furnishings and equipment as necessary or desirable in the operation of the Project in accordance with the terms and conditions set forth in this Lease.

1.12 "FF&E RESERVE ACCOUNT" shall mean funds available for the repair, replacement or refurbishment of FF&E, which funds shall be provided by, and under the control of, Tenant through monthly payment into an account established on the Commencement Date by Tenant and maintained by Tenant during the Lease Term.

1.13 "FIXTURES" shall mean all equipment, machinery, fixtures and other items of property, including all components thereof now and hereafter, permanently affixed to or incorporated into the Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, all of which to the greatest extent permitted by law are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereof.

1.14 "FRANCHISOR" A Related Party of Tenant or any other national or regional hotel/motel franchisor reasonably acceptable to Landlord.

1.15 "FRANCHISE AGREEMENT" Any agreement that may be entered into by and between a Franchisor and Tenant, regarding the operation of the Project as a franchised motel of Franchisor, on terms reasonably acceptable to Landlord.

1.16 "GAAP" means generally accepted accounting principles.

1.17 "GOVERNMENTAL AUTHORITY" means any federal, state, or local governmental body including elected bodies, departments, agencies, commissions, boards or instrumentalities having or purporting to have jurisdiction over Landlord, Tenant, the Project, or the business conducted or to be conducted from the Project.

1.18 "HAZARDOUS SUBSTANCES" means any substance, pollutant or contaminant, as those terms are now or hereafter defined in any Environmental Regulation, and specifically includes, but is not limited to, asbestos, asbestos-containing materials, petroleum, or petroleum-based products, formaldehyde, and polychlorinated biphenyls.

1.19 "IMPOSITIONS" shall have the meaning ascribed to such term in Section 3.3(a) hereof.

1.20 "IMPROVEMENTS" shall mean all buildings, structures and improvements now located or hereafter constructed on the Land and all Fixtures and equipment attached to, forming a part of and necessary for the operation of such buildings, structures and improvements as a motel, and such (a) restaurants, bars, banquet, meeting and other public areas, (b) commercial space, including concessions and shops, (c) parking space, (d) storage and services areas, (e) recreational facilities and areas, (f) public grounds and gardens, (g) permanently affixed signage and (h) other facilities and appurtenances, as necessary or desirable for the operation of the Improvements as a motel in accordance with the terms and conditions of this Lease.

1.21 "INSURED CASUALTY" shall have the meaning ascribed to such term in Article 10 hereof.

1.22 "LAND" shall mean that certain real property consisting of the Premises described in the Reference Page and legally described on Exhibit A attached hereto, together with all easements and rights benefitting or appurtenant to such real property.

1.23 "LANDLORD" shall mean PMC Commercial Trust, a Texas real estate investment trust, and its successors and assigns.

1.24 "LEASE YEAR" shall mean a full calendar year, provided that the first and last Lease Years shall be determined in accordance with Section 2.3 hereof.

1.25 "LEGAL REQUIREMENTS" shall have the meaning ascribed to such term in Section 7.4 hereof.

1.26 "MASTER AGREEMENT" shall mean the agreement made and entered into as of June ____, 1998 by and among PMC Commercial Trust, Amerihost Properties, Inc. and AmeriHost Inns, Inc.

1.27 "NET OPERATING INCOME" shall mean Room Revenues and Sundry Revenues, less Operating Expenses, but specifically excludes any and all income derived by reason of the occurrence of a Capital Event.

1.28 "NET WORTH" shall mean Landlord's net worth which shall be equal to the excess of Landlord's assets over its liabilities as determined in accordance with GAAP.

1.29 "OPERATING EQUIPMENT" shall mean (a) all operating equipment required for the operation of a motel, including chinaware, glassware, linens, silverware, utensils, uniforms, smallwares, telephone equipment, computers and all other similar items, and (b) all replacements, substitutions and additions of and to all of the foregoing.

1.30 "OPERATING EXPENSES" shall mean, for any applicable period, all expenses incurred by the Tenant in connection with the operation of the Project in aggregate during such period determined in accordance with GAAP, which operating expenses shall be deemed to include a reserve of four percent (4%) of Room Revenues for fixtures, furnishings and equipment and capital expenditures, and a management fee of four percent (4%) of Room Revenues, provided, however that "Operating Expenses" shall exclude capital expenditures, depreciation, amortization expenses and interest expense but shall include administrative and general expenses, management fees, marketing expenses, maintenance expenses, energy costs, real and personal property taxes and insurance premiums, as such terms are described and accounted for by Tenant in the ordinary course of its business and in accordance with the financial statements periodically provided by Tenant to Landlord in accordance with the provisions hereof.

1.31 "OPERATING SUPPLIES" shall mean all food, beverages and other consumable items used in the operation of a motel, such as fuel, soap, cleaning materials, matches, stationery, brochures, folios and all other similar items, together with all substitutions and replacements thereto.

1.32 "PERMITS" shall have the meaning ascribed to such term in Section 7.6 hereof.

1.33 "PERMITTED USE" shall mean the use of the Project as a motel in compliance with all Legal Requirements and the terms and conditions of this Lease.

1.34 "PROHIBITED CASUALTY" shall have the meaning ascribed to such term in Article 10 hereof.

1.35 "PROHIBITED TAKING" shall have the meaning ascribed to such term in Section 11.1 hereof.

1.36 "QUALIFIED INVESTMENTS" shall mean any one or more of the following obligations or securities:

(i) direct obligations of, and obligations fully guaranteed by, the United States of America or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America, excluding any principal-only or interest-only stripped mortgage pass-throughs and provided that any obligations of any such agency or instrumentality must be guaranteed as to timely payment of principal and interest;

(ii) demand and time deposits in, certificates of deposits of, or bankers' acceptances issued by, any depository institution or trust company incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by federal or state banking authorities, so long as at the time of such investment or contractual commitment providing for such investment the commercial paper or other short-term debt obligations of such depository institution or trust company (or, in the case of a depository institution which is the principal subsidiary of a holding company, the commercial paper or other short-term debt obligations of such holding company) have a credit rating not lower than the second highest rating category from a nationally recognized rating agency;

(iii) commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than 270 days after the date of issuance thereof) having the highest commercial paper rating from a nationally recognized rating agency;

(iv) money market funds registered under the Investment Company Act of 1940, as amended, having a credit rating, at the time of such investment, not lower than the highest rating category from a nationally recognized rating agency.

1.37 "RELATED PARTY" shall mean a person or entity who controls, is controlled by or is under common control with another person or entity.

1.38 "RENT" shall mean Base Rent and Additional Rent.

1.39 "ROOM REVENUES" shall mean all revenues, receipts, and income of any kind derived directly or indirectly by Tenant from or in connection with the rental of guest rooms or suites, whether to individuals, groups or transients, at the Project, whether on a cash basis or credit, paid or collected, determined in accordance with generally accepted accounting principles, excluding the following:

(a) The amount of all credits, rebates or refunds to customers, guests or patrons, and all service charges, finance charges, interest and discounts attributable to charge accounts and credit cards, to the extent the same are paid to Tenant by its customers, guests or patrons, or to the extent the same are paid for by the Tenant to, or charged to Tenant by, credit card companies;

(b) All sales taxes or any other taxes imposed on the rental of such guest rooms or suites;

(c) Gratuities or service charges actually paid to employees;

(d) Proceeds of business interruption and other insurance; and

(e) Revenues from the sale of food and beverage or Sundry

Revenues.

1.40 "STATE" shall mean the state in which the Project is located.

1.41 "SUNDRY REVENUES" shall mean all revenues, receipts, and income derived from the Project's meeting rooms, telephones, TV and movie rentals, check room, washroom, laundry, valet, vending machines, and other motel related operation sources not specified herein as Room Revenues or food and beverage revenues.

1.42 "TAX CODE" shall mean the Internal Revenue Code of 1986, as amended.

1.43 "TENANT" shall mean AmeriHost Inns, Inc., a Delaware corporation, and its successors and permitted assigns.

ARTICLE II

DEMISE; TERM; LEASE YEAR

2.1 DEMISE.

(a) Subject to the terms and conditions of this Lease, Landlord leases to Tenant and Tenant hereby leases from Landlord, the Land, Improvements, FF&E and Operating Equipment.

(b) It is the intent of Landlord and Tenant that Tenant have uninterrupted control in the operation of and business conducted at the Project so long as no Event of Default has occurred and is continuing. Without limiting any of Landlord's or Tenant's rights hereunder, Tenant shall have absolute discretion in the determination of room rates and rates and charges to guests of the Project for other motel related services available at the Project and in determination of the terms of guest admittance to the Project, use of rooms for commercial purposes, policies relating to entertainment, labor and food and beverage service and all phases of advertising, publicity and promotion and other matters incidental to the operation of Tenant's business at the Project.

2.2 TERM. The term of this Lease shall be for the Lease Term, unless terminated sooner pursuant to any of the provisions hereof or extended as provided in Section 2.4 hereof. The Lease Term shall commence on the date of this Lease. Tenant's obligation to pay Rent shall commence on the Commencement Date.

2.3 LEASE YEAR. The first Lease Year shall begin on the Commencement Date and shall end on December 31st of the calendar year following the calendar year in which the Commencement Date occurs. The second Lease Year shall begin on the next succeeding January 1st and each Lease Year thereafter during the Lease Term shall consist of a full calendar year, provided that if the Lease Term expires on a date other than December 31, the period of time from January 1 of that calendar year until such expiration date shall be construed as a Lease Year.

2.4 RENEWAL OPTIONS.

(a) Provided no Event of Default has occurred or is continuing, the Term of this Lease shall be automatically extended for an additional five (5) years to commence on the day next succeeding the Expiration Date (the "First Renewal Term") and to expire on the day (hereinafter referred to as the "Renewal Term Expiration Date") which shall be the fifth (5th) anniversary of the Expiration Date, unless Tenant delivers notice to Landlord on or before the day which is six (6) months prior to the Expiration Date of its election not to extend the Term of this Lease for the First Renewal Term. If this Lease shall be renewed for the First Renewal Term, it shall be upon all of the terms and conditions of this Lease.

(b) Provided no Event of Default has occurred and is continuing, the Term of this Lease shall be automatically extended for an additional five (5) years to commence on the day next succeeding the Renewal Term Expiration Date (the "Second Renewal Term") and to expire on the day which shall be the fifth anniversary of the Renewal Term Expiration Date, unless Tenant delivers notice to Landlord on or before the day which is six (6) months prior to the Renewal Term Expiration Date of its election not to extend the Term of this Lease for the Second Renewal Term. If this Lease shall be renewed for the Second Renewal Term, it shall be upon all of the terms and conditions of this Lease except that Tenant shall not have any further right to renew the Term of this Lease.

ARTICLE III

RENT AND OTHER CHARGES

3.1 BASE RENT. Tenant shall pay Base Rent commencing on the Commencement Date. Base Rent shall be payable in advance in monthly installments as set forth on Schedule I on or before the first day of each calendar month. Base Rent for any period during the Lease Term which is less than one (1) month shall be a pro-rata portion of the applicable monthly installment. If the Base Rent is not paid within two (2) business days after written notice from Landlord, a late fee equal to two percent (2%) of one-twelfth (1/12) of the amount of the annual Base Rent shall also be due and payable.

3.2 CONSUMER PRICE INDEX ADJUSTMENTS TO BASE RENT. Effective as of the first day of the first month of the fourth Lease Year and the first day of the first month of each Lease Year thereafter, there shall be made a cost of living adjustment of the annual Base Rent payable under Section 3.1 hereof.

(a) Effective as of the first day of the first month of the fourth Lease Year and the first day of first month of each Lease Year thereafter, annual Base Rent as adjusted shall be increased by two percent (2%) and shall be payable monthly until such time as the actual change in the Consumer Price Index can be determined and calculated pursuant to Section 3.2(b) hereof. In the event that the change in the Consumer Price Index calculated pursuant to Section 3.2(b) is less than two percent (2%), Landlord shall, within two (2) business days of such determination, refund the difference to Tenant.

(b) For the Fourth (4th) Lease Year and each Lease Year thereafter, in the event the Consumer Price Index for the first month of the Fourth Lease Year and each Lease Year thereafter reflects an increase over the Consumer Price Index for the first month of the immediately prior Lease Year, then the Base Rent herein provided to be paid as of the first day of the first month of such Lease Year and each month thereafter shall be adjusted by multiplying the Base Rent, as previously adjusted for any Consumer Price Index increases,

by the lesser of (i) the percentage difference between the Consumer Price Index for the first month of the current Lease Year and the Consumer Price Index for the first month of the prior Lease Year, and (ii) two percent (2%), and the resulting amount shall be added to the Base Rent, which adjusted Base Rent shall be effective as of the first day of the first month of the current Lease Year. Said adjusted Base Rent shall thereafter be payable as set forth on Schedule I until adjusted as of the first month of the next Lease Year.

(c) If (i) a significant change is made in the number or nature (or both) of items used in determining the Consumer Price Index, or (ii) the Consumer Price Index shall be discontinued for any reason, the Bureau of Labor Statistics shall be requested to furnish a new index comparable to the Consumer Price Index, together with information which will make possible a conversion to the new index in computing the adjusted Base Rent hereunder. If for any reason the Bureau of Labor Statistics does not furnish such an index and such information, the parties will instead mutually select, accept and use such other index or comparable statistics on the cost of living that is computed and published by an agency of the United States or a responsible financial periodical of recognized authority.

3.3 PAYMENT OF IMPOSITIONS.

(a) Tenant shall pay and discharge when due all taxes of every kind and nature (including, without limitation, all real and personal property, franchise, withholding, sales, hotel occupancy, profits and gross receipts taxes), all charges for any easement or agreement maintained for the benefit of any portion of the Project, all general and special assessments, levies, permits, inspection and license fees, all water and sewer rents and charges and all other public charges, levies or taxes, whether of a like or different nature, even if unforeseen or extraordinary, imposed upon or assessed of or against Landlord with respect to the Project, Tenant or any portion of the Project or interest therein, together with any penalties or interest on any of the foregoing (all of the foregoing are hereinafter collectively referred to as the "Impositions"). It is expressly understood and agreed that the Lease is a triple net lease and all taxes expressly including, but not limited to, the Michigan Single Business Tax, but not including any fees required to be paid by Landlord in order for Landlord to maintain its organizational existence or qualification to do business in certain states as required, the net income and employee unemployment and withholding taxes of Landlord, shall be paid by Tenant. Tenant will provide Landlord with copies of all bills and other demands evidencing Impositions promptly following Tenant's receipt of the same and Tenant shall deliver to Landlord (i) copies of receipted bills and cancelled checks evidencing payment of such Imposition if it is a real estate tax or other public charge, and (ii) evidence acceptable to Landlord showing the payment of any other such Imposition.

(b) Tenant shall have the right, at Tenant's sole cost and expense, to contest or object to an Imposition in good faith, but such right shall not be deemed or construed in any

way as relieving, modifying or extending Tenant's covenant to pay any such Imposition at the time and in the manner provided in this Section 3.3, unless (i) Tenant has given prior written notice to Landlord of Tenant's intent so to contest or object to an Imposition, (ii) Tenant shall diligently and in good faith contest the same by appropriate legal proceedings which shall operate to prevent the enforcement or collection of the same and the sale of the Project or any part thereof; (iii) Tenant shall have furnished to Landlord a cash deposit, or an indemnity bond satisfactory to Landlord with a surety satisfactory to Landlord, in the amount of the Imposition, plus a reasonable additional sum to pay all costs, interest and penalties that may be imposed or incurred in connection therewith, to assure payment of the matters under contest and to prevent any sale or forfeiture of the Project or any part thereof; (iv) Tenant shall promptly pay upon final determination thereof the amount of any such Imposition so determined, together with all costs, interests and penalties which may be payable in connection therewith; (v) notwithstanding the foregoing, Tenant shall immediately upon the request of Landlord pay (and if Tenant shall fail to do so, Landlord may, but shall not be required to, pay or cause to be discharged or bonded against) any such Imposition under protest notwithstanding such contest, if in the reasonable opinion of Landlord, the Project shall be in jeopardy or in danger of being forfeited or foreclosed; and (vi) no Event of Default has occurred and is continuing. Landlord may pay over any such cash deposit or part thereof to the claimant entitled thereto at any time when, in the judgment of Landlord, the entitlement of such claimant is established after Landlord has first requested in writing that Tenant pay such amount and Tenant does not provide evidence of payment within five (5) business days thereafter. Tenant shall indemnify, defend and save Landlord harmless against any loss, cost, expense or damage arising from such contest and shall, if necessary to prevent a sale or other loss or damage to Landlord, pay such tax, assessment or charge under protest and take such other steps as may be necessary in Landlord's determination to prevent any sale or loss of the Project. Subject to the foregoing, and if Landlord shall so request, within twenty (20) days after the date when an Imposition is due and payable Tenant shall deliver to Landlord evidence acceptable to Landlord showing the payment of such Imposition.

(c) Landlord shall have the right, on notice to or demand upon Tenant, to pay any Imposition not paid by Tenant after the date such Imposition shall have become due (subject to Tenant's right to contest such Imposition as provided in Section 3.3(b) hereof), and nothing herein contained shall affect such right and such remedy. Any sums paid by Landlord in discharge of any Impositions shall be treated as Additional Rent.

(d) Upon the occurrence of an Event of Default under this Lease, Tenant, upon Landlord's request, shall deposit with Landlord monthly (as a deposit and not a payment) an amount equal to one-twelfth of the annual Impositions reasonably estimated by Landlord so that Landlord shall have sufficient funds to pay the Impositions on the first day of the month preceding the month in which they become due. In such event Tenant further agrees to cause all bills, statements or other documents relating to Impositions to be sent or mailed directly to Landlord. Upon receipt of such bills, statements or other documents, and

provided Tenant has deposited sufficient funds pursuant to this Section 3.3(d), Landlord shall pay such amounts as may be due thereunder, in a manner so as to take advantage of the maximum discount available, out of the funds so deposited. If at any time and for any reason the funds deposited with Landlord are or will be insufficient to pay such amounts as may then or subsequently be due, Landlord shall notify Tenant and Tenant shall immediately deposit an amount equal to such deficiency with Landlord. Notwithstanding the foregoing, nothing contained herein shall cause Landlord to be obligated to pay any amounts in excess of the amount of funds deposited pursuant to this Section 3.3(d). Landlord shall keep such deposits in a segregated account and shall not commingle said funds with Landlord's own funds. In the event Landlord's Net Worth decreases below \$90,000,000, then Tenant shall deposit such funds with a bank or financial institution or other escrow agent selected by Landlord and Tenant, with the consent of Landlord's lender, if such funds have not already been deposited by Landlord with a bank, financial institution or other escrow agent (the "Reserve Agent") to administer the deposit account in accordance with the terms of this Section 3.3(d). All such deposits shall be invested in Qualified Investments. Any earnings on deposits shall remain in the account. If amounts collected by Landlord under this Section 3.3(d) together with earnings thereon exceed amounts necessary in order to pay Impositions, the excess amounts shall be retained in the account and Tenant shall receive a credit for such excess amount toward the next payments due for such Impositions. Except as a result of their gross negligence or willful misconduct, neither Landlord nor any of its officers, directors, shareholders or employees shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith. Landlord may rely on all certificates, documents and other proofs delivered to it as to the facts therein disclosed and the statements therein made, with respect to such investments, and any such certificate, document or other proof shall be evidence of such facts to protect Landlord in any action that it may or may not take, or in respect of anything it may or may not do, by reason of the supposed existence of such fact. Should Tenant fail to deposit with Landlord sums sufficient to pay such Impositions in full at least thirty (30) days before delinquency thereof after notice from Landlord as hereinabove provided, such failure shall constitute an Event of Default hereunder and Landlord may, at Landlord's election, but without any obligation so to do, advance any amounts required to make up the deficiency, which advances, if any, shall be treated as Additional Rent. Upon expiration or any earlier termination of the Lease Term, and except in case of termination due to an Event of Default, the sums held by Landlord under this Section 3.3(d) shall be allocated between Landlord and Tenant as of such expiration or termination date based upon the periods with respect to which such sums are due and payable, and Landlord shall be entitled to retain such portion as represents amounts due and payable up to such termination or expiration date, and the balance shall be returned to Tenant.

(e) In compliance with Landlord's Net Worth requirement, on the Commencement Date and within 120 days after the end of each fiscal year beginning with the fiscal year ending December 31, 1998, the Landlord shall deliver to the Tenant a copy of its annual audited financial statements which have been audited by a nationally

recognized firm of independent public accountants. Such financial statements shall include a balance sheet, income statement, statement of retained earnings, statement of stockholder's equity and statement of cash flows and shall be in comparative form.

3.4 UTILITIES AND OPERATING EXPENSES. Tenant shall pay or cause to be paid when due, all charges, fees, assessments and related costs for public utility services (including, without limitation, gas, water, sewer, electricity, light, power, telephone, cable and other communication services and refuse and garbage collection) used, rendered or supplied in connection with the Project throughout the Lease Term. Tenant shall also pay or cause to be paid when due all other costs and expenses in connection with operating the Project in accordance with the terms and conditions hereof including, but not limited to, costs and expenses for personnel, Operating Supplies, Operating Equipment, insurance and compliance with Legal Requirements (subject to the provisions of Section 7.4 hereof).

3.5 LOCATION OF PAYMENTS. Tenant shall for the entire Lease Term pay Rent to Landlord as herein provided at the address set forth in Section 15.8 hereof or at such place as Landlord may from time to time in writing designate.

3.6 NO SETOFF. It is the intention of the parties hereto that the obligations of Tenant hereunder shall be separate and independent covenants and agreements, and that Base Rent, Additional Rent and all other sums payable by Tenant hereunder shall continue to be payable in all events, including any default by Landlord hereunder, and that the obligations of Tenant hereunder shall continue unaffected, unless the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Lease. This is a net lease and Base Rent, Additional Rent and all other sums payable hereunder by Tenant shall be paid without notice or demand, and without setoff, counterclaim, recoupment, abatement, suspension, deferment, diminution, deduction, reduction or defense, except as otherwise specifically set forth herein. This Lease shall not terminate and Tenant shall not have any right to terminate this Lease, during the Lease Term (except as otherwise expressly provided herein). Tenant agrees that, except as otherwise expressly provided herein, it shall not take any action to terminate, rescind or avoid this Lease notwithstanding (i) the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding-up or other proceeding affecting Landlord, (ii) the exercise of any remedy, including foreclosure, under any mortgage, (iii) any action with respect to this Lease (including the disaffirmance hereof) which may be taken by Landlord under the Federal Bankruptcy Code or by any trustee, receiver or liquidator of Landlord or by any court under the Federal Bankruptcy Code or otherwise, (iv) the taking of the Project or any portion thereof (except as specifically provided in this Lease below), (v) the prohibition or restriction of Tenant's use of the Project under any legal requirement or otherwise, (vi) the destruction of the Project or any portion thereof, (vii) the eviction of Tenant from possession of the Project, by paramount title or otherwise, or (viii) default by Landlord under any other agreement between Landlord and Tenant. Tenant waives all rights which are not expressly stated herein but which may now or hereafter otherwise be conferred by

law to quit, terminate or surrender this Lease or any of the Project; to any setoff, counterclaim, recoupment, abatement, suspension, deferment, diminution, deduction, reduction or defense of or to Base Rent, Additional Rent or any other sums payable under this Lease, and for any statutory lien or offset right against Landlord or its property, each except as otherwise expressly provided herein.

Landlord and Tenant agree that this Lease is a true lease and does not represent a financing arrangement. Each party shall reflect the transaction represented hereby in all applicable books, records and reports (including income tax filings) in a manner consistent with "true lease" treatment rather than "financing" treatment.

3.7 CAPITAL EXPENDITURE RESERVE ACCOUNT AND FF&E RESERVE ACCOUNT

(a) Landlord shall establish an account (the "Capital Expenditure Reserve Account") and all amounts deposited therein shall be held by Landlord in accordance with the terms and conditions of this Section 3.7. In the event Landlord's "Net Worth" decreases below \$90,000,000, then Landlord and Tenant shall establish and maintain the Capital Expenditure Reserve Account with the Reserve Agent to administer the account in accordance with the terms of this Section 3.7. Tenant shall have no right of withdrawal from the Capital Expenditure Reserve Account except pursuant to the provisions of this Section, and the Capital Expenditure Reserve Account shall be under the exclusive dominion and control of Landlord or its assigns as the case may be.

(b) Not later than thirty (30) days prior to the commencement of each Lease Year, including the first Lease Year, Tenant shall submit for approval a proposed annual operating budget (the "Operating Budget") and a capital budget (the "Capital Budget") to Landlord. Landlord shall have twenty (20) days from the date of receipt of the Capital Budget to review and make reasonable comment on the Capital Budget and Landlord and Tenant shall negotiate in good faith the terms of the Capital Budget. If Landlord fails to object or otherwise respond to the proposed Capital Budget within such 20-day period, Landlord shall be deemed to have accepted the Capital Budget as so proposed. The Operating Budget and Capital Budget shall contain the following as applicable:

- (1) Tenant's reasonable estimate of Room Revenues and Sundry Revenues (including average room rates), operating expenses, and operating profits for the forthcoming Lease Year on a monthly basis, as same may be revised or updated from time to time by Tenant.
- (2) An estimate of the amounts to be dedicated to the capitalizable repair, replacement or refurbishment of the Improvements from the Capital Expenditure Reserve Account.

(3) An estimate of the amount to be dedicated to the repair, replacement or refurbishment of FF&E from the FF&E Reserve Account.

(4) A cash flow projection.

(5) A marketing plan.

(6) Any amount required to be budgeted for matters required by the Franchise Agreement except where the Franchisor is a Related Party of Tenant.

(c) Provided there is no existing Event of Default, Tenant is authorized to seek reimbursement from the Capital Expenditure Reserve Account for all items and matters contained in the Capital Budget with respect to capital expenditures for the Improvements submitted by Tenant and reasonably approved by Landlord pursuant to Section 3.7(b). In addition, Tenant is authorized to seek reimbursement from the Capital Expenditure Reserve Account in emergency situations at the Project when necessary, in the Tenant's opinion, to maintain the Project and to provide for its continued operation and for the safety and welfare of the Project guests. Tenant is further authorized to spend up to Five Thousand Dollars (\$5,000.00) per year for replacement and improvements on a routine basis, without prior approval. In the event that Tenant desires to make expenditures not contained in the Capital Budget previously approved or such expenditures are above Tenant's authorized per year limit, Tenant shall provide an explanation of the circumstances and need for any requested non-budgeted expenditures from the Capital Expenditure Reserve Account and prior to purchasing must receive Landlord's consent for such expenditures. Nothing contained herein to the contrary shall obligate Landlord to spend or reimburse Tenant for any expenditures in excess of the amount in the Capital Expenditure Reserve Account. Tenant shall, except in emergency situations, obtain the approval of Landlord for all expenditures for the Improvements in any Lease Year which exceed the amount in the Capital Expenditure Reserve Account for that Lease Year. Any amount of the Capital Expenditure Reserve Account not actually expended in any Lease Year shall accumulate in the Capital Expenditure Reserve Account for use in succeeding Lease Years. Subject to Landlord's rights under Section 12.2(e), an amount equal to all cash, instruments, securities and funds, if any, remaining in the Capital Expenditure Reserve Account shall be paid or delivered to Tenant, on the expiration of the Lease Term, provided no Event of Default exists, by Landlord.

(d) Tenant shall deposit monthly during the Lease Term (on or before the 15th day of the subsequent month) into the Capital Expenditure Reserve Account an amount which is equal to two percent (2%) of Room Revenues for the prior month. If the required monthly deposit into the Capital Expenditure Reserve Account is not paid within two (2) days after written notice from Landlord, a late fee equal to two percent (2%) of the amount of such deposit shall also be due and payable.

(e) Funds in the Capital Expenditure Reserve Account held by Landlord shall be deposited in segregated accounts and may not be commingled with any other funds of Landlord. Cash on deposit in the Capital Expenditure Reserve Account shall be invested in Qualified Investments. All dividends, interest and other income earned from any such investment shall be added to and become a part of the Capital Expenditure Reserve Account, and any losses from such investment shall operate to reduce the Capital Expenditure Reserve Account by the amount of such loss. Except as a result of their gross negligence or willful misconduct, neither Landlord nor any of its officers, directors, shareholders or employees shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith. Landlord may rely on all certificates, documents and other proofs delivered to it as to the facts therein disclosed and the statements therein made, with respect to Qualified Investments, and any such certificate, document or other proof shall be evidence of such facts to protect Landlord in any action that it may or may not take, or in respect of anything it may or may not do, by reason of the supposed existence of such fact.

(f) Tenant shall also deposit monthly into the FF&E Reserve Account an amount equal to two percent (2%) of the Room Revenues for the prior month which payment shall be due and payable on the same terms and conditions as set forth in Section 3.7(d) for payments into the Capital Expenditure Reserve Account. Tenant shall also provide Landlord written evidence of such payment and the receipt thereof by the depository of such account within ten (10) days following each such payment. Tenant shall at all times be deemed to be the owner of the FF&E Reserve Account and, upon the expiration or earlier termination of this Lease, shall have the right to retain all amounts in the FF&E Reserve Account unless an Event of Default has occurred and Landlord is entitled to utilize such account pursuant to Section 12.2(e).

(g) If at any time Tenant receives any proceeds from the sale or disposition of any FF&E, all such proceeds shall be deposited in the FF&E Reserve Account.

(h) In the event any of the standards of Section 5.1 hereof have not been satisfied and Landlord determines that the FF&E requires repair, replacement or refurbishment, or capital expenditures or major repairs to the Improvements are required, Landlord agrees to make available to Tenant funds in the Capital Expenditure Reserve Account therefor, and, if Tenant shall fail to accomplish such repair, replacement or refurbishment of the FF&E or capital expenditures or major repairs to the Improvements, within thirty (30) days of Landlord's written notice to Tenant requiring the same (or within such longer period of time, as may be reasonable and reasonably necessary to accomplish such work where Tenant is diligently pursuing the work), Landlord shall draw funds from the Capital Expenditure Reserve Account only in the event there are no funds remaining in the FF&E Reserve Account as may be needed to make the required repair, replacement or refurbishment to the FF&E or capital expenditures or major repairs to the Improvements.

3.8 SPECIFIED FF&E AND OPERATING EQUIPMENT. Notwithstanding any other provision in this Lease to the contrary, and without affecting any other provision of this Lease, Landlord and Tenant agree solely for purposes of this Section 3.8, that FF&E and Operating Equipment consists of items with economic useful lives of substantially less than the length of the Lease Term and Tenant shall be replacing such items during the Lease Term. From and after the date of the Lease, Landlord shall have no obligation whatsoever to repair, replace, add to, renew or substitute for, any item constituting FF&E or Operating Equipment. All such repairs, replacements, additions, renewals and substitutions and the provision of FF&E or Operating Equipment that is either necessary or desirable in the operation of the Project shall be at the sole cost and expense of Tenant. Tenant at its sole cost and expense shall from time to time replace with other operational equipment or parts any of FF&E, Operating Equipment or the mechanical systems or other equipment included within the term "Improvements" as defined in this Lease which shall have become worn out, obsolete or unusable for the purpose for which it is intended, been taken by condemnation, or been lost, stolen, damaged or destroyed. Tenant shall be deemed to be the owner of all FF&E and Operating Equipment replaced by Tenant during the Lease Term (all such FF&E and Operating Equipment being referred to herein as the "Specified FF&E and Operating Equipment"). Landlord and Tenant further agree that during the Lease Term Tenant shall be deemed to be the owner of such Specified FF&E and Operating Equipment for all purposes of the Tax Code and that Tenant and not Landlord shall be entitled to depreciation or cost recovery deductions with respect thereto; provided, however, that upon the expiration of the Lease Term or earlier termination of this Lease in accordance with the provisions hereof, title to the FF&E and Operating Equipment automatically shall vest in Landlord. Notwithstanding such automatic vesting of title, Tenant agrees to execute and deliver such documents as Landlord may request in order to effectuate or memorialize such transfer. Landlord and Tenant agree to prepare their respective tax returns in a manner consistent with the provisions of this Section 3.8. Nothing in this Section 3.8 should increase the liability of Tenant or limit the rights of Landlord otherwise provided for in this Lease.

ARTICLE IV

ALTERATIONS AND ADDITIONS

4.1 ALTERATIONS.

(a) Tenant will not make or allow to be made any alterations, additions or deletions in or to the Project which are not contained in the Capital Budget and approved by Landlord, without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed, except as set forth in Sections 3.7(c), 4.1 (b) or 7.5 hereof, or except in the case where the failure to make such changes would enable the Franchisor to terminate the Franchise Agreement, except where the Franchisor is a Related Party of Tenant. Subject to the provisions of Section 3.8 hereof, such alterations, physical

additions, or improvements shall become part of the Project and the property of the Landlord.

(b) Tenant may, at its sole cost and expense, make alterations or additions to the Improvements without Landlord's prior consent, provided (i) such alterations or additions do not affect the structural integrity of the Improvements or adversely affect any of the mechanical or electrical systems of the Improvements; (ii) such alterations or additions are performed by duly licensed and qualified contractors in accordance with all Legal Requirements and in a good and workmanlike manner; (iii) such alterations or additions are completed prior to the expiration of the Lease Term; (iv) such alterations or additions do not reduce the value of the Project; and (v) no Default or Event of Default has occurred and is continuing.

4.2 CONSTRUCTION LIENS. Tenant shall pay when due, and indemnify, defend and hold Landlord harmless from, all claims for labor or materials furnished or alleged to have been furnished to Tenant for use in the Project, which claims are or may be secured by any lien against the Project or any interest therein in accordance with applicable law. Tenant shall not permit any liens to be filed against the Project or any interest therein and shall immediately obtain a release from any lien so filed or remove or discharge the same by bond in form and content reasonably satisfactory to Landlord. In the event that any lien does so attach, and is not released or bonded against as heretofore required, Landlord, in its sole discretion, may pay and discharge the same and relieve the Project therefrom after first requesting in writing Tenant to do so and Tenant does not provide evidence of payment within five (5) business days thereafter, and Tenant agrees to repay and reimburse Landlord upon demand for the amount so paid by Landlord together with interest at the Default Rate from the date such amount is paid until the date such amount is repaid. Nothing in the Lease shall be construed in any way as constituting the consent or request of Landlord to any contractor, subcontractor, laborer, or materialman for the performance of any labor or the furnishing of any materials for any alteration, addition, improvement or repair to the Project, nor as giving Tenant any right, power or authority to contract for or permit the rendering of services or the furnishing of materials that would give rise to the filing of a lien against the Project.

4.3 REMOVAL OF IMPROVEMENTS. All alterations, additions and other improvements by Tenant shall become the property of Landlord and shall not be removed from the Project, unless request is made by Landlord to Tenant to remove those alterations, additions and other improvements which were made without Landlord's approval where such approval was required under this Lease. All (i) moveable trade fixtures and signs installed in the Project by Tenant and paid for by Tenant, other than those items comprising FF&E or Operating Equipment which are replacements, substitutions or additions thereof or thereto made by Tenant and FF&E and Operating Equipment present in the Project as of the date hereof, and (ii) signs, logos and other property, including Operating Equipment and Supplies, bearing the logo of any Franchisor which is not continuing as the Franchisor

following the expiration of the Term of this Lease shall remain the property of Tenant or Franchisor, as the case may be, and may be removed upon the expiration of the Lease Term; provided that any of such items as are affixed to the Project and require severance may be removed only if Tenant repairs any damage caused by such removal and that Tenant shall have fully performed all of the terms, conditions and covenants to be performed by Tenant under this Lease. If Tenant fails to remove such items from the Project by the expiration of the Lease Term or earlier termination of this Lease, all such trade fixtures, furniture, furnishings and signs shall become the property of Landlord, unless Landlord elects to require their removal, in which case Tenant shall, at its sole cost and expense, promptly remove the same and restore the Project to its condition on the date of this Lease. The covenants contained in this Section shall survive the expiration or earlier termination of this Lease.

ARTICLE V

REPAIRS AND MAINTENANCE

5.1 TENANT'S OBLIGATIONS. Tenant is solely responsible for causing the Project to be kept in good condition and state of repair. Landlord shall not be required to make any repair, whether foreseen or unforeseen, or to maintain any of the Project in any way, and Tenant hereby expressly waives the right to make repairs at the expense of the Landlord, which right may otherwise be provided for in any law now or hereafter in effect. Nothing in the preceding sentence shall be deemed to preclude Tenant from being entitled to insurance proceeds or condemnation awards for restoration pursuant to the terms of this Lease. Tenant shall, in all events, make all repairs promptly, and all repairs shall be in good, proper and workmanlike manner. In this regard and by way of example, Tenant shall keep the exterior of the Project and the foundations, roof, and structural portions of the walls and roofs of the Improvements in good condition and repair; Tenant shall also keep the Project and every part thereof and any fixtures, facilities or equipment contained therein (including FF&E and Operating Equipment), in good condition and repair, including, but not limited to, exterior doors, window frames and all portions of the facade area(s), columns, nonstructural walls and partitions, the heating, air-conditioning, ventilating, electrical, lighting, plumbing and sewer systems, and shall make all replacements thereof and of all broken and cracked glass which may become necessary during the Lease Term. Tenant shall provide for all scheduled servicing of the Project and maintain necessary maintenance contracts to assure proper maintenance of the Project. As used in this Section, the term "repairs" shall include replacements and other improvements as are necessary to maintain the Project in as good order and condition. If Landlord is required to make repairs by reason of Tenant's acts or omissions or those of Tenant's employees, agents, invitees, licensees or contractors, and provided that Landlord has first given Tenant thirty (30) days notice of the need for such repairs and Tenant has failed to commence such repairs within said thirty (30) days or has failed thereafter to diligently pursue such repairs and complete all work within a reasonable period of time but immediately upon notice in the event of an

emergency (that is, imminent danger of injury to persons or property), Landlord shall have the right, but shall not be obligated, after prior written notice to Tenant to make such repairs or replacements on behalf of and for the account of Tenant and Tenant does not make such repairs or replacements within five (5) business days thereafter. In such event, such work shall be paid for in full by Tenant as Additional Rent.

5.2 TERMINATION FOR DECLINE IN QUALITY. In the event the Landlord determines in the exercise of its reasonable business judgment that there has occurred a material deterioration of the physical condition of a Project, the Landlord shall have the right to obtain an independent quality assessment (the "Quality Assessment") of such Project, conducted by a third party of national reputation in the hotel/motel industry, funded from the Capital Expenditure Reserve Account. The Landlord shall promptly provide to the Tenant a complete copy of the Quality Assessment upon receipt by the Landlord. In the event the rating for the Project from such Quality Assessment is less than a "B" level as compared to a nationally recognized franchise of the same class of motel as the subject Project, the Tenant shall have the right to remedy the reported defects within ninety (90) days of its receipt of the Quality Assessment, provided that in the event such remedy is not susceptible of cure within such 90 day period, the Tenant shall be permitted such time as shall be needed to remedy the defect, with the further provision that the Tenant shall timely commence to cure and shall prosecute such cure to completion. If required by the Landlord, a re-inspection of the subject Project thereafter shall be promptly conducted by the same or comparable inspector. If the initial defective rating of less than "B" is sustained by the re-inspection, the Landlord shall have the right to terminate the Lease upon thirty (30) days' written notice to Tenant, pursuant to and in accordance with Section 12.2 hereof.

5.3 SURRENDER. On the last day of the Lease Term, or on any sooner termination of this Lease, Tenant shall surrender the Project in the same condition as the Project existed on the Commencement Date, ordinary wear and tear and damage by casualty or the elements excepted, with such additions, replacements, betterments, alterations and improvements thereto as permitted hereunder, broom clean, and shall surrender all keys to Landlord.

5.4 RIGHT OF ENTRY. Landlord and its authorized representatives shall have the right to enter the Project (a) upon prior notice to Tenant at all reasonable times to inspect the Land, Improvements, FF&E, Operating Equipment and Operating Supplies or to show the Project to prospective purchasers or tenants, provided any such entry is done in a manner such as to avoid interference with the operation of the Project and, (b) in the event of the existence of an Event of Default hereunder, to make repairs, alterations, improvements or additions as Landlord may reasonably deem necessary, including those to be performed by Tenant, without the same constituting an eviction of Tenant in whole or in part, and Rent shall not abate as a result of such entry. Nothing herein shall imply any duty upon the part of Landlord to do any work which the Tenant may be required to perform under

this Lease, and the performance thereof by Landlord shall not constitute a waiver of Tenant's default in failing to perform it. If Tenant is not present to permit entry into the Project, Landlord may, in case of emergency, enter by master key, or may forcibly enter, without rendering Landlord liable therefor, except to the extent of Landlord's gross negligence or willful misconduct.

ARTICLE VI

HAZARDOUS SUBSTANCES

6.1 NO HAZARDOUS SUBSTANCES. Tenant shall not bring into or permit the existence of any Hazardous Substance on the Project. If Tenant discovers the presence of any Hazardous Substance on or in the Project which is in violation of any Environmental Regulation, Tenant shall promptly give Landlord notice thereof. If during Tenant's occupancy or at any time throughout the Lease Term the existence of a Hazardous Substance is caused or permitted to occur by Tenant or any of Tenant's agents, employees, contractors or invitees, (a) Tenant shall remove such Hazardous Substance and dispose of it as required by any and all applicable Environmental Regulations, or (b) Landlord, if it is advised to remove such Hazardous Substance itself to protect or minimize against any liability to Landlord as a result of the presence of any Hazardous Substance by no less than ten (10) days' notice to Tenant, may elect to remove any Hazardous Substance and dispose of it as required by any Environmental Regulation, in which case Tenant shall pay the entire cost of such disposal within ten (10) days after receipt of a statement for such cost by Landlord, such amount to be treated as Additional Rent. If any Governmental Authority shall require any remedial action or other response with respect to the Project as the result of any Hazardous Substance brought into or permitted by Tenant on or in the Project during the Lease Term, Tenant shall notify Landlord of such action or response and shall Tenant shall be responsible for satisfying the requirements of the applicable Governmental Authority.

6.2 INDEMNITY. Tenant agrees to indemnify, defend, protect and hold Landlord harmless from any and all claims, causes of action, damages, penalties, costs and expenses (including reasonable attorneys' fees, consultant fees and related expenses) which may be asserted against or incurred by Landlord resulting from the presence, release or threatened release of any Hazardous Substance on, in or from the Project during the Lease Term and not caused by Landlord or resulting from or due to any violation or alleged violation during the Lease Term of any Environmental Regulation by Tenant or any of Tenant's agents, employees, contractors or invitees. Tenant's duty to indemnify and hold harmless includes, but is not limited to, proceedings or actions commenced by any Governmental Authority.

6.3 SURVIVAL. The foregoing covenants and indemnifications shall be deemed continuing covenants and indemnifications for the benefit of Landlord and its successors and assigns and shall survive the expiration of the Lease Term or earlier termination of this

Lease and shall be in addition to any other obligations or liabilities Tenant may have to Landlord at common law under all statutes and ordinances or otherwise.

ARTICLE VII

COVENANTS OF TENANT

7.1 USE OF PROJECT. Tenant covenants and agrees that from and after the Commencement Date, and except for reasonable periods of time caused by unforeseeable events beyond Tenant's control or required for remodeling or restoration otherwise permitted hereunder, it shall continuously and without interruption use and occupy the entire Project (and not less than one hundred percent (100%) of the Project except for subleases, licenses and concessions in the ordinary course of business which are permitted and meet the requirements hereunder) solely for the purpose of the Permitted Use and for no other purpose. Tenant will not use or permit the use of the Project in any manner which would result or would with the passage of time result in the creation of any easement or prescriptive right. Tenant shall not use or occupy the Project, or knowingly permit them to be used or occupied, contrary to any statute, rule, order, ordinance, requirement, regulation or certificate of occupancy affecting the same, or which would make void or voidable any insurance then in force with respect thereto or which would make it impossible to obtain fire or other insurance thereon required to be furnished hereunder at Tenant's expense, or which would cause structural injury to the Improvements or cause the value of usefulness of the Project, or any portion thereof, to diminish (reasonable wear and tear excepted), or which would constitute a public or private nuisance or waste, and Tenant agrees that it will promptly, upon discovery of any such use, take all necessary steps to compel the discontinuance of such use.

7.2 CONTINUING COVENANTS. Tenant covenants and agrees with Landlord to:

1. not abandon the Project;
2. maintain the Project and the abutting grounds, sidewalks, roads, parking and landscaped areas in good condition and state of repair;
3. promptly make all necessary repairs, renewals, replacements and additions, to the Project;
4. not commit or suffer waste with respect to the Project;
5. not remove, demolish or in any material respect alter any of the Improvements, FF&E or Operating Equipment, provided that Tenant may (i) remove any FF&E and Operating

Equipment in accordance with the provisions of Section 7.5 hereof and (ii) make alterations in accordance with Section 4.1 hereof;

6. subject to any Legal Requirement, not make, install or permit to be made or installed, any alterations or additions to the Project if doing so will violate the terms and conditions of this Lease unless approved in advance by Landlord in writing;
7. not make, suffer or permit any nuisance to exist on the Project;
8. conduct its business in a manner consistent with the purpose and character of the Project and in accordance with the standards for operating the type of business currently operated in the Project;
9. keep the Land and Improvements clean and attractive in appearance;

7.3 OPERATING SUPPLIES. On the Commencement Date and thereafter during the Lease Term, Tenant, at its sole cost and expense, shall furnish and maintain at the Project all Operating Supplies necessary or desirable for the operation of the Project in accordance with the provisions of this Lease. Tenant, at its sole cost and expense, shall maintain and replace the Operating Supplies so that the same quantities of such items that existed on the Commencement Date shall be left for the use of Landlord on the date of the expiration of the Lease Term.

7.4 LEGAL REQUIREMENTS. Subject to the provisions of Section 7.9 hereof, Tenant shall comply with, or cause to be complied with, and conform to all present and future laws, statutes, codes, ordinances, orders, judgments, decrees, injunctions, rules, regulations and requirements pertaining to the Project including any applicable insurance, environmental, zoning or building, use and land use laws, ordinances, rules or regulations and all covenants, restrictions and conditions now or hereafter of record which may be applicable to it or to any of the Project, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, construction, repair or reconstruction of any of the Project (collectively, the "Legal Requirements").

7.5 FF&E AND OPERATING EQUIPMENT. Any additions to furniture, fixtures and equipment located at the Project shall become part of the FF&E and Operating Equipment. Upon the termination of this Lease, by expiration of the Lease Term or otherwise, Tenant shall, at its sole cost and expense, cause all of the items of FF&E and Operating Equipment

to be in proper working order and in good condition (ordinary wear and tear and damage by casualty and the elements excepted). Any such item which requires replacement prior to termination of this Lease shall be replaced with an item of the same utility and quality by Tenant, at its sole cost and expense, and Tenant shall notify Landlord in writing of such replacement promptly upon the occurrence of the same.

7.6 PERMITS AND LICENSES. From and after the Commencement Date, Tenant, at its sole cost and expense and in its name, shall obtain and maintain all licenses and permits necessary or desirable for the operation of the Project in accordance with the provisions of this Lease required by any Governmental Authority (collectively, the "Permits"). If Tenant, for any reason whatsoever, is denied any necessary Permit or if any necessary Permit shall, at any time be revoked as a result of the acts or inaction of Tenant and is not reinstated within a reasonable period of time, the same shall constitute an Event of Default.

7.7 TENANT'S OBLIGATION TO MANAGE. At all times during the term hereof, Tenant or a Related Party or a manager reasonably acceptable to Landlord shall manage and operate the Project.

7.8 PERMITTED CONTESTS. Tenant shall have the right to contest the amount or validity of any Legal Requirement or insurance requirement or any lien, attachment, levy, encumbrance, charge or claim ("Claims") by appropriate legal proceedings in good faith and with due diligence (but this shall not be deemed or construed in any way to relieve, modify or extend Tenant's covenants to pay or its covenants to cause to be paid any such charges at the time and in the manner as in this Section provided), on condition, however, that such legal proceedings shall not operate to relieve Tenant from its obligations hereunder and shall not cause the sale or risk the loss of any portion of the Project, or cause Landlord or Tenant to be in default under any mortgage, deed of trust, security deed or other agreement encumbering the Project or any interest therein. Upon the request of Landlord, Tenant shall either (a) provide a bond or other monetary assurance reasonably satisfactory to Landlord that all Claims which may be assessed against the Project together with interest and penalties, if any, thereon will be paid, or (b) deposit within the time otherwise required for payment with a bank or trust company as trustee upon terms reasonably satisfactory to Landlord, as security for the payment of such claims, money in an amount sufficient to pay the same, together with interest and penalties in connection therewith, as to all Claims which may be assessed against or become a Claim on the Project or any part thereof, in said legal proceedings. Tenant shall furnish Landlord and any lender of Landlord with reasonable evidence of such deposit within five (5) days of the same. Landlord agrees to join in any such proceedings if the same be required legally to prosecute such contest of the validity of such Claims; provided, however, that Landlord shall not thereby be subjected to any liability for the payment of any costs or expenses in connection with any proceedings brought by Tenant; and Tenant covenants to indemnify, defend and save harmless Landlord from any such costs or expenses. Tenant shall be entitled to any refund of any Claims and such charges and penalties or interest thereon which have been

paid by Tenant or paid by Landlord and for which Landlord has been fully reimbursed. In the event that Tenant fails to pay any Claims when due or to provide the security therefor as provided in this Section and diligently to prosecute any contest of the same, Landlord may, upon ten days advance notice to Tenant, pay such charges together with any interest and penalties and the same shall be repayable by Tenant as Additional Rent provided, however, that should Landlord reasonably determine that the giving of such notice would risk loss to the Project then Landlord shall give such notice as is practical under the circumstances. Landlord reserves the right to contest any of the Claims at its expense not pursued by Tenant. Landlord and Tenant agree to cooperate in coordinating the contest of any Claims.

ARTICLE VIII

RESERVED

ARTICLE IX

INSURANCE AND INDEMNITIES

9.1 INSURANCE COVERAGES. Tenant shall obtain, at its sole cost and expense, beginning on the Commencement Date and shall maintain through the Lease Term, the following insurance coverages:

(a) A policy of commercial general liability insurance (including Insurance Service Office (ISO) forms and endorsements or their equivalent) naming Landlord, Tenant and any other party designated by Landlord as an additional insured, to insure against injury to property, person or loss of life arising out of the ownership, use, occupancy or maintenance of the Project with limits of general liability not less than \$10,000,000 for death and/or bodily injury, personal injury, advertising injury and property damage. The policy shall contain supplemental endorsements covering contractual liability as provided in an ISO liability policy under the definition of insured contract.

(b) A policy providing commercial property insurance containing the insuring agreement "Cause of Loss-Special Form" or its equivalent, together with such endorsements as may be deemed advisable by Landlord to insure the Improvements, Tenant's leasehold improvements, merchandise, trade fixtures, furnishings, equipment and personal property, and naming Landlord and any other party designated by Landlord in connection with a securitization or financing of the Project as an additional insured. Such

policy shall provide coverage in an amount not less than the full replacement cost of the Project. An "Agreed Amount Clause" waiving the coinsurance clause must be included, as well as, if commercially reasonable and obtainable, flood and earthquake coverage at limits equal to the maximum foreseeable loss at the location of the Project. Such coverage must include the expense of tearing down any Improvements, including the cost of removing its debris and increased cost of construction coverage.

(c) A policy of workers' compensation insurance must be provided that insures the benefits required by the State law and includes coverage B Employer's Liability. The Employer's liability limits must be at least:

Bodily Injury By Accident	\$1,000,000 Each Accident
Bodily Injury By Disease	\$1,000,000 Policy Limit
Bodily Injury By Disease	\$1,000,000 Each Employee

Landlord does not, by requiring such insurance or by any other act or event, assume or undertake liability for any work-related injuries or death to Tenant or Tenant's employees.

(d) If Tenant commits or permits any activity or the placing or operation of any equipment on or about the Project creating unusual hazards, Tenant shall promptly upon notice or demand from Landlord, procure and maintain in force, during such activity or operation, insurance sufficient to cover the risks created thereby. Landlord's demand for unusual hazard insurance shall not constitute a waiver of any right Landlord may have to demand the removal or cessation of such activity or operation.

(e) In the event Tenant is in the business of manufacturing, distributing, selling, servicing or furnishing alcoholic beverages, a policy of alcoholic beverage and liquor liability insurance naming Landlord and any other party designated by Landlord in connection with the securitization or financing of the Project as an additional insured with limits of not less than \$10,000,000 per occurrence. The limits may be obtained through a primary and an excess policy.

(f) A policy of business interruption insurance with an "Extra Expense" insuring agreement naming Landlord and any other party designated by Landlord as an additional insured providing coverage of not less than twelve (12) months of Rent and other business income.

(g) All other insurance, if any, customarily maintained by businesses of like type, or required by any Legal Requirement to be carried or maintained by Tenant, or as otherwise may be reasonably required by Landlord, including but not limited to, boiler and

machinery coverage, innkeepers liability coverage, automobile and garagekeepers liability coverage, service interruption coverage, food spoilage coverage and coverage for employee dishonesty and loss of money and securities.

Tenant may comply with the provisions of this Article by providing the foregoing insurance coverage under a blanket policy covering other Projects and properties of Tenant as well as the Project, provided that the amount of insurance thereunder allocated to the Project is not less than that required herein, and the blanket policy otherwise complies as to endorsements and coverage with the provisions of this Article. Evidence of insurance in compliance with this Section 9.1 shall be provided to Landlord fifteen (15) days prior to the Commencement Date and, with respect to any renewal policy, thirty (30) days prior to the expiration of the existing policy. A copy of such insurance policies will be provided by Tenant to Landlord upon Tenant's receipt from its insurance company.

9.2 INSURANCE POLICIES. Insurance required under Section 9.1 shall be written by companies duly qualified to do business in the state where the Project is located and shall be reasonably satisfactory in all respects to Landlord, and, if required, the holder of any mortgage or deed of trust against the Project. The companies providing such insurance shall deliver to Tenant and Landlord copies of such policies or certificates evidencing the existence and amount of such insurance. No such policy shall be cancelable or subject to reduction of coverage or modification except after twenty (20) days prior written notice to Landlord and such other persons designated by Landlord. At least ten (10) days prior to the expiration of such policies, Landlord may on notice to Tenant order such insurance and charge the cost to Tenant as Additional Rent. Tenant shall not do, or permit anything to be done which will invalidate the insurance policies furnished pursuant to Section 9.1 or by Landlord and shall comply with all requirements imposed by Landlord's insurers, unless such compliance is expressly waived in writing by Landlord. Landlord may from time to time require that the policy limits of any or all such insurance be increased to reflect the effects of inflation and changes in normal commercial insurance practices. Each insurance policy referred to above shall, to the extent applicable, contain standard non-contributory mortgagee clauses in favor of any mortgagee of Landlord. Each policy required to be carried by Tenant shall also provide that any loss otherwise payable thereunder shall be payable notwithstanding (i) any act or omission of Landlord or Tenant which might, absent such provision, result in a forfeiture of all or a part of such insurance payment, (ii) the occupation or use of any of the Project for purposes more hazardous than permitted by the provisions of such policy, (iii) any foreclosure or other action or proceeding taken by any mortgagee of Landlord pursuant to any provision of the mortgage held by such mortgagee upon the happening of an event of default therein, or (iv) any change in title or ownership of any of the Project.

Tenant shall pay as they become due all premiums for the insurance required by this Lease and shall renew or replace each policy. In the event of Tenant's failure to comply with any of the foregoing requirements of this Section 9.2 within the earlier of five (5) days

after receipt of notice of impending cancellation or five (5) days of written notice from Landlord, Landlord shall be entitled to procure such insurance. Any sums expended by Landlord in procuring such insurance shall be repaid by Tenant, together with interest thereon at the Default Rate, from the time of payment by Landlord until fully paid by Tenant immediately upon written demand therefor by Landlord.

9.3 EXEMPTION OF LANDLORD FROM LIABILITY. Tenant hereby agrees that Landlord shall not be liable and Tenant hereby waives all claims against Landlord for injury to Tenant's business or any loss of income or other consequential damages or for damage to the inventory, fixtures, furnishings, improvements or other property of Tenant, Tenant's employees, invitees, customers, sublessees, agents, occupants, contractors, or injury to the person of Tenant, Tenant's employees, agents, contractors, occupants, invitees, customers, sublessees, or any other person in or about the Project, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning or lighting fixtures, or from any other cause whatsoever, whether said damage or injury results from conditions arising upon the Project, or from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant of the Project.

9.4 INDEMNIFICATION. Tenant shall indemnify, defend, protect and hold harmless Landlord from and against any and all claims arising from Tenant's use of the Project, or from the conduct of Tenant's business or from any activity, work or things done, permitted or suffered by Tenant in or about the Project or elsewhere, except to the extent such claim arises in whole or in part out of any gross negligence or intentional misconduct of Landlord (and then only to the extent such claim is attributable to the gross negligence or intentional misconduct of Landlord), and shall further indemnify, defend and hold harmless Landlord from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any negligence of the Tenant, or any of Tenant's sublessees, agents, customers, invitees, contractors, occupants, or employees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon. In case any action or proceeding be brought against Landlord by reason of any such claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord (but such approval shall not constitute a waiver of Landlord's right to object to any dual or conflicting representation by such counsel that is otherwise objectionable under any applicable code of professional conduct or ethics). Landlord hereby approves of any counsel engaged by Tenant's insurance carrier. The provisions of this Section shall survive expiration of the Lease Term or the earlier termination thereof.

9.5 MUTUAL WAIVER OF SUBROGATION. Nothing in this Lease shall be construed so as to authorize or permit any insurer of Landlord or Tenant to be subrogated to any right of Landlord or Tenant against the other party arising under this Lease. Landlord and Tenant each hereby release the other to the extent of any loss required to be insured against by either of the parties under the terms of this Lease, whether or not such insurance has actually been secured, and to the extent of their respective insurance coverage actually received for any loss or damage caused by any such casualty, even if such incidents shall be brought about by the fault or negligence of either party or persons for whose acts or negligence the other party is responsible. Landlord and Tenant shall, to the extent permitted by their respective insurers, each obtain appropriate waivers of subrogation from their respective insurance carriers giving effect to this Section.

9.6 INSURANCE PREMIUM ESCROW. In the case of a Default or an Event of Default hereunder, Tenant, upon Landlord's request, shall deposit with Landlord, as a deposit and not a payment, an amount equal to one-twelfth of the estimated aggregate annual insurance premiums on all policies of insurance required by this Lease on the first day of each month. Upon Landlord's request, Tenant shall cause all bills, statements or other documents relating to the foregoing insurance premiums to be sent or mailed directly to Landlord. Upon receipt of such bills, statements or other documents, and providing Tenant has deposited sufficient funds pursuant to this Section, Landlord shall pay such amounts as may be due thereunder out of the funds so deposited. If at any time and for any reason the funds deposited with Landlord are or will be insufficient to pay such amounts as may then or subsequently be due, Landlord shall notify Tenant and Tenant shall immediately deposit an amount equal to such deficiency with Landlord. Notwithstanding the foregoing, nothing contained herein shall cause Landlord to be obligated to pay any amounts in excess of the amount of funds deposited with Landlord pursuant to this Section. Landlord shall maintain all deposits in a segregated account and shall not commingle said funds with its own funds. All deposits shall be invested in Qualified Investments. In the event Landlord's Net Worth decreases below \$90,000,000 then Tenant shall deposit funds with the Reserve Agent to administer the deposit account in accordance with the terms of this Section 9.6. Any earnings on deposits shall remain in the account to be applied against future premiums. Landlord may impound or reserve for future payment of insurance premiums such portion of such payments or earnings thereon as Landlord in its reasonable discretion may deem proper. Should Tenant fail to deposit sums sufficient to pay in full such insurance premiums at least thirty (30) days before delinquency thereof, Landlord may, at Landlord's election, but without any obligation so to do, advance any amounts required to make up the deficiency, which advances, if any, shall be treated as Additional Rent. Subject to Section 12.2(e), upon expiration of the Lease Term and payment of all sums due Landlord under this Lease, all remaining sums held under this Section 9.6 if any, shall be remitted to Tenant.

ARTICLE X

DAMAGE OR DESTRUCTION

10.1 REPORTS ON INSURANCE CLAIMS. Tenant shall promptly investigate and make a complete and timely written report to the appropriate insurance company as to all accidents, claims for damage relating to the ownership, operation and maintenance of the Project, any damage or destruction to the Project and the estimated cost of repair thereof and shall prepare any and all reports required by any insurance company in connection therewith. Tenant shall provide Landlord notice of any such accident, claim, damage, or destruction promptly after the occurrence thereof and at least on a quarterly basis. All such reports shall be timely filed with the insurance company as required under the terms of the insurance policy involved, and a final copy of such report shall be furnished to Landlord. If no Event of Default has occurred and is continuing, Tenant shall be authorized to adjust, settle or compromise any insurance loss, or to execute proofs of such loss, in the aggregate amount of \$25,000 or less, with respect to any single casualty or other event, however, any single casualty loss or other event over \$25,000 shall require Landlord's consent and approval.

10.2 INSURANCE PROCEEDS. All insurance proceeds payable by reason of any loss or damage to the Project, or any portion thereof, and insured under any policy of insurance required by Article 9 of this Lease shall be paid to Landlord and held in trust by Landlord in an interest-bearing account, shall be made available, if applicable, for reconstruction or repair, as the case may be, of any damage to or destruction of the Project, or any portion thereof, and, if applicable, shall be paid out by Landlord from time to time for the reasonable costs of such reconstruction or repair upon satisfaction of reasonable terms and conditions specified by Landlord or its construction consultants. If neither Landlord nor Tenant is required or elects to repair and restore, and the Lease is terminated as described in Section 10.3, all such insurance proceeds shall be retained by Landlord and salvage resulting from any risk covered by insurance shall belong to Landlord.

10.3 RECONSTRUCTION IN THE EVENT OF DAMAGE OR DESTRUCTION.

(a) If during the Term the Project is totally or partially destroyed by a risk covered by the insurance described in Article IX and the Project thereby is rendered unsuitable for its primary intended use as a motel facility and no Event of Default has occurred and is continuing Tenant, at its sole option shall either (i) restore the Project to its original specifications utilizing materials of similar or superior quality so that it is no longer unsuitable for its primary intended use as a motel facility and all obligations of Tenant hereunder shall remain unabated during such restorations or (ii) terminate this Lease as of the date of the casualty and neither Landlord or Tenant shall have any further liability hereunder, except for any liabilities which have arisen prior to or which survive such

termination, and Landlord shall be entitled to retain all insurance proceeds. Notwithstanding the above, if the ratio of the average Net Operating Income to Base Rent for the Project for the prior three (3) years of this Lease does not equal or exceed 1.1 to 1.0, then Tenant must obtain Landlord's consent to Tenant's election to either restore the Project or terminate the Lease.

(b) If during the Term the Project is partially destroyed by a risk covered by the insurance described in Article IX, but the motel is not thereby rendered unsuitable for its primary intended use as a motel facility Tenant shall restore the Project to substantially the same condition as existed immediately before the damage or destruction and otherwise in accordance with this terms of the Lease. Such damage or destruction shall not terminate this Lease; provided, however, that if Tenant cannot within a reasonable time obtain all necessary government approvals, including building permits, licenses and conditional use permits, after diligent efforts to do so, to perform all required repair and restoration work and to operate the Project for its primary intended use as a motel facility in substantially the same manner as that existing immediately prior to such damage or destruction and otherwise in accordance with the terms of the Lease either Landlord or Tenant may terminate this Lease upon notice to the other.

(c) Upon Landlord's final approval of the reconstruction or repair of the Project, any excess proceeds of insurance and salvage value resulting from any risk covered by insurance remaining after the completion of the restoration or reconstruction of the Project, as hereinafter set forth, shall be paid to Tenant.

(d) In the event that any damage or destruction shall occur at such time as Tenant shall not have maintained third-party insurance in accordance with this Lease, Tenant shall pay to the Landlord the amount of the proceeds that would have been payable had such insurance program been in effect.

10.4 ABATEMENT OF RENT. Any damage or destruction due to casualty notwithstanding, this Lease shall remain in full force and effect and Tenant's obligation to pay Rent required by this Lease shall remain unabated by any damage or destruction.

ARTICLE XI

CONDEMNATION

11.1 TAKING OF WHOLE. In the event (a) the whole of the Project shall be taken or condemned for a public or quasi-public use or purpose by a competent authority or sold by Landlord in lieu thereof, (b) such a portion of the Project or access thereto shall be taken, condemned or sold in lieu thereof so that the balance cannot be used for the same purpose and with substantially the same utility to Tenant as immediately prior to such

taking, or (c) the Project or any portion thereof or access thereto shall be taken or condemned for a public or quasi-public use or purpose by a competent authority or sold by Landlord in lieu thereof and Tenant is unable to repair, rebuild or restore the balance of the Project under the terms of any agreement to which it is a party, or under any Legal Requirement or other governmental order to which Landlord or the Project is subject or to such condition that the Project can be operated for the same purpose and substantially the same utility to Tenant as immediately prior to such taking (a "Prohibited Taking"), this Lease shall terminate upon notice from Landlord on Tenant, effective upon delivery of possession to the condemning authority or its assignee. The award, compensation or damage (the "Award") for the value of the fee interest in the Landlord in the Improvements shall be paid to and be the sole property of Landlord. The Award as compensation for diminution of the value of the leasehold estate shall be paid to and be the sole property of Tenant. Tenant shall have no claim against Landlord by reason of such taking or termination. Tenant shall continue to pay Rent and other charges hereunder until the Lease is terminated.

11.2 PARTIAL TAKING. In the event (a) only a part of the Project is taken or condemned but the Project or the part remaining can still be used for the same purpose and with substantially the same utility to Tenant as immediately prior to such taking, or (b) a Prohibited Taking has not occurred, this Lease shall not terminate and Tenant shall repair and restore the remaining Improvements provided the cost and expense of such repair and restoration does not exceed the amount of the Award made available to Tenant and Base Rent shall be adjusted in proportion to the lost value of the Project to Tenant for Tenant's purposes. If the cost of such repair or restoration exceeds the amount of the Award made available, Tenant may terminate this Lease by giving Landlord written notice of termination.

11.3 TENANT'S AWARD. Tenant may claim and seek to recover from the condemning authority such compensation as may otherwise be separately awarded to Tenant for any damage to Tenant's business by reason of such condemnation and for any cost or loss incurred by Tenant in removing or relocating Tenant's fixtures, furnishings, Operating Equipment and Operating Supplies. Except with respect to an award or payment to which Tenant is entitled pursuant to the foregoing provisions of this Section, no agreement with any condemner in settlement of or under threat of any condemnation shall be made by either Landlord or Tenant without the written consent of the other, and of Landlord's mortgagee, if the Project is then subject to a mortgage, which consent shall not be unreasonably withheld or delayed provided such award or payment is applied in accordance with this Lease. No award made to Tenant may have the effect of diminishing any award otherwise available to Landlord.

ARTICLE XII

DEFAULTS; REMEDIES

12.1 DEFAULTS. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant and each such event shall be referred to herein as an "Event of Default":

(a) The vacation or abandonment of the Project (not operating for business in the Project for fourteen (14) consecutive days), except to the extent caused by casualty or condemnation or during a renovation or acts of God or third parties not reasonably foreseeable and not within the control of Tenant.

(b) The failure of Tenant to make any payment of Rent or any other payment required to be made by Tenant under this Lease, within ten (10) days after written notice from Landlord.

(c) The failure by Tenant to observe or perform any of the terms, covenants or conditions of this Lease to be observed or performed by Tenant (other than those described in Sections 12.1(a), (b), (d), (e) or (f) hereof) where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant (or without notice in case of emergency or a hazardous condition or in case any fine, penalty, interest or cost may otherwise be imposed or incurred). Notwithstanding the foregoing, Tenant shall have such longer period of time in excess of thirty (30) days after written notice as may be reasonably necessary, in which to cure such failure in the event such failure is reasonably susceptible to cure, Tenant commences such cure within thirty (30) days of said notice and at all times diligently pursues such cure.

(d) (i) The making by Tenant or any entity holding a controlling interest in Tenant of any general assignment, or general arrangement for the benefit of creditors; (ii) the filing by or against Tenant or any entity holding a controlling interest in Tenant of a petition to have Tenant or such controlling entity adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant or such controlling entity, the same is dismissed within one-hundred and twenty (120) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Project or of Tenant's interest in this Lease, where possession is not restored to Tenant within one-hundred and twenty (120) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Project or of Tenant's interest in this Lease or in the Project, where such seizure is not discharged within one-hundred and twenty (120) days.

(e) The existence of any default (a "Franchise Default") by Tenant under the Franchise Agreement, provided, however, such Franchise Default shall not constitute an Event of Default under this Lease if (i) the Franchisor has not elected to exercise any remedy under the Franchise Agreement unless the Franchisor is a Related Party of Tenant, (ii) the Franchise Default is reasonably susceptible to cure, (iii) Tenant commences such cure within thirty (30) days, (iv) Tenant diligently pursues such cure and (v) the Franchise Default is cured within a reasonable time and (vi) the Tenant enters into a new Franchise Agreement with a Franchisor.

(f) The Franchise Agreement shall be materially amended or cease to be in full force and effect for any reason, except by reason of the expiration of the term thereof, without Landlord's prior written approval.

(g) An assignment shall occur in violation of Article 13 hereof.

(h) The occurrence of an Event of Default by Tenant under the Master Agreement.

12.2 LANDLORD'S REMEDIES. Upon the occurrence of an Event of Default, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law or equity, or elsewhere in this Lease, to which Landlord may resort cumulatively or in the alternative:

(a) Landlord may, at Landlord's election, terminate this Lease upon the delivery of written notice of such termination to Tenant. On the delivery of such notice, all Tenant's rights in the Project, in all improvements located at the Project, to revenues thereafter arising from the Project, and to amounts which may otherwise be due from Landlord to Tenant under this Lease, shall terminate. Promptly after notice of termination, Tenant shall surrender and vacate the Project in a broom clean condition, and Landlord may reenter and take possession of the Land, Improvements, FF&E, Operating Equipment and Operating Supplies and eject all parties in possession or eject some and not others or eject none. Termination under this Subsection shall not relieve Tenant from the payment of any sum then due to Landlord or from any claim for damages previously accrued or then accruing against Tenant. Upon such termination Landlord shall also be entitled to recover from Tenant unpaid Rent and such other amounts which have been earned or are payable at the time of termination.

(b) Landlord may, at Landlord's election, terminate Tenant's right to possession only, without terminating the Lease. Upon termination of Tenant's right to possession without termination of the Lease, Tenant shall surrender possession and vacate the Project immediately and deliver possession of the Land, Improvements, FF&E, Operating Equipment and Operating Supplies to Landlord, and Tenant hereby grants to Landlord the immediate right to enter into the Project, remove Tenant's signs and other evidences of

tenancy, and take and hold possession of the Land, Improvements, FF&E, Operating Equipment and Operating Supplies with or without process of law, and to dispossess the others who may be occupying or within the Project, without being deemed in any manner guilty of trespass, eviction, or forcible entry or detainer, without incurring any liability for any damage resulting therefrom, without such entry and possession terminating the Lease or releasing Tenant from Tenant's obligation to pay Rent and to fulfill all other of Tenant's obligations under this Lease for the full Lease Term. Landlord shall be entitled to recover from Tenant (i) unpaid Rent or such other amounts which have been earned or are payable at the time of termination, and (ii) such amounts as are payable pursuant to the last sentence of Section 12.2(d) below. Notwithstanding any remedial action taken hereunder by Landlord short of termination, including reletting the Project to a substitute tenant, Landlord may at any time thereafter elect to terminate this Lease for any previous Event of Default.

(c) Landlord may, at Landlord's election, store Tenant's personal property, if any, for the account and at the cost of Tenant.

(d) Whether or not Landlord elects to terminate the Lease, Landlord may, but shall be under no obligation to, relet all or any part of the Project for such rent and upon such terms as shall be satisfactory to Landlord (including the right to relet the Project as a part of a larger area, the right to change the character or use of the Project and the right to restrict prospective tenants to those whose merchandise and business is compatible with the nature and character of the Project or such larger area, if any). For the purpose of such reletting, Landlord may decorate or may make any repairs, changes, alterations or additions in or to the Project that may be necessary or convenient. If the Lease is not terminated and if the Project is not relet, or if it is relet and a sufficient sum shall not be realized from such reletting after paying all of the expenses of any such decorations, repairs, changes, alterations and additions, the expenses of such reletting and the collection of the rent accruing therefrom (including, but not limited to, reasonable attorneys' fees and brokers' commissions), to satisfy the Rent and other charges herein provided to be paid for remainder of the term of this Lease, Tenant shall pay to Landlord promptly any deficiency, and Tenant agrees that Landlord may file suit to recover and recover any sum falling due under the terms of this Subsection from time to time.

(e) Landlord may, at Landlord's election, withdraw any or all amounts on deposit pursuant to Sections 3.3(d), 3.7 and 9.6 hereof and apply such amounts to Tenant's obligations hereunder.

(f) The term "Rent" as used in this Section 12.2 shall be deemed to be and to mean Base Rent, Additional Rent and such other sums, if any, required to be paid by Tenant pursuant to the terms of this Lease.

(g) Notwithstanding anything in this Article XII to the contrary, Tenant shall not be liable to Landlord for consequential, punitive or exemplary damages

12.3 LANDLORD MAY PERFORM. Landlord shall have the right at any time, after ten (10) days notice to Tenant (or without notice with respect to matters described in Article 9, and in case of emergency or a hazardous condition or in case any fine, penalty, interest or cost may otherwise be imposed or incurred), to make any payment or perform any act required of Tenant under any provision in this Lease which Tenant has failed to make or to perform beyond the expiration of any notice or cure period, and in exercising such right, to incur necessary and incidental costs and expenses, including reasonable attorneys' fees. Nothing herein shall obligate Landlord to make any payment or perform any act required of Tenant, and this exercise of the right to so do shall not constitute a release of any obligation or a waiver of any Default. All payments made and all costs and expenses incurred in connection with any exercise of such right shall be reimbursed to Landlord by Tenant as Additional Rent.

ARTICLE XIII

ASSIGNMENT AND SUBLETTING

13.1 ASSIGNMENT BY TENANT AND SUBLEASES.

(a) Provided that Tenant shall remain liable under all of the terms and conditions of this Lease for the full remainder of the Lease Term, and provided further that any sublessee shall consent to use the Project for Permitted Uses only and said sublessee's use does not increase the risk of Hazardous Substances being used, generated, manufactured, stored, treated, released or disposed of on, under or about the Project or transported to or from the Project, Tenant shall have the absolute right to sublet the Project, in whole or in part, without the consent of Landlord. Except as expressly permitted below, Tenant shall not assign its interest in this Lease without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. Assignment of this Lease by Tenant to a Related Party of Tenant, who remains a Related Party of Tenant, shall not require the consent of Landlord. A change of ownership of 51% or more of Tenant shall be deemed an assignment of this Lease for purposes of this paragraph.

(b) No assignment or subletting shall serve to release Tenant of any obligations hereunder or alter the primary liability of Tenant for the payment of Base Rent, Additional Rent and other sums due Landlord hereunder or for the performance of or compliance with each and every term, covenant, condition and obligation to be performed or observed by Tenant under this Lease unless Landlord, in its reasonable discretion, elects to release Tenant of its obligations or liability hereunder.

(c) Landlord may accept any rent or performance of Tenant's obligations from any person other than Tenant and such acceptance of any rent or performance shall not constitute a waiver or estoppel of Landlord's rights to exercise its remedies for the default or breach by Tenant of any of the terms, covenants or conditions of this Lease.

(d) In the event of any default or breach of Tenant's obligations under this Lease, Landlord may proceed directly against Tenant, or any one else responsible for the performance of Tenant's obligations under this Lease, including the sublessee, without first exhausting Landlord's remedies against any other person or entity responsible thereof, or any security held by Landlord or Tenant.

(e) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed for the benefit of Landlord, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Tenant during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of the assignment or sublease.

(f) Each sublease of the Project or any part thereof shall be subject and subordinate to the provisions of this Lease. Tenant agrees that in the case of an assignment, Tenant shall, within fifteen (15) days after the execution and delivery of any such assignment, deliver to Landlord (i) a duplicate original of such assignment in recordable form and (ii) an agreement executed and acknowledged by the assignee in recordable form wherein the assignee shall agree to assume and agree to observe and perform all of the terms and provisions of this Lease on the part of the Tenant to be observed and performed from and after the date of such assignment, and, in the case of a sublease, Tenant shall, within fifteen (15) days after the execution and delivery of such sublease, deliver to Landlord a duplicate original of such sublease.

(g) The following terms and conditions shall apply to any subletting by Tenant of all or any part of the Project and shall be deemed included in all subleases, under this Lease whether or not expressly incorporated therein: Tenant hereby assigns and transfers to Landlord all of Tenant's interest in all rents and income arising from any sublease of all or a portion of the Project heretofore or hereafter made by Tenant, and Landlord may collect such rent and income and apply same toward Tenant's obligation under this Lease; provided however, that except during any period in which a breach has occurred in the performance of Tenant's obligations under this Lease, and remains uncured Tenant may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease. Landlord shall not, by reason of this assignment of rents or any other assignment of sublease to Landlord, nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Tenant to perform and comply with any of Tenant's obligations to such sublessee under such sublease. Tenant

hereby irrevocably authorizes and directs any such sublessee, upon the receipt of a written notice from Landlord stating that a default exists in the performance of Tenant's obligation under this Lease, to pay to Landlord the rents and other charges due and to become due under the sublease. Sublessee shall rely upon any such statement and request from Landlord and shall pay such rents and other charges to Landlord without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Tenant to the contrary, Tenant shall have no right or claim against said sublessee, or, until the default has been cured, against Landlord, for any such rents and other charges so paid by sublessee to Landlord.

(h) In the event of a breach by Tenant in the performance of its obligations under this Lease, and a resulting termination of Lease by Landlord, Landlord, at its option and without any obligation to do so, may require any sublessee to attorn (i.e., agree to become tenant to a new owner or landlord of the same property) to Landlord, in which event Landlord shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Landlord shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior defaults or breaches of such sublessor under such sublease.

(i) Any matter or thing requiring the consent of the sublessor under a sublease shall also require the consent of Landlord herein, if Landlord's consent is required under this Lease.

(j) Each sublease shall provide that (i) it is subject and subordinate to this Lease and any mortgage covering the Project; (ii) Landlord may enforce the provisions of the sublease, including collection of rent; (iii) if this Lease is terminated for any reason, Landlord may, at its option, either (A) terminate the sublease, or (B) takeover all of the rights and interest of Tenant, as sublessor, under such sublease, in which case such sublessee shall attorn to Landlord. If Landlord elects to takeover the rights and interest of Tenant, Landlord shall not (i) be liable for any previous act or omission of Tenant under the sublease, (ii) be subject to any defense or offset in favor of the sublessee against Tenant, or (iii) be bound by any modification to the sublease made without Landlord's written consent or by any prepayment by sublease of more than one month's rent.

(k) Landlord agrees for itself, its successors and assigns, promptly upon Tenant's request, to enter into a nondisturbance and attornment agreement with any Qualified Subtenant, as defined below, of the Project upon the terms described below, pursuant to which Landlord shall agree, for so long as such Qualified Subtenant is not in default under its Qualified Sublease, as defined below, that the Qualified Sublease shall not be terminated as a result of any termination of this Lease and such Qualified Subtenant's use and occupancy of the premises demised pursuant to the Qualified Sublease shall not be

disturbed by Landlord, and pursuant to which such Qualified Subtenant shall agree to attorn to Landlord or its successor as landlord under the Qualified Sublease upon any termination of this Lease. Said agreement shall further provide that nothing therein contained shall impose any obligation on the Landlord, the then owner or any mortgagee of Landlord or their respective successors to (i) return or apply any security deposit under such sublease, such security shall be transferred and turned over to the Landlord, such then owner or any mortgagee of Landlord, (ii) expend any sums to make any installations or alterations provided to be made by the sublessor under said sublease or reimburse the subtenant under said sublease for any installations or alterations made by it, (iii) be liable for any act or omission of any prior sublessor, (iv) be subject to any offsets or defense which such subtenant might have against any prior sublessor, (v) be bound by any rent or additional rent which such subtenant might have paid for more than the current rent to any prior landlord, or (vi) be bound by any amendment or modification of the sublease made without the prior written consent of Landlord, the terms of which amendment or modification if included in the original sublease would have prevented such sublease from meeting the criteria for a Qualified Sublease. Any subtenant under a Qualified Sublease is a "Qualified Subtenant." A "Qualified Sublease" shall be any absolute net sublease (that is, a subleases that requires the uninterrupted payment of rent without offset or diminution, that confers all rights to condemnation awards [other than a separate award for moving expenses and subtenant's fixtures] upon the sublessor, and that places no obligations upon the sublessor thereunder other than those of the type placed upon Landlord hereunder) of the entire Project with a subtenant whose creditworthiness is reasonably acceptable to Landlord and pursuant to which the subtenant thereunder is required to fulfill all of the obligations of Tenant hereunder, including, without limitation, payment of rent which shall at all times be equal to or greater than the rent which Tenant is required to pay hereunder.

(1) Upon the occurrence of an Event of Default under this Lease, Landlord shall have the right to collect and enjoy all rents and other sums of money payable under any sublease of any of the Project, and Tenant hereby irrevocably and unconditionally assigns such rents and money to Landlord, which assignment may be exercised upon and after (but not before) the occurrence of an Event of Default.

13.2 TENANT OWNERSHIP. For the purposes of this Article XIII, an assignment shall be deemed to include any of the following transactions: (i) the issuance or sale by Tenant or the sale by any stockholder of Tenant of a controlling interest in Tenant to persons or entities other than Amerihost Properties, Inc. and any Related Party; (ii) the sale, conveyance or other transfer of all or substantially all of the assets of Tenant (whether by operation of law or otherwise); (iii) any transaction pursuant to which Tenant is merged with or consolidated into another entity where Tenant or a Related Party of Amerihost Properties, Inc. is not the surviving entity; and (iv) any other transaction or series of transactions, which results in Amerihost Properties Inc. or a Related Party of Amerihost Properties, Inc., no longer having control of Tenant.

13.3 ASSIGNMENT DUE TO BANKRUPTCY.

(a) In the event a petition is filed by or against Tenant under the Bankruptcy Code, Tenant, as debtor and debtor in possession, and any trustee who may be appointed, agree to adequately protect Landlord as follows:

1. to pay monthly in advance on the first day of each month as reasonable compensation for use and occupancy of the Project an amount equal to all Rent due pursuant to this Lease; and
2. to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed by order of a court of competent jurisdiction; and
3. to determine within sixty (60) days after the filing of such petition whether to assume or reject this Lease; and
4. to give Landlord at least thirty (30) days prior written notice, unless a shorter notice period is agreed to in writing by the parties, of any proceeding relating to any assumption of this Lease; and
5. to do all other things of benefit to Landlord otherwise required under the Bankruptcy Code.

Tenant shall be deemed to have rejected this Lease in the event of the failure to comply with any of the above.

(b) If Tenant or a trustee elects to assume this Lease subsequent to the filing of a petition under the Bankruptcy Code, Tenant, as debtor and as debtor in possession, and any trustee who may be appointed agree as follows:

1. to cure each and every existing breach by Tenant within not more than thirty (30) days of assumption of this Lease; and
2. to compensate Landlord for any actual pecuniary loss resulting from any existing breach, including without limitation, Landlord's reasonable costs, expenses and attorney's fees incurred as a result of the breach, as

determined by a court of competent jurisdiction, within thirty (30) days of assumption of this Lease; and

3. in the event of an existing breach, to provide adequate assurance of Tenant's future performance, including without limitation:

- (i) the production to Landlord of written documentation establishing that Tenant has sufficient present and anticipated financial ability to perform each and every obligation of Tenant under this Lease; and

- (ii) assurances, in form acceptable to Landlord, as may be required under any applicable provision of the Bankruptcy Code; and

4. the assumption will not breach any provision of this Lease; and
5. the assumption will be subject to all of the provisions of this Lease unless the prior written consent of Landlord is obtained; and
6. the prior written consent to the assumption of any mortgagee to which this Lease has been assigned as collateral security is obtained.

(c) If Tenant assumes this Lease and proposes to assign the same pursuant to the provisions of the Bankruptcy Code to any person or entity who shall have made a bona fide offer to accept any assignment of this Lease on terms acceptable to Tenant, then notice of such proposed assignment shall be furnished by Tenant to Landlord, setting forth:

1. the name and address of such person; and
2. all the terms and conditions of such offer; and
3. the adequate assurance to be provided Landlord to assure such person's future performance under the Lease, including without limitation, the assurances referred to in any applicable provision of the Bankruptcy Code, shall be given to Landlord by Tenant no later than twenty (20) days after receipt by

Tenant, but in any event no later than ten (10) days prior to the date that Tenant shall make application to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Landlord shall thereupon have the prior right and option, to be exercised by notice to Tenant given at any time prior to the effective date of such proposed assignment, to accept (or to cause its designee to accept) an assignment of this Lease upon the same terms and conditions and for the same consideration, if any, as the bona fide offer made by such person, less any brokerage commissions which may be payable out of the consideration to be paid by such person for the assignment of this Lease. The adequate assurance to be provided Landlord to assure the assignee's future performance under the Lease shall include without limitation:

- (i) a written demonstration that the assignee meets all reasonable financial and other criteria of Landlord as did Tenant and its business at the time of execution of this Lease, including the production of the most recent audited financial statement of the assignee prepared by a certified public accountant; and
- (ii) the assignee's use of the Project will be a Permitted Use; and
- (iii) assurances, in form acceptable to Landlord, as to all matters identified in any applicable provision of the Bankruptcy Code.

13.4 TRANSFER OF LANDLORD'S RIGHTS. Subject to Landlord's compliance with Article XIV hereof, Landlord shall have the right to transfer and assign, in whole or in part, all and every feature of its rights and obligations hereunder and in the Project. Such transfers or assignments, howsoever made, are to be fully binding upon and recognized by Tenant provided the transferee assumes all of Landlord's obligations hereunder and Landlord delivers to Tenant notice of such transfer within ten (10) days following its effective date. Upon such transfer or assignment and the assumption of Landlord's obligations by the transferee, and subject to the provisions of Section 15.2 hereof, Landlord shall be relieved of all obligations under the Lease accruing subsequent to the date of transfer.

13.5 LICENSES AND LEASEHOLD MORTGAGES.

(a) Tenant shall have the right during the Lease Term to grant licenses of portions of the Project, provided that no such license shall be for the use and operation of the entire Project without compliance by Tenant with the provisions of Section 13.1 nor be valid for a period of more than thirty (30) days. In the event the term of any license shall extend beyond the fixed date for the expiration of the Lease Term, such license shall be subject to the consent of Landlord, which consent shall not be unreasonably withheld or delayed. In the event of the termination or expiration of the Lease Term, any existing license shall remain in effect notwithstanding the termination of this Lease. Tenant shall assign such license agreement to Landlord by an instrument mutually satisfactory to Landlord and Tenant, and any such licensee's use, occupancy and enjoyment of its premises shall not be disturbed, subject however to the terms and conditions of any such license agreement.

(b) Tenant may grant a mortgage, deed of trust or other financing instrument that constitutes or creates a lien on Tenant's interest in this Lease or the leasehold estate created hereby (such mortgage, deed of trust or other financing instrument hereinafter a "Leasehold Mortgage"). Landlord will promptly provide to the holder of the Leasehold Mortgage ("Leasehold Lender") copies of any material notice or other material correspondence, including, without limitation, any notice of default or breach under this Lease that Landlord gives to Tenant, but Landlord's failure to give any such notice shall not constitute a default by Landlord on this Lease or constitute a waiver of any such default or breach of Tenant or grant Tenant any additional time to cure any such default or breach. Landlord hereby grants Leasehold Lender the right to cure any default or breach under this Lease, the exercise of which shall be at the sole option of Leasehold Lender. Leasehold Lender shall have the right to enter upon the Project at any time to cure any such default.

(c) Notwithstanding any contrary provisions of this Lease, Landlord agrees not to terminate this Lease or Tenant's right of possession of the Project or to exercise any of Landlord's other remedies under this Lease or to interfere with Tenant's occupancy, use or enjoyment of the Project for any default under this Lease unless (x) Landlord has given to Leasehold Lender notice of such default, which notice shall be set forth in reasonable detail the nature of such default and (y) if such default constitutes a default under Section 12.1 (b) of this Lease, the same is not cured within two (2) days after notice of such default to Leasehold Lender, or if such default constitutes a default under any other subsection of Section 12.1 of this Lease, which default is curable by Leasehold Lender, and such default shall not have been cured by Tenant or Leasehold Lender within the greater of the cure period provided therefor under the terms of this Lease or a period of ten (10) days following Leasehold Lender's receipt of such notice. If any non-monetary default that is curable by Leasehold Lender is of such nature that it cannot be cured within ten (10) days, Leasehold Lender shall be entitled to such additional period of time as may be reasonably necessary to cure such default if Leasehold Lender proceeds promptly to remedy the same. In the event

of the bankruptcy of Tenant, or a general assignment by Tenant for the benefit of its creditors, Landlord will not terminate this Lease or exercise its other remedies under this Lease so long as Leasehold Lender continues to pay all rent and other sums and performs or causes to be performed all other obligations of Tenant under this Lease reasonably susceptible of performance by Leasehold Lender. If any default cannot be cured by Leasehold Lender because such cure requires possession of the Project, Landlord agrees that it will not exercise its rights and remedies under this Lease as a result thereof, so long as Leasehold Lender cures all other curable defaults, including payment of past due Base Rent and Additional Rent within the cure periods provided in this paragraph. It is expressly understood and agreed by Landlord that Leasehold Lender has right to cure Tenant's defaults under this Lease, but shall not have the obligation to do so. Upon compliance with the foregoing provisions, any notice of breach or default given by Landlord or any action of Landlord to terminate or exercise any remedies under this Lease or to otherwise interfere with the occupancy, use or enjoyment of the Project by reason thereof, shall be deemed rescinded without any further action by Landlord, Tenant or Leasehold Lender.

(d) Upon written notice from Leasehold Lender, Landlord, in its reasonable discretion, agrees to recognize Leasehold Lender or any assignee or designee of Leasehold Lender approved by Landlord as tenant under this Lease, provided (i) Leasehold Lender or such assignee or designee assumes this Lease and all of Tenant's obligations hereunder, (ii) such assignee or designee is a financially responsible party (which shall be determined by Landlord, such determination not to be unreasonably withheld or delayed), and (iii) all Base Rent and Additional Rent payments are then current. In such event, Leasehold Lender or any assignee or designee of Leasehold Lender shall thereafter be entitled to all the rights and privileges of the Tenant under this Lease. Landlord will not unreasonably interfere with the enforcement by Leasehold Lender of its liens and security interests on Tenant's assets. Leasehold Lender is permitted to act through its employees or agents.

(e) If Leasehold Lender or its assignee or designee succeeds to the interest of Tenant under this Lease, upon Landlord's consent, Landlord agrees to recognize Leasehold Lender or its assignee or designee as the tenant under this Lease, and if Leasehold Lender so requests, Landlord agrees to enter into a new lease with Leasehold Lender or its assignee or designee for the remainder of the Lease Term at the rents and upon the same covenants, agreements, terms and provisions contained in this Lease, including, without limitation, any options to renew and rights of first refusal contained herein. If Leasehold Lender or its assignee or designee succeeds to the interest of Tenant under this Lease or enters into a new lease with Landlord, Leasehold Lender or its assignee or designee shall have the right, with Landlord's consent, to sublease the Project or assign this Lease or new lease to an entity designated by Leasehold Lender, provided that in the case of an assignment such entity assumes in writing all of Tenant's obligations under this Lease or new lease from and after the effective date of such assignment and such entity is a financially responsible party (which shall be determined by Landlord, such determination not to be unreasonably withheld or delayed), and all Base Rent and Additional Rent payments are then current.

ARTICLE XIV

RIGHT OF FIRST REFUSAL

14.1 RIGHT OF FIRST REFUSAL. During the Lease Term when no Default or Event of Default exists and for a period of thirty (30) days following the expiration of the Lease Term, Landlord may not sell, transfer, assign, convey, pledge, or otherwise dispose of all or any portion of the Project or Landlord's interest in this Lease, other than a sale, assignment or conveyance in connection with a securitization or structured financing of the Project, without having first complied with the provisions of this Article XIV and the following terms and conditions:

(a) Prior to any transfer or to entering into any contract to sell, transfer, assign, or convey all or any portion of the Project or Landlord's interest in this Lease to a third party, or prior to accepting any bona fide offer to purchase, buy, or acquire all or any portion of the Project or Landlord's interest in this Lease from a third party, Landlord shall give written notice of all the terms, provisions, and conditions with respect to such offer, including a copy of the proposed offer, to Tenant and Landlord shall offer to sell or to transfer to the Tenant the Project or Landlord's interest in the Lease which is the subject of such offer on the same terms, provisions, and conditions as are set forth in such third party offer.

(b) Tenant shall have a period of ten (10) days from the date of its receipt of the written notice from Landlord to accept such offer on the same terms, provisions, and conditions stated in such written notice, which acceptance must be in writing and be received by Landlord prior to the expiration of such ten (10) day period. Any purported acceptance made orally shall be ineffective, and any purported acceptance which varies the terms of such offer shall be deemed a rejection thereof for all purposes. The closing of the purchase by Tenant shall be held at the time and place specified in the written notice from Landlord, or such earlier date as is specified by Tenant, but in no event later than the day the original offer would have been closed.

(c) In the event Tenant delivers written notice of rejection to Landlord, or in the event Tenant fails to accept the offer in the manner required by Section 14.1(b) hereof, the offer made by Landlord shall be deemed to have been rejected by Tenant, and Landlord shall be free to sell, transfer, assign, or convey such interest to the third party on the terms, provisions, and conditions set forth in the written notice to Tenant.

(d) In the event that such transaction is not consummated as provided in Section 14.1(c) hereof on or before thirty (30) days after the closing date specified in the notice from Landlord to Tenant, or in the event any material terms and provisions of such transaction are changed following a rejection by Tenant, no sale, transfer, assignment, or

conveyance of such interest in the Project or the Lease may be made unless the provisions of this Article XIV are again complied with.

14.2 CONDITIONS OF OFFER. Landlord shall not be entitled to exercise its rights under Section 14.1(a) hereof with respect to any offer to purchase or offer to sell any interest in the Project or the Lease unless such offer complies with all of the following requirements:

(a) the proposed purchase price (which shall be net of any debts or liabilities which the proposed purchaser will assume) is payable in its entirety in cash;

(b) the offer contains provisions whereby the proposed purchaser is obligated to comply with the provisions of Section 14.2(e) prior to or at closing;

(c) it is an offer by or to a principal, identified in the offer, and not an agent acting on behalf of an undisclosed principal; and such principal shall not be a person or entity with respect to which Landlord has any direct or indirect ownership or control or from whom Landlord shall receive any form of undisclosed rebate, commission or other consideration in connection with the transaction;

(d) the sale is subject to the rights of Tenant under this Lease;
and

(e) The prospective purchaser shall provide to Tenant a statement signed by such prospective purchaser to the effect that (i) such purchaser is a principal acting on its own behalf and not an agent acting on behalf of an undisclosed principal, (ii) such principal is not a person or entity with respect to which Landlord has any direct or indirect ownership or control, and (iii) that such purchaser is not paying any rebate, commission or other consideration not disclosed in the offer.

Notwithstanding any term or provision of Sections 14.1 or 14.2 to the contrary, Landlord, subject to rights of Tenant under the Lease, may (i) sell, assign or convey the Project in connection with a securitization or structured financing of the Project (ii) assign or pledge the Project and its interest in and to this Lease as security for any loan secured by a mortgage or deed of trust on the Project, and (iii) sell, assign and convey the Project and its interest in the Lease to any Related Party of Landlord or any party into which Landlord merges whether or not Landlord is the surviving entity.

14.3 RESTRAINING ORDER. In the event that Landlord shall at any time transfer or attempt to transfer the Project or any portion thereof or its interest in the Lease in violation of the provisions of this Article XIV, then Tenant shall, in addition to all rights and remedies hereunder and at law and in equity, be entitled to a decree or order restraining and enjoining such transfer and Landlord shall not plead in defense thereto that there would be an adequate remedy at law; it being hereby expressly acknowledged and agreed that

damages at law will be an inadequate remedy for a breach or a threatened breach or violation of the provisions concerning transfers set forth in this Article XIV.

14.4 EXCLUSION FROM RIGHT OF FIRST REFUSAL. Notwithstanding any other provision of this Article XIV to the contrary, unless the use or operation of the Project for its intended purpose would be materially adversely affected, based upon a reasonable determination of such affect, the Landlord may sell, transfer, assign, lease, convey, pledge or otherwise dispose of all or any portion of the Land on which none of the Improvements or requisite parking are located without complying with any of the other terms and provisions of this Article XIV.

ARTICLE XV

GENERAL PROVISIONS

15.1 ESTOPPEL CERTIFICATE. Either party hereto (the "Certifying Party") shall at any time, upon not less than ten (10) days after the giving of written notice by the other party (the "Requesting Party"), execute, acknowledge and deliver to the Requesting Party or to such person designated by the Requesting Party, a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, (ii) acknowledging that there are not, to the Certifying Party's knowledge, any uncured defaults on the part of the Requesting Party hereunder, or specify such defaults if they are claimed, (iii) acknowledging that there are no offsets, counterclaims or defenses to the obligations of the Certifying Party under the Lease, and (iv) certifying as to any other matters as may be reasonably requested by the Requesting Party. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer or Tenant of any portion of the Project. If the Certifying Party does not execute, acknowledge and deliver the statement referred to in this Section within time set forth above, the information set forth therein shall be deemed true and correct.

15.2 LANDLORD'S LIABILITY. The term "Landlord," as used in this Lease, shall mean only the owner or owners at the time in question of the Improvements, FF&E and the fee title to the Land. In the event of any transfer of such title or interest, Landlord shall be released from all liability as respects Landlord's obligations thereafter to be performed, provided that: (a) Landlord's obligations are assumed by Landlord's transferee; and (b) any funds held by Landlord at the time of such transfer in which Tenant has an interest, shall be delivered to such transferee. Specifically, Landlord's delivery of the Capital Expenditure Reserve Account, and the deposits contemplated in Sections 3.3 and 9.6 hereof to any purchaser of Landlord's interest in the Project, and the acknowledgment by such purchaser of the receipt of such funds, shall discharge Landlord from any liability

to Tenant for the Capital Expenditure Reserve Account, and the deposits contemplated in Sections 3.3 and 9.6 hereof.

15.3 SEVERABILITY. The invalidity of any provision of this Lease, or of its application to any person or circumstance as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof and each term, covenant, condition and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

15.4 CAPTIONS. Article and Section captions are not a part of this Lease.

15.5 COMPLETE AGREEMENT. This Lease and the attached exhibits set forth all the agreements, terms, covenants and conditions between Landlord and Tenant concerning the Project and there are no agreements, terms, covenants or conditions, oral or written, between them other than those herein contained. No amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless it is in writing and signed by each party.

15.6 TENANT'S REMEDIES. If Landlord shall fail to perform any covenant, term or condition of this Lease required to be performed by Landlord, if any, and if as a consequence of such default, Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied only out of the proceeds of sale, and condemnation or insurance proceeds, received upon execution of such judgment and levied thereon against the right, title and interest of Landlord in the Project and out of Rents receivable by Landlord, or out of the consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title and interest in the Project or this Lease, and neither Landlord nor its officers, directors, shareholders and lenders, nor their respective successors and assigns, shall be personally liable for any deficiency, provided that in the event a deficiency exists after application of the foregoing assets relating to the Project, Landlord shall be personally liable for such deficiency to the extent of the amount of all undisbursed sums in the Capital Expenditure Reserve Account, and the accounts provided for in Sections 3.3 and 9.6 provided to and held by Landlord hereunder and required to be returned to Landlord.

15.7 FRANCHISE OBLIGATIONS. Initially the Project will be operated by Tenant or a Related Party under the Name. Thereafter Tenant may elect to enter into a Franchise Agreement with a Related Party of AmeriHost Inns, Inc., and continue to operate under the Name or with another Franchisor, however, it is expressly agreed that at all times during the term of this Lease the Project will be operated under the Name or terms of a Franchise Agreement and all costs of maintaining, renewing, assigning or obtaining any Franchise Agreement shall be borne by Tenant. So long as the Franchise Agreement with a Related Party of AmeriHost Inns, Inc. or with any other Franchisor contains industry standard terms, including standard franchisee rights upon transfer of the Project and

termination, Landlord's consent to such Franchise Agreement shall not be unreasonably withheld or delayed.

15.8 NOTICES. All notices and demands hereunder shall be in writing, and shall be deemed to have been properly given or served as of (a) the date of personal delivery with acknowledgment of receipt; (b) three (3) business days after the same is deposited in the United States mail, prepaid, for delivery by registered or certified mail, return receipt requested; or (c) the first business day after the date delivered to a reputable overnight courier service providing proof of delivery. The initial addresses of Landlord and Tenant are set forth below:

If to Landlord:

PMC Commercial Trust
Attention: Dept. 101
17290 Preston Road, Third Floor
Dallas, Texas 75252
With a copy to: Lance B. Rosemore, Chief Executive Officer

If to Tenant:

c/o Amerihost Properties, Inc.
2400 East Devon Avenue
Suite 280
Des Plaines, Illinois 60018
Attention: Mike Holtz, President

With a copy to:

McDermott Will & Emery
227 West Monroe Street
Suite 4400
Chicago, IL 60606-5096
Attention: Helen R. Friedli, Esq.
Tele: (312)984-7563
Fax: (312)984-3669

Such addresses may be changed at any time or from time to time or additional notice parties added, by notice as above provided. If any mortgagee of Landlord shall have advised Tenant by notice in the manner aforesaid that it is the holder of a mortgage against the Project and stating in said notice its address for the receipt of notices, then simultaneously with the giving of any notice by Tenant to Landlord, Tenant shall serve one or more copies of such notice upon such mortgagee in the manner aforesaid.

15.9 WAIVERS. No waiver by Landlord of any provision of this Lease shall be deemed a waiver of any other provision hereof or of any subsequent breach by Tenant of the same or any other provision. Landlord's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act by Tenant. No payment by Tenant or receipt by Landlord of a lesser amount than the amount then due shall be deemed to be other than on account of the earliest rent due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as payment be deemed an accord and satisfaction, and Landlord shall accept such check or payment without prejudice to Landlord's right to recover the balance of such payment or pursue any other remedy in this Lease provided.

15.10 RECORDING. Landlord agrees, upon Tenant's request, to execute a short form of this Lease, entitled Memorandum of Lease, a copy of which is annexed hereto as EXHIBIT B, and Tenant may record the Memorandum of Lease at its expense following the date on which Landlord acquires fee simple title to the Land. The provisions of this Lease shall control, however, in regard to any omissions from the Memorandum of Lease, or with respect to any provisions hereof which may be in conflict with the Memorandum of Lease.

15.11 HOLDING OVER. Tenant shall surrender the Project upon the expiration of the Lease Term or earlier termination of the Lease. Any holdover not consented to by Landlord in writing shall not result in a new tenancy or interest and, in such case, Landlord may treat Tenant as a trespasser. If Tenant remains in possession of the Project or any part thereof after the expiration of the Lease Term or the earlier termination hereof without the express written consent of Landlord, Tenant shall pay rent (for such holdover period) equal to the amount of 150% of the amount of Base Rent payable by Tenant under Article 3 during the last month of the Term.

15.12 COVENANTS AND CONDITIONS. Each provision of this Lease performable by Tenant and Landlord shall be deemed both a covenant and a condition.

15.13 BINDING EFFECT. This Lease shall bind and inure to the benefit of Landlord and Tenant and their respective permitted successors and assigns.

15.14 SUBORDINATION AND ATTORNMENT.

(a) This Lease, at the option of Landlord or any of its lenders, shall be subordinate to any ground lease, mortgage or any other hypothecation for security and any renewals, future advances, modifications, consolidations, replacements and extensions thereof, provided Tenant's rights hereunder continue to be recognized and Tenant's possession of the Project is not disturbed so long as no Event of Default has occurred and is continuing. Landlord agrees for itself, its successors and assigns, promptly upon Tenant's request, to enter into or cause to be entered into by its lender a nondisturbance agreement in

such regard for the benefit of Tenant on terms reasonably satisfactory to Tenant and Landlord.

(b) Provided Tenant's rights hereunder continue to be recognized and its right of possession is not disturbed so long as no Event of Default has occurred and is continuing, Tenant shall execute any documents required to effectuate such subordination or to make this Lease prior to the lien of any mortgage, ground lease or other security device, as the case may be, and failing to do so within twenty (20) days after written demand, does hereby make, constitute and irrevocably appoint Landlord as Tenant's attorney-in-fact and in Tenant's name, place and stead, to do so and any out-of-pocket expenses incurred by Tenant in connection therewith shall be paid by Landlord upon Tenant's request.

(c) In the event of (a) a sale, assignment, ground lease, mortgage or other transfer of Landlord's interest in the Project or any portion thereof or in this Lease; or (b) any proceedings brought for the foreclosure of, the granting of a deed in lieu of foreclosure of or the exercise of the power of sale under any mortgage or security agreement made by Landlord covering the Project or any portion thereof or this Lease, and provided that such mortgagee or other transferee shall agree to recognize Tenant's rights hereunder and not disturb Tenant's possession of the Project so long as an Event of Default has not occurred and is continuing, Tenant shall attorn to the mortgagee or other transferee and recognize such mortgagee or other transferee as Landlord under this Lease.

15.15 NO JOINT VENTURE. Landlord and Tenant, by entering into this Lease or consummating the transactions contemplated hereby, shall not be considered partners or joint venturers.

15.16 QUIET ENJOYMENT. Provided Tenant pays the Rent herein recited and performs all of Tenant's other covenants and agreements herein contained, Landlord covenants that Tenant shall peacefully have, hold and enjoy the Project, subject to all the other provisions herein contained.

15.17 EXPANSION OF PROJECT. Tenant acknowledges and agrees that the Project may, from time to time and with Landlord's approval, be modified, including expansion to include additional land, buildings and improvements. Upon any such expansion, Base Rent payable hereunder and other affected obligations shall be equitably adjusted. The term "Project," as used in this Lease, refers to the Project and any such modification thereof.

15.18 COUNTERPARTS. This Lease may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute and be construed as one and the same instrument.

15.19 BROKERS. In connection with this Lease, Landlord and Tenant each warrant and represent that they know of no person who is or might be entitled to a commission, finder's fee or other like payment in connection herewith, and each party hereto does hereby indemnify and agree to hold the other harmless from and against any and all loss, liability and expenses that such other party may incur should such warranty and representation prove incorrect.

15.20 TENANT'S RIGHT TO CURE. If Landlord breaches any covenant to be performed by it under this Lease, Tenant, after notice to and demand upon Landlord, without waiving or releasing any obligation hereunder, and in addition to all other remedies available to Tenant, may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Landlord. All sums so paid by Tenant and all costs and expenses (including, without limitation, reasonable attorneys' fees) so incurred, together with interest thereon at the Default Rate from the date on which such sums or expenses are paid or incurred by Tenant, shall be paid by Landlord to Tenant on demand. The rights of Tenant hereunder to cure and to secure payment from Landlord in accordance with this Section 15.20 shall survive the termination of this Lease with respect to the Project.

15.21 BREACH BY LANDLORD. It shall be a breach of this Lease if Landlord fails to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure continues for a period of 30 days after notice thereof from Tenant, unless such failure cannot with due diligence be cured within a period of 30 days, in which case such failure shall not be deemed to continue if Landlord, within such 30-day period, proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof. The time within which Landlord shall be obligated to cure any such failure also shall be subject to extension of time due to the occurrence of any delays beyond the reasonable control of Landlord. If Landlord does not cure any such failure within the applicable time period as aforesaid, Tenant may declare the existence of a "Landlord Default" by a second notice to Landlord. Thereafter, Tenant may forthwith cure the same and, subject to the provisions of the following paragraph, invoice Landlord for costs and expenses (including reasonable attorneys' fees and court costs) incurred by Tenant in curing the same, together with interest thereon from the date Landlord receives Tenant's invoice, at the Default Rate.

15.22 LANDLORD TO GRANT EASEMENTS, ETC. Landlord will, from time to time, so long as no Event of Default has occurred and is continuing, at the request of Tenant and at Tenant's cost and expense (but subject to the approval of Landlord, which approval shall not be unreasonably withheld or delayed), (a) grant easements and other rights in the nature of easements with respect to the Project to third parties, (b) release existing easements or other rights in the nature of easements which are for the benefit of the Project, (c) dedicate or transfer unimproved portions of the Project for road, highway or other public purposes, (d) execute petitions to have the Project annexed to any municipal corporation or

utility district, (e) execute amendments to any covenants and restrictions affecting the Project, and (f) execute and deliver to any person any instrument appropriate to confirm or effect such grants, releases, dedications, transfers, petitions and amendments (to the extent of its interests in the Project), but only upon delivery to Landlord of an officer's certificate stating that such grant, release, dedication, transfer, petition or amendment does not interfere with the proper conduct of the business of Tenant on the Project and does not materially reduce the value of the Project.

15.23 GOVERNING LAW; SUBMISSION TO JURISDICTION. This Lease is or will be made and delivered in the State and shall be governed by and construed and interpreted in accordance with the laws of the United States of America and the State, without regard to principles of conflict of laws. All judicial actions, suits or proceedings brought by or against Landlord or Tenant with respect to its rights, obligations, liabilities or any other matter under or arising out of or in connection with this Lease or any transaction contemplated hereby or for recognition or enforcement of any judgment rendered in any such proceedings shall be brought in any state or federal court in the State. By execution and delivery of this Lease, Landlord and Tenant accept, generally and unconditionally, the nonexclusive jurisdiction of the aforesaid courts and irrevocably agree to be bound by any final judgment rendered thereby in connection with this Lease or any transaction contemplated hereby from which no appeal has been taken or is available. Tenant and Landlord each hereby irrevocably waive any objections, including without limitation any objection to the laying of venue or based on the grounds of forum non conveniens, which either may now or hereafter have to the bringing of any such action or proceeding in any such jurisdiction. Tenant and Landlord acknowledge that final judgment against it in any action, suit or proceeding referred to in this Section shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the same.

15.24 REIT COMPLIANCE. Tenant acknowledges that Landlord is or intends to qualify as a real estate investment trust under the Tax Code. Tenant agrees that it will not knowingly or intentionally take or omit any action, or permit any status to exist at the Project, which Tenant knows would or could result in Landlord being disqualified from treatment as a real estate investment trust under the Tax Code as the provisions exist on the date hereof.

15.25 FINANCINGS. Notwithstanding any other provisions of this agreement, to the extent that any trustee, rating agency or purchaser in connection with a contemplated structured finance or securitization requires amendment to the Lease for purposes of such structured finance or securitization, Tenant will not unreasonably withhold approval of such modification or amendment and any out-of-pocket expenses incurred by Tenant in connection therewith shall be paid by Landlord upon Tenant's request.

15.26 LANDLORD'S RIGHT TO INSPECT. Tenant shall permit Landlord and its authorized representatives as frequently as reasonably requested by Landlord to inspect the Project and Tenant's accounts and records pertaining thereto and make copies thereof, during

usual business hours upon reasonable advance notice, subject only to any business confidentiality requirements reasonably requested by Tenant.

15.27 "AS IS" LEASE. Notwithstanding anything to the contrary herein contained, Tenant expressly understands, acknowledges and agrees that the lease of the Project shall be made by Landlord to Tenant on an "as is, where is" basis, and "with all faults," and Tenant acknowledges that Tenant has agreed to lease the Project in its present condition and that Tenant is relying solely on its own examination and inspections of the Project and not on any statements or representations made by Landlord or any agents or representatives of Landlord. Additionally, Tenant hereby acknowledges that, Landlord makes no warranty or representation, express or implied, or arising by operation of law, including, but in no way limited to, any warranty of condition, habitability, merchantability, or fitness for a particular purpose of the Project or any portion thereof. Landlord hereby specifically disclaims any warranty, guaranty or representation, oral or written, past, present or future, of, as to, or concerning: (a) the nature and condition of the Project or any part thereof, including but not by way of limitation, as to its water, soil or geology, or the suitability thereof, for any and all activities and uses which Tenant may elect to conduct thereon, or any improvements Tenant may elect to construct thereon, or any income to be derived therefrom or expenses to be incurred with respect thereto, or any obligations or any other matter or thing relating to or affecting the same; (b) the absence of any hazardous substances on, in or under the Land or Improvements or on, in or under any land adjacent to or abutting the Land; (c) the manner of construction or condition or state of repair or lack of repair of the Improvements; (d) the nature or extent of any easement, restrictive covenant, right-of-way, lease, possession, lien, encumbrance, license, reservation, condition or other similar matter pertaining to the Project or any portion thereof; and (e) the compliance of the Project or the operation of the Project or portion thereof with any Legal Requirements.

15.28 THIRD PARTY BENEFICIARY. The provisions of this Lease are solely for the benefit of, and may be enforced solely by, the parties hereto and their respective successors and assigns and none of the provisions of this Lease are intended to, nor shall they be construed so as to create any rights in any third parties not party to this Lease.

15.29 NO MERGER OF TITLE. There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person or entity may acquire, own or hold, directly or indirectly: (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Project.

IN WITNESS WHEREOF, Tenant and Landlord have executed this instrument as of the date set forth above.

"LANDLORD"

PMC COMMERCIAL TRUST
a Texas real estate investment trust

By -----

Its

"TENANT"

AMERIHOST INNS, INC.
a Delaware corporation

By -----

Its

EXHIBIT A

Legal Description of Land

EXHIBIT B

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE, made and entered into this ____ day of _____, 1998, by and between PMC COMMERCIAL TRUST, a _____ having an office at 17290 Preston Road, Third Floor, Dallas, Texas 75252 ("Landlord"), and AMERIHOST INNS, INC., a Delaware corporation, having an office at 2400 East Devon Avenue, Des Plaines, Illinois 60018 ("Tenant").

W I T N E S S E T H :

1. Landlord, in consideration of the rents reserved and agreed to be paid by Tenant, and of the covenants, agreements, conditions and understandings to be performed and observed by Tenant all as more fully set out in a lease (the "Lease"), executed by Landlord and Tenant, and dated the ____ day of _____, 1998, has let, leased and demised to Tenant certain land described in Exhibit "A" attached hereto (the "Land") together with the improvements thereon (collectively, the "Premises") in the building located thereon.
2. The term of the Lease shall commence on the date hereof and terminate on _____.
3. The Lease grants to Tenant a right of first refusal with respect to a sale or other conveyance by Landlord of any interest in the Premises or any portion thereof or of Landlord's interest in the Lease, as more particularly set forth in the Lease.
4. This Memorandum of Lease is subject to all of the terms, conditions and understandings set forth in the Lease between the Landlord and Tenant, which agreement is incorporated herein by reference and made a part hereof, as though copied verbatim herein. In the event of a conflict between the terms and conditions of this Memorandum of Lease and the terms and conditions of the Lease, the terms and conditions of the Lease shall prevail.

IN WITNESS WHEREOF, the parties hereto caused this Memorandum to be duly executed as of the day and year above written.

LANDLORD:

PMC COMMERCIAL TRUST

By:

Name:
Title:

TENANT:

AMERIHOST INNS, INC.

By:

Name:
Title:

[add acknowledgments]

MASTER LEASE AGREEMENT

THIS MASTER LEASE AGREEMENT (this "Agreement" or this "Lease") is made and entered into as of this 3rd day of June, 1998, by and between PMC Commercial Trust (the "Lessor"), and Norfolk Hospitality Management Co. (the "Lessee") to become operative and effective as of the Commencement Date, defined herein.

RECITALS

WHEREAS, Lessor has acquired, or as of the Commencement Date, will have acquired, the sixty-two (62) hotels (the "Initial Hotels") listed on Exhibit A attached hereto;

WHEREAS, effective on the Commencement Date, Lessor has leased the Initial Hotels to Lessee and, hereafter, Lessor may from time to time lease additional hotels to Lessee by mutual agreement; and

WHEREAS, The parties hereto desire to enter this Agreement to set forth certain agreements relating to the matters set forth herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the foregoing premises, the representations, warranties and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement, the following terms have the meanings set forth in this Section or in the Section indicated. Unless the context otherwise requires, (a) all capitalized terms not otherwise defined herein shall have the meanings set forth in the Participating Leases, (b) references to the singular shall include the plural and vice versa, (c) references to gender shall include all genders, (d) references to designated "Sections" or other subdivisions are references to the designated Sections or other subdivisions of this Agreement, (e) all accounting terms not otherwise defined herein shall have the meanings assigned to them in accordance with GAAP and (f) the words "herein," "hereof," and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision.

Additional Hotels: The hotels (if any) other than the Initial Hotels that have been or, as of any pertinent date, are then currently leased by the Lessor to the Lessee by mutual agreement of Lessor and Lessee.

Agreement: The meaning set forth in the Preamble.

Base Rent Amount: Initially, the sum of Fourteen Million Four Hundred Thousand Dollars (\$14,400,000.00), as adjusted pursuant to the terms of this Agreement allocated among the Hotels as set forth on Exhibit C, as such Exhibit C shall be amended from time to time pursuant to the terms hereof.

Commencement Date: The date of commencement of this Lease as stated in Section 3.1 hereof.

Competitive Activity: The ownership or lease of any hotel within the Competitive Area.

Competitive Area: The area lying within a twenty-five (25) mile radius of any of the Initial Hotels or of any Additional Hotel.

FF&E: Furniture, fixtures and equipment used or usable in the operation of the Hotels, including but not limited to room furniture, exercise fixtures and equipment, office equipment, restaurant and bar equipment, business center equipment, all operating systems (e.g. HVAC, electrical, plumbing and Fixtures), beds, lamps, window and wall coverings and attachments of all kinds, carpets, painting, laundry equipment, water softeners, on site property management systems, material handling equipment, cleaning and engineering equipment, on-site computer hardware and software replacements and upgrades, on-site telephones and communication equipment, on-site computerized accounting systems and on-site vehicles.

FF&E Reserve: The reserve account to repair, as applicable, refurbish, replace and improve FF&E and other items as provided in Section 6.1.

Fair Market Rental: The fair market rental of the Leased Property means the rental which a willing tenant not compelled to rent would pay a willing landlord not compelled to lease for the use and occupancy of such Leased Property pursuant to the Participating Lease for the term in question, (a) assuming that Lessee is not in default thereunder and (b) determined in accordance with the appraisal procedures set forth in the Participating Lease or in such other manner as shall be mutually acceptable to Lessor and Lessee.

Form Participating Lease: The meaning set forth in Article II.

GAAP: Generally accepted accounting principles, consistently applied.

Gross Revenues: All revenues, receipts and income of any kind received by Lessee and derived directly from the operation of a Hotel (including rentals or other payments from tenants, lessees, licensees or concessionaires but not including their gross receipts), including, without limitation, Room Revenues, Food and Beverage Revenues and Sundry Revenues, whether on a cash basis or credit, paid and collected, determined in accordance with GAAP, excluding or deleting, however: (a) funds furnished by Lessor or by Lessee, (b) federal, state and municipal excise, sales, use or other taxes collected directly from

patrons and guests or as a 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, (c) the amount of all credits, rebates or refunds to customers, guests or patrons, and all service charges, finance charges, interest and discounts attributable to charge accounts and credit cards, to the extent the same are paid to Lessee by its customers, guests or patrons, or to the extent the same are paid for by Lessee to, or charged to Lessee by, credit card companies, (d) gratuities or service charges actually paid to employees, (e) proceeds of insurance and condemnation, (f) proceeds from sales other than sales in the ordinary course of business, (g) all loan proceeds from financing or refinancings of Hotel any or interests therein or components thereof, (h) judgments and awards, except any portion thereof arising from normal business operations of any Hotel, (i) items constituting "allowances" under the Uniform System, (j) all write-offs for failure of collection, except if any such written-off receivable is ultimately collected it shall be added back to Gross Revenues to the extent so collected (less all costs, fees and expenses of collection), and (k) all fees and amounts paid to or on behalf of Lessee or its Affiliate by Lessor.

Hotels: As of any pertinent date or for any pertinent period, those Initial Hotels and those Additional Hotels, if any, which are then currently leased by the Lessor to the Lessee and included in this Master Lease.

Initial Hotels: The meaning set forth in the Recitals hereof.

Initial Participating Lease(s): Those Participating Leases covering the Initial Hotels entered into between the Lessor and the Lessee as of the date hereof.

Lease Term: The original five (5) year term of this Lease described in Article III, together with all extensions, automatic or otherwise, and renewals thereof.

Lease Quarter: Any one of the four consecutive three month periods, commencing with the Commencement Date, during any Lease Year.

Lease Year: The twelve (12) month period beginning with the Commencement Date and ending on the day of the month immediately preceding the day of the month of the Commencement Date one (1) year from the Commencement Date and each 12-month period thereafter.

Lessee: The meaning set forth in the Preamble.

Lessor: The meaning set forth in the Preamble hereof.

Operating Inventory: The Operating Inventory is defined in Section 6.4 hereof.

Opportunity Period: The meaning set forth in Section 7.1.

Overdue Rate: A rate of interest equal to the Prime Rate as published in The Wall Street Journal, Midwest Edition (or the lower of any two or more of such rates), plus five percent (5%) per annum.

Participating Lease: The meaning set forth in Article II.

Personalty: All FF&E, except for operating systems (e.g. HVAC, electrical, plumbing and Fixtures) or improvements which cannot be removed from a Leased Property without material damage to such Leased Property.

Personalty Reserve: Funds available for the purchase of Personalty, which funds shall be provided by, and under the control of, Lessee through the payment by Lessee of \$50,000 per month (which payment shall be due and payable on the same date as the Base Rent payments set forth in Section 4.1 hereof) during the term of this Agreement into an account established by Lessee.

Rent: The total aggregate amount of (a) the Base Rent and (b) the Percentage Rent paid by the Lessee to the Lessor in accord herewith for the applicable Lease Year.

Reserves: Collectively, the FF&E Reserve and the Personalty Reserve.

Right of First Opportunity to Lease: The meaning set forth in Section 7.1.

Termination Value: The meaning set forth in Section 12.2.

ARTICLE II

LEASING OF HOTELS

Section 2.1 Initial Hotels. Lessor and Lessee hereby agree that on or prior to the Commencement Date they will enter into an individual lease in the form attached hereto as Exhibit B (the "Form Participating Lease") for each of the Initial Hotels at the Base Rents specified on Exhibit C attached hereto.

Section 2.2 Additional Hotels. Lessor and Lessee may also from time to time agree to the lease of Additional Hotels to Lessee. The lease of Additional Hotels shall be by mutual agreement of Lessor and Lessee upon such terms and conditions as are agreed upon at the time of the lease. Additional Hotels shall be leased outside of this Agreement unless the parties agree specifically in writing to include the respective Additional Hotel under this Agreement. Leases of the Initial Hotels and of any Additional Hotels which are included within this Agreement are hereinafter referred to as "Participating Leases."

Section 2.3 Transfer of Hotel. Lessor shall have the right to sell or otherwise transfer any Hotel, subject to the terms of the applicable Participating Lease. In the event of the transfer of a Hotel pursuant to the terms of the applicable Participating Lease, except if such transfer is made

following the termination of such Participating Lease by Lessor as a result of an Event of Default by Lessee thereunder or such transfer is made by Lessor in connection with a structured finance transaction, the Rent shall be adjusted as provided in Section 2.4. If Lessor transfers any Hotel, other than in connection with a structured finance transaction, to a Person with a net worth less than \$50,000,000.00, Lessor shall cause such acquiror, pursuant to the terms of the contract of sale, to fund into escrow for the benefit of Lessee, and to be used in accordance with the terms of the applicable Participating Lease, an amount equal to the Allocable Portion of the Reserves (as defined below) for the Transfer Year (as defined below) plus an amount equal to five percent (5%), of the greater of (a) the Gross Revenues of such Hotel for the Lease Year preceding the Transfer Year, or (b) the annualized gross revenues of such Hotel for the Transfer Year, multiplied by the number of Lease Years (not including the Transfer Year) remaining in the term of the Participating Lease, less any amounts paid or payable by Lessee into the Personalty Reserve with respect to such Hotel. "Allocable Portion of the Reserves" means the difference between dollar amount set forth in the Annual Budget for such Hotel for the Transfer Year to be paid out of or reimbursed from, as applicable, the Reserves, plus \$15,000.00, less any amounts already spent or reimbursed with respect to such Hotel from the Reserves for the Transfer Year. In the event of a forced or involuntary transfer or termination of a Hotel by condemnation, casualty loss, or otherwise, the Rent shall be adjusted as provided in Section 2.4. If additional hotels become subject to the terms of this Agreement, the Rent shall be adjusted to equitably reflect the increase in the number of hotels.

Section 2.4 Adjustment of Rent.

(a) By mutual agreement, Lessor and Lessee shall adjust the Base Rent allocated to each Hotel (as then set forth on Exhibit C hereto) at the commencement of each Lease Year, commencing on the first anniversary of the Commencement Date, which adjustment shall be based upon market factors affecting, and the financial performances of, the Hotels, including, without limitation, gross revenues, gross operating profits, occupancy rates and room rates, and which amount shall be reflected by an amendment to Exhibit C hereto. If Lessor and Lessee cannot agree as to such adjustment by the 20th day following such anniversary date, the parties hereby agree to submit such adjustment to arbitration in accordance with Article XXXVIII of the Form Participating Lease. Upon the transfer by Lessor of a Hotel as provided herein, other than in connection with a structured finance transaction, the Base Rent payable by Lessee pursuant to this Agreement will be reduced for all Lease Years following the Lease Year in which such transfer took place (the "Transfer Year") by the amount of Base Rent allocated to such Hotel (the "Allocable Amount") and the Base Rent payable for the remainder of the Transfer Year shall be reduced by an amount equal to the product of the Allocable Amount multiplied by the quotient of the number of full months (not including the month in which such transfer occurred) remaining in the Transfer Year divided by 12.

(b) (i) If a Hotel is transferred by Lessor pursuant to the terms of this Agreement, other than in connection with a structured finance transaction, the Percentage Rent thresholds shall be reduced in the same proportion as the Gross Revenues of the transferred Hotel bear to the Gross Revenues of all Hotels (including the transferred Hotel) under this Agreement. Gross Revenues for purposes of this Section 2.4(b) shall be equal to

(A) the average of the Gross Revenues for all Hotels under this Agreement for the two Lease Years immediately preceding the Transfer Year, or (B) if two Lease Years shall not have elapsed, the average of such Gross Revenues for the preceding Lease Year and the annualized Gross Revenues for the Transfer Year, or (C) if one Lease Year has not elapsed, the annualized Gross Revenues for the Transfer Year.

(ii) If, during the term of this Agreement, any of the Hotels is totally or partially destroyed by a risk covered by the insurance described in the applicable Participating Lease, and Lessor decides to restore the Hotel pursuant to the terms of such Participating Lease and, further, as a result of such total or partial destruction of such Hotel, Lessee files, and receives payment on, a claim with its insurance carrier under Lessee's business interruption insurance policy with respect to such total or partial destruction of such Hotel, then the Percentage Rent thresholds shall be reduced as provided in Section 2.4(b)(i) hereof, provided that such reduction shall only be in effect for a period commencing on the date the event, for which insurance proceeds are received under Lessee's business interruption insurance policy, occurred and the date restoration of the Hotel is completed pursuant to the terms of the applicable Participating Lease (the "Restoration Date"). From and after the Restoration Date, the Percentage Rent thresholds shall revert back to the applicable amounts for the Lease Year in question, based on the number of Hotels owned by Lessor as of the Restoration Date. Increases and decreases, as applicable, in the amount of Percentage Rent payable by Lessee as a result of such initial reduction in the Percentage Rent thresholds and the subsequent increase of such thresholds, shall be calculated as of the end of each Lease Year.

ARTICLE III

LEASE TERM

Section 3.1 Term. The term of this Lease shall commence on the effective date of the merging of Supertel Hospitality, Inc. with Lessor (the "Commencement Date") and shall end on the day before the fifth anniversary of the Commencement Date, unless sooner terminated or extended in accordance with the provisions hereof.

Section 3.2 Extension Option. Provided that Lessee is not then in default under the terms of this Lease, Lessee shall have the option, in its sole discretion, to extend this Lease for one (1) successive term of two (2) years (the "Option Period") upon the same terms and conditions contained herein and in the Participating Leases, except for the payment of Base Rent which total amount shall increase (subject to adjustments from condemnation, casualty, sale, or otherwise provided herein and in the Participating Leases) from Fourteen Million Four Hundred Thousand Dollars (\$14,400,000.00) to Fifteen Million Dollars (\$15,000,000.00) for each of the two (2) years in the Option Period. Upon exercise of the option, the renewal term shall commence at midnight on the last day of the original five (5) year term of this Lease. Notice of the exercise of the option to extend shall be given in writing to Lessor not less than one (1) year prior to the end of the original five (5) year term of this Lease.

Section 3.3 Automatic Lease Term Extensions. After the original five (5) year term of this Lease and after the Option Period, if any, the term of this Lease shall be automatically extended for an additional two (2) year term, unless either Lessee or Lessor gives notice in writing to the other at least eleven (11) months prior to the end of the then current term that it elects not to allow the automatic extension of the term of this Lease, in which case this Lease shall terminate at the end of the then current term. In the event this Lease is extended for an additional two (2) year term, then this Lease shall be further automatically extended on a continuing basis beyond the then current term of this Lease by additional successive two (2) year periods unless either Lessee or Lessor gives written notice to the other at least one (1) year before the end of the then current term that it elects not to allow the automatic extension to occur beyond the then current term. It is the intent of the parties that each will have a minimum of one (1) year notice prior to the end of the term of this Lease. This shall not preclude the parties from renegotiating this Lease from time to time.

ARTICLE IV

RENT

So long as this Lease remains in force and effect with respect to all of the Initial Hotels, Lessee promises to pay to Lessor, in lawful money of the United States of America, in immediately available funds, rents, in the manner, at the time, and in the amounts specified below:

Section 4.1 Base Rent. The base rent (the "Base Rent") payable during the term of this Lease shall initially be Fourteen Million Four Hundred Thousand Dollars (\$14,400,000.00)

Month	Base Rent Amount
-----	-----
January	\$ 950,000
February	\$ 950,000
March	\$ 1,150,000
April	\$ 1,350,000
May	\$ 1,300,000
June	\$ 1,350,000
July	\$ 1,450,000
August	\$ 1,350,000
September	\$ 1,325,000
October	\$ 1,325,000
November	\$ 950,000
December	\$ 950,000
TOTAL LEASE YEAR BASE RENT	 \$14,400,000

If the Base Rent is adjusted pursuant to the terms of this Agreement in the event of a voluntary or involuntary transfer of a Hotel or as provided in Article III hereof, the new

amount of annual Base Rent shall be allocated to each month in the same proportion as provided above. Base Rent shall be payable in monthly installments in arrears due and payable on the first business day of the month immediately following the month for which such rent accrues, with the first installment of Base Rent due and payable on the first business day of the month following the month in which the Commencement Date occurs, and a monthly installment to be due and payable on the first day of each and every month thereafter as long as this Lease remains in effect. Base Rent for any period during the term of this Lease which is less than one (1) month shall be a pro-rata portion of the applicable monthly installment.

Section 4.2 Percentage Rent.

(a) Subject to adjustment as provided herein, the term "Percentage Rent," as used herein, for any Lease Year shall initially mean the amount determined by multiplying (i) the amount, if any, by which the Gross Revenue from the Initial Hotels exceeds Forty-Two Million Dollars (\$42,000,000.00) for such Lease Year but is less than Fifty Million Dollars (\$50,000,000.00) for such Lease Year (ii) by twenty percent (20%) and adding thereto an amount determined by multiplying (iii) the amount, if any, by which Gross Revenue for the Initial Hotels exceeds Fifty Million Dollars (\$50,000,000.00) for the Lease Year (iv) by 25%.

(b) Percentage Rent shall be paid by Lessee on a quarterly basis for each quarter of the Lease Year. Percentage Rent shall be payable in arrears on the first day of second Lease Quarter following the end of each Lease Quarter. The first such payment of Percentage Rent shall be due on the first day of the second Lease Quarter following the Lease Quarter in which the Commencement Date occurs. In the first Lease Year, Percentage Rent shall be paid over the first three (3) Lease Quarters of the Lease Year on the assumption that Gross Revenue is accruing at the rate of Forty-Eight Million Dollars (\$48,000,000.00) evenly over the Lease Year. Each Lease Quarter, Lessee shall pay one-fourth (1/4th) of such assumed Percentage Rent amount. At the end of the fourth quarter, the amount of Percentage Rent due for the Lease Year shall be calculated and (i) in the event that an amount is still due to Lessor, then Lessee shall pay such amount on or before the first day of the second Lease Quarter immediately after the end of the Lease Year and (ii) in the event that Lessee has overpaid the Percentage Rent and an amount is due to Lessee from Lessor, then Lessor shall pay such amount to Lessee on or before the tenth (10th) day after receipt of the Officer's Certificate provided pursuant to Section 4.2(c). The same procedure shall be followed for each subsequent Lease Year except that Gross Revenues for each subsequent year shall be assumed for the first three (3) Lease Quarters to be equal to ninety-five percent (95%) of the Gross Revenues for the immediately prior Lease Year.

(c) On or before first day of the second Lease Quarter immediately after the end of Lease Year, Lessee shall deliver to Lessor an Officer's Certificate reasonably acceptable to Lessor setting forth the computation of the actual Percentage Rent that accrued for the Lease Year that ended on the immediately preceding Lease Year. If the annual Percentage Rent due and payable for the Lease Year (as shown in the applicable Officer's Certificate) exceeds the amount actually paid as Percentage Rent by Lessee for such year, Lessee also

shall pay such excess to Lessor at the time such certificate is delivered. If the Percentage Rent actually due and payable for such Lease Year is shown by such certificate to be less than the amount actually paid as Percentage Rent for the applicable Lease Year, Lessor shall pay to Lessee, within ten (10) days of receipt of such certificate the amount by which Lessee overpaid the Percentage Rent failing which the amount to be reimbursed shall bear interest at a rate per annum equal to the Overdue Rate from the end of such 10-day period until date of payment.

The obligation to pay or to reimburse Percentage Rent shall survive the expiration or earlier termination of the Lease Term for a period of one (1) year. A final reconciliation, taking into account, among other relevant adjustments, any adjustments which are accrued after such expiration or termination date but which related to Percentage Rent accrued prior to such termination date, and Lessee's good faith best estimate of the amount of any unresolved contractual allowances, shall be made not later than one year after such expiration or termination date, but Lessee shall advise Lessor within 60 days after such expiration or termination date of Lessee's best estimate at that time of the approximate amount of such adjustments, which estimate shall not be binding on Lessee or have an legal effect whatsoever.

Section 4.3 Payment of Rent. Lessee shall not be in default with respect to any payment of Rent if such Rent payment is received by Lessor on or before the tenth (10) calendar day of the month in which such Rent was due, provided that if any Rent payment is not paid on or before the third business day after such Rent payment was due, Lessee shall pay to Lessor a late fee on such Rent payment in an amount equal to 1-1/2% of such Rent due.

Section 4.4 Payment on Business Days. Any Rent that falls due on a Saturday or Sunday or a bank holiday in either Dallas, Texas or Norfolk, Nebraska shall be deemed due on the next succeeding business day. Payment of Rent shall be made by wire transfer unless otherwise agreed by the parties.

Section 4.5 O'Neill Addition. Lessor and Lessee acknowledge that one of the Initial Hotels which is located in O'Neill, Nebraska, may be expanded during the period from the negotiation and/or the execution of this Lease to the Commencement Date. In the event of the completion of the expansion prior to the Commencement Date, the Base Rent for the Hotel shall be increased by and Lessee shall pay this additional yearly Base Rent which shall be determined by multiplying 0.115 times the cost of construction of the Hotel expansion. This additional yearly Base Rent shall be paid on a monthly basis in the same proportion each month as the original yearly Base Rent to be paid.

Section 4.6 Additional Payments. During the term of this Lease, if Lessee takes, or fails to take, any action hereunder or under any of the Participating Leases which causes the debt payable to Hotel Franchising Limited Partnership, as described on Schedule 4.6 hereto (the "Wingate Debt") to become due and payable, Lessee shall be assigned and be required to pay the Wingate Debt in accordance with the terms thereof, unless such action or failure to act was caused by the negligence

or willful misconduct of Lessor or is otherwise the obligation of Lessor hereunder or under the Participating Lease, which obligation shall survive any termination of this Agreement.

ARTICLE V

REPRESENTATIONS, WARRANTIES AND ADDITIONAL COVENANTS

Lessor and Lessee hereby represent, warrant and agree with each other as follows, each of which representations and warranties to become effective only as of the Commencement Date.

Section 5.1 Authority; Compliance with Law. Except as provided in Section 5.2, Lessor will use its best efforts to obtain, at its sole expense, and thereafter Lessee will use its best efforts to maintain, all licenses, permits, contract rights, and other authorizations and to have taken all actions required by applicable law, governmental regulations or otherwise in connection with leasing and operating the Hotels and as otherwise required in connection with the operation of its business. Lessor and Lessee each represent to the other that it is not in violation of any order of any court, governmental authority or arbitration board or tribunal, or any law, ordinance, governmental rule or regulation to which it, or any other of its properties or assets are subject.

Section 5.2 Provision of Franchise Rights. Lessor has obtained and will provide by full and proper assignment or other transfer to Lessee the franchise rights for each of the Initial Hotels and all Additional Hotels sufficient to enable the operation of each of the Hotels under the relevant franchise for the Lease Term. Lessor shall be responsible for all transfer fees and the like for all Initial Hotels and all Additional Hotels and Lessee shall be responsible for the payment of the periodic franchise fees. At the termination of the Lease Term, Lessee agrees to transfer the franchise rights to Lessor, or at Lessor's option, to any third party. Lessor and Lessee acknowledge, however, that the Hotel in Bullhead City, Nevada does not operate under a franchise.

Section 5.3 Representations of Lessor. Lessor represents that Lessor has good marketable title to each of the Initial Hotels and has the full right and authority to enter into this Lease and each of the Participating Leases. There are no outstanding leases with respect to any of the Initial Hotels other than the Participating Leases. Each of the Initial Hotels is able to be operated after the execution of this Lease in a manner consistent with the manner in which it is being operated immediately prior to the execution of this Lease without extraordinary expenditures, which, if incurred, will be the responsibility of Lessor, including but not limited to, requirements to meet the Americans with Disability Act Standards and zoning or building standards. None of the Initial Hotels has suffered any casualty loss which is not fully covered by insurance both for the purpose of covering all Rent during replacement and for the purpose of covering full and complete replacement of all loss nor are any of the Initial Hotels being condemned or being threatened with condemnation.

Section 5.4 Maintenance of Franchise Agreement. Except as otherwise agreed to in writing by the Lessor, the Lessee shall take all steps necessary, including the payment of any renewal fees and ongoing expenses associated therewith, including the periodic franchise fees, to maintain

all franchise agreements relating to the operation of the Hotels. In addition, except as otherwise agreed to in writing by the Lessor, the Lessee shall use its best efforts to maintain the franchise rating at each Hotel with respect to improvement standards (as established by the franchisor pursuant to the applicable Franchise Agreement) at a level at least equal to the rating in existence on the date hereof, provided, however, that the cost of improvements to meet new or ongoing improvement standards shall be paid by Lessor. Upon the termination of the Lease, Lessor agrees to pay to Lessee or credit against any Rent then due, the unused portion of all renewal fees for franchises for which Lessee has paid the renewal fees. The unused portion of each renewal fee shall be determined by amortizing the renewal fee on a straightline basis over the life of the franchise renewal period. Any change from the franchise under which the Hotel operates to a new franchise shall be by mutual agreement of the parties. Upon a change in the franchise under which a Hotel operates, capital costs associated with the change including, but not limited to sign changes and improvement standard upgrades, shall be paid from the Reserves.

Section 5.5 Financial Statements. Within 45 days after the end of each of the first three Lease Quarters of each Lease Year, Lessee shall deliver to the Lessor a copy of its internally prepared quarterly financial statements. Within 120 days after the end of each Lease Year beginning with the Lease Year ending in the first anniversary of the Commencement Date, Lessee shall deliver to Lessor a copy of its annual audited financial statements which have been audited by a nationally recognized firm of independent public accountants. For purposes of this Section 5.5, such financial statements shall include a balance sheet, income statement, statement of retained earnings, statement of stockholder's equity, statement of cash flows and all related notes and schedules and shall be in comparative form.

ARTICLE VI

RESERVES / OPERATING INVENTORY

Section 6.1 Reserves.

(a) Throughout the Lease Term, Lessor shall establish and maintain a reserve account (the "FF&E Reserve") for the replacement, improvement, enhancement and refurbishment of the Leased Property and FF&E used in conjunction therewith, excluding Personalty to the extent acquired with funds from the Personalty Reserve as provided below. Each Lease Year, Lessor shall set aside into the FF&E Reserve an amount equal to five percent (5%) of the Gross Revenues for the Hotels for such Lease Year under this Lease, less \$600,000, which amount shall accumulate from year to year. The FF&E Reserve shall be used to refurbish, replace, enhance and improve from time to time as necessary or desirable under the circumstances the FF&E, excluding Personalty. The FF&E Reserve may also be used to the extent available to replace, enhance and improve or perform any capitalized repair to the structural and roof elements of the Hotels and the exterior of the Hotel (including but not limited to parking lot, lawn and landscaping elements).

(b) Lessee shall pay into the Personalty Reserve account \$50,000 per month for each month during the term of this Lease on the same date as the Base Rent payments.

Lessee shall also provide to Lessor written evidence of such payment. Upon written request of Lessor, Lessee shall provide information on the Personalty Reserve status and usage. The funds in the Personalty Reserve shall be used by Lessee to repair and replace Personalty. If the funds in the Personalty Reserve for any Lease Year are insufficient to pay for all Personalty acquired during such Lease Year, Lessee shall be entitled to reimbursement for such excess expenditures from the FF&E Reserve in accordance with the terms and conditions of Section 6.3 hereof. Upon expiration or termination of this Agreement, any amounts which remain in the Personalty Reserve shall be expended by Lessee for FF&E, as directed by Lessor. Any amounts which remain in the Personalty Reserve after any such expenditures shall be the property of Lessor.

Section 6.2 Use of Reserves. Lessee is authorized to commit and to spend, and thereafter, if applicable, be reimbursed from, the Reserves for all (a) items and matters contained in the budget submitted by Lessee and approved by Lessor pursuant to the Participating Lease; (b) reasonable expenditures in emergency situations at any hotel when necessary, in the Lessee's opinion, to maintain the hotel property and to provide for its continued operation and for the safety and welfare of the hotel guests; and (c) up to Fifteen Thousand Dollars (\$15,000.00) per Hotel for replacement and improvements on a routine basis. In any case, however, Lessee shall provide invoices and, when requested by Lessor, explanation of the circumstances and need for non-budgeted expenditures from the Reserves. Lessee shall, except as provided in (a), (b) and (c) above, obtain the prior written approval of Lessor for all expenditures in any Lease Year for which Lessee is entitled to seek reimbursement from Lessor pursuant to the terms of this Agreement which exceed the amount in the Reserves for that Lease Year. Any amount of the Reserves not actually expended in any Lease Year shall accumulate in the respective Reserve for use in succeeding Lease Years.

Section 6.3 FF&E Reimbursements. To the extent set forth in the Annual Budget, within the \$15,000 per hotel limit or the result of an emergency situation, Lessor shall reimburse Lessee the expenditures payable from the FF&E Reserve within ten (10) days of the receipt from Lessee of written documentation, including invoices and/or purchase orders, setting forth the amount due. If Lessor's prior approval of such expenditures is required, following receipt of such approval, Lessee shall send to Lessor the invoices or purchase orders, as applicable, with respect to such expenditures and Lessor shall reimburse Lessee or pay the vendor directly. If Lessor fails to reimburse Lessee for amounts to be reimbursed pursuant to the provisions of the first sentence of this Section 6.3, the amount to be reimbursed shall bear interest at a rate per annum equal to the Overdue Rate from date of receipt of the requisite documentation until date of payment. Lessee shall provide additional reasonable detail of the amount due and the goods and services provided when requested by Lessor.

Section 6.4 Operating Inventory. On the Commencement Date, all Operating Inventory shall be transferred from Lessor to Lessee so that it accompanies the Leased Property. During the term of this Lease, Lessee, at its sole cost and expense, shall furnish and maintain at the Leased Property all Operating Inventory necessary or desirable for the operation of the Leased Property in accordance with the provisions of this Lease. Lessee, at its sole cost and expense, shall maintain and replace the Operating Inventory so that substantially the same quantities of such items that existed on the Commencement Date shall be available to Lessor on the termination of this Lease. As additional Rent, upon the termination of this Lease, (a) the Operating Inventory and (b) any

Personalty acquired by use of funds from the Personalty Reserve shall be transferred from Lessee to Lessor so that it accompanies the Leased Property shall be transferred from Lessee to Lessor so that it accompanies the Leased Property. The term "Operating Inventory," as used herein, shall mean all food, beverages (alcoholic and non-alcoholic) and other consumable items used in the operation of the Hotel such as linens and terry, blankets and spreads, fuel, engineering, maintenance and housekeeping supplies, soap, cleaning materials, matches, stationery and printing, brochures, literature, folios and all other similar items, together with all substitutions and replacements thereto.

Section 6.5 Construction Profit. Lessor authorizes a construction profit to Lessee, or an affiliate of Lessee, in the amount of seven and one-half percent (7.5%) of all costs, including, but not limited to, in-house costs directly related to the construction project, for the construction of a new hotel, for any additions or improvements to an existing Hotel, or for the repair, maintenance or renovation of any existing Hotel that Lessee's construction division or Lessee's construction affiliate oversees or manages. The parties may, by mutual agreement, agree to a different construction management fee.

ARTICLE VII

RIGHT OF FIRST OPPORTUNITY TO LEASE

Section 7.1 Hotel Acquisitions. Except as provided in Section 7.6, Lessee shall have the right of first opportunity ("Right of First Opportunity to Lease") to lease from Lessor any hotel acquired by Lessor within a Competitive Area during the Lease Term (the "Opportunity Period") if, and only if, Lessor is not contractually obligated to retain existing management at any such acquired hotel.

Section 7.2 Notice. In the event that Lessor proposes to acquire ownership of any hotel within a Competitive Area during the Opportunity Period, Lessor shall promptly notify Lessee in writing. If Lessee is to be granted a Right of First Opportunity with respect to such hotel, (a) the notice shall specify the material economic terms upon which Lessor would be willing to lease such hotel to Lessee and (b) Lessor shall provide Lessee with certain due diligence rights with respect to such hotel as set forth in Section 7.3.

Section 7.3 Due Diligence. Lessor shall arrange for Lessee and its consultants, at Lessee's sole cost and expense, to have the right, opportunity and access to conduct physical, financial and legal reviews of the hotel proposed to be acquired by Lessor, in the manner, to the extent and during the periods, that Lessor has the right, opportunity and access to do so (whether pursuant to a purchase agreement or otherwise), with the objective of according Lessee the same right, opportunity and access to conduct its due diligence with respect to such hotel as is available to Lessor (as may exist before and during the term of any related purchase agreement). As a condition to availing itself of such right, upon request by Lessor, Lessee will agree, in an appropriate writing or writings, (a) to be bound by such confidentiality agreements regarding such hotel as to which Lessor shall agree to be bound, (b) to indemnify the owner of such hotel, Lessor and such other parties as reasonably are appropriate, against damage to property or injuries to persons occurring as the result of a negligent or willful act or omission of Lessee's employees, agents or consultants while conducting

diligence activities at such hotel (to the same extent as Lessor indemnifies the owner of such hotel and/or other reasonably appropriate parties), and(c) to agree to be bound by such other agreements, conditions and limitations regarding such hotel as Lessor is bound as a condition of it conducting due diligence on such hotel. Each of Lessor and Lessee agrees, from time to time upon the request of the other, to deliver or make available (without warranty) to the other, copies of all due diligence materials regarding such hotel received from third parties.

Section 7.4 Exercise of Right of First Opportunity. If a Right of First Opportunity is granted to Lessee with respect to any such hotel within a Competitive Area to be acquired by Lessor, Lessee shall have a period of twenty-one (21) days from the date of written notice thereof in which to elect to lease such hotel from Lessor in substantial conformity with the material terms and conditions specified in the notice. Lessee may elect to exercise a Right of First Opportunity only by delivering a written notice of its election to do so to Lessor within such twenty-one (21) day period. In the event that Lessee exercises a Right of First Opportunity, Lessor shall lease such hotel to Lessee as soon thereafter as is practical pursuant to a Participating Lease on the Form Participating Lease and in substantial conformity with the material terms and conditions specified in the notice of Right of First Opportunity which are not materially inconsistent with the Form Participating Lease.

Section 7.5 Failure to Exercise Right of First Opportunity. If Lessee elects not to exercise a Right of First Opportunity or fails to make an election within the twenty-one (21) day period following notice of a Right of First Opportunity, Lessor shall be free to lease such hotel to any third party on terms and conditions that are not in the aggregate economically less favorable to Lessor than those offered to Lessee in the related notice of Right of First Opportunity and only in the form of the Form Participating Lease.

Section 7.6 When Lessee is the Procuring Cause. In the event that Lessee is the procuring cause of the acquisition of any hotel by Lessor, Lessee shall have the exclusive right to lease such hotel from Lessor and Lessor shall, at the option of Lessee, lease such hotel to Lessee on economic terms to be mutually agreed to between Lessor and Lessee pursuant to the general format of Form Participating Lease. If the parties are unable to agree on the lease terms, an independent third party agreeable to both Lessee and Lessor shall establish the Fair Market Rental. If Lessee, upon receipt of the terms established by the independent third party, chooses not to lease the hotel at the Fair Market Rental established, Lessor may rent to any third party but only at a rental rate at least equal to the Fair Market Rental established and only according to the terms of the Form Participating Lease. If Lessor is unable to do so within forty-five (45) days, Lessee's right to lease contained herein shall be re-established.

Section 7.7 Remedies. If Lessor breaches this Article VII, Lessee shall have all remedies available at law or in equity. Notwithstanding the foregoing, Lessee shall be deemed to have waived its right to pursue any of its rights and remedies with respect to Lessor's failure to comply with Section 7.2 with respect to any individual hotel acquired by Lessor, if it does not notify Lessor of its claim with reasonable specificity and in writing within one hundred eighty (180) days of receiving the notice specified in Section 7.2.

ARTICLE VIII

HOTEL ACQUISITIONS

Section 8.1 Hotel Acquisition. In the event that Lessee locates an existing hotel to acquire within a Competitive Area, Lessee shall first offer the acquisition of the Hotel to Lessor on terms and conditions which are acceptable to Lessee. Lessor shall have twenty-one (21) days within which to decide whether to acquire the Hotel on such terms and conditions. (In the alternative, Lessee may execute a contract for purchase of a hotel within that Competitive Area which is assignable to Lessor if Lessor, within the twenty-one (21) day period, decides to acquire the hotel in which case Lessor shall reimburse Lessee for its direct costs and expenses related to the contract.) In the event Lessor determines not to acquire the hotel, Lessee may acquire the Hotel on the same terms and conditions as offered to Lessor. In the event Lessor decides to purchase the Hotel, Lessee shall be entitled to a reasonable fee for its work in the preliminary acquisition process in no event to be less than two percent (2%) no more than six percent (6%) of the total purchase price of the hotel (which shall include all fees for consulting, non-competition, and similar amounts payable in conjunction with the purchase of the hotel). Upon failure of agreement on the percentage of the fee, the matter of the correct percentage shall be submitted to arbitration as provided in Article XXXVIII of the Form Participating Lease.

ARTICLE IX

CHANGE IN CONTROL

Section 9.1 Initial Ownership Structure. Lessee represents that on the date hereof Lessee is a corporation organized and existing under the laws of the State of Nebraska.

Section 9.2 Transfer of Lease. Without the consent of Lessor, which Lessor may not unreasonably withhold, the Lessee shall not voluntarily transfer, sell or convey any direct or indirect interest in this Agreement or in any of the Participating Leases.

Section 9.3 Change in Management. In the event that neither (a) Steve Borgmann or Richard Herink nor (b) a person or entity proposed by Lessee and consented to by Lessor (which consent shall not be unreasonably withheld) is involved in the management of Lessee, then Lessor shall have the right, as its sole remedy, to terminate all, but not fewer than all, of the Participating Leases and Lessee shall pay to Lessor, as a result of such termination, the Termination Value, provided that if Messrs. Borgmann and Herink are no longer involved in the management of Lessee due to death or disability Lessor shall have no right to terminate this Lease pursuant to this Section 9.3. Lessee hereby agrees to notify Lessor in writing within ten (10) days of the occurrence of any event which causes Lessee to be in violation of the terms of this Section 9.3. The right granted to Lessor pursuant to this Section 9.3 must be exercised within ninety (90) days of the date of notice to Lessor of Lessee's failure to comply with this Section 9.3.

Section 9.4 Other Business Activities. Neither Lessee, nor any Affiliate of Lessee, shall engage in any business or activity which relates to the owning, leasing or managing hotels in a Competitive Area except as provided in this Agreement.

ARTICLE X

SPECIAL TERMINATION RIGHTS

In the event that Lessee during the term of this Agreement engages in any Competitive Activity without first complying with the provisions of Articles VII and VIII, Lessor shall have the right, as its sole and exclusive remedy, provided Lessee has not ceased such Competitive Activity within a period of 60 days from receipt of a written notice from Lessor identifying such Competitive Activity, to terminate all, but not fewer than all, of the Participating Leases and upon such termination, Lessee shall pay to Lessor the Termination Value. The right to terminate shall not be exercised by Lessor after a period of one hundred eighty (180) days after Lessor has been given written notice of the Competitive Activity by Lessee.

ARTICLE XI

AUDIT RIGHTS

Lessor shall have the rights to audit Lessee's books and records with respect to the Hotels leased to Lessee. If, in any calendar year, the aggregate deficiency in the payment of Percentage Rent under the Participating Lease on all of the Hotels, as determined pursuant to Lessor's audit and finally agreed to by Lessee or determined by a Court of law or by arbitration, exceeds three percent (3%) of the amount of Percentage Rent payable on all of the Hotels for such Lease Year, then the Lessee shall immediately pay to the Lessor the cost of the audit.

ARTICLE XII

DEFAULT

Section 12.1 Default. A "Default by Lessee" shall exist under this Agreement if any of the following occur:

(a) Rent Payment. Lessee breaches any of its obligations as provided in Section 4.1 and 4.2(b).

(b) Personalty Reserve Payment. A breach by Lessee of its obligation to create and fund the Personalty Reserve provided in Section 4.2(b) within ten (10) days of written notice of failure thereof.

Section 12.2 Remedies. Upon the occurrence of a Default by Lessee as defined herein, Lessor shall have the right, as Lessor's sole remedy, to terminate this Agreement upon fourteen (14) days written notice to Lessee, in which event Lessee shall thereupon surrender all of the Leased

Properties to Lessor, and, if Lessee fails to so surrender, Lessor shall have the right, without notice, to enter upon and take possession of the Leased Properties and to expel or remove Lessee and its effects without being liable for prosecution or any claim for damages therefor; and Lessee shall, and hereby agrees to, indemnify Lessor for the loss and damage which Lessor suffers by reason of such termination in the amount equal to the total of (a) the reasonable costs of recovering the Leased Properties in the event that Lessee does not promptly surrender the Leased Properties, and all other reasonable expenses incurred by Lessor in connection with the Default by Lessee; (b) the unpaid Base Rent earned as of the date of termination, plus interest at the Overdue Rate accruing after the due date; and (c) a sum equal to the present value (using a factor for such purpose equal to the interest payable on ten (10) year treasury notes plus four percent (4%) per annum) of the total Base Rent which Lessor would have received under this Agreement for the remainder of the term of this Agreement then in effect, less Base Rent which Lessee is able to prove Lessor could have received from the balance of the term of this Agreement thus in effect (collectively, the "Termination Value"). Lessor acknowledges that it has a duty to mitigate its losses and damages by using its best efforts to relet the Hotels at or above the Base Rent herein.

ARTICLE XIII

MISCELLANEOUS

Section 13.1 Modification, Amendments and Waivers. No modification, amendment or waiver of any provision of this Agreement shall be effective unless the same is in a writing signed by all parties to this Agreement.

Section 13.2 Notices. All notices and other communications pursuant to this Agreement shall be in writing and personally served or mailed as provided in Article XXXI of the Form Participating Lease.

Section 13.3 Successors and Assigns. The provisions of this Agreement shall be binding upon the parties hereto and all of their successors and assigns and inure to the benefit of the parties hereto and their permitted successors and assigns.

Section 13.4 Governing Law. This Agreement shall be governed by the laws of the State of Texas, without giving effect to the principles of conflicts of law thereof.

Section 13.5 Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be an original, with the same force and effect as if the signatures thereto and hereto were upon the same instrument.

Section 13.6 Waiver. Each party waives, to the extent permitted by applicable law, any right to a trial by jury in any proceedings brought by either party to enforce the provisions of this Agreement, and Lessee and its Affiliates waive the benefit of any laws now or hereafter in force exempting property from liability for rent or debt, and Lessor waives any right to assert an "alter ego" of the Lessee and its Affiliates or to "pierce the corporate veil" of Lessee and its Affiliates other than to the extent funds shall have been inappropriately paid following a Default by Lessee and its

Affiliates under this Agreement to any person directly or indirectly having an ownership interest in Lessee and its Affiliates.

Section 13.7 Time of the Essence. Time is of the essence of this Agreement.

Section 13.8 Names and Marks. Lessor hereby assigns, at no cost, to Lessee the right to use the name "Supertel" and to use the mark associated therewith, the red S, and on the tenth anniversary of this Agreement, provided that no Default by Lessee exists on such tenth anniversary Lessor agrees to the transfer, without any additional consideration, all of the right in and to the "Supertel" name and in and to the mark associated therewith.

Section 13.9 Confidential Information. Lessor agrees to keep and maintain all information about Lessee and the Hotels confidential and agrees to take all steps reasonably necessary to maintain the confidentiality of all such information. No third party, unless required by law, shall be provided access to or provided information about the Hotels or Lessee.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

LESSOR

PMC COMMERCIAL TRUST

By: /s/ Lance B. Rosemore

Lance B. Rosemore
President and Chief Executive Officer

LESSEE

NORFOLK HOSPITALITY
MANAGEMENT, CO.

By: /s/ Steve Borgmann

Steve Borgmann
President

EXHIBIT A

INITIAL HOTELS
(PAGE 1 OF 3)

Antigo Super 8 Motel
535 Century Avenue
Antigo, WI 54409
(715) 623-4188

Batesville Super 8 Motel
1287 N. St. Louis Street
Batesville, AR 72501
(870) 793-5888

Bedford Super 8 Motel
1800 Airport Freeway
Bedford, TX 76022
(817) 545-8108

River Valley Suites
320 Lee Streets
Bullhead City, AZ 86429
(520) 754-4651

Burlington Super 8 Motel
3001 Kirkwood
Burlington, IA 52601
(319) 752-9806

Clinton Super 8 Motel
1711 Lincoln Way
Clinton, IA 52732
(319) 242-8870

College Station Super 8 Motel
301 Texas Avenue
College Station, TX 77840
(409) 846-8800

Columbus Super 8 Motel
3324 20th Street
Columbus, NE 68601
(402) 563-3456

Iowa City Super 8 Motel
611 First Avenue
Coralville, IA 52241
(319) 337-8388

Creston Super 8 Motel
804 West Taylor
Creston, IA 50801
(515) 782-6541

Denton Super 8 Motel
620 S. I-35 East
Denton, TX 76205
(940) 380-8888

El Dorado Super 8 Motel
2530 West Central
El Dorado, KS 67042
(316) 321-4888

Fayetteville Super 8 Motel
1075 S. Shiloh Drive
Fayetteville, AR 72701
(501) 521-8866

Ft. Madison Super 8 Motel
5107 Avenue O - Hwy 61 West
Ft. Madison, IA 52627
(319) 372-8500

Garden City Super 8 Motel
2808 North Taylor
Garden City, KS 67846
(316) 275-9625

Grapevine Super 8 Motel
250 East Highway 114
Grapevine, TX 76051
(817) 329-7222

Hays Super 8 Motel
3730 Vine Street
Hays, KS 67601
(785) 625-8048

Houston Wingate Inn
15615 JFK Blvd.
Houston, TX 77032
(281) 987-8777

Irving Super 8 Motel
4245 W. Airport Freeway
Irving, TX 75062
(972) 257-1810

Las Colinas Wingate Inn
850 West Walnut Hill Lane
Irving, TX 75038
(972) 751-1031

Jacksonville Super 8 Motel
1003 West Morton Road
Jacksonville, IL 62650
(217) 479-0303

Jefferson City Super 8 Motel
1710 Jefferson Street
Jefferson City, MO 65110
(573) 636-5456

Keokuk Super 8 Motel
3511 Main
Keokuk, IA 52632
(319) 524-3888

Kingdom City Super 8 Motel
Hwy 54 - P.O. Box 139
Kingdom City, MO 65262
(573) 642-2888

Kirksville Super 8 Motel
1101 Country Club Drive
Kirksville, MO 63501
(816) 665-8826

Lenexa Super 8 Motel
9601 Westgate
Lenexa, KS 66215
(913) 888-8899

Cornhusker Super 8 Motel
2545 Cornhusker Highway
Lincoln, NE 68521
(402) 467-4488

EXHIBIT A

INITIAL HOTELS
(PAGE 2 OF 3)

West "O" Super 8 Motel 2635 West "O" Street Lincoln, NE 68528 (402) 476-8887	Muscatine Super 8 Motel 2900 North Hwy 61 Muscatine, IA 52761 (319) 263-9100	Pittsburg Super 8 Motel 3108 North Broadway Pittsburg, KS 66762 (316) 232-1881
Macomb Super 8 Motel 313 University Avenue Macomb, IL 61455 (309) 836-8888	Norfolk Super 8 Motel (Motel) 1223 Omaha Avenue Norfolk, NE 68701 (402) 379-2220	Plano Super 8 Motel 1704 N. Central Expressway Plano, TX 75074-5729 (972) 423-8300
Manhattan Super 8 Motel 200 Tuttle Creek Blvd. Manhattan, KS 66502 (785) 537-8468	O'Neill Super 8 Motel East Highway 20 O'Neill, NE 68763 (402) 336-3100	Portage Super 8 Motel 3000 New Pinery Road Portage, WI 53901 (608) 742-8330
Marshall Super 8 Motel 1355 West College Drive Marshall, MO 65340 (816) 886-3359	Aksarben Super 8 Motel 7111 Spring Street Omaha, NE 68106 (402) 390-0700	Russellville Super 8 Motel 2404 North Arkansas Ave. Russellville, AR 72801 (501) 968-8898
McKinney Super 8 Motel 910 N. Central Expressway McKinney, TX 75070 (972) 548-8880	Omaha Super 8 Motel 10829 "M" Street Omaha, NE 68137 (402) 339-2250	Sedalia Super 8 Motel 3402 West Broadway Sedalia, MO 65301 (816) 827-5890
Menomonie Super 8 Motel 1622 North Broadway Menomonie, WI 54751 (715) 235-8889	West Dodge Super 8 Motel 11610 West Dodge Road Omaha, NE 68154 (402) 492-8845	Shawano Super 8 Motel 211 Waukechon Street Shawano, WI 54166 (715) 526-6688
Minocqua Comfort Inn 8729 US 51 North Minocqua, WI 54548 (715) 358-2588	Oskaloosa Super 8 Motel 306 South 17th Oskaloosa, IA 52577 (515) 673-8481	Sheboygan Comfort Inn 4332 North 40th Street Sheboygan, WI 53083 (920) 457-7724
Moberly Super 8 Motel North 300-Highway 24 East Moberly, MO 65270 (816) 263-8862	Wichita North Super 8 Motel 6075 Air Cap Drive Park City, KS 67219 (316) 744-2071	Storm Lake Super 8 Motel 101 West Milwaukee Avenue Storm Lake, IA 50588 (712) 732-3063
Mountain Home Super 8 Motel 865 Hwy 62 East Mountain Home, AR 72653 (870) 424-5600	Parsons Super 8 Motel 229 East Main Parsons, KS 67357 (316) 421-8000	Tomah Super 8 Motel 1008 E. McCoy Blvd. Tomah, WI 54660 (608) 372-3901
Mt. Pleasant Super 8 Motel Rt. 2, Box 227B Mt. Pleasant, IA 52641 (319) 385-8888	Pella Super 8 Motel 105 East Oskaloosa Pella, IA 50219 (515) 628-8181	Waco Super 8 Motel 1320 S. Jack Kultgen Way Waco, TX 76706 (254) 754-1023

Watertown Super 8 Motel
503 14th Avenue S.E.
Watertown, SD 57201
(605) 882-1900

Wayne Super 8 Motel
610 Tomar Drive
Wayne, NE 68787
(402) 375-4898

West Plains Super 8 Motel
1210 Porter Wagoner Blvd.
West Plains, MO 65775
(417) 256-8088

Wichita Super 8 Motel
527 South Webb Road
Wichita, KS 67207
(316) 686-3888

Wichita Falls Super 8 Motel
1307 Kenley Avenue
Wichita Falls, TX 76305
(940) 322-8880

LEASE AGREEMENT

DATED AS OF _____, 1998

BETWEEN

AS LESSOR

AND

AS LESSEE

TABLE OF CONTENTS

ARTICLE I.....		1
1.1	Leased Property.....	1
1.2	Term.....	2
1.3	Extension Option.....	2
ARTICLE II.....		2
2.1	Definitions.....	2
ARTICLE III.....		12
3.1	Rent.....	12
3.2	Confirmation of Percentage Rent.....	13
3.3	Additional Charges.....	13
3.4	Net Lease Provision.....	14
3.5	Annual Budget.....	14
3.6	Books and Records.....	15
ARTICLE IV.....		15
4.1	Payment of Impositions.....	15
4.2	Notice of Impositions.....	16
4.3	Adjustment of Impositions.....	16
4.4	Utility Charges.....	16
4.5	Insurance Premiums.....	16
ARTICLE V.....		16
5.1	No Termination, Abatement, etc.....	16
ARTICLE VI.....		17
6.1	Lessor Representations and Warranties.....	17
6.2	Deliverables.....	20
6.3	Property Reports.....	21
6.4	Ownership of the Leased Property.....	22
6.5	Lessee's Personal Property.....	22
ARTICLE VII.....		22
7.1	RESERVED.....	22
7.2	Use of the Leased Property.....	23
7.3	Lessor to Grant Easements, etc.....	23
ARTICLE VIII.....		24
8.1	Compliance with Legal and Insurance Requirements, etc.....	24
8.2	Legal Requirement Covenants.....	24
8.3	Environmental Covenants.....	25

ARTICLE IX.....		27
9.1	Maintenance, Repair and Improvements.....	27
9.2	Encroachments, Restrictions, etc.....	28
9.3	Reimbursements.....	28
ARTICLE X.....		29
10.1	Alterations.....	29
10.2	Salvage.....	29
10.3	Lessor Alterations.....	29
10.4	Joint Use Agreements.....	29
10.5	Construction Affiliates.....	30
ARTICLE XI.....		30
11.1	Liens.....	30
ARTICLE XII.....		30
12.1	Permitted Contests.....	30
ARTICLE XIII.....		31
13.1	General Insurance Requirements.....	31
13.2	Replacement Cost.....	32
13.3	Worker's Compensation.....	32
13.4	Waiver of Subrogation.....	33
13.5	Form Satisfactory, etc.....	33
13.6	Increase in Limits.....	33
13.7	Blanket Policy.....	33
13.8	Reports On Insurance Claims.....	33
ARTICLE XIV.....		34
14.1	Insurance Proceeds.....	34
14.2	Reconstruction in the Event of Damage or Destruction Covered by Insurance.....	34
14.3	Reconstruction in the Event of Damage or Destruction Not Covered by Insurance.....	35
14.4	Lessee's Property.....	35
14.5	Abatement of Rent.....	36
14.6	Construction by Lessee or its Affiliate.....	36
ARTICLE XV.....		36
15.1	Definitions.....	36
15.2	Parties' Rights and Obligations.....	36
15.3	Total Taking.....	36
15.4	Allocation of Award.....	37
15.5	Partial Taking.....	37
15.6	Temporary Taking.....	37

15.7	Lessee's Construction.....	38
ARTICLE XVI.....		38
16.1	Event of Default.....	38
16.2	Remedies.....	39
16.3	Damages.....	40
16.4	Application of Funds.....	40
ARTICLE XVII.....		40
17.1	Lessor's Right to Cure Lessee's Default.....	40
ARTICLE XVIII.....		40
18.1	Personal Property Limitation.....	40
18.2	Sublease Rent Limitation.....	41
18.3	Sublease Tenant Limitation.....	41
18.4	Lessee Ownership Limitations.....	41
18.5	Lessee Officer and Employee Limitation.....	41
ARTICLE XIX.....		42
19.1	Holding Over.....	42
ARTICLE XX.....		42
20.1	RESERVED.....	42
ARTICLE XXI.....		42
21.1	Indemnification.....	42
ARTICLE XXII.....		43
22.1	Subletting and Assignment.....	43
22.2	Attornment.....	43
22.3	Management Agreement.....	44
ARTICLE XXIII.....		44
23.1	Officer's Certificates: Financial Statements; Lessor's Estoppel Certificates and Covenants.....	44
ARTICLE XXIV.....		45
24.1	Lessor's Right to Inspect.....	45
ARTICLE XXV.....		45
25.1	No Waiver.....	45
ARTICLE XXVI.....		45
26.1	Remedies Cumulative.....	45
ARTICLE XXVII.....		46

27.1	Acceptance of Surrender.....	46
ARTICLE XXVIII.....		46
28.1	No Merger of Title.....	46
ARTICLE XXIX.....		46
29.1	Conveyance by Lessor.....	46
29.2	Amendment Upon Conveyance.	46
29.3	Other Interests.....	47
ARTICLE XXX.....		48
30.1	Quiet Enjoyment.....	48
ARTICLE XXXI.....		48
31.1	Notices.....	48
ARTICLE XXXII.....		48
32.1	Appraisers.....	48
ARTICLE XXXIII.....		49
33.1	Lessor May Grant Liens.....	49
33.2	Lessee's Right to Cure.....	49
33.3	Breach by Lessor.....	50
ARTICLE XXXIV.....		50
34.1	Miscellaneous.....	50
34.2	Transition Procedures.....	51
34.3	Waiver of Presentment, etc.....	52
ARTICLE XXXV.....		52
35.1	Memorandum of Lease.....	52
ARTICLE XXXVI.....		52
36.1	Lessor's Option to Purchase Assets of Lessee.....	52
ARTICLE XXXVII.....		52
37.1	Compliance with Franchise Agreement and Management Agreement.....	52
ARTICLE XXXVIII.....		53
38.1	Arbitration.....	53
38.2	Alternative Arbitration.....	53
38.3	Arbitration Procedures.....	53

LEASE AGREEMENT

THIS LEASE AGREEMENT (hereinafter called "Lease"), is made and entered into as of the _____ day of _____, 1998, by and between PMC Commercial Trust, a Texas real estate investment trust ("Lessor"), and Norfolk Hospitality Management Co., a Nebraska corporation ("Lessee").

AGREEMENT:

Lessor, for and in consideration of the payment of rent by Lessee to Lessor, the covenants and agreements to be performed by Lessee, and upon the terms and conditions hereinafter stated, does hereby rent and lease unto Lessee, and Lessee does hereby rent and lease from Lessor, the Leased Property.

ARTICLE I

1.1 Leased Property. The Leased Property is comprised of Lessor's interest in the following:

(a) the land described in Exhibit A attached hereto and by reference incorporated herein (the "Land");

(b) all buildings, structures and other improvements of every kind including, without limitation, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and offsite), parking areas and roadways appurtenant to such buildings and structures presently situated upon the Land (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements;

(d) all equipment, machinery, fixtures and other items of property required for or incidental to the use of the Leased Improvements as a hotel, including all components thereof now and hereafter permanently affixed to or incorporated into the Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, all of which to the greatest extent permitted by law are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereof (collectively, the "Fixtures");

(e) all furniture and furnishings and all other items of personal property (excluding Inventory and the Lessee's Personal Property) located on, and used in connection with, the operation of the Leased Improvements as a hotel, together with all replacements, modifications, alterations and additions thereto; and

(f) all existing leases of space within the Leased Property (including any security deposits or collateral held by Lessor pursuant thereto).

1.2 Term. Unless earlier terminated in accordance with the provisions hereof, the term of the Lease (the "Term") shall commence on the effective date of the merger between Lessor and Supertel Hospitality, Inc. (the "Commencement Date") and shall end on the fifth anniversary of the last day of the month in which the Commencement Date occurs; provided, however, that the term hereof will be automatically extended from time to time hereafter as provided in Section 3.3 of the Master Lease Agreement.

1.3 Extension Option. Provided that Lessee is not then in default under the terms of this Lease, Lessee shall have the option, in its sole discretion, to extend this Lease for one (1) successive term of two (2) years (the "Option Period") upon the same terms and conditions contained herein and in the Participating Leases, except for the payment of Base Rent which total amount shall increase (subject to adjustments from condemnation, casualty, sale, or otherwise provided herein and in the Participating Leases) from Fourteen Million Four Hundred Thousand Dollars (\$14,400,000.00) to Fifteen Million Dollars (\$15,000,000.00) for each of the two (2) years in the Option Period. Upon exercise of the option, the renewal term shall commence at midnight on the last day of the original five (5) year term of this Lease. Notice of the exercise of the option to extend shall be given in writing to Lessor not less than one (1) year prior to the end of the original five (5) year term of this Lease.

1.4 Automatic Lease Term Extensions. After the original five (5) year term of this Lease and after the Option Period, if any, the term of this Lease shall be automatically extended for an additional two (2) year term, unless either Lessee or Lessor gives notice in writing to the other at least eleven (11) months prior to the end of the then current term that it elects not to allow the automatic extension of the term of this Lease, in which case this Lease shall terminate at the end of the then current term. In the event this Lease is extended for an additional two (2) year term, then this Lease shall be further automatically extended on a continuing basis beyond the then current term of this Lease by additional successive two (2) year periods unless either Lessee or Lessor gives written notice to the other at least one (1) year before the end of the then current term that it elects not to allow the automatic extension to occur beyond the then current term. It is the intent of the parties that each will have a minimum of one (1) year notice prior to the end of the term of this Lease. This shall not preclude the parties from renegotiating this Lease from time to time.

ARTICLE II

2.1 Definitions. For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article II have the meanings assigned to them in this Article II and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as are at the time applicable, (c) all references in this Lease to designated "Articles," "Sections" and other subdivisions are to the designated Articles,

Sections and other subdivisions of this Lease and (d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Additional Charges: As defined in Section 3.3.

Affiliate: As used in this Lease the term "Affiliate" of a person shall mean (a) any person that, directly or indirectly, controls or is controlled by or is under common control with such person, (b) any other person that owns, beneficially, directly or indirectly, 5% or more of the outstanding capital stock, shares or equity interests of such person, or (c) any officer, director, employee, partner or trustee of such person or any person controlling, controlled by or under common control with such person (excluding trustees and persons serving in similar capacities who are not otherwise an Affiliate of such person). The term "person" means and includes individuals, corporations, general and limited partnerships, limited liability companies, stock companies or associations, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts, or other entities and governments and agencies and political subdivisions thereof. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, through the ownership of voting securities, partnership interests or other equity interests.

Annual Budget: As used in this Lease, the term "Annual Budget" shall mean an operating and capital budget for the Hotel prepared by Lessee and delivered to Lessor in accordance with Section 3.5.

Applicable Laws means any applicable federal, state, county or municipal law, statute, ordinance, rule, regulation, order or determination of any governmental authority or any board of fire underwriters (or other body exercising similar functions), or any restrictive covenant or deed restriction or zoning ordinance or classification affecting any of the Hotels, including without limitation, all applicable codes, flood disaster laws and health and Environmental Laws, rule and regulations.

Architectural Barriers Legislation means the Americans With Disabilities Act of 1990, P.L. 101-336, as amended.

Award: As defined in Section 15.1(a).

Base Rate: The rate of interest published in The Wall Street Journal, Midwest Edition as the Prime Rate (or the lower of any two or more of such rates), as it changes. If no such rate is announced or becomes discontinued, then such other rate as Lessor and Lessee shall reasonably designate by mutual agreement.

Base Rent: As defined in the Master Lease Agreement.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which national banks in the City of New York, New York, or in the municipality wherein the Leased Property is located are closed.

CERCLA: The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

Code: The Internal Revenue Code of 1986, as amended.

Commencement Date: As defined in Section 1.2.

Condemnation; Condemnor: Each as defined in Section 15.1.

Date of Taking: As defined in Section 15.1(d).

Encumbrance: As defined in Section 33.1.

Environmental Authority: Any department, agency or other body or component of any Government that exercises any form of jurisdiction or authority under Environmental Law.

Environmental Authorization: Any license, permit, order, approval, consent, notice, registration, filing or other form of permission or authorization required under any Environmental Law.

Environmental Laws: All applicable federal, state, local and foreign laws and regulations relating to pollution of the environment (including without limitation, ambient air, surface water, ground water, land surface or subsurface strata), including without limitation laws and regulations relating to emissions, discharges, Releases or threatened Releases of Hazardous Materials or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials. Environmental Laws include but are not limited to CERCLA, FIFRA, RCRA, SARA and TSCA.

Environmental Liabilities: Any and all obligations to pay the amount of any judgment or settlement, the cost of complying with any settlement, judgment or order for injunctive or other equitable relief, the cost of compliance or corrective action in response to any notice, demand or request from an Environmental Authority, the amount of any civil penalty or criminal fine, and any court costs and reasonable amounts for attorney's fees, fees for witnesses and experts, and costs of investigation and preparation for defense of any claim or any Proceeding that may hereafter be asserted against or imposed upon Lessor, Lessee, the Leased Property or any property used therein, and which, when applicable to Lessee, arise out of any act or omission of Lessee during the Lease Term which causes a failure of the Leased Property to comply with Environmental Laws; or claims for injury or damage to persons or property arising out of exposure to Hazardous Materials originating on the Leased Property, which, when applicable to Lessee, originated on the Leased Property during the Term.

Event of Default: As defined in Section 16.1.

Fair Market Rental Value: The fair market rental of the Leased Property means the rental which a willing tenant not compelled to rent would pay a willing landlord not compelled to lease for the use and occupancy of such Leased Property pursuant to the Participating Lease for the term in question, (a) assuming that Lessee is not in default thereunder and (b) determined in accordance with the appraisal procedures set forth in the Participating Lease or in such other manner as shall be mutually acceptable to Lessor and Lessee.

Fair Market Value: The fair market value of the Leased Property means an amount equal to the price that a willing buyer not compelled to buy would pay a willing seller not compelled to sell for such Leased Property, (a) assuming the same is unencumbered by this Lease, (b) determined in accordance with the appraisal procedures set forth in Article XXXIII or in such other manner as shall be mutually acceptable to Lessor and Lessee, (c) assuming that such seller must pay customary closing costs and title premiums, and (d) taking into account the positive or negative effect on the value of the Leased Property attributable to the interest rate, amortization schedule, maturity date, prepayment penalty and other terms and conditions of any encumbrance that is assumed by the transferee. In addition, in determining the Fair Market Value with respect to damaged or destroyed Leased Property such value shall be determined as if such Leased Property had not been so damaged or destroyed.

FF&E Reserve: The reserve account to refurbish, replace, and improve FF&E provided in Section 6.1 of the Master Lease Agreement and to repair, refurbish, replace, and improve the Leased Improvements and the Fixtures.

FIFRA: The Federal Insecticide, Fungicide, and Rodenticide Act, as amended.

Fixtures: As defined in Section 1.1.

Food and Beverage Revenues: All revenues, receipts and income of any kind received by Lessee and derived directly from the sale of food, alcoholic and non-alcoholic beverages, merchandise, services and entertainment from or in a Restaurant or otherwise in the Hotel (other than any Restaurant Sublease Rent), whether on a cash basis or credit, paid or collected, determined in accordance with generally accepted accounting principles, excluding, however: (a) federal, state and municipal excise, sales and use taxes collected directly from patrons and guests or as a 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, (b) the amount of all credits, rebates or refunds to customers, guests or patrons, and all service charges, finance charges, interest and discounts attributable to charge accounts and credit cards, to the extent the same are paid to Lessee by its customers, guests or patrons, or to the extent the same are paid for by Lessee to, or charged to Lessee by, credit card companies, (c) gratuities or service charges actually paid to employees, (d) sales other than sales in the ordinary course of business, (e) the cost of meals to Lessee's employees, and the cost of charitable, promotional or other complimentary meals given by Lessee in the ordinary course of

business and in accordance with its normal policies for giving such meals, as is customary for similar operations, (f) revenues derived from vending machines operated by Lessee for the convenience of its employees, (g) receipts for returns to shippers, manufacturers or suppliers, (h) proceeds of business interruption or other insurance, and (i) items constituting "allowances" under the Uniform System.

Franchise Agreement: Any franchise agreement or license agreement with a franchisor (such as Super 8) under which the Hotel is operated.

Furniture, Fixtures and Equipment: Furniture, fixtures, and equipment used or usable in the operation of the Hotel, including but not limited to room furniture, exercise fixtures and equipment, office equipment, restaurant and bar equipment, business center equipment, all operating systems (e.g. HVAC, electrical, plumbing, and Fixtures), beds, lamps, window and wall coverings and attachments of all kinds, carpets, painting, laundry equipment, water softeners, on site property management systems, material handling equipment, cleaning and engineering equipment, on-site computer hardware and software replacements and upgrades, on-site telephones and communication equipment, on-site computerized accounting systems and on-site vehicles.

Government: The United States of America, any state, district or territory thereof, any foreign nation, any state, district, department, territory or other political division thereof, or any political subdivision of any of the foregoing.

Gross Operating Expenses: All salaries and employee expense and payroll taxes (including salaries, wages, bonuses and other compensation of all employees of the Hotel, and benefits including life, medical and disability insurance and retirement benefits), expenditures described in Section 9.1, operational supplies, utilities, insurance to be provided by Lessee under the terms of this Lease, Government fees and assessments, food, beverages, laundry service expense, the cost of Inventories, license fees, advertising, marketing, reservation systems and any and all other operating expenses as are reasonably necessary for the proper and efficient operation of the Hotel incurred by Lessee in accordance with the provisions hereof (excluding, however, (a) federal, state and municipal excise, sales and use taxes collected directly from patrons and guests or as a part of the sales price of any goods, services or displays, such as gross receipts, admissions, cabaret or similar or equivalent taxes paid over to federal, state or municipal governments, (b) the costs of insurance to be provided under Article XIII, (c) expenditures by Lessor pursuant to Article XIV, and (d) payments on any Mortgage or other mortgage or security instrument on the Hotel); all determined in accordance with generally accepted accounting principles. No part of Lessee's central office or corporate overhead or general or administrative expense (as opposed to that of the Hotel) shall be deemed to be a part of Gross Operating Expenses, except as herein provided. Reasonable out-of-pocket expenses of Lessee incurred for the account of or in connection with the on-site Hotel operations, including, without limitation, postage, telephone charges and reasonable travel expenses of employees, officers and other representatives and consultants of Lessee and its Affiliates (but specifically excluding all salary and benefit expenses of such employees, officers and other representatives and consultants), shall be deemed to be a part of Gross Operating Expenses and such persons shall be afforded reasonable accommodations,

food, beverages, laundry, valet and other such services by and at the Hotel without charge to such persons or Lessee.

Gross Operating Profit shall mean, for any Lease Year, the excess of Gross Revenues for such Lease Year over Gross Operating Expenses for such Lease Year.

Gross Revenues: All revenues, receipts and income of any kind received by Lessee and derived directly from the operation of the Hotel (including rentals or other payments from tenants, lessees, licensees or concessionaires but not including their gross receipts), including, without limitation, Room Revenues, Food and Beverage Revenues and Sundry Revenues, whether on a cash basis or credit, paid and collected, determined in accordance with generally accepted accounting principles, excluding, however: (a) funds furnished by Lessor or by Lessee, (b) federal, state and municipal excise, sales, use or other taxes collected directly from patrons and guests or as a 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, (c) the amount of all credits, rebates or refunds to customers, guests or patrons, and all service charges, finance charges, interest and discounts attributable to charge accounts and credit cards, to the extent the same are paid to Lessee by its customers, guests or patrons, or to the extent the same are paid for by Lessee to, or charged to Lessee by, credit card companies, (d) gratuities or service charges actually paid to employees, (e) proceeds of insurance and condemnation, (f) proceeds from sales other than sales in the ordinary course of business, (g) all loan proceeds from financing or refinancings of the Hotel or interests therein or components thereof, (h) judgments and awards, except any portion thereof arising from normal business operations of the Hotel, (i) items constituting "allowances" under the Uniform System, (j) all write-offs for failure of collection, except if any such written-off receivable is ultimately collected it shall be added back to Gross Revenues to the extent collected (less all costs, fees, and expenses of collection), and (k) all fees and amounts paid to or on behalf of Lessee or its Affiliate by Lessor.

Hazardous Materials: All chemicals, pollutants, contaminants, wastes and toxic substances, including, without limitation:

- (a) Solid or hazardous waste, as defined in RCRA or any other Environmental Law;
- (b) Hazardous substances, as defined in CERCLA or any other Environmental law;
- (c) Toxic substances, as defined in TSCA or any other Environmental law;
- (d) Insecticides, fungicides or rodenticides, as defined in FIFRA or any other Environmental Law; and

(e) Gasoline or any other petroleum product or byproduct, polychlorinated biphenyl, asbestos and urea formaldehyde.

Holder: As defined in Section 29.3.

Hotel: The hotel and/or other facility offering lodging or other services or amenities being operated or proposed to be operated on the Leased Property.

Impositions: Collectively, all taxes (including, without limitation, all ad valorem, sales and use, single business, gross receipts, transaction privilege, rent or similar taxes as the same relate to or are imposed upon Lessee or its business conducted upon the Leased Property), assessments (including, without limitation, all assessments for public improvements or benefit, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term), ground rents, water, sewer or other rents and charges, excises, tax inspection, authorization and similar fees and all other Government charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Property or the business conducted thereon by Lessee (including all interest and penalties thereon caused by any failure in payment by Lessee), which at any time prior to, during or with respect to the Term hereof may be assessed or imposed on or with respect to or be a lien upon (a) Lessor's interest in the Leased Property, (b) the Leased Property, or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, or sales from, or activity conducted on or in connection with the Leased Property, or the leasing or use of the Leased Property or any part thereof by Lessee. Nothing contained in this definition of Impositions shall be construed to require Lessee to pay (i) any tax based on net income (whether denominated as a franchise or capital stock or other tax) imposed on Lessor or any other person, or (ii) any net revenue tax of Lessor or any other person, or (iii) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any Leased Property or the proceeds thereof, or (iv) any single business, gross receipts (other than a tax on any rent received by Lessor from Lessee), transaction, privilege or similar taxes as the same relate to or are imposed upon Lessor, except to the extent that any tax, assessment, tax levy or charge that Lessee is obligated to pay pursuant to the first sentence of this definition and that is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (i) or (ii) is levied, assessed or imposed expressly in lieu thereof.

Indemnified Party: Either a Lessee Indemnified Party or a Lessor Indemnified Party.

Indemnifying Party: Any party obligated to indemnify an Indemnified Party pursuant to Section 8.3 or Article XXI.

Insurance Requirements: All terms of any insurance policy required by this Lease and all requirements of the issuer of any such policy.

Inventory: All "Inventories of Merchandise" and "Inventories of Supplies" as defined in the Uniform System.

Land: As defined in Section 1.1.

Lease: This Lease.

Leased Improvements; Leased Property: Each as defined in Section 1.1.

Lease Year: The 12-month period beginning with the Commencement Date and ending on the day of the month immediately preceding the day of the month of the Commencement Date one (1) year from the Commencement Date and each 12-month period thereafter.

Legal Requirements: All federal, state, county, municipal and other Government statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Leased Property or the maintenance, construction, use or alteration thereof (whether by Lessee or otherwise), whether now in force or hereafter enacted and in force, including (a) all laws, rules or regulations pertaining to the environment, occupational health and safety and public health, safety or welfare, and (b) any laws, rules or regulations that may (i) require repairs, modifications or alterations in or to the Leased Property or (ii) in any way adversely affect the use and enjoyment thereof; and all permits, licenses and authorizations and regulations relating thereto and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lessee: The Lessee designated on this Lease and its permitted successors and assigns.

Lessee Indemnified Party: Lessee, any Affiliate of Lessee, any other Person against whom any claim for indemnification may be asserted hereunder as a result of a direct or indirect ownership interest (including a stockholder's interest) in Lessee, the officers, directors, stockholders, employees, agents and representatives of Lessee and the respective heirs, personal representatives, successors and assigns of any such officer, director, stockholder, employee, agent or representative.

Lessee's Personal Property: As defined in Section 6.5.

Lessor: The Lessor designated on this Lease and its successors and assigns.

Lessor Indemnified Party: Lessor, any Affiliate of Lessor, any other Person against whom any claim for indemnification may be asserted hereunder as a result of a direct or indirect ownership interest (including a stockholder's or partnership interest) in Lessor, the officers, directors, stockholders, employees, agents and representatives of the of Lessor and the respective heirs, personal representatives, successors and assigns of any such officer, director, stockholder, employee, agent or representative.

Management Agreement: As defined in Section 22.3.

Manager: The Lessee or any successor manager that is retained by Lessee to operate the Hotel pursuant to this Lease, any Management Agreement and the Franchise Agreement.

Master Lease Agreement: That certain Master Lease Agreement, dated as of the date hereof, by and between Lessee and Lessor, relating to this Lease and the Other Leases.

Notice: As defined in Article XXXI.

Officer's Certificate: A certificate of Lessee reasonably acceptable to Lessor, signed by the chief financial officer or another officer authorized so to sign by the board of directors or by-laws of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any such officer.

Other Leases: The leases of the Other Properties.

Other Properties: The properties described on Exhibit B hereto, excluding the property described on Exhibit A hereto, as the same may be amended from time to time pursuant to and which become subject to the terms of the Master Lease Agreement.

Overdue Rate: On any date, a rate equal to the Base Rate plus 5% per annum, but in no event greater than the maximum rate then permitted under applicable law.

Payment Date: Any due date for the payment of any installment of Base Rent.

Percentage Rent: As defined in the Master Lease Agreement.

Person: Any Government, natural person, corporation, partnership or other legal entity.

Personal Property Taxes: All personal property taxes imposed on the furniture, furnishings or other items of personal property located on, and used in connection with, the operation of the Leased Improvements as a hotel (other than Inventory and the Lessee's Personal Property), together with all replacement, modifications, alterations and additions thereto.

Personalty: All FF&E, except for operating systems (e.g. HVAC, electrical, plumbing and Fixtures) and improvements or fixtures which cannot be removed from a Leased Property without material damage to such Leased Property.

Personalty Reserve: Funds available for the purchase of Personalty, which funds shall be provided by, and under the control of, Lessee through the payment of \$50,000 per month (which payment shall be due and payable on the same date as the Base Rent payments during the term of this Lease into an account to be established by Lessee.

Primary Intended Use: As defined in Section 7.2(b).

Proceeding: Any judicial action, suit or proceeding (whether civil or criminal), any administrative proceeding (whether formal or informal), any investigation by a Government authority or entity (including a grand jury), and any arbitration, mediation or other non-judicial process for dispute resolution.

RCRA: The Resource Conservation and Recovery Act, as amended.

Real Estate Taxes: All real estate taxes, including general and special assessments, if any, which are imposed upon the Land, and any improvements thereon.

Release: A "Release" as defined in CERCLA or in any Environmental Law, unless such Release has been properly authorized and permitted in writing by all applicable Environmental Authorities or is allowed by such Environmental Law without authorizations or permits.

Rent: Collectively, the Base Rent and Percentage Rent.

Reserves: Collectively, the FF&E Reserve and the Personalty Reserve.

Restaurant: Any restaurant or cocktail lounge, together with a kitchen for those facilities, which may be located in the Hotel at any time and from time to time.

Restaurant Sublease Rent: The entire net amount of rentals (including base rent and percentage rent) and other amounts, if any, received by Lessee under any sublease (or similar agreement) of a Restaurant which may be entered into from time to time between Lessee and any unaffiliated third party, net of management fees, if any, payable to the Manager, if any, under any Management Agreement with respect to such rentals.

Room Revenues: All revenues, receipts, and income of any kind received by Lessee and derived directly from or in connection with the rental of guest rooms or suites, whether to individuals, groups or transients, at the Hotel, whether on a cash basis or credit, paid and collected, determined in accordance with generally accepted accounting principles, excluding the following:

(a) The amount of all credits, rebates or refunds to customers, guests or patrons, and all service charges, finance charges, interest and discounts attributable to charge accounts and credit cards, to the extent the same are paid to Lessee by its customers, guests or patrons, or to the extent the same are paid for by Lessee to, or charged to Lessee by, credit card companies;

(b) All sales taxes or any other taxes imposed on the rental of such guest rooms or suites;

- (c) Gratuities or service charges actually paid to employees;
- (d) Proceeds of business interruption and other insurance; and
- (e) Food and Beverage Revenues or Sundry Revenues.

SARA: The Superfund Amendments and Reauthorization Act of 1986, as amended.

State: The State or Commonwealth of the United States in which the Leased Property is located.

Subsidiaries: Persons in which Lessee owns more than 50% of the voting equity securities or control, as applicable (individually, a "Subsidiary").

Sundry Revenues: All revenues, receipts, and income received by Lessee and derived from the Hotel's meeting rooms, telephones, TV and movie rentals, check room, washroom, laundry, valet, vending machines, and other similar sources not specified herein as Room Revenues.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain Proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Term: As defined in Section 1.2.

TSCA: The Toxic Substances Control Act, as amended.

Unavoidable Delays: Delays due to strikes, lock-outs, labor unrest, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto to perform any obligations of such party under this Lease or any guaranty of this Lease.

Uneconomic for its Primary Intended Use: A state or condition of the Hotel such that, in the good faith judgment of Lessee, reasonably exercised and evidenced by the resolution of the board of directors or other governing body of Lessee, the Hotel cannot be operated on a commercially practicable basis for its Primary Intended Use, taking into account, among other relevant factors, the number of usable rooms and projected revenues, such that Lessee intends to, and shall, complete the cessation of operations from the Leased Hotel.

Uniform System: Shall mean the Uniform System of Accounts for Hotels (8th Revised Edition, 1986), as published by the Hotel Association of New York City, Inc., as same may hereafter be revised.

Unsuitable for its Primary Intended Use: A state or condition of the Hotel such that, in the good faith judgment of Lessee, reasonably exercised and evidenced by the resolution of the board of directors or other governing body of Lessee, due to casualty damage or loss through Condemnation, the Hotel cannot function as an integrated hotel facility consistent with standards applicable to a well maintained and operated hotel.

ARTICLE III

3.1 Rent. Lessee will pay to Lessor in lawful money of the United States of America which shall be legal tender for the payment of public and private debts, in immediately available funds, at Lessor's address set forth in Article XXXI hereof or at such other place or to such other Person as Lessor from time to time may designate in a Notice, all Base Rent and Percentage Rent, during the Term, as provided in this Lease and the Master Lease Agreement. If this Lease is no longer subject to the Master Lease Agreement, Rent shall be paid according to Schedule 3.1, which will be attached hereto at that time.

3.2 Confirmation of Percentage Rent. Lessee shall utilize, or cause to be utilized, the present accounting system or such other system reasonably agreeable to Lessor, and in accordance with generally accepted accounting principles, that will accurately record all data necessary to compute Percentage Rent. Lessee shall retain, for at least four years after the expiration of each Lease Year, reasonably adequate records conforming to such accounting system showing all data necessary to compute Percentage Rent for the applicable Lease Years. Lessor, at its expense (except as provided below), shall have the right from time to time, upon prior written notice to Lessee and Manager, if any, by Lessor's accountants or representatives to audit the information that formed the basis for the data set forth in any Officer's Certificate provided pursuant to the Master Lease Agreement and, in connection with such audits, to examine all Lessee's records (including supporting data and sales and excise tax returns) reasonably required to verify Percentage Rent, subject to any prohibitions or limitations on disclosure of any such data under Legal Requirements or as otherwise reasonably required by Lessee. If any such audit discloses a deficiency in the payment of Percentage Rent, and either Lessee agrees with the result of such audit or the matter is otherwise determined or compromised, Lessee shall forthwith pay to Lessor the amount of the deficiency, as finally agreed or determined, together with interest at the Overdue Rate from the date when said payment should have been made to the date of payment thereof. If Lessee has prepaid or overpaid any Percentage Rent, Lessor shall immediately pay to Lessee the amount by which Lessee prepaid or overpaid the Percentage Rent in the manner set forth in the Master Lease Agreement. If any such audit discloses that the Percentage Rent actually due from Lessee for any Lease Year exceeds that reported by Lessee by more than 3%, Lessee shall pay the cost of such audit and examination. Any proprietary information obtained by Lessor pursuant to the provisions of this Section 3.2 or otherwise by this Lease shall be treated as confidential, except that such information may be used, subject to appropriate confidentiality safeguards, in any litigation between the parties and except further that Lessor may disclose such information to

prospective lenders. The obligations of Lessee and Lessor contained in this Section 3.2 shall survive the expiration or earlier termination of this Lease.

3.3 Additional Charges. In addition to the Base Rent and Percentage Rent, (a) Lessee also will pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions that Lessee assumes or agrees to pay under this Lease, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) of this Section 3.3, Lessee also will promptly pay and discharge every fine, penalty, interest and cost that may be added for non-payment or late payment of such items (the items referred to in clauses (a) and (b) of this Section 3.3 being referred to herein collectively as the "Additional Charges"). To the extent that Lessee pays any Additional Charges to Lessor pursuant to this Lease or the Master Lease Agreement rather than to the entity to which they would otherwise be due, Lessor shall timely pay same from monies received from Lessee and shall hold harmless Lessee from any claims, damages and expenses related thereto and all fines, penalties, interests, and costs for non-payment or late payment thereof.

3.4 Net Lease Provision. The Rent shall be paid to Lessor without set off, deduction or counterclaim, subject only to the provisions of the Master Lease Agreement or of this Lease set forth in Sections 14.2, 14.3, 15.3, 15.5 and 15.6 and further subject to Lessee's right to assert any claim or mandatory counterclaim in any action brought under this Lease.

3.5 Annual Budget.

(a) Not later than thirty (30) days prior to the commencement of each Calendar Year, Lessee shall submit the proposed Annual Budget to Lessor, provided that for that portion of the Term in 1998 and for calendar year 1999, a budget shall be submitted on or before November 30, 1998. Lessor shall not unreasonably withhold its consent to the Annual Budget submitted by Lessee. Lessor shall have twenty (20) days from the date of receipt of the Annual Budget to review and comment on the Annual Budget and Lessor and Lessee shall negotiate in good faith the terms of the Annual Budget. If Lessor fails to object or otherwise respond to the proposed Annual Budget within such 20-day period, Lessor shall be deemed to have accepted the Annual Budget as so proposed. The Annual Budget shall contain the following:

(i) Lessee's reasonable estimate of Gross Revenues (including average room rates and Room Revenues), Gross Operating Expenses, and Gross Operating Profits for the forthcoming Lease Year on a monthly basis, as same may be revised or updated from time to time by Lessee.

(ii) An estimate of the amounts to be dedicated to the capitalized repair, replacement or refurbishment of Furniture, Fixture and Equipment from the FF&E Reserve and from the Personalty Reserve, as applicable, and to the capitalized repair, refurbishment, replacement, and improvement of the Leased Improvements and the Fixtures.

(iii) An estimate of any amounts Lessor will be required to provide for required or desirable capital improvements to the Hotel or any of its components in excess of the FF&E Reserve.

(iv) A cash flow projection.

(v) A marketing plan.

(b) Not later than thirty (30) days following the end of any month during a Lease Year, Lessee shall submit to Lessor statements setting forth the actual (i) Gross Revenues, Gross Operating Expenses and Gross Profits, (ii) amounts for which reimbursement was sought or will be sought from the FF&E Reserve for such month and (iii) dollar amount of capital improvements made to the Hotel for such month and a comparison of such amounts to the estimates set forth in the Annual Budget.

3.6 Books and Records. Lessee shall keep full and adequate books of account and other records reflecting the results of operation of the Hotel on an accrual basis, all in accordance with generally accepted accounting principles and the obligations of Lessee under this Lease Agreement. The books of account and all other records relating to or reflecting the operation of the Hotel shall be kept either at the Hotel or at Lessee's offices in Norfolk, Nebraska, and shall be available to Lessor and its representatives and its auditors or accountants, at all reasonable times, upon reasonable prior written notice to Lessee, for examination, audit, inspection and transcription. All of such books and records pertaining to the Hotel including, without limitation, books of account, guest records and front office records, at all times shall be the property of Lessee and shall be available to Lessor for its review and audit. Lessee shall be entitled to make a copy of all such books and records for its tax and accounting purposes, at all times and after the termination of this Lease.

ARTICLE IV

4.1 Payment of Impositions. Subject to Article XII (relating to permitted contests), Lessee will pay, or cause to be paid, all Impositions which are assessed with respect to the Term. Lessor shall pay all Impositions which are assessed for periods before and after the Term. Such payments to be made directly to the taxing or other authorities where feasible, and will promptly furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. If any such Imposition may lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in equal, fully amortizing installments and in such event, shall pay such installments which become delinquent during the Term hereof (subject to Lessee's right of contest pursuant to the provisions of Article XII). Lessee shall not be required to pay any installment which comes due after the Term or before the Commencement Date. Lessor, at its expense, shall, to the extent required or permitted by applicable law, prepare and file all tax returns in respect of Lessor's net income, gross receipts, sales and use, single business, transaction privilege, rent, ad valorem, franchise taxes and taxes

on its capital stock, and Lessee, at its expense, shall, to the extent required or permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by Government authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. If an Event of Default shall have occurred and be continuing, any such refund shall be paid over to or retained by Lessor for application on any amounts due Lessor by Lessee. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. Any balance shall be paid to Lessee. Lessor and Lessee shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. Lessee shall file all Personal Property Tax returns in such jurisdictions where it is legally required so to file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property classified as personal property. Lessor may, upon Notice to Lessee, at Lessor's option and at Lessor's sole expense, protest, appeal or institute such other proceedings (in its or Lessee's name) as Lessor may deem appropriate to effect a reduction of real estate or personal property assessments for those Impositions to be paid by Lessor, and Lessee, at Lessor's expense as aforesaid, shall fully cooperate with Lessor in such protest, appeal, or other action. Lessor hereby agrees to indemnify, defend, and hold harmless Lessee from and against any claims, obligations, and liabilities against or incurred by Lessee in connection with such cooperation. Lessor, however, reserves the right to effect any such protest, appeal or other action and, upon Notice to Lessee, shall control any such activity, which shall then go forward at Lessor's sole expense. Upon such Notice, Lessee, at Lessor's expense, shall cooperate fully with such activities.

4.2 Notice of Impositions. Lessor shall give prompt Notice to Lessee of all Impositions payable by Lessee hereunder of which Lessor at any time has knowledge, provided that Lessor's failure to give any such Notice shall in no way diminish Lessee's obligations hereunder to pay such Impositions, but such failure shall obviate any default hereunder for a reasonable time after Lessee receives Notice of any Imposition which it is obligated to pay during the first taxing period applicable thereto.

4.3 Adjustment of Impositions. Impositions imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof after termination shall survive such termination.

4.4 Utility Charges. Lessee will be solely responsible for obtaining and maintaining utility services to the Leased Property and will pay or cause to be paid all charges for electricity, gas, oil, water, sewer and other utilities used in the Leased Property during the Term.

4.5 Insurance Premiums. Lessee will pay or cause to be paid all premiums for the insurance coverages required to be maintained by it under Article XIII.

ARTICLE V

5.1 No Termination, Abatement, etc. Except as otherwise specifically provided in this Lease, except for default by Lessor, and except for loss of the Franchise Agreement by reason of any action or inaction by Lessor, Lessee, to the extent permitted by law, shall remain bound by this Lease in accordance with its terms and shall neither take any action without the written consent of Lessor (which shall not be unreasonably withheld or delayed) to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of the Rent, or setoff against the Rent, nor shall the obligations of Lessee be otherwise affected by reason of any claim which Lessee has or might have against Lessor by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties. The Rent and all other sums payable by Lessee hereunder shall continue to be payable unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease.

ARTICLE VI

ADDITIONAL REPRESENTATIONS AND WARRANTIES
AND COVENANTS RELATING TO HOTELS AND REAL PROPERTY

6.1 Lessor Representations and Warranties. Lessor represents and warrants to Lessee, effective as of the Commencement Date, as set forth below:

(a) Title to Hotel. Except as set forth on Schedule 6.1(a) hereto, Lessor has good and indefeasible fee simple title to the Hotel, free and clear of all conditions, exceptions, or reservations.

(b) No Consents Required. No consent, waiver, approval, or authorization of, or filing, registration, or qualification with, or notice to, any Government authority or any other entity or person (including, without limitation, Lessor's trust managers) is required to be made, obtained, or given in connection with the execution, delivery, and performance of this Lease, except such consent, waiver, approval, authorization, filing, registration or qualification which has been made, obtained or given.

(c) Reserved.

(d) Operating Agreements. Except as set forth on Schedule 6.1(d) hereto, no portion of any Hotel is subject to the burdens or obligations of any Operating Agreement and all Operating Agreements are current and not in default other than defaults that will not, individually or in the aggregate, have a material adverse effect on Lessee.

(e) Tenant Leases. Except as may be specifically noted to the contrary on Schedule 6.1(e) hereto.

(i) Lessor is the sole owner of the Lessor's interest in all of the leases of any portion of the Leased Premises ("Tenant Leases") and all Tenant Leases are in full force and effect without current default by either Lessor or the respective tenants;

(ii) none of the Tenant Leases that are material to Lessor have been modified in a material way, except as reflected in amendments to which Lessee has had access;

(iii) all obligations of the Lessor under the Tenant Leases with respect to the performance of work or the installation of equipment or materials required to have been performed at or prior to the Commencement Date have been fully observed and performed except for such failures that, individually or in the aggregate, will not have a material adverse effect on Lessee.

(iv) no tenant is or shall become entitled to any material concession, rebate, allowance, or free rent for any period subsequent to the Commencement Date, without the prior written consent of Lessee, except as set forth in the Tenant Lease with respect to such tenant;

(v) no tenant has any purchase option or other interest (other than its leasehold tenancy for a specified term) in the Land and/or the Leased Improvements; and

(vi) no tenant has given Lessor notice of its intention to vacate its demised premises prior to the end of the term of its lease.

(f) No Condemnation. There is no pending condemnation or similar proceeding affecting any of the Land, the Leased Improvements, or the Hotel personal property or any portion thereof, and Lessor has received no written notice and has no knowledge that any such proceeding is contemplated.

(g) No Violations of Applicable Law. To the knowledge of Lessor, except as set forth on Schedule 6.1(g) hereto, the current location, ownership, operation, use, and occupancy of all of the Land and Leased Improvements thereon do not violate any Applicable Law, including, without limitation, all Environmental Laws and the Architectural Barriers Legislation. To the knowledge of Lessor, except as set forth on Schedule 6.1(g) hereto, there are no violations of any Applicable Law affecting any portion of any of the Land, the Leased Improvements or the Hotel personal property, and no written notice of any such violation has been issued by any Government authority.

(h) Changes in Applicable Laws. Lessor has no information or knowledge of any change contemplated in any of the Applicable Laws or any judicial or administrative action, or any action by adjacent landowners, or any fact or condition relating to the Hotel which is reasonably likely to materially adversely affect, prevent or limit the use of any of the Hotels as hotels of the size and nature currently being operated.

(i) No Administrative Action. To Lessor's knowledge, except as set forth on Schedule 6.1(i) hereto, the Hotel is not now, the subject of any administrative investigation, action or judicial proceeding in regard to sex, age, or racially discriminatory practices initiated by any Government authority, or any private citizen, and no such investigation, administrative action, or judicial proceeding is now pending, nor is the Hotel presently operating under any court order or administrative agreement in regard to alleged sex, age, or racially discriminatory practices.

(j) Zoning. To Lessor's knowledge, except as set forth on Schedule 6.1(j) hereto, there are no pending or threatened requests, applications or proceedings to alter or restrict the zoning or other use restrictions applicable to the Hotel; Lessor has not received any notice from any Government authority of zoning, building, fire, water, use, health, environmental or other violations of applicable law issued in respect of the Hotel that have not been heretofore corrected, and no such violations exist; all of the Leased improvements and the present uses thereof are permitted, conforming structures and Leased uses under all applicable zoning and building laws and ordinances.

(k) Parties in Possession. There are no adverse parties in possession of the Hotel or of any part hereof and no parties in possession thereof except the tenants under the Tenant Leases, except as otherwise expressly disclosed herein, and no party has been granted any license, lease, or other right relating to the use or possession of any of the Hotels except the tenants under the Leases, or except as otherwise expressly disclosed herein.

(l) No Other Contracts. There are no contracts or other obligations outstanding for the sale, exchange or transfer of the Hotel or any portion thereof or the business operated thereon.

(m) Utilities. All utilities required by applicable laws for the operation of all of the Leased improvements including, but not limited to, water, sewer, gas and electric, enter each parcel of land through adjoining public streets or if they pass through adjoining private land, do so in accordance with valid public or private easements which inure to the benefit of Lessor. All of said utilities are installed and operating and all installation and connection charges have been paid in full and no fact, condition, or proceeding exists which would result in the termination or impairment of the furnishing of or an increase in rates or services to the Hotels of the foregoing utility services.

(n) Access to Land. There are adequate means of ingress and egress for vehicular and pedestrian traffic to and from the land and each adjoining street, road or highway. All routes of ingress and egress to and from each parcel of land, to the extent they pass through adjoining land do so in accordance with valid public or private easements which inure to the benefit of Lessor. To Lessor's knowledge, the land and the Leased Improvements do not violate any restriction, condition or agreement contained in any easement, reciprocal easement, restrictive covenant, or similar instrument or agreement affecting such land or improvements or any part thereof.

(o) Maintenance and No Defects. To Lessor's knowledge, the roofs of the buildings comprising the Leased improvements are free of material leaks; the foundations and all mechanical systems including air-conditioning, plumbing, heating, sewage drainage and electrical have been maintained in all material respects in accordance with industry practices.

(p) Insurance. Lessor has not received, and has no other knowledge or information of, any written notice from any insurance company or board of fire underwriters requesting the performance of any material work or alteration with respect to any of the Hotels, or requiring an increase in the insurance rates applicable to any of the Hotels. To the knowledge of Lessor, the Hotel complies with the requirements of all insurance carriers providing insurance therefor.

(q) Property Not in Flood Area. Except as described in Schedule 6.1(q) hereto, no portion of any parcel of land is situated in an area designated by the Secretary of the United States Department of Housing and Urban Development (or by any other federal, state, municipal, or other governmental instrumentality) as having special flood or mudslide hazards.

(r) Compliance with Architectural Barriers Legislation. To Lessor's knowledge, except as set forth on Schedule 6.1(r) hereto, all of the improvements were built and continue to be in full compliance with all legal requirements relative to architectural, barriers or accommodations of disabled persons, including, without limitation, applicable Architectural Barriers Legislation.

(s) Environmental. To Lessor's knowledge, except as set forth on Schedule 6.1(s) hereto, there are no Environmental Conditions and there is no Environmental Noncompliance with respect to the Hotel. All material permits have been obtained, are valid and in good standing. To Lessor's knowledge, all operations on or at each Hotel are and have been conducted in material compliance with all applicable Environmental Laws. Lessor has not received any Notification from any governmental instrumentality seeking any information or alleging any violation of any applicable law or Environmental Law. Lessor has not caused or permitted the Hotel to be used to generate, manufacture, refine, transport, treat, recycle, store, handle, dispose of, transfer, produce, or process any Hazardous Materials or solid waste, except in small quantities utilized in connection with

routine maintenance or repair of the Hotel, all of which have been and will be stored, used, handled, and disposed of in full compliance with all Environmental Laws other than such noncompliance that, individually or in the aggregate, will not have a material adverse effect on Lessee. Lessor has not caused or permitted, and has no knowledge of, any Release of any such Hazardous Materials on-site or off-site of any Hotel other than such releases that, individually or in the aggregate, will not have a material adverse effect on Lessee.

6.2 Deliverables. Prior to the Commencement Date, Lessor will deliver to Lessee, or provide to Lessee, access to, true and correct copies of each of the following to the extent not otherwise in the possession of Lessee and to the extent provided to Lessor pursuant to the terms of the Agreement and Plan of Merger by and between Lessor and Supertel Hospitality, Inc. dated as of the date hereof.

(a) Leases. Each Lease covering or relating to the Hotel, together with any amendments thereto or other documents creating further obligations or agreements in connection therewith.

(b) Operating Statements. Operating statements covering the Hotel for the fiscal year ended December 31, 1997.

(c) Tax Statements. Copies of the most recent ad valorem and personal property tax statements with respect to the Hotel received.

(d) Plans and Specifications. A full set of "as-built" plans, specifications and architectural floor plans for all of the improvements to the extent available, and the name and address of the project architects, if known.

(e) Operating Agreements. A list of all operating agreements for the Hotel together with a copy of each operating agreement.

(f) List of Defects. A list of all defects or malfunctions affecting any part of the Hotel and of which Lessor has knowledge with respect to foundations, walls, roofs, heating, electrical, plumbing or air conditioning equipment or systems, and drainage or sewage equipment or systems other than such defects or malfunctions that, individually or in the aggregate, will not result in a material adverse effect in the operation of the Hotel.

(g) Insurance Policies. Copies of all of Lessor's fire, hazard liability and other insurance policies currently in force with respect to the Hotel.

(h) Commission Agreements. All leasing or other commission agreements with respect to the Hotel and a list of all unpaid commissions which identifies the payee, amount and date or event upon which such commission will become due and payable.

(i) Updates to the "Phase 1" environmental site assessment for the Hotel.

(j) Any available written architectural review of the Hotel (an "Architectural Review") prepared to determine the Hotel's compliance with Architectural Barriers Legislation by an architect certified as to such matters and reasonably acceptable to Lessee. Such Architectural Review shall contain an estimate of the cost, if any, to bring the Hotel into compliance with all Architectural Barriers Legislation.

6.3 Property Reports. Lessor shall, as soon as possible but in no event later than the Commencement Date, cause to be furnished to Lessee:

(a) Copies of the current Title Policies held by Lessor as to the Hotel;

(b) Any Title Updates as to the Hotel where there is existing title insurance and, at Lessor's option, title reports or updates to legal opinions where there are legal opinions, in all cases dated as of a date following the date hereof. At such time as Lessor causes the Title Updates or such reports or opinions to be furnished to Lessee, Lessor shall further cause to be furnished to Lessee true, correct, and legible copies of all instruments referred to in each Title Update as conditions or exceptions to title to the Hotel, including liens, which have not previously been provided pursuant to Section 6.3(a), and a certificate stating that a search has been made of the state and county records wherein financing statements and security agreements are filed pursuant to the Uniform Commercial Code of the state in which the Hotel is located and that such search indicates all security interests or liens of any kind or nature, including, but not limited to, any equipment financing or leasing arrangements, that are claimed by any person against the Hotel, or any part thereof; and

(c) A copy of any available Survey of each parcel of Land and the Leased improvements located thereon, prepared by the Surveyor.

6.4 Ownership of the Leased Property. Lessee acknowledges that the Leased Property is the property of Lessor and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.5 Lessee's Personal Property. On Commencement Date, all Inventory will be transferred without consideration from Lessor to Lessee for use on the Leased Property and Lessee will acquire and maintain throughout the Term such Inventory as is required to operate the Leased Property in the manner contemplated by this Lease. Lessee may (and shall as provided below), at its expense, install, affix or assemble or place on any parcels of the Land or in any of the Lease Improvements, any items of personal property (including Inventory) owned by Lessee. Lessee, at the commencement of the Term, and from time to time thereafter, shall provide Lessor with an accurate list of all such items of Lessee's personal property (collectively, the "Lessee's Personal Property"). Lessee may, subject to the first sentence of this Section 6.5 and the conditions set forth below, remove any of Lessee's Personal Property set forth on such list at any time during

the Term or upon the expiration or any prior termination of the Term. All of Lessee's Personal Property, other than Inventory, not removed by Lessee within thirty (30) days following the expiration or earlier termination of the Term shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving Notice thereof to Lessee, without any payment to Lessee and without any obligation to account therefor. Lessee will, at its expense, restore the Leased Property to the condition required by Section 9.1(c), including repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property by Lessee. Upon Commencement Date, Lessee received all Inventory on hand at the Leased Premises; upon the expiration or earlier termination of the Term, Lessee shall leave all Inventory on hand at the Leased Property in amounts and condition similar to the amounts and condition of the Inventory on hand upon Commencement Date. Lessee may make such financing arrangements, title retention agreements, leases or other agreements with respect to Lessee's Personal Property as it sees fit provided that Lessee first advises Lessor of any such arrangement and such arrangement expressly provides that in the event of Lessee's default thereunder, Lessor (or its designee) may assume Lessee's obligations and rights under such arrangement.

ARTICLE VII

7.1 RESERVED.

7.2 Use of the Leased Property.

(a) Lessor covenants that it will proceed with all due diligence and will exercise reasonable efforts to obtain and deliver, at Lessor's cost, to Lessee and thereafter Lessee will use its best efforts to maintain all approvals needed to use and operate the Leased Property and the Hotel under applicable local, state and federal law.

(b) Lessee shall use or cause to be used the Leased Property as a hotel facility, and for such other uses as may be necessary or incidental to such use or such other use as otherwise approved by Lessor (the "Primary Intended Use"), which approval shall not be unreasonably withheld. No use shall be made or permitted to be made of the Leased Property, and no acts shall be done, which will cause the cancellation or increase the premium of any insurance policy covering the Leased Property or any part thereof (unless another adequate policy satisfactory to Lessor is available and Lessee pays any premium increase), nor shall Lessee sell or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or fire underwriter's regulations. Lessee shall cause compliance with all of the requirements pertaining to the Leased Property of any insurance board, association, organization or company necessary for the maintenance of insurance, as herein provided, covering the Leased Property and Lessee's Personal Property. The cost of compliance will be as otherwise set forth in this Lease and the Master Lease Agreement.

(c) Subject to the terms of this Lease and the Master Lease Agreement, Lessee covenants and agrees that during the Term it will, unless prohibited by Applicable Law,

(i) operate continuously the Leased Property as a hotel facility, (ii) comply with the operational provisions of the Franchise Agreement, (iii) not terminate or amend the Franchise Agreement without the consent of Lessor (which shall not be unreasonably withheld or delayed), (iv) use its best efforts to maintain appropriate certifications and licenses for such use, and (v) seek to maximize the Gross Revenues generated therefrom consistent with sound business practices.

(d) Lessee shall not commit or suffer to be committed any waste on the Leased Property, or in the Hotel, nor shall Lessee cause or permit any nuisance thereon.

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof, except as necessary in the ordinary and prudent operation of the Hotel on the Leased Property.

7.3 Lessor to Grant Easements, etc. Lessor will, from time to time, so long as no Event of Default has occurred and is continuing, at the request of Lessee (but subject to the approval of Lessor, which approval shall not be unreasonably withheld or delayed), (a) grant easements and other rights in the nature of easements with respect to the Leased Property to third parties, (b) release existing easements or other rights in the nature of easements which are for the benefit of the Leased Property, (c) dedicate or transfer unimproved portions of the Leased Property for road, highway or other public purposes, (d) execute petitions to have the Leased Property annexed to any municipal corporation or utility district, (e) execute amendments to any covenants and restrictions affecting the Leased Property, and (f) execute and deliver to any person any instrument appropriate to confirm or effect such grants, releases, dedications, transfers, petitions and amendments (to the extent of its interests in the Leased Property), but only upon delivery to Lessor of an Officer's Certificate stating, in the opinion of such officer, that such grant, release, dedication, transfer, petition or amendment does not interfere with the proper conduct of the business of Lessee on the Leased Property and does not materially reduce the value of the Leased Property.

ARTICLE VIII

8.1 Compliance with Legal and Insurance Requirements, etc. Except as otherwise provided in this Lease or the Master Lease Agreement, Lessee will promptly pay from the Personalty Reserve or cause to be paid or reimbursed from FF&E Reserve, as applicable, amounts necessary to (a) comply with all applicable Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, and (b) prepare, maintain and comply with all appropriate licenses and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part

thereof. Reimbursement from FF&E Reserve shall be made within ten (10) days of the date invoices or receipts for the amount of reimbursement are delivered to Lessor.

8.2 Legal Requirement Covenants. Subject to Section 8.3(b), Lessee covenants and agrees that the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose, and that Lessee shall not permit or suffer to exist any unlawful use of the Leased Property by others. Lessee shall use its best efforts to acquire and maintain all appropriate licenses, certifications, permits and other authorizations and approvals need to operate the Leased Property in its customary manner for the Primary Intended Use, and any other lawful use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee further covenants and agrees that Lessee's use of the Leased Property and maintenance, alteration and operation of the same, and all parts thereof, shall conform to all Legal Requirements, unless the same are finally determined by a court of competent jurisdiction to be unlawful (and Lessee shall require all sub-tenants, invitees or others within its control so to comply with all Legal Requirements). Lessee may, however, upon prior Notice to Lessor, contest the legality or applicability of any such Legal Requirement or any licensure or certification decision if Lessee maintains such action in good faith, with due diligence, without prejudice to Lessor's rights hereunder, and at Lessee's sole expense. If by the terms of any such Legal Requirement compliance therewith pending the prosecution of any such proceeding may legally be delayed without the incurrance of any charge or liability of any kind, or the filing of any lien, against the Hotel or Lessee's leasehold interest therein and without subjecting Lessee or Lessor to any liability, civil or criminal, for failure so to comply therewith, Lessee may delay compliance therewith until the final determination of such proceeding. If any lien, charge or civil or criminal liability would be incurred by reason of any such delay, Lessee, on the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed, may nonetheless contest as aforesaid and delay as aforesaid provided that such delay would not subject Lessor to criminal liability and Lessee both (a) furnishes to Lessor security reasonably satisfactory to Lessor against any loss or injury by reason of such contest or delay and (b) prosecutes the contest with due diligence and in good faith.

8.3 Environmental Covenants. Lessor and Lessee (in addition to, and not in definition of, Lessee's covenants and undertakings in Sections 8.1 and 8.2 hereof) covenant and agree as follows:

(a) At all times during the Term and until such time as Lessee vacates the Leased Property and surrenders possession of the same to Lessor, Lessee shall comply in all material respects with all Environmental Laws applicable to the Leased Property and the operations thereon during such time. Lessee agrees to give Lessor and Lessor agrees to give Lessee prompt Notice of each of the following of which it has actual knowledge, to-wit: (A) all Environmental Liabilities, (B) all pending, threatened or anticipated Proceedings, and all notices, demands, requests or investigations, relating to any Environmental Liability or relating to the issuance, revocation or change in any Environmental Authorization required for operation of the Leased Property; and (C) all Releases at, on, in, under or in any way affecting the Leased Property.

(b) Lessor hereby agrees to defend, indemnify and save harmless any and all Lessee Indemnified Parties from and against any and all Environmental Liabilities other than Environmental Liabilities which were caused by the acts or grossly negligent failures to act of Lessee.

(c) Lessee hereby agrees to defend, indemnify and save harmless any and all Lessor Indemnified Parties from and against any and all Environmental Liabilities which were caused by the acts or grossly negligence failures to act of Lessee.

(d) If any Proceeding is brought against any Indemnified Party in respect of an Environmental Liability with respect to which such Indemnified Party may claim indemnification under either Section 8.3(b) or (c), the Indemnifying Party, upon request, shall at its sole expense resist and defend such Proceeding, or cause the same to be resisted and defended by counsel designated by the Indemnified Party and approved by the Indemnifying Party, which approval shall not be unreasonably withheld or delayed; provided, however, that such approval shall not be required in the case of defense by counsel designated by any insurance company undertaking such defense pursuant to any applicable policy of insurance. Each Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel will be at the sole expense of such Indemnified Party unless such counsel has been approved by the Indemnifying Party, which approval shall not be unreasonably withheld or delayed. The Indemnifying Party shall not be liable for any settlement of any such Proceeding made without its consent, which shall not be unreasonably withheld or delayed, but if settled with the consent of the Indemnifying Party, or if settled without its consent (if its consent shall be unreasonably withheld or delayed), or if there be a final, nonappealable judgment for an adversary party in any such Proceeding, the Indemnifying Party shall indemnify and hold harmless the Indemnified Parties from and against any liabilities incurred by such Indemnified Parties by reason of such settlement or judgement.

(e) At any time any Indemnified Party has reason to believe circumstances exist which could reasonably result in an Environmental Liability, upon reasonable prior Notice to Lessee stating such Indemnified Party's basis for such belief, an Indemnified Party shall be given immediate access to the Leased Property (including, without limitation, the right to enter upon, investigate, drill wells, take soil borings, excavate, monitor, test, cap and use available land for the testing of remedial technologies), Lessee's employees and all relevant documents and records regarding the matter as to which a responsibility, liability or obligation is asserted or which is the subject of any Proceeding; provided that such access may be conditioned or restricted as may be reasonably necessary to ensure compliance with law and the safety of personnel and facilities or to protect confidential or privileged information. All Indemnified Parties requesting such immediate access and cooperation shall endeavor to coordinate such efforts to result in as minimal interruption of the operation of the Leased Property as practicable.

(f) The indemnification rights and obligations provided for in this Article VIII shall be in addition to any indemnification rights and obligations provided for elsewhere in this Lease.

(g) The indemnification rights and obligations provided for in this Article VIII shall survive the termination of this Lease.

For purposes of this Section 8.3, all amounts for which any Indemnified Party seeks indemnification shall be computed net of (i) any actual income tax benefit resulting therefrom to such Indemnified Party, (ii) any insurance proceeds received (net of tax effects) with respect thereto, and (iii) any amounts recovered (net of tax effects) from any third parties based on claims the Indemnified Party has against such third parties which reduce the damages that would otherwise be sustained; provided that in all cases, the timing of the receipt or realization of insurance proceeds or income tax benefits or recoveries from third parties shall be taken into account in determining the amount of reduction of damages. Each Indemnified Party agrees to use its reasonable efforts to pursue, or assign to Lessee or Lessor, as the case may be, any claims or rights it may have against any third party which would materially reduce the amount of damages otherwise incurred by such Indemnified Party.

Notwithstanding anything to the contrary contained in this Lease, if Lessor shall become entitled to the possession of the Leased Property by virtue of the termination of the Lease or repossession of the Leased Property, then Lessor may assign its indemnification rights under Section 8.3 of this Lease (but not any other rights hereunder) to any Person to whom Lessor subsequently transfers the Leased Property, subject to the following conditions and limitations, each of which shall be deemed to be incorporated into the terms of such assignment, whether or not specifically referred to therein:

(A) The indemnification rights referred to in this Section 8.3 may be assigned only if a known Environmental Liability then exists or if a Proceeding is then pending or, to the knowledge of Lessee or Lessor, then threatened with respect to the Leased Property;

(B) Such indemnification rights shall be limited to Environmental Liabilities relating to or specifically affecting the Leased Property during the Term; and

(C) Any assignment of such indemnification rights shall be limited to the immediate transferee of Lessor, and shall not extend to any such transferee's successors or assigns.

ARTICLE IX

9.1 Maintenance, Repair and Improvements.

(a) Lessee will cause the Leased Property to be in good order and repair, except for ordinary wear and tear (whether or not the need for such repairs occurred as a result of Lessee's use, any prior use, the elements or the age of the Leased Property, or any portion thereof), and, in accord with the terms of the Master Lease Agreement and except as otherwise provided in Section 9.1(b), Article XIV or Article XV with reasonable promptness, will arrange for all necessary and appropriate repairs, replacements and improvements thereto of every kind and nature, whether interior or exterior, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise), or required by any law, ordinance or rule or regulation established by any Government agency having jurisdiction over the Leased Property. All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action, the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for its Primary Intended Use. The FF&E Reserve established under the Master Lease Agreement shall be used for all replacement, refurbishment, enhancement, and improvements of the Furniture, Fixtures, and Equipment and for the capitalized repair, refurbishment, replacement, and improvement of the Fixtures and of the Leased Improvements. Lessor shall reimburse Lessee from the FF&E Reserve for all such expenditures within ten (10) days of the date of receipt by Lessor from Lessee of an invoice or receipt evidencing the same as provided in the Master Lease Agreement. Lessee shall bear the cost of repair of the Furniture, Fixtures and Equipment to the extent the costs and expenses associated therewith are not capitalized repairs.

(b) Notwithstanding Lessee's obligations under Section 9.1(a), except to the extent of damage caused by Lessee's negligence or willful misconduct or that of its employees or agents, Lessor shall be required to bear the cost of maintaining any underground utilities and the structural elements of the Leased Improvements, including exterior walls and the roof of the Hotel. Lessor shall have the right to give, record and post, as appropriate, notices of nonresponsibility under any mechanic's lien laws now or hereafter existing.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof

or to make any agreement that may create, or in any way be the basis for any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property, or any portion thereof.

(d) Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease or the Master Lease Agreement and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair during the entire Term), or damage by casualty or condemnation.

9.2 Encroachments, Restrictions, etc. If any of the Leased Improvements, at any time hereafter, materially encroach upon any property, street or right-of-way adjacent to the Leased Property, or violate the agreements or conditions contained in any lawful restrictive covenant or other agreement affecting the Leased Property, or any part thereof, or impair the rights of others under any easement or right-of-way to which the Leased Property is subject, then promptly upon the request of Lessor or at the behest of any person affected by any such encroachment, violation or impairment, Lessee shall notify Lessor and Lessor shall, at Lessor's expense, either (a) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (b) make such changes in the Leased Improvements, and take such other actions, as Lessor in the good faith exercise of its judgment deems reasonably practicable to remove such encroachment, and to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Leased Improvements for the Primary Intended Use substantially in the manner and to the extent the Leased Improvements were operated prior to the assertion of such violation, impairment or encroachment. Any such alteration shall be made in conformity with the applicable requirements of Article X.

9.3 Reimbursements. Lessor shall reimburse the Lessee for all costs, fees and expenses incurred under Section 9.1 for which Lessor or the FF&E Reserve are responsible within ten (10) days of the receipt from Lessee of written notice of the amount due, as provided in the Master Lease Agreement, failing which the amount due shall bear interest at the Overdue Rate. Lessee shall have the remedy provided in the Master Lease Agreement.

ARTICLE X

10.1 Alterations. After receiving written approval of Lessor, which approval shall not be unreasonably withheld or delayed, Lessee shall have the right to make such additions, modifications or improvements to the Leased Property from time to time as Lessee deems desirable for its permitted uses and purposes, provided that such action will not significantly alter the character or purposes or significantly detract from the value or operating efficiency thereof and will not significantly impair the revenue-producing capability of the Leased Property or adversely

affect the ability of Lessee to comply with the provisions of this Lease. The cost of such additions, modifications or improvements to the Leased Property shall be reimbursed to Lessee from the FF&E Reserve within ten (10) days, and all such additions, modifications and improvements shall be included under the terms of this Lease and upon expiration or earlier termination of this Lease shall pass to and become the property of Lessor. To the extent such alteration is required in order for the Leased Premises to remain in compliance with the Franchise Agreement, the cost of such alteration shall be paid out of the FF&E Reserve to the extent available, and otherwise shall be paid by Lessor.

10.2 Salvage. Subject to the rights of any third parties, (e.g. insurance companies), all materials which are scrapped or removed in connection with the making of repairs required by Article IX or X shall be or become the property of Lessee unless, within ten (10) days of receipt of Notice with respect to the existence of such salvaged items, Lessor notifies Lessee prior to removal that Lessor wants the items removed or scrapped in which case Lessor shall arrange for their timely retrieval from the Premises.

10.3 Lessor Alterations. Lessor shall have the right, upon prior written notice to Lessee, to make or cause to be made alterations to the Leased Property required in connection with (a) Legal Requirements, (b) maintenance of the Franchise Agreement, and (c) the performance by Lessor of its obligations under this Lease. Lessor shall further have the right, but not the obligation, to make such other additions to the Leased Property as it may reasonably deem appropriate during the term of the Lease, subject to Lessee's approval which shall not be unreasonably withheld. All such work unless necessitated by Lessee's acts or omissions (in which event work shall be paid for by Lessee) shall be performed at Lessor's expense and shall be done after reasonable notice to and coordination with Lessee, so as to minimize any disruptions or interference with the operation of the Facility. If Lessee withholds its consent to any additions or other work which Lessor has the right, but not the obligation, to make pursuant to the foregoing provisions of this Section 10.3, the matter shall be referred to arbitration pursuant to the provisions of Section 38.1.

10.4 Joint Use Agreements. If Lessee constructs additional improvements that are connected to the Leased Property or share maintenance facilities, HVAC, electrical, plumbing or other systems, utilities, parking or other amenities, the parties shall enter into a mutually agreeable cross-easement or joint use agreement, the form of which has been approved in advance by Lessor, to make available necessary services and facilities in connection with such additional improvements, to protect each of their respective interests in the properties affected, and to provide for separate ownership, use, and/or financing of such improvements.

10.5 Construction Affiliates. Lessor authorizes Lessee or an affiliate of Lessee to perform repair, renovation, maintenance, improvement, and construction work on the Leased Property. Lessor authorizes separate payment of a construction profit to Lessee, or an affiliate of Lessee, in the amount equal to seven and one-half percent (7.5%) of all costs of the work, including, but not limited to, in-house costs directly related to the construction project, for the construction of a new hotel, for any additions or improvements to the hotel, or for the repair,

maintenance or renovation of any of the Leased Property that Lessee's construction division or Lessee's construction affiliate oversees or manages. The parties may, by mutual agreement, agree to a different construction management fee.

ARTICLE XI

11.1 Liens. Subject to the provisions of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters included as exceptions in the title policy insuring Lessor's interest in the Leased Property, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor or any easements granted pursuant to the provisions of Section 7.3 of this Lease, (d) liens for those taxes upon Lessor or the Leased Property which Lessee is not required to pay hereunder, (e) subleases permitted by Article XXII hereof, (f) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (i) the same are not yet payable or are payable without the addition of any fine or penalty or (ii) such liens are in the process of being contested as permitted by Article XII, (g) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due provided that (i) the payment of such sums shall not be postponed under any related contract for more than 60 days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (ii) any such liens are in the process of being contested as permitted by Article XII hereof, and (h) any liens which arise from items the costs for which are the responsibility of Lessor pursuant to this Lease.

ARTICLE XII

12.1 Permitted Contests. Lessee shall have the right to contest the amount or validity of any Imposition to be paid by Lessee or any Legal Requirement or Insurance Requirement or any lien, attachment, levy, encumbrance, charge or claim ("Claims") not otherwise permitted by Article XI, by appropriate legal proceedings in good faith and with due diligence (but this shall not be deemed or construed in any way to relieve, modify or extend Lessee's covenants to pay or its covenants to cause to be paid any such charges at the time and in the manner as in this Article XII provided), on condition, however, that such legal proceedings shall not operate to relieve Lessee from its obligations hereunder and shall not cause the sale or risk the loss of any portion of the Leased Property, or any part thereof, or cause Lessor or Lessee to be in default under any mortgage, deed of trust, security deed or other agreement encumbering the Leased Property or any interest therein. Upon the request of Lessor, Lessee shall either (a) provide a bond or other assurance reasonably satisfactory to Lessor that all Claims which may be assessed against the Leased Property together with interest and penalties, if any, thereon will be paid, or (b) deposit within the time otherwise required for payment with a bank or trust company as trustee upon terms reasonably satisfactory to Lessor, as security for the payment of such claims, money in an amount sufficient to pay the same, together with interest and penalties in connection therewith, as to all

Claims which may be assessed against or become a Claim on the Leased Property, or any part thereof, in said legal proceedings. Lessee shall furnish Lessor and any lender of Lessor with reasonable evidence of such deposit within five days of the same. Lessor agrees to join in any such proceedings if the same be required legally to prosecute such contest of the validity of such Claims; provided, however, that Lessor shall not thereby be subjected to any liability for the payment of any costs or expenses in connection with any proceedings brought by Lessee; and Lessee covenants to indemnify and save harmless Lessor from any such costs or expenses. Lessee shall be entitled to any refund of any Claims and such charges and penalties or interest thereon which have been paid by Lessee or paid by Lessor and for which Lessor has been fully reimbursed. In the event that Lessee fails to pay any Claims when due or to provide the security therefor as provided in this Article XII and diligently to prosecute any contest of the same, Lessor may, upon ten days advance Notice to Lessee, pay such charges together with any interest and penalties and the same shall be repayable by Lessee as Additional Charges at the next Payment Date provided for in this Lease; provided, however, that should the giving of such Notice risk loss to the Leased Property or cause damage to Lessor, then Lessor shall give such Notice as is practical under the circumstances. Lessor reserves the right to contest any of the Claims at its expense not pursued by Lessee. Lessor and Lessee agree to cooperate in coordinating the contest of any Claims.

ARTICLE XIII

13.1 General Insurance Requirements. During the Term of this Lease, Lessee shall at all times keep the Leased Property insured in conjunction with all Other Properties with the kinds and amounts of insurance described below, or such other insurance coverage(s) as may be required by the Franchise Agreement. This insurance shall be written by companies authorized to issue insurance in the State. Each policy required to be carried by Lessee shall also provide, subject to proper notice, that any loss otherwise payable thereunder shall be payable notwithstanding (i) the occupation or use of any of the Leased Property for purposes more hazardous than permitted by the provisions of such policy; (ii) any foreclosure or other action or proceeding taken by any mortgagee of Landlord pursuant to any provision of the mortgage held by such mortgagee upon the happening of an event of default therein, or (iii) any change in title or ownership of any of the Leased Property. The applicable policies must name Lessor as additional insured and loss payee as their interest may appear. Lessee shall be the named insured on all applicable policies. Losses shall be payable to Lessor or Lessee as provided in this Lease. Evidence of insurance shall be deposited with Lessor. The policies on the Leased Property, including the Leased Improvements, Furniture, Fixtures and Equipment, and Personal Property, shall include the following:

(a) Building insurance on the "Special Form" (formerly "All Risk" form) (including earthquake and flood in reasonable amounts as determined by Lessor) in an amount not less than the then full replacement cost (as defined in Section 13.2), if rebuilt, thereof or such other amount which is acceptable to Lessor and Lessee, and personal property insurance (on other than Lessee's Personal Property) on the "Special Form" in the amount of the full replacement cost thereof;

(b) Insurance for loss or damage (direct and indirect) from steam boilers, pressure vessels or similar apparatus, air conditioning systems, piping and machinery and sprinklers;

(c) Commercial General Liability insurance, with amounts not less than \$1,000,000 each occurrence and \$2,000,000 in the aggregate inclusive of the following: bodily injury, death, property damage, personal and advertising injury, fire legal liability and Products and Completed Operations; \$1,000,000 per occurrence and aggregate for liquor law or "dram shop" liability, if liquor or alcoholic beverages are served or sold on the Leased Property;

(d) Fidelity bonds or blanket crime policies with limits and deductibles as may be reasonably determined by Lessor, covering Lessee's employees in job classifications normally bonded under prudent hotel management practices in the United States or otherwise required by law;

(e) Vehicle liability insurance for owned, non-owned, and hired vehicles, in the amount of \$1,000,000 per accident;

(f) Guest's property insurance covering personal property of others while on the Leased Property for which Lessor or Lessee is legally responsible with a limit of not less than \$5,000 in any one occurrence or \$25,000 annual aggregate;

(g) Excess liability insurance limits with amounts not less than \$10,000,000 and scheduling both general liability and vehicle liability as underlying policies.

13.2 Replacement Cost. The term "full replacement cost" as used herein shall mean the actual replacement cost of the Leased Property requiring replacement, which is based on an agreed value, if replaced, including an increased cost of construction endorsement, if available, and the cost of debris removal. Lessee agrees to carry a limit of insurance equal to or greater than the replacement cost. In the event either party believes that full replacement cost (the then-replacement cost less such exclusions) has increased or decreased at any time during the Lease Term, it shall have the right to have such full replacement cost re-determined.

13.3 Worker's Compensation. Lessee, at its sole cost, shall at all times maintain adequate worker's compensation insurance coverage for all persons, if any, employed by Lessee on the Leased Property. Such worker's compensation insurance shall be in accordance with the requirements of applicable local, state and federal law.

13.4 Waiver of Subrogation. All insurance policies carried by Lessee and by Lessor, if any, covering the Lease, the Leased Property, the Furniture, Fixtures and Equipment, the Hotel or Lessee's Personal Property, including, without limitation, contents, fire and casualty insurance, shall, if allowed by the relevant insurance companies, expressly waive any right of subrogation on the part of the insurer against Lessor or Lessee, as the case may be. The parties hereto agree that their

policies will include such waiver clause or endorsement so long as the same are obtainable with reasonable additional cost, and in the event of such an extra charge the other party, at its election, may pay the same, but shall not be obligated to do so.

13.5 Form Satisfactory, etc. All of the policies of insurance referred to in this Article XIII to be maintained by Lessee shall be written in a form with deductibles and by insurance companies satisfactory to Lessor. Lessee shall pay all of the premiums therefor, and deliver certificates of insurance to Lessor fifteen (15) days prior to the anniversary or effective date, and in the event of the failure of Lessee either to effect such insurance as herein called for or to pay the premiums therefor, or to deliver such policies or certificates thereof to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to effect such insurance and pay the premiums therefor, and Lessee shall reimburse Lessor for any premium or premiums paid by Lessor for the coverages required of Lessee under this Article XIII upon written demand therefor, and Lessee's failure to repay the same within 30 days after the Notice of such failure from Lessor shall constitute an Event of Default within the meaning of Section 16.1. Each insurer mentioned in this Article XIII shall agree, by endorsement to the policy or policies issued by it, or by independent instrument furnished to Lessor, that it will give to Lessor 30 days' written notice before the policy or policies in question shall be materially altered, allowed to expire or canceled. A copy of insurance policies will be provided by Lessee to Lessor within a reasonable amount of time.

13.6 Increase in Limits. If Lessor at any time deems the limits of the personal injury or property damage under the comprehensive public liability insurance then carried to be either excessive or insufficient, Lessee shall endeavor in good faith to agree on the proper and reasonable limits for such insurance to be carried and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to the provisions of this Article XIII.

13.7 Blanket Policy. Notwithstanding anything to the contrary contained in this Article XIII, Lessee may bring the insurance provided for herein within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Lessee; provided, however, that the coverage afforded to Lessor will not be reduced or diminished or otherwise be different from that which would exist under a separate policy meeting all other requirements of this Lease by reason of the use of such blanket policy of insurance, and provided further that the requirements of this Article XIII are otherwise satisfied.

13.8 Reports On Insurance Claims. Lessee shall promptly investigate and make a complete and timely written report to the appropriate insurance company as to all accidents, claims for damage relating to the ownership, operation and maintenance of the Hotel, any damage or destruction to the Hotel and the estimated cost of repair thereof and shall prepare any and all reports required by any insurance company in connection therewith. Lessee shall provide Lessor notice of any such accident, claim, damage, or destruction promptly after the occurrence thereof and at least on a quarterly basis. All such reports shall be timely filed with the insurance company as required under the terms of the insurance policy involved, and a final copy of such report shall be furnished to Lessor. Lessee shall be authorized to adjust, settle or compromise any insurance loss, or to execute proofs of such loss, in the per occurrence amount of \$25,000.

ARTICLE XIV

14.1 Insurance Proceeds. All proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor or to any other person designated by Lessor, provided such person agrees to apply such proceeds in accordance with the terms of this Lease, and held in trust by Lessor, or such other person in an interest-bearing account, shall be made available, if applicable, for the purpose of reconstruction, replacement, or repair, as the case may be, of any damage to or destruction of the Leased Property, or any portion thereof, and, if applicable, shall be paid out to Lessee by Lessor from time to time for the reasonable costs of such reconstruction, replacement, or repair upon satisfaction of reasonable terms and conditions specified by Lessor. Lessor, or its designee, shall reimburse Lessee the costs of reconstruction, replacement, and repair incurred by Lessee, together with any construction allowed to Lessee or its Affiliate by Section 10.5 within ten (10) days of the date of receipt by Lessor of invoices or receipts for the work performed and goods and services provided. Any excess proceeds of insurance (and accrued interest) remaining after the completion of the restoration or reconstruction of the Leased Property, as hereinafter set forth, shall be paid to Lessor. If neither Lessor nor Lessee is required or elects to repair and restore, and the Lease is terminated as described in Section 14.2, all such insurance proceeds shall be retained by Lessor. All salvage resulting from any risk covered by insurance shall be handled in the manner provided in Section 10.2.

14.2 Reconstruction in the Event of Damage or Destruction Covered by Insurance.

(a) If during the Term the Leased Property is totally or partially destroyed by a risk covered by the insurance described in Article XIII and the Hotel thereby is rendered Unsuitable for its Primary Intended Use, Lessor, at its sole option shall either (i) restore the Hotel within a nine (9) month period from date of damage to substantially the same quality and condition as existed immediately prior to the damage and so that it is no longer Unsuitable for its Primary Intended Use and such destruction shall not terminate this Lease and all obligations of Lessee hereunder shall remain unabated during such restoration period or (ii) terminate this Lease as of the date of the casualty and neither Lessor nor Lessee shall have any further liability hereunder, except for any liabilities which have arisen prior to or which survive such termination, and Lessor shall be entitled to retain all insurance proceeds except for any amount thereof paid with respect to Lessee's Personal Property. Lessor shall give Lessee notice of its decision within thirty (30) days of the event of destruction. Regardless of whether Lessor terminates this Lease pursuant to the provisions of this Section 14.2, the Base Rent under the Master Lease Agreement shall be reduced as provided in the Master Lease Agreement. If Lessor terminates this Lease pursuant to the provisions of this Section 14.2, the Percentage Rent thresholds under the Master Lease Agreement shall be adjusted as provided in the Master Lease Agreement.

(b) If during the Term the Leased Property is partially destroyed by a risk covered by the insurance described in Article XIII, but the Hotel is not thereby rendered Unsuitable for its Primary Intended Use, Lessor shall, or Lessee, at the request of and at the expense of

Lessor, shall restore the Hotel to substantially the same condition as existed immediately before the damage or destruction and otherwise in accordance with this terms of the Lease. Such damage or destruction shall not terminate this Lease; provided, however, that if Lessee cannot within a reasonable time obtain all necessary government approvals, including building permits, licenses and conditional use permits, after diligent efforts to do so, to perform all required repair and restoration work and to operate the Hotel for its Primary Intended Use in substantially the same manner as that existing immediately prior to such damage or destruction and otherwise in accordance with the terms of the Lease either Lessor or Lessee may terminate this Lease upon notice to the other. If Lessor or Lessee restores the Hotel, the insurance proceeds shall be paid for the reasonable costs of such restoration. Except for any amounts thereof paid with respect to Lessee's Personal Property which shall be paid to Lessee, any excess proceeds remaining after such restoration shall be paid to the party undertaking the restoration.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received from the insurance maintained as required under Article XIII, Lessor shall be obligated to contribute any excess amounts needed to restore the Hotel. Such difference shall be paid by Lessor, together with any other insurance proceeds, for application to the cost of repair, replacement, and restoration in accord with Article XIV.

14.3 Reconstruction in the Event of Damage or Destruction Not Covered by Insurance. If during the Term the Hotel is totally or materially destroyed by a risk not covered by the insurance described in Article XIII, whether or not such damage or destruction renders the Hotel Unsuitable for its Primary intended Use, Lessor at its option shall either (a) at Lessor's sole cost and expense, restore the Hotel to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease, or (b) terminate this Lease and neither Lessor nor Lessee shall have any further liability hereunder except for liabilities which have arisen or occurred prior to such termination and those which expressly survive termination of this Lease. In the event of termination of this Lease as provided here, the Base Rent and the Percentage Rent thresholds under the Master Lease Agreement shall be reduced as provided in the Master Lease Agreement. If such damage or destruction is not material, Lessor shall, at Lessor's cost, restore the Hotel to substantially the same condition as existed immediately before the damage or destruction and otherwise in accordance with the terms of this Lease.

14.4 Lessee's Property. All insurance proceeds payable by reason of any loss of or damage to any of Lessee's Personal Property and the business interruption insurance maintained for the benefit of Lessee shall be paid to Lessee.

14.5 Abatement of Rent. Except as specifically provided herein, any damage or destruction due to casualty notwithstanding, this Lease shall remain in full force and effect and Lessee's obligation to pay Rent required by this Lease shall remain unabated by any damage or destruction. If this Lease has not been terminated by Lessor and if and to the extent that any damage or destruction results in a reduction of Gross Revenues, which would otherwise be realizable from the operation of the Hotel, then Lessee shall continue to pay Base Rent as under this Lease and shall

be entitled to receive all proceeds from loss of income or business interruption insurance during the period of restoration.

14.6 Construction by Lessee or its Affiliate. Lessee shall be entitled to the construction profit described in Section 10.5 for any restoration, replacement, and repair work after casualty loss.

ARTICLE XV

15.1 Definitions.

(a) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(b) "Condemnation" means a taking resulting from (i) the exercise of any Government power, whether by legal proceedings or otherwise, by a Condemnor, and (ii) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

(c) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

(d) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

15.2 Parties' Rights and Obligations. If during the Term there is any Condemnation of all or any part of the Leased Property or any interest in this Lease, the rights and obligations of Lessor and Lessee shall be determined by this Article XV.

15.3 Total Taking. If title to the fee of the whole of the Leased Property is condemned by any Condemnor, this Lease shall cease and terminate as of the Date of Taking by the Condemnor. If title to the fee of less than the whole of the Leased Property is so taken or condemned, which nevertheless renders the Leased Property Unsuited or Uneconomic for its Primary Intended Use, Lessee and Lessor shall each have the option, by notice to the other, at any time prior to the Date of Taking, to terminate this Lease as of the Date of Taking. Upon such date, if such Notice has been given, this Lease shall thereupon cease and terminate. All Base Rent, Percentage Rent and Additional Charges paid or payable by Lessee, with respect to this Hotel shall be apportioned as of the Date of Taking, and Lessee shall promptly pay Lessor such amounts. Base Rent attributable to this property and the Percentage Rent threshold as affected by this Hotel shall be determined in accord with the Master Lease Agreement and shall reduce Base Rent due under the Master Lease Agreement.

15.4 Allocation of Award. In any Condemnation proceedings Lessor and Lessee shall each seek its own Award based upon its own respective interest, at its respective expense.

15.5 Partial Taking.

(a) If title to less than the whole of the Leased Property is condemned, and the Leased Property is still suitable for its Primary Intended Use, and not Uneconomic for its Primary Intended Use, or if Lessor is entitled but elects not to terminate this Lease as provided in Section 15.3, then Lessor or, at Lessor's cost and election, Lessee shall, with all reasonable dispatch and to the extent that the Award, together with any amount provided by Lessor at its discretion, is sufficient therefor and is made available to Lessee without any contribution from Lessee, restore the untaken portion of any Leased Improvements so that such Leased Improvements constitute a complete architectural unit of the same general character, quality, and condition (as nearly as may be possible under the circumstances) as the Leased Improvements existing immediately prior to the Condemnation. Lessor shall contribute to the cost of restoration that part of its Award specifically allocated to such restoration, if any, together with severance and other damages awarded for the taken Leased Improvements; provided, however, that the amount of such contribution shall not exceed such cost.

(b) In the event of a partial Taking as described in Section 15.5(a), which does not result in a termination of this Lease by Lessor, the Base Rent, as applicable, shall be abated in the manner and to the extent that is fair, just and equitable to both Lessee and Lessor, taking into consideration, among other relevant factors, the number of usable rooms, the amount of square footage, or the revenues affected by such partial Taking. If Lessor and Lessee are unable to agree upon the amount of such abatement within thirty (30) days after such partial Taking, the matter shall be submitted to Arbitration as provided for in Article XXXVIII hereof.

15.6 Temporary Taking. If the whole or any part of the Leased property (other than the fee) or of Lessee's interest under this Lease is condemned by any Condemnor for its temporary use or occupancy, this Lease shall not terminate by reason thereof, and Lessee shall continue to pay, in the manner and at the terms herein specified, the full amounts of Base Rent and Additional Charges. Except only to the extent that Lessee may be prevented from so doing pursuant to the terms of the order of the Condemnor, Lessee shall continue to perform and observe all of the other terms, covenants, conditions and obligations hereof on the part of Lessee to be performed and observed, as though such Condemnation had not occurred. In the event of any Condemnation as in this Section 15.6 described, the entire amount of any Award made for such Condemnation allocable to the Term, whether paid by way of damages, rent or otherwise, shall be paid to Lessee. Lessee covenants that upon the termination of any such period of temporary use or occupancy it will, to the extent that its Award made specifically with respect to restoration, repair, and replacement of the Leased Premises is sufficient therefor and subject to Lessor's contribution as set forth below, restore the Leased Property as nearly as may be reasonably possible to the condition in which the same was immediately prior to such Condemnation, unless such period of temporary use or occupancy extends beyond the expiration of the Term, in which case Lessee shall not be required to make such restoration. If restoration is required hereunder, Lessor shall contribute to the cost of such

restoration that portion of its entire Award that is specifically allocated to such restoration in the judgment or order of the court, if any.

15.7 Lessee's Construction. Lessee or its construction affiliate shall be entitled to construction profit provided in Section 10.5 hereof for any construction work performed or managed hereunder.

ARTICLE XVI

16.1 Event of Default. if any one or more the following events (individually, an "Event of Default") occurs:

(a) if Lessee fails to make payment of the Base Rent or Percentage Rent within ten days after the same becomes due and payable;

(b) if Lessee fails to observe or perform any other term, covenant or condition of this Lease which is not cured by Lessee within a period of 30 days after receipt by Lessee of written Notice thereof from Lessor specifying the default, unless such failure is curable but cannot with due diligence be cured within a period of 30 days, in which case it shall not be deemed an Event of Default if Lessee proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof; provided, however, in no event shall such cure period extend beyond 120 days after such Notice.

(c) if Lessee shall, subject to cure, deferral, and objection periods, (i) be unable to pay its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (iii) make an assignment for the benefit of its creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its assets, (v) be adjudicated insolvent, or (vi) take corporate action for the purpose of any of the foregoing; or if a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by Lessee, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its assets, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of Lessee, or if any petition for any such relief shall be filed against Lessee and such petition shall not be dismissed within 120 days;

(d) if Lessee is liquidated or dissolved, or begins proceedings toward such liquidation or dissolution, or, in any manner, permits the sale or divestiture of substantially all of its assets;

(e) except as otherwise provided herein or in the Master Lease Agreement, if the estate or interest of Lessee in the Leased Property or any part thereof is voluntarily or involuntarily transferred, assigned, conveyed, levied upon or attached in any Proceeding (unless Lessee is contesting such lien or attachment in good faith in accordance with Article XII hereof);

(f) if, except as a result of damage, destruction or a partial or complete Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of 30 consecutive days; or

(g) if an event of default has been declared by the franchisor under the Franchise Agreement with respect to the Hotel as a result of any action or failure to act by Lessee or any Person with whom Lessee contracts for management services at the Hotel, and such default is not cured by the later of (i) forty-five (45) days following Notice from Lessor unless the cure of such default takes a longer period of time when diligently pursued by Lessee, then such date upon which the cure can be reasonably completed or (ii) such later date as is allowed for Lessee under the Franchise Agreement to avoid termination of the Franchise Agreement by the franchisor;

then, and in any such event, Lessor may exercise one or more remedies available to it herein or at law or in equity, including, without limitation, its right to terminate this Lease by giving Lessee not less than ten days' Notice of such termination.

An Event of Default under clauses (c) or (d) above shall constitute an Event of Default hereunder and under all Other Leases. All other Events of Default set forth in this Section 16.1 shall be Events of Default only under this Lease.

If litigation is commenced with respect to any alleged default under this Lease, the prevailing party in such litigation shall receive, in addition to its damages incurred, such sum as the court shall determine as its reasonable attorneys' fees, and all costs and expenses incurred in connection therewith.

No Event of Default (other than a failure to make a payment of money) shall be deemed to exist under clauses (b), (f) or (g) during any time the curing thereof is prevented by an Unavoidable Delay, provided that upon the cessation of such Unavoidable Delay, Lessee remedies such default or Event of Default without further delay.

16.2 Remedies. Upon the occurrence of an Event of Default, Lessor shall have the right, at Lessor's option, to elect upon fourteen (14) days Notice to Lessee to terminate this Lease, in which event Lessee shall thereupon surrender the Leased Property to Lessor, and, if Lessee fails to so surrender, Lessor shall have the right, without further notice, to enter upon and take possession of the Leased Property and to expel or remove Lessee and its effects without being liable for prosecution or any claim for damages therefor; and Lessee shall, and hereby agrees to, indemnify Lessor the loss and damage which Lessor suffers by reason of such termination in an amount equal

to the total of (i) the reasonable costs of recovering the Leased Property in the event that Lessee does not promptly surrender the Leased Property, and all other reasonable expenses incurred by Lessor in connection with Lessee's default; and (ii) the unpaid Base Rent earned as of the date of termination, plus interest at the Overdue Rate accruing after the due date; and (iii) a sum equal to the present value (using a factor for such purpose equal to the interest payable at the time on ten (10) year treasury notes, plus four percent (4%) per annum) of the Base Rent for the Leased Premises which Lessor would have received under this Lease for the remainder of the Term then in effect, less Base Rent which Lessee is able to prove Lessor could have received from the balance of the Term then in effect (the "Termination Value"). Lessor acknowledges that it has a duty to mitigate its damages by using its best efforts to relet the Hotel at or above the Base Rent applicable to this Hotel;

16.3 Damages. In the event of any such termination, Lessee shall forthwith pay to Lessor all Rent due and payable with respect to the Leased Property to and including the date of such termination.

16.4 Application of Funds. Subject to Lessee's first right, if any, to designate the application of funds, any payments received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order that Lessor may determine or as may be prescribed by the laws of the State.

ARTICLE XVII

17.1 Lessor's Right to Cure Lessee's Default. If Lessee fails to make any payment or to perform any act required to be made or performed under this Lease, including, without limitation, Lessee's failure to comply with the terms of any Franchise Agreement, and fails to cure the same within the relevant time periods provided in Section 16.1, Lessor, without waiving or releasing any obligation of Lessee, and without waiving or releasing any obligation or default may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and, subject to Section 16.4, take all such action thereon as, in Lessor's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessors, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration of earlier termination of this Lease.

ARTICLE XVIII

18.1 Personal Property Limitation. Anything contained in this Lease to the contrary notwithstanding, the average of the adjusted tax bases of the items of Lessor's personal property that are leased to Lessee under this Lease at the beginning and at the end of any Lease Year shall not exceed 15% of the average of the aggregate adjusted tax bases of the Leased Property at the

beginning and at the end of such Lease Year (the "Personal Property Limitation"). Lessor and Lessee shall at all times cooperate in good faith and use their best efforts to permit Lessor to comply with the Personal Property Limitation, which compliance may include, by way of example only and not by way of limitation or obligation, the purchase by Lessee at fair market value of personal property in excess of the Personal Property Limitation. All such compliance shall be effected in a manner which has no net economic detriment to Lessee and will not jeopardize Lessor's status as a real estate investment trust under the applicable provisions of the Code. This Section 18.1 is intended to ensure that the Rent qualifies as "rents from real property," within the meaning of Section 856(d) of the Code, or any similar or successor provisions thereto, and shall be interpreted in a manner consistent with such intent.

18.2 Sublease Rent Limitation. Anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublet the Leased Property on any basis such that the rental to be paid by the sublessee thereunder would be based, in whole or in part, on either (a) the income or profits derived by the business activities of the sublessee, or (b) any other formula such that any portion of the Rent would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto.

18.3 Sublease Tenant Limitation. Anything contained in this Lease to the contrary notwithstanding, Lessee shall not sublease the Leased Property to, or enter into any similar arrangement with, any Person in which Lessor owns, directly or indirectly, a 10% or more interest, within the meaning of Section 856(d)(2)(B) of the Code, or any similar or successor provisions thereto.

18.4 Lessee Ownership Limitations. Anything contained in this Lease to the contrary notwithstanding Lessor shall not take, or permit an Affiliate of Lessor to take, any action that would cause Lessor to own, directly or indirectly, a 10% or more interest in the Lessee within the meaning of Section 856(d)(2)(B) of the Code, or any similar or successor provision thereto. Anything contained in this Lease to the contrary notwithstanding, Lessee shall not take, or permit an Affiliate of Lessee to take, any action that would cause Lessor to own, directly or indirectly, a 10% or more interest in the Lessee within the meaning of Section 856(d)(2)(B) of the Code, or any similar or successor provision thereto.

18.5 Lessee Officer and Employee Limitation. If a Person serves as both (a) a director of Lessee (or any Person who furnishes or renders services to the tenants of the Leased Property, or manages or operates the Leased Property) and (b) a trust manager and officer (or employee) of Lessor, that Person shall not receive any compensation for serving as a director of Lessee (or any Person who furnishes or renders services to the tenants of the Leased Property, or manages or operates the Leased Property). Furthermore, if a Person serves as both (a) a trust manager of Lessor and (b) a director and officer (or employee) of Lessee (or any Person who furnishes or renders services to the tenants of the Leased Property, or manages or operates the Leased Property), that Person shall not receive any compensation for serving as a director of Lessee (or any Person who furnishes or renders services to the tenants of the Leased Property, or manages or operates the Leased Property).

ARTICLE XIX

19.1 Holding Over. If Lessee for any reason remains in possession of the Leased Property after the expiration or earlier termination of the Term, such possession shall be as a tenant at sufferance during which time Lessee shall pay Rent as set forth herein. During such period, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at sufferance, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

20.1 RESERVED.

ARTICLE XXI

21.1 Indemnification. Notwithstanding the existence of any insurance, and without regard to the policy limits of any such insurance or self-insurance, but subject to Section 16.4 and Article VIII, Lessee will protect, indemnify, hold harmless and defend Lessor from and against all liabilities, obligations, claims, damages, penalties causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses), to the extent permitted by law, imposed upon or incurred by or asserted against Lessor Indemnified Parties by reason of: (a) any accident, injury to or death of persons or loss of damage to property occurring during the Term on or about the Leased Property or Lessee's Personal Property or adjoining sidewalks, including, without limitation, any claims under any liquor liability, "dram shop" or similar laws, (b) any litigation, proceeding or claim by governmental entities or other third parties to which a Lessor Indemnified Party is made a party or participant related to such use, misuse, non-use, management, maintenance, or repair thereof during the Term by Lessee or any of its agents, employees or invitees, including any failure of lessee or any of its agents, employees or invitees to perform any obligations under this Lease or imposed by applicable law (other than arising out of Condemnation proceedings), (c) any Impositions that are the obligations of Lessee pursuant to the applicable provisions of this Lease, (d) any failure on the part of Lessee to perform or comply with any of the terms of this Lease, and (e) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by the Landlord thereunder.

Lessor shall indemnify, save harmless and defend Lessee Indemnified Parties from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses imposed upon or incurred by or asserted against Lessee Indemnified Parties as a result of (a) the gross negligence or willful misconduct of Lessor arising in connection with this Lease or (b) any failure on the part of Lessor to perform or comply with any of the terms of this Lease or (c) any matters arising either before the Commencement Date or after the end of the Term.

Any amounts that become payable by an Indemnifying Party if determined by litigation or otherwise, and if not timely paid, shall bear a late charge (to the extent permitted by law) at the Overdue Rate from the date of such determination to the date of payment. An Indemnifying Party, at its expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against the Indemnified Party. The Indemnified Party, at its expense, shall be entitled to participate in any such claim, action, or proceeding, and the Indemnifying Party may not compromise or otherwise dispose of the same without the consent of the Indemnified Party, which may not be unreasonably withheld or delayed. Nothing herein shall be construed as indemnifying a Lessor Indemnified Party against its own (or Lessor's) grossly negligent acts or omissions or willful misconduct.

Lessee's or Lessor's liability for a breach of the provisions of this Article XXI shall survive any termination of this Lease.

ARTICLE XXII

22.1 Subletting and Assignment. Subject to the provisions of Article XIX and Sections 22.2 and 22.3 and any other express conditions or limitations set forth herein, Lessee may, but only with the consent of Lessor (which shall not be unreasonably withheld or delayed), (a) transfer, sell, convey, or assign this Lease or sublet all or any part of the Leased Property, or (b) sublet any retail or restaurant portion of the Leased Improvements in the normal course of the Primary Intended Use; provided that any subletting to any party other than an Affiliate of Lessee shall not individually as to any one such subletting, or in the aggregate, materially diminish the actual or potential Percentage Rent payable under this Lease. In the case of a subletting, the sublessee shall comply with the provisions of Sections 22.2 and 22.3, and in the case of an assignment, the assignee shall assume in writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be, and become, jointly and severally liable with Lessee for the performance thereof. In case of either an assignment or subletting made during the Term, Lessee shall remain liable for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions to be performed by Lessee hereunder. An original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance satisfactory to Lessor, shall be delivered promptly to Lessor.

22.2 Attornment. Lessee shall insert in each sublease permitted under Section 22.1 provisions to the effect that (a) such sublease is subject and subordinate to all of the terms and provisions of this Lease and to the rights of Lessor hereunder, (b) if this Lease terminates before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor and waive any right the sublessee may have to terminate the sublease or to surrender possession thereunder as a result of the termination of this Lease, and (c) if the sublessee receives a Notice from Lessor or Lessor's assignees, if any, stating that an uncured Event of Default exists under this Lease, the sublessee shall thereafter be obligated to pay all rentals accruing under said sublease directly to the party giving such Notice, or as such party may direct. All rentals received from the sublessee

by Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease or the Master Lease Agreement.

22.3 Management Agreement. Lessee agrees that immediately upon entering into any management or agency agreement relating to the management or operation of the Hotel (the "Management Agreement"), Lessee shall provide Lessor with a copy thereof. Lessee shall also provide Lessor with copies of any amendments or modifications of the Management Agreement which are entered into from time to time. The Management Agreement shall provide that (a) upon termination of this Lease or termination of Lessee's right to possession of the Leased Property for any reason whatsoever, the Management Agreement may be terminated by Lessor without liability for any payment due or to become due to the manager of the Hotel (the "Manager"), and (b) all fees and other amounts payable by Lessee to the Manager shall be subordinate on a month to month basis to Rent and other amounts payable by Lessee to Lessor hereunder prior to the existence of an Event of Default, and shall be at all times subordinate to Rent and such other amounts after the occurrence of an Event of Default. Lessor shall have the right to approve any Manager who is not an Affiliate of Lessee.

ARTICLE XXIII

23.1 Officer's Certificates: Financial Statements; Lessor's Estoppel Certificates and Covenants.

(a) At any time and from time to time upon not less than 10 days' Notice by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications), the date to which the Rent has been paid, whether to the knowledge of Lessee there is any existing default or Event of Default hereunder by Lessor and such other information as may be reasonably requested by Lessor. Any such certificate furnished pursuant to this Section 23.1 may be relied upon by Lessor, any lender and any prospective purchaser of the Leased property.

(b) Lessee will furnish the following statements and operating information to Lessor:

(i) within 120 days after Lessee's fiscal year end, a copy of the year end audit prepared by nationally recognized independent certified public accountants, designated by Lessee which are acceptable to Lessor, which acceptance shall not be unreasonably withheld, of Lessee respecting the affairs of Lessee with respect to and the financial condition of the Leased Property to confirm compliance by Lessee and its Affiliates; and

(ii) internally prepared financial statements of Lessee within 45 days after each quarter of any Lease Year of Lessee with respect to the affairs of Lessee with respect to and the financial condition of the Leased Property; and

(iii) upon written request of Lessor, on or after the 20th day of each month, a detailed profit and loss statement for the Leased Property for the preceding month, and a detailed accounting of revenues for the Leased Property for the preceding month.

(c) At any time and from time to time upon not less than 10 days' Notice by Lessee, Lessor will furnish to Lessee or to any Person designated by Lessee an estoppel certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications), the date to which Rent has been paid, whether to the knowledge of Lessor there is any existing default or Event of Default on Lessee's part hereunder, and such other information as may be reasonably requested by Lessee.

ARTICLE XXIV

24.1 Lessor's Right to Inspect. Lessee shall permit Lessor and its authorized representatives as frequently as reasonably requested by Lessor to inspect the Leased Property and Lessee's accounts and records pertaining thereto and make copies thereof, during usual business hours upon reasonable advance Notice, subject only to any business confidentiality requirements reasonably requested by Lessee. Lessee will provide customary gratuitous accommodations to Lessor and its authorized representatives in connection with such inspections to the extent such accommodations are available.

ARTICLE XXV

25.1 No Waiver. No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other than existing or subsequent breach.

ARTICLE XXVI

26.1 Remedies Cumulative. To the extent permitted by law but subject to any provisions of this Lease expressly limiting the rights, powers and remedies of either Lessor or Lessee, (e.g. the limitation of damages upon Termination) each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXVII

27.1 Acceptance of Surrender. No surrender to Lessor of this Lease or of the Leased Property or any part thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor, and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXVIII

28.1 No Merger of Title. There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person or entity may acquire, own or hold, directly or indirectly: (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXIX

29.1 Conveyance by Lessor. Subject to Lessee's rights to quiet enjoyment and to non-disturbance in its use and possession of the Leased Premises and subject to any terms and restrictions on transfer in the Master Lease Agreement, Lessor shall have the unrestricted right to mortgage or otherwise sell, transfer, convey, pledge or hypothecate the Leased Property, provided that, if no Event of Default shall have occurred and be continuing at the time of such transfer, Lessor shall only transfer the Leased Property expressly subject to the continued existence of this Lease which shall be acknowledged in writing by the transferee. If Lessor transfers the Leased Premises after an Event of Default, such transfer shall constitute a termination of this Lease and shall limit any damages of Lessor to those Rents due prior to termination of this Lease. If Lessor or any successor owner of the Leased Property conveys the Leased Property in accordance with the terms hereof other than as security for a debt, and the grantee or transferee of the Leased Property has a net worth of \$50,000,000 or more and expressly assumes all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner, if, but only if, Lessee shall have been given in writing right to control the FF&E Reserve amounts established herein.

29.2 Amendment Upon Conveyance. Lessor and Lessee acknowledge this Lease is to be read in conjunction with the Master Lease Agreement. Anything to the contrary herein notwithstanding, Lessor shall not transfer the Leased Premises to any party unless and until the Lessor and the Lessee shall have revised and modified this Lease to incorporate the provisions of the Master Lease Agreement referred to expressly or by implication herein or therein to make this Lease able to stand alone and apart from the Master Lease Agreement which maintaining for and providing to Lessee the same rights and opportunities as currently provided under this Lease in conjunction with the Master Lease Agreement. Any such transfer in contravention of this provision shall be void.

29.3 Other Interests.

(a) This Lease and Lessee's interest hereunder shall at all times be subject and subordinate to the lien and security title of any deeds to secure debt, deeds of trust, mortgages or other interests, including any interests created by Lessor in connection with collateralizing the Leased Property or the Base Rent payments, heretofore or hereafter granted by Lessor or which otherwise encumber or affect the Leased Property and to any and all advances to be made thereunder and to all renewals, modifications, consolidations, replacements, substitutions, and extensions thereof (all of which are herein called the "Mortgage"), provided that the Mortgage and all security agreements delivered by Lessor in connection therewith shall be subject to Lessee's rights under this Lease to the full and complete quiet enjoyment of the Leased Property and to Lessee's rights to receive all Gross Revenues of the Hotel prior to the earlier of the occurrence of an Event of Default hereunder or the date that this Lease is terminated and provided further that the holder of the Mortgage shall execute a non-disturbance agreement in favor of and in form and content reasonably agreeable to Lessee.

(b) Lessee shall, upon the written request of Lessor or any existing or future Holder, (i) provide the Holder at the cost of the Lessor or the Holder with copies of all licenses, permits, occupancy agreements, operating agreements, leases, contracts and similar agreements reasonably requested in connection with any existing or proposed financing of the Leased Property and (ii) execute such estoppel agreements and collateral assignments with respect to any of the aforementioned agreements as may be reasonably requested by Holder in connection with any such financing, provided that no such estoppel agreement or collateral assignment shall in any way affect the terms or affect adversely in any material respects any rights of Lessee under this Lease.

(c) Lessee shall deliver, by Notice delivered in the manner provided in Article XXXI to any Holder who gives Lessee written notice of its status as a Holder at such Holder's address stated in the Holder's written notice or at such other address as the Holder may designate by later written notice to Lessee, a duplicate copy of any and all Notices regarding any default which Lessee may from time to time give or serve upon Lessor pursuant to the provisions of this Lease. Copies of such Notices given by Lessee to Lessor shall be delivered to such Holder simultaneously with delivery to Lessor. No such Notice by Lessee to Lessor hereunder shall be deemed to have been given unless and until a copy thereof has been mailed to such Holder. The failure of Lessee to give notice to any Holder as provided herein shall not limit Lessee in the exercise of any of its remedies upon default by Lessor.

(d) At any time, and from time to time, upon not less than ten (10) days' notice by a Holder to Lessee, Lessee shall deliver to such Holder an estoppel certificate certifying as to the information required in paragraph (c) of Article XXIII, and such other information

as may be reasonably requested by such Holder. Any such certificate may be relied upon by such Holder.

(e) Subject to Lessee's right to full and complete quiet enjoyment of the Leased Premises, Lessee shall cooperate in all reasonable respects, as generally described in Section 29.2, with any transfer of the Leased Property to a Holder that succeeds to the interest of Lessor in the Leased Property (including, without limitation, in connection with the transfer of any franchise, license, lease, permit, contract, agreement or similar item to such Holder or such Holder's designee necessary or appropriate to operate the Leased Property); provided, however, that any such cooperation shall not in any way affect the Term nor affect adversely in any material respect any rights of Lessor or Lessee under this Lease.

ARTICLE XXX

30.1 Quiet Enjoyment. So long as Lessee pays all Rent as the same becomes due and complies with all of the terms of this Lease and performs its obligations hereunder, in each case within the applicable grace and/or cure periods, provided herein and in the Master Lease Agreement, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor. Lessor shall pay and perform all obligations of Lessor under or with respect to any and all liens and encumbrances to which the Leased Property is subjected at the Commencement Date and under or with respect to any and all other liens, encumbrances, or mortgages placed upon the Leased Property by Lessor. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Section 30.1.

ARTICLE XXXI

31.1 Notices. All notices, demands, requests, consents, approvals and other communications ("Notice" or "Notices") hereunder shall be in writing and personally served or mailed (by registered or certified mail, return receipt requested and postage prepaid), (a) if to Lessor c/o PMC Commercial Trust, 17290 Preston Road, Third Floor, Department 101, Dallas, Texas 75252, Attn: Lance B. Rosemore and (b) if to Lessee, Norfolk Hospitality, Management Co., 309 North 5th Street, P.O. Box 1448, Norfolk, Nebraska 68702-1448, Attention: Richard L. Herink, or to such other address or addresses as either party may hereafter designate. Personally delivered Notice shall be effective upon receipt, and Notice given by mail shall be complete at the time of deposit in the U.S. Mail system, but any prescribed period of Notice and any right or duty to do any act or make any response within any prescribed period or on a date certain after the service of such Notice given by mail shall be extended five days.

ARTICLE XXXII

32.1 Appraisers. If it becomes necessary to determine the Fair Market Value or Fair Market Rental Value of the Leased Property for any purpose of this Lease, the party required or permitted to give Notice of such required determination shall include in the Notice the name of a person selected to act as appraiser on its behalf. Within 10 days after Notice, Lessor (or Lessee, as the case may be) shall by Notice to Lessee (or Lessor, as the case may be) appoint a second person as appraiser on its behalf. The appraisers thus appointed, each of whom must be a member of the American Institute of Real Estate Appraisers (or any successor organization thereto) with at least five years experience in the State appraising property similar to the Leased Property, shall, within 45 days after the date of the Notice appointing the first appraiser, proceed to appraise the Leased Property to determine the Fair Market Value or Fair Market Rental Value thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one appraiser shall have been so appointed, then the determination of such appraiser shall be final and binding upon the parties. If two appraisers are appointed and if the difference between the amounts so determined does not exceed 5% of the lesser of such amounts, then the Fair Market Value or Fair Market Rental Value shall be an amount equal to 50% of the sum of the amounts so determined. If the difference between the amounts so determined exceeds 5% of the lesser of such amounts, then such two appraisers shall have 10 days to appoint a third appraiser. If no such appraiser shall have been appointed within such 10 days or within 90 days of the original request for a determination of Fair Market Value or Fair Market Rental Value, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have such appointment made by such court. Any appraiser appointed by the original appraisers or by such court shall be instructed to determine the Fair Market Value or Fair Market Rental Value within 30 days after appointment of such appraiser. The determination of the appraiser which differs most in the terms of dollar amount from the determinations of the other two appraisers shall be excluded, and 50% of the sum of the remaining two determinations shall be final and binding upon Lessor and Lessee as the Fair Market Value or Fair Market Rental Value of the Leased Property, as the case may be. This provision for determining by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXIII

33.1 Lessor May Grant Liens. Without the consent of Lessee, Lessor may, subject to the terms and conditions set forth below in this Section XXXIII, from time to time, directly or indirectly, create or otherwise cause to exist any lien, encumbrance or title retention agreement ("Encumbrance") upon the Leased Property, or any portion thereof or interest therein, whether to secure any borrowing or other means of financing or refinancing, provided that, at all times, each such lien is either subordinate to the terms of this Lease or the holder of such lien has executed a non-disturbance agreement in form and content reasonably agreeable to Lessee.

33.2 Lessee's Right to Cure. Subject to the provisions of Section 33.3, if Lessor breaches any covenant to be performed by it under this Lease, Lessee, after Notice to and demand upon Lessor, without waiving or releasing any obligation hereunder, and in addition to all other remedies available to Lessee, may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All sums so paid by Lessee and all costs and expenses (including, without limitation, reasonable attorneys' fees) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee, shall be paid by Lessor to Lessee on demand. The rights of Lessee hereunder to cure and to secure payment from Lessor in accordance with this Section 33.2 shall survive the termination of this Lease with respect to the Leased Property.

33.3 Breach by Lessor.

(a) It shall be a breach of this Lease if Lessor fails to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure continues for a period of 30 days after Notice thereof from Lessee except in the case of payment of reimbursements from the FF&E Reserve or otherwise herein which shall be made within ten (10) days, unless such failure cannot with due diligence be cured within a period of 30 days, in which case such failure shall not be deemed to continue if Lessor, within such 30-day period, proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof or unless such failure is such that it interrupts operation of the Leased Property for its Primary Intended Use making observance or performance due sooner than thirty (30) days in which case Lessee may cure the default immediately at the cost of Lessor. The time within which Lessor shall be obligated to cure any such failure also shall be subject to extension of time due to the occurrence of any Unavoidable Delay. If Lessor does not cure any such failure within the applicable time period as aforesaid, Lessee may declare the existence of a "Lessor Default" by a second Notice to Lessor. Thereafter, Lessee may but shall not be obligated to forthwith cure the same and, subject to the provisions of the following paragraph, invoice Lessor for costs and expenses (including reasonable attorneys' fees and court costs) incurred by Lessee in curing the same, together with interest thereon from the date Lessor receives Lessee's invoice, at the Overdue Rate.

(b) If Lessor shall in good faith dispute the occurrence of any Lessor Default and Lessor, before the expiration of the applicable cure period, shall give Notice thereof to Lessee, setting forth, in reasonable detail, the basis therefor, no Lessor Default shall be deemed to have occurred and Lessor shall have no obligation with respect thereto until final adverse determination thereof, whether through arbitration or otherwise; provided, however, that in the event of any such adverse determination, Lessor shall pay to Lessee interest at the Overdue Rate, from the date demand for such funds was made by Lessee until paid.

ARTICLE XXXIV

34.1 Miscellaneous. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of termination of this Lease shall survive such termination. If any term or provision of this Lease or any application thereof is invalid or unenforceable, the remainder of this Lease and any other application of such term or provisions shall not be affected thereby. If any late charges or any interest rate provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by a written instrument in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of the State, but not including its conflicts of laws rules.

34.2 Transition Procedures. Upon the expiration or termination of the Term of this Lease, for whatever reason (other than a purchase of the Leased Property by Lessee), Lessor and Lessee shall do the following (and the provisions of this Section 34.2 shall survive the expiration or termination of this Lease until they have been fully performed) and, in general, shall cooperate in good faith to effect an orderly transition of the management lease or of the Hotel. Nothing contained herein shall limit Lessor's rights and remedies under this Lease if such termination occurs as the result of an Event of Default.

(a) Transfer of Licenses. Lessee shall use reasonable efforts (i) to transfer to Lessor or Lessor's nominee all licenses, operating permits and other governmental authorizations and all contracts, including the Franchise Agreement and all contracts with governmental or quasi-governmental entities, that may be necessary for the operation of the Hotel (collectively, "Licenses"), or (ii) if such transfer is prohibited by law or Lessor otherwise elects, to cooperate with Lessor or Lessor's nominee in connection with the processing by Lessor or Lessor's nominee of any applications for, all Licenses; provided, in either case, that the costs and expenses of any such transfer or the processing of any such application shall be paid by Lessor or Lessor's nominee.

(b) Leases and Concessions. Lessee shall assign to Lessor or Lessor's nominee simultaneously with the termination of this Lease, and the assignee shall assume and indemnify Lessee for, all leases and concession agreements in effect with respect to the Hotel then in Lessee's name, all of the costs, fees, and expenses of which shall be paid by the assignee.

(c) Books and Records. Copies of all books and records for the Hotel kept by Lessee pursuant to Section 3.6 shall be delivered, at Lessor's expense and request, promptly to Lessor or Lessor's nominee, simultaneously with the termination of this Lease, but such

books and records shall thereafter be available to Lessee at all reasonable times for inspection, audit, examination, and transcription for a period of one (1) year and Lessee may retain (on a confidential basis) copies or computer records thereof.

(d) Remittance. Lessee shall remit to Lessor or Lessor's nominee, simultaneously with the termination of this Lease, all funds remaining, if any, after payment of all accrued Gross Operating Expenses, and other amounts due Lessee and after deducting the costs of any scheduled repair, replacement, or refurbishment of Furniture, Fixtures and Equipment and of the Leased Premises and Fixtures, with respect to which deposits have been made with Lessee from the FF&E Reserve or other funds of Lessor.

34.3 Waiver of Presentment, etc. Lessee and Lessor each waive all presentments, demands for payment and for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance and waive all notices of the existence, creation, or incurring of new or additional obligations, except as expressly granted herein.

ARTICLE XXXV

35.1 Memorandum of Lease. Lessor and Lessee shall promptly, upon the request of either party, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the State in which reference to this Lease, and all options contained herein, shall be made. Lessee shall pay all costs and expenses of recording such memorandum of this Lease.

ARTICLE XXXVI

36.1 Lessor's Option to Purchase Assets of Lessee. Effective on not less than 90 days prior Notice given at any time within 180 days before the expiration of the Term, but not later than 90 days prior to such expiration, or upon such shorter Notice period as shall be appropriate if this Lease is terminated prior to its expiration date, Lessor shall have the option to purchase all (but not less than all) of the assets of Lessee, tangible and intangible, located and used on and relating to the Leased Property (other than this Lease), at the expiration or termination of this Lease for an amount (payable in cash on the expiration date of this Lease) equal to the fair market value thereof as appraised in conformity with Article XXXII, except that the appraisers need not be members of the American Institute of Real Estate Appraisers, but rather shall be appraisers having at least ten years experience in valuing similar assets.

ARTICLE XXXVII

37.1 Compliance with Franchise Agreement and Management Agreement. To the extent any of the provisions of the Franchise Agreement or Management Agreement, if any, impose a greater obligation on Lessee than the corresponding provisions of this Lease, then Lessee shall operate in compliance with, and to take all reasonable actions necessary to maintain, the Franchise Agreement, including, without limitation, any territorial arrangements contained therein or associated therewith, and any Management Agreement and to prevent breaches or defaults under the

provisions of the Franchise Agreement and any Management Agreement. It is the intent of the parties hereto that Lessee shall comply in every respect with the provisions of the Franchise Agreement and any Management Agreement so as to avoid any material default thereunder during the term of this Lease. The cost of compliance with the Franchise Agreement shall be borne by Lessee and Lessor as otherwise set forth in this Lease and in the Master Lease Agreement. Lessee and Lessor shall not terminate or enter into any modification of the Franchise Agreement without in each such instance first obtaining the other's written consent. Lessor and Lessee agree to cooperate fully with each other in the event it becomes necessary to obtain a franchise extension or modification or a new franchise for the Leased Property and in any transfer of the Franchise Agreement to Lessor or any Affiliate thereof or any successor to Lessee upon the termination of this Lease.

ARTICLE XXXVIII

38.1 Arbitration. In each case specified in this Lease in which it shall become necessary to resort to arbitration, such arbitration shall be determined as provided in this Section 38.1. The party desiring such arbitration shall give Notice to that effect to the other party, and an arbitrator shall be selected by mutual agreement of the parties, or if they cannot agree within thirty (30) days of such notice, by appointment made by the American Arbitration Association ("AAA") from among the members of its panels who are qualified and who have experience in resolving matters of a nature similar to the matter to be resolved by arbitration.

38.2 Alternative Arbitration. In each case specified in this Lease for a matter to be submitted to arbitration pursuant to the provisions of this Section 38.2, Lessor and Lessee shall select by mutual agreement any nationally recognized accounting firm with a hospitality division of which neither Lessor nor an Affiliate of Lessor nor Lessee or an Affiliate of Lessee is a significant client to serve as arbitrator of such dispute within fifteen (15) days after written demand for arbitration is received. In the event no nationally recognized accounting firm satisfying such qualification is available and willing to serve as arbitrator, the arbitration shall instead be administered as set forth in Section 38.1.

38.3 Arbitration Procedures. In any arbitration commenced, a single arbitrator shall be designated and shall resolve the dispute. The arbitrator's decision shall be binding on all parties and shall not be subject to further review or appeal except as otherwise allowed by applicable law. To the maximum extent practicable, the arbitrator and the parties, and the AAA if applicable, shall take any action necessary to insure that the arbitration shall be concluded within ninety (90) days of the filing of such dispute. The fees and expenses of the arbitrator shall be shared equally by Lessor and Lessee. Unless otherwise agreed in writing by the parties or required by the arbitrator or AAA, if applicable, arbitration proceedings hereunder shall be conducted in the State. Notwithstanding formal rules of evidence, each party may submit such evidence as each party deems appropriate to support its position and the arbitrator shall have access to and right to examine all books and records of Lessee and Lessor regarding the Hotel during the arbitration.

IN WITNESS WHEREOF, the parties have executed this Lease by their duly authorized officers as of the date first above written.

"LESSOR"

By:

"LESSEE"

By:

IN WITNESS WHEREOF, the parties have executed this Lease by their duly authorized officers as of the date first above written.

"LESSOR"

By:

"LESSEE"

By:

SCHEDULE 4.6

Wingate Debt

1. \$215,000 Promissory Note, dated December 29, 1995, payable to Hotel Franchising Partnership d/b/a Wingate Inns, L.P. ("Wingate") for Las Colinas.
2. \$215,000 Promissory Note, dated December 29, 1995, payable to Wingate for Houston Intercontinental Airport.

PMC COMMERCIAL TRUST ACQUIRES 30 AMERIHOTEL INN(R) HOTELS
FOR \$373 MILLION STRUCTURED AS A SALE-LEASEBACK

Dallas Texas, May 21, 1998: PMC Commercial Trust (AMEX:PCC), a Texas real estate investment trust, today announced that it has signed a definitive agreement to acquire and leaseback 30 AmeriHost(R) hotels with Amerihost Properties, Inc. (NASDAQ:HOST), a hotel development, operating and management company. The average age of these properties is less than 3 years. The transaction is expected to close within 90 days subject to customary procedures and documentation. This acquisition reflects a modification to PMC Commercial Trust's strategic growth plan to target ownership in properties in addition to providing mortgages. PMC Commercial Trust is actively exploring other opportunities for property acquisitions and anticipates entering into another definitive acquisition agreement within the next couple of days.

"The current yield on this transaction should allow PMC Commercial to continue its growth while retaining the benefits of property ownership. The possibilities of appreciation of the real property adds an element of future income and growth not previously available within the PMC Commercial Trust structure. The AmeriHost(R) brand is becoming one of the best known names in the mid-priced sector of the market and we are looking forward to being partners with Amerihost." said Andrew S. Rosemore, Chairman of the Board of Trust Managers of PMC Commercial Trust.

Under the terms of the agreement, Amerihost Properties, Inc. guarantees the 10 year lease on behalf of its wholly-owned subsidiary which is the Lessee. The lease has an initial fixed payment of \$7.3 million per year with maximum 2 percent annual CPI increases beginning after the third year. The contract also has two lease renewal options of five years each. The 30 hotels, with a total of 1,834 rooms, developed by Amerihost Properties, Inc. are located in 13 states.

AmeriHost Inn(R) hotels are targeted to the mid-priced business and leisure traveler. Each property acquired averages 60-80 rooms and features an indoor swimming pool, fitness center and complimentary continental breakfast. The AmeriHost Inn(R) hotel system includes 69 properties which are open and operating and an additional 15 are under development.

"The sale and leaseback of these AmeriHost Inn(R) hotels will enable us to grow our AmeriHost Inn(R) brand," said Michael P. Holtz, Amerihost Properties, Inc., president and chief executive officer. "The fixed-rate lease allows Amerihost to retain the upside earnings growth from these hotels, while concurrently providing PMC Commercial Trust with a steady, attractive return on their investment and capital appreciation of the properties."

PMC Commercial Trust headquartered in Dallas, Texas is a real estate investment trust with a portfolio of loans predominantly to the hospitality industry. The assets of PMC Commercial Trust are managed by a wholly-owned subsidiary of PMC Capital, Inc. (AMEX:PMC).

Amerihost Properties, Inc., headquartered in Des Plaines, IL is a hotel development, operations and management company that builds, owns, leases and/or manages 90 mid-market hotels in 17 states, primarily in the Midwest.

Certain statements appearing in this press release, including the consummation of the acquisition of the AmeriHost Inn(R) hotels by PMC Commercial Trust and the company's strategic alternatives and comments on future profitability, can be construed as forward-looking statements within the meaning of Section 27A of the Securities Act of 1934, as amended, and Section 21E of the Securities Exchange Act of 1934 as amended. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements, including, without limitation, risks relating to the contractual conditions to the sale transaction, the development and operation of hotels, the availability of capital to finance growth and the historical cyclicity of the lodging industry.

PMC COMMERCIAL TRUST ENTERS INTO DEFINITIVE AGREEMENT
TO ACQUIRE SUPERTEL HOSPITALITY, INC.

Dallas Texas, June 4, 1998: PMC Commercial Trust (Amex: PCC) and Supertel Hospitality, Inc. (Nasdaq: SPPR) announced that they have entered into an Agreement and Plan of Merger pursuant to which Supertel will merge with and into PMC Commercial. The consideration to be paid by PMC Commercial would be 0.6 common shares of PMC Commercial (the "Common Shares") for each share of Supertel, subject to an adjustment in the event the average trading price of the Common Shares for the ten trading days ending five days before the respective shareholder meetings to approve the merger drops below \$17.50 or increases above \$24.00. The merger has been approved by the boards of both companies, but is subject to a number of conditions, including approval by the shareholders of PMC Commercial and the stockholders of Supertel.

Additionally, the agreement provides that the stockholders of Supertel will receive a preclosing dividend of certain of Supertel's earnings and profits which, if less than \$3.00 per share of Supertel Common Stock, allows Supertel to terminate the agreement. The special dividend would be payable only if the merger occurs. The merger is expected to be consummated in September or October 1998.

Under the agreement, PMC Commercial would acquire the hotel assets of Supertel in a transaction valued at approximately \$134 million, including approximately \$61 million of equity (based on the closing price of the PMC Commercial common shares on June 3, 1998) with the remainder consisting of the assumption of debt and/or cash.

The 62 hotels (containing 4,453 rooms) acquired by PMC Commercial pursuant to the merger will be leased to Norfolk Hospitality Management Co. (the "Lessee"), an entity to be owned by certain officers and employees of Supertel. The Lessee will pay an annual base rent of \$15,000,000 (including certain reserve requirements of \$600,000) plus additional rent in the amount of 20% of every dollar of annual gross revenues in the excess of \$42,000,000 and 25% of every dollar of gross revenues in excess of \$50,000,000. The lease agreement has a five year initial term with options for additional two year terms.

"The anticipated revenues from the hotels would allow PMC Commercial to continue growth while acquiring the benefits of property ownership. This acquisition allows continuity of present Supertel management. We are looking forward to a longtime relationship with the successful, proven management team from Supertel. The shareholders of both companies should be provided with an attractive dividend yield plus the possibility of capital appreciation on this investment. The possibility of appreciation of the 62 properties of Supertel and the 30 properties to be acquired from Amerihost Properties, Inc. announced two weeks ago adds an element of growth not previously available within the PMC Commercial Trust structure." said Andrew S. Rosemore, Chairman of the Board of Trust Managers of PMC Commercial.

Paul J. Schulte, President and Chief Executive Officer of Supertel said, "The transaction between Supertel and PMC Commercial is in the best interests of the stockholders of Supertel and

presents an opportunity for our respective shareholders to achieve long-term strategic and financial benefits." Supertel owns and operates limited-service motel properties under the Super 8, Comfort Inn and Wingate names. Supertel has 62 motels, primarily in the Midwest and Texas.

A registration statement relating to the securities to be issued in the merger will be filed with the Securities and Exchange Commission but has not yet been filed or become effective. The securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This press release should not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the securities in any state in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such state.

Statements made in this press release that are forward-looking in nature are intended to be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and may involve risk and uncertainties. These statements may differ materially from actual future events or results. Readers are referred to documents filed by Supertel and PMC Commercial with the Securities and Exchange Commission, including their Annual Reports on Form 10-K for the year ended December 31, 1997, which identifies significant risk factors which could cause actual results to differ from those contained in the forward-looking statements.