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Attorneys for Plaintiff

MOLLY S. HENDERSON,
 Plaintiff

v.

LANCASTER NEWSPAPERS, INC.,
 JOHN M. BUCKWALTER, ERNEST J.
 SCHREIBER, MARVIN I. ADAMS, JR., HELEN
 COLWELL ADAMS, CHARLES RAYMOND
 SHAW, ARTHUR E. MORRIS, GILBERT A.
 SMART, JOHN H. BRUBAKER, III, DAVID
 PIDGEON,
 Defendants.

COURT OF COMMON PLEAS
 CHESTER COUNTY, PA

CIVIL ACTION NO. _____

VERIFIED COMPLAINT

CIVIL ACTION – IN TRESPASS

JURY TRIAL DEMANDED

NOTICE

YOU HAVE BEEN SUED IN COURT. If you wish to defend against the claims set forth in the following pages, you must take action within twenty (20) days after this Complaint and Notice are served, by entering a written appearance personally or by attorney and filing in writing with the Court your defenses or objections to the claims set forth against you. You are warned that if you fail to do so the case may proceed without you and a judgment may be entered against you by the Court without

NOTICIA

LE HAN DEMANDADO A USTED EN LA CORTE. Si usted quiere defenderse de estas demandas expuestas en las paginas siguientes, usted tiene viete (20) dias de plazo al partir de la fecha de la demanda y la notificacion. Usted debe presentar una apariencia escrita o en persona o por abogado y archivar en la corte en forma escrita sus defensas o sus objeciones a las demandas en contra de su persona. Sea avisado que si usted no se defiende, la corte tomara medidas y puede entrar una orden

further notice for any money claimed in the Complaint or for any other claim or relief requested by the Plaintiff. You may lose money or property or other rights important to you.

YOU SHOULD TAKE THIS PAPER TO YOUR LAWYER AT ONCE. IF YOU DO NOT HAVE A LAWYER OR CANNOT AFFORD ONE, GO TO OR TELEPHONE THE OFFICE SET FORTH BELOW TO FIND OUT WHERE YOU CAN GET LEGAL HELP.

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West Chester, PA 19381-3191
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contra usted sin previo aviso o Notificación y por cualquier queja o alivio que es pedido en la petición de demanda. Usted puede perder dinero o sus propiedades o otros derechos importantes para usted.

LLEVE ESTA DEMANDA A UN ABOGADO INMEDIATAMENTE. SI NO TIENE ABOGADO O SI NO TIENE EL DINERO SUFICIENTE DE PAGAR TAL SERVICIO, VAYA EN PERSONA O LLAME POR TELEFONO A LA OFICINA CUYA DIRECCION SE ENCUENTRA ESCRITA ABAJO PARA AVERIGUAR DONDE SE PUEDE CONSEGUIR ASISTENCIA LEGAL.

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COMPLAINT

Plaintiff Molly S. Henderson files this Complaint:

NATURE OF THE ACTION

1. Because Plaintiff opposed the ever-increasing governmental subsidization of a \$170 million public convention center/private hotel project in downtown Lancaster in which Defendant Lancaster Newspapers, Inc. has a substantial financial ownership interest, Defendants embarked upon a campaign of publishing false and defamatory libels to discredit Plaintiff as an able and trustworthy county commissioner and damage her reputation so severely that she would be forced from office either by resignation or defeat at the next election.

2. The individual Defendants, all of whom are employed by or affiliated with Defendant Lancaster Newspapers, Inc., concluded that Defendant Lancaster Newspapers, Inc.'s financial interests were threatened by Plaintiff's opposition to, and public questioning of, the increased governmental subsidies for the convention center/hotel project (hereinafter "Convention Center and Hotel Project" or the "Project") that effectively shifted the financial risks associated with the Project from the Project's private sector participants to the public. In response to this perceived threat from Plaintiff, Defendants resolved to ruin Plaintiff's reputation, damage her credibility, and promote her removal from office by disseminating numerous false and defamatory publications culminating in a series of articles published between December 14, 2006 and continuing through the election for Lancaster County Commissioner, held on November 6, 2007, that form the basis for the claims in this Action. All of these articles were published in newspapers owned and operated by Defendant Lancaster Newspapers, Inc. and sold throughout Lancaster County and surrounding counties, including Chester County.

THE PARTIES

3. Plaintiff Molly S. Henderson (the "Plaintiff" or "Henderson") is an adult individual residing at 2051 Rice Road, Lancaster County, Pennsylvania 17603. Plaintiff recently served as one of three members of the Board of Commissioners of the County of Lancaster, having been elected on November 4, 2003, taken office on January 5, 2004, and, having lost her November 6, 2007 bid for re-election, Plaintiff's four-year term concluded on January 7, 2008. Plaintiff is married with two children.

4. Defendant Lancaster Newspapers, Inc. ("LNI") is a Pennsylvania corporation, with a place of business located at 8 West King Street, Lancaster, Pennsylvania 17603. During all times material to this Complaint, LNI published the morning daily *Lancaster Intelligencer Journal* ("*Intelligencer Journal*"), the evening daily *Lancaster New Era* ("*New Era*"), and the weekly *Lancaster Sunday News* ("*Sunday News*"). LNI's combined circulation for its two dailies is approximately 88,833, and the circulation for the Sunday edition is approximately 99,502.

5. Defendant John M. Buckwalter ("Buckwalter") is an adult individual residing at 171 Eshleman Road, Lancaster, Pennsylvania, an employee and Chairman of the Board of LNI and President of LNI's wholly owned subsidiary, Lancaster County Weeklies, Inc., with offices located at 8 West King Street, Lancaster, Pennsylvania 17603. Buckwalter controls and directs the operations of LNI and its subsidiary.

6. Defendant Ernest J. Schreiber ("Schreiber") is an adult individual residing at 126 Bentley Lane, Lancaster, Pennsylvania, an employee of LNI and Editor-in-Chief of the *New Era*, with offices located at 8 West King Street, Lancaster, Pennsylvania 17603. Schreiber exercises editorial responsibility and control over the content published in the *New Era*.

7. Defendant Marvin I. Adams, Jr. ("Adams") is an adult individual residing at 45 Four Oaks Drive, Pequea, Pennsylvania, an employee of LNI and Editor-in-Chief of the *Sunday News*, with offices located at 8 West King Street, Lancaster, Pennsylvania 17603. Adams exercises editorial responsibility and control over the content published in the *Sunday News*.

8. Defendant Helen Colwell Adams ("Colwell Adams") is an adult individual residing at 45 Four Oaks Drive, Pequea, Pennsylvania, an employee of LNI and Politics Editor and political writer for the *Sunday News*, with offices located at 8 West King Street, Lancaster, Pennsylvania 17603. Colwell Adams exercises editorial responsibility and control over the content of the political articles and columns of the *Sunday News*.

9. Defendant Charles Raymond Shaw ("Shaw") is an adult individual residing at 1761 Wickersham Lane, Lancaster, Pennsylvania, an employee of LNI, and Editor-in-Chief of the *Intelligencer Journal*, with offices located at 8 West King Street, Lancaster, Pennsylvania. Shaw exercises editorial responsibility and control over the content published in the *Intelligencer Journal*.

10. Defendants Buckwalter, Schreiber, Adams, Colwell Adams, and Shaw are collectively referred to as the "Editor Defendants."

11. Defendant Arthur E. Morris ("Morris"), is an adult individual residing at 434 West Chestnut Street, Lancaster, Pennsylvania, a former mayor of the City of Lancaster, a columnist under contract for the *Sunday News* and a frequent contributor to Defendant LNI's publications, and chairman and acting executive director of the Lancaster County Convention Center Authority.

12. Defendants Gilbert A. Smart, John H. Brubaker, III, and David Pidgeon (the “Reporter Defendants”) are reporters, respectively, for the *Sunday News*, *New Era*, and *Intelligencer Journal*, with offices at 8 West King Street, Lancaster, Pennsylvania.

VENUE

13. Pursuant to Rules 1006(b), 1006(c), and 2179(a)(2)-(4) of the Pennsylvania Rules of Civil Procedure, venue for this Action properly lies in Chester County where Defendant LNI regularly conducts business and where the causes of action arose and/or where transactions or occurrences took place out of which the causes of action arose. Upon information and belief, Defendant LNI’s publications regularly cover events and occurrences within Chester County and Defendants are aware that Defendant LNI sells, distributes and publishes its publications, including those editions of the *Sunday News*, *New Era*, and *Intelligencer Journal* containing the false and defamatory statements at issue in this Action, in Chester County.

FACTUAL AVERMENTS

I. FACTS DEMONSTRATING DEFENDANTS’ MOTIVE AND PURPOSE TO MALICIOUSLY DEFAME PLAINTIFF.

14. Plaintiff was raised in Lancaster County and, for the past thirty years, Plaintiff has lived, worked, and raised her children in south central Pennsylvania. At all times herein mentioned, Plaintiff has been a person of good name, credit and reputation and was deservedly enjoying the esteem and good opinion of diverse persons.

15. In early 2003, Plaintiff began campaigning for one of three seats on the Board of Commissioners of Lancaster County. Prior to seeking this political office, Plaintiff had enjoyed

a demanding but rewarding career in the fields of health education and public health for more than twenty years.

16. During the 2003 campaign for county commissioner, one of the issues receiving particular public scrutiny, comment and interest for Plaintiff and the other candidates for commissioner was the proposed redevelopment project of the vacant Watt & Shand department store building (the "Watt & Shand Building") located on Penn Square in downtown Lancaster City.

A. PLAINTIFF'S CAMPAIGN POSITION ON REDEVELOPMENT OF WATT & SHAND BUILDING

17. The Watt & Shand Building became vacant in March 1995 when the Bon Ton department store closed. Three years later, in 1998, several developers made development proposals for the property. One of those offers was submitted by Penn Square Partners ("PSP"), a partnership formed with Defendant LNI and Fulton Bank as limited partners, and Penn Square General Corp. (an affiliate of High Industries, Inc. which is the largest industrial employer in Lancaster County) as the general partner. PSP's offer to purchase the property was accepted by Bon Ton Stores.

18. In the Spring of 1999, PSP's proposal for the redevelopment of the Watt & Shand Building contemplated the construction of the Project which included a convention center, owned by a public convention center authority, with a privately owned and financed hotel adjacent to the convention center. PSP promoted the proposal as a "partnership" between the public and private sector with an estimated cost (in 1999) of \$35 million for the convention center portion, to be financed by a \$15 million state grant and a County hotel tax to pay the debt service on a \$20 million private loan.

19. In September 1999, the Lancaster County Convention Center Authority ("LCCCA") was created to own and operate the proposed convention center. The activities of the LCCCA were partially funded by an annual Lancaster County 3.9% hotel "bed" tax (80% of which was allocated to the LCCCA with the remaining 20% to directed to the Pennsylvania Dutch Convention and Visitor's Bureau).

20. The LCCCA Board consists of seven board members, serving staggered four year terms, three appointed by the County of Lancaster (the "County"), three by the City of Lancaster (the "City"), with the final "swing" member appointed alternately by the City and County. Plaintiff and the other two county commissioners were due to appoint the "swing" member in September 2007.

21. In the Spring of 2007, the City appointed Defendant Morris to the LCCCA Board.

22. Since its creation, the LCCCA has consistently supported PSP's repeated requests for increased financial support from the City, County, and State for the Convention Center and Hotel Project that has had the effect of dramatically increasing the proportion of Project costs borne by the public. Although there have been several occasions where the LCCCA initially resisted demands by PSP that the LCCCA bear a larger portion of the cost and risk of the Project, in each case the LCCCA ultimately acceded to the demands of PSP.

23. In the four years between PSP's initial proposal for the Convention Center and Hotel Project and the 2003 general and primary elections for County Commissioner, Lancaster County residents voiced increasing concern about the financial impact that the Project would have on the County's finances as well as on residential property taxes.

24. Plaintiff and each of the candidates for County Commissioner were pressed by the voting public to comment on the Project during the course of the 2003 campaign.

25. During the Spring 2003 primary election in which Plaintiff was vying for one of two Democratic nominations for County Commissioner, she publicly supported the Convention Center and Hotel Project provided that the Project did not require any greater subsidization from the County than the proceeds from the then-existing level of hotel bed tax and that there be no County guaranty on the LCCCA bonds.

26. In the May 2003 primary election, Plaintiff won the Lancaster County Democratic nomination for County Commissioner receiving 30% more than her next closest rival. In the general election campaign, Plaintiff was engaged in a six-way race for three slots on the Lancaster County Board of Commissioners.

27. While campaigning toward the November 2003 general election, Plaintiff's position on the Convention Center and Hotel Project never changed.

28. In October 2003, following the LCCCA's disclosure that the estimated expense and costs for the convention center portion of the project had significantly increased from \$35 million to \$55 million, the then Board of Commissioners was presented with LCCCA's proposal for the County to guarantee half the interest payments on up to \$40 million in bonds that the LCCCA proposed to issue to finance the Project.

29. Plaintiff publicly opposed the guaranty proposal in a campaign debate and was reported in the *Intelligencer Journal* as stating: "I am very much in favor of the convention center but I do not support the county backing of the bond. The convention center must be self-supporting."

30. Only days before the November 2003 general election, County Commissioners Paul Thibault and Ron Ford, the two lame duck members of the three member Board of County Commissioners, agreed that the County would guarantee the interest payments on the LCCCA

bonds. Neither Thibault nor Ford was a candidate for re-election in the November 2003 general election.

31. On November 4, 2003, Plaintiff was elected to the three-member Board of Commissioners of Lancaster County along with Republicans Richard "Dick" Shellenberger and incumbent Howard "Pete" Shaub.

32. On the day of the general election, Defendant LNI published an article in its *Intelligencer Journal* written by Jeff Hawkes pertaining to Plaintiff's position on the LCCCA bonds which stated:

When questioned about her stand against the loan guarantee, for example, Henderson said she wouldn't budge, even if it meant Watt & Shand would have to remain dark. 'I guess they'll have to sell it,' she said blithely.

33. Days after this article appeared in Defendant LNI's publication, Defendant Buckwalter approached Plaintiff's husband on the street and strenuously objected to Plaintiff's position on the County bond guaranty as expressed in the Hawkes column.

34. Within days of Defendant Buckwalter's accosting of Plaintiff's husband, front page articles, with photographs, appeared in both the *Intelligencer Journal* and the *New Era* concerning the fact that in 2002, Plaintiff and her husband had obtained annual reductions of their real estate taxes by placing their property in a program known as "Clean & Green." The articles' headlines, placement, and tone insinuated that Plaintiff and her husband had done something improper in obtaining "Clean & Green" status for their property when, in fact, no such impropriety had occurred.

35. The Hawkes column, Defendant Buckwalter's complaints directed at Plaintiff's husband, and the publication of the "Clean & Green" articles – all of which occurred immediately after the general election -- foreshadowed Defendants' purpose and intent to

wrongfully use their "power of the press" to protect Defendant LNI's ownership and financial interests in the Project and retaliate for Plaintiff's opposition to a County guaranty for bond interest payments on the Project.

B. DEFENDANTS' FINANCIAL STAKE IN THE CONVENTION CENTER AND HOTEL PROJECT

36. As configured today, PSP consists of two partners: general partner Penn Square Partner General Corp., an affiliate of High Industries, Inc. ("High Industries"), and limited partner Penn Square Ltd., LLC, an affiliate of Defendant LNI. Upon information and belief, the profits and losses of PSP are allocated equally between Penn Square Partner General Corp. and Penn Square Ltd. LLC.

37. The Project has proved to be highly rewarding for PSP's partners. For example, High Associates, Ltd., another High Industries affiliate, serves as the "master developer," and High Construction, Inc., yet another affiliate of High Industries, initially served as the "construction manager," for both the public Convention Center and the private Marriott Hotel, which afforded them the opportunity to set the bidding criteria and standards for construction contractors. After creating these bid standards, in June 2006 High Construction "resigned" as construction manager for the convention center and subsequently submitted the successful bid to become the general contractor for the Convention Center and Hotel Project. This led to High Concrete Structures, Inc., another affiliate of High Industries, being awarded the concrete subcontract on the bid documents developed by High Construction. A twenty-year food and beverage concession for the Convention Center also has been awarded on a no-bid basis to another affiliate of High Industries. The law firm of Stevens & Lee, which represented the LCCCA in the negotiation of these contracts, also represents High Industries.

38. PSP leases the private hotel portion of the Convention Center and Hotel Project from the Redevelopment Authority of the City of Lancaster ("RACL") under terms that include an option granted to PSP to purchase the hotel at the end of the lease term for a nominal price. The hotel will be operated under the Marriott flag but will be managed by Interstate Hotels and Resorts, Inc., which is the manager PSP insisted upon retaining to manage both the hotel and the convention center. High Hotels, Ltd., still another affiliate of High Industries, owns several Marriott-flag hotels in close proximity to the location of the Project and, as manager, Interstate will have substantial influence over whether convention center "overflow" guests are directed to these other High Industries-owned area hotels.

39. On information and belief, Defendant LNI, as a partner of PSP, has obtained a 50% ownership interest in the hotel portion of the Project, which has an estimated value of \$85 million or more, for a comparatively minimal cash investment. To protect its ownership and financial position in PSP, Defendant LNI, in its publications, has consistently promoted the Project, endorsed PSP's efforts to obtain ever-increasing governmental subsidization of the Project, and avoided inquiry or comment regarding the conflicts of interest created by the simultaneous involvement of the numerous affiliates of its partner, High Industries, in the development and construction of the Project.

40. The arrangements between PSP, the private lessee and operator of the hotel, and the LCCCA are such that most of the financial benefits associated with the Convention Center and Hotel Project will inure to the benefit of PSP and its partners.

41. After a relatively small cash investment, PSP stands to obtain an enormous private financial benefit from the operation of the private Hotel portion of the Convention Center and Hotel Project whether or not the public Convention Center portion ever operates at a profit.

42. Defendant LNI owns substantial office space and operating facilities located adjacent to the site of the Convention Center and Hotel Project and, upon information and belief, Defendant LNI is expecting the completion of the Convention Center and Hotel Project to substantially increase the market value of these offices and operating facilities as compared to their value at the time the Watt & Shand Building remained vacant.

43. Defendant LNI and the other Defendants named in this Action, all of whom work for or are associated financially with Defendant LNI, risk substantial financial loss if the County's failure to guarantee interest payments on LCCCA bonds imperils the completion of the Project and Defendant Morris' ongoing control of the LCCCA Board.

44. Upon information and belief, the potential financial benefit to LNI from the Project significantly exceeds the annual profits from LNI's publishing operations.

C. PLAINTIFF'S ACTIONS AS COUNTY COMMISSIONER WITH RESPECT TO THE CONVENTION CENTER AND HOTEL PROJECT

45. After Plaintiff's victory in the November 2003 general election, Plaintiff attended a meeting with the then-three owners of PSP: Defendant Buckwalter, representing Defendant LNI; Dale S. High, representing High Industries; and Rufus Fulton, representing Fulton Bank. During this meeting, PSP's representatives, including Defendant Buckwalter, were visibly discomfited by questions from Plaintiff and took the opportunity to impress upon Plaintiff the importance of County support for the Convention Center and Hotel Project.

46. Upon taking office in January 2004, Plaintiff was not initially confronted with any significant decisions pertaining to the Convention Center and Hotel project and, during the first year of her term, Defendants' news and editorial coverage of Plaintiff in their various publications was generally neutral and, at times, favorable.

47. During 2004, PSP sought a reduction in PSP's direct financial contribution to the private hotel portion of the Project despite PSP previously having secured from the LCCCA a concession that the LCCCA would pay for the majority of the "common space" to be used by both the hotel and convention center at the Project.

48. The dispute over PSP's demand for a further reduction of its financial contribution to the Project escalated to the point where the LCCCA purchased an option to buy the Brunswick Hotel at Queen and Chestnut Streets as a possible alternative location to the site owned by PSP. However, the dispute was resolved when State Senator Gibson C. Armstrong arranged for an amendment of State Act 23 allowing the use of State grant funds for the Project in anticipation of sales tax and State income tax revenue projected for the Convention Center and Hotel Project. The Act 23 funds greatly reduced PSP's costs to build the hotel and essentially provided the reduced financial contribution demanded by PSP.

1. **The TIF Proposal**

49. Despite the availability of Act 23 funds for the Project, during the second year of Plaintiff's term, beginning specifically in February 2005, PSP sought further financial assistance from the City, Lancaster School District ("School District"), and County for the Convention Center and Hotel Project.

50. In February 2005, John Espenshade, the County solicitor and attorney employed at the Stevens & Lee law firm, presented a proposal to the County seeking inclusion of the hotel portion of the Project in a Tax Increment Financing ("TIF") program which would exempt the hotel (and its owners, including PSP and Defendant LNI) from paying its annual real estate taxes despite the fact that the hotel would be privately owned by PSP.

51. On or around this same time, Defendant Buckwalter, acting as LNI's representative, was involved with presenting a similar TIF proposal to the School District.

52. Pennsylvania's TIF Act statute imposes strict requirements upon the use of a TIF which is principally intended to create additional public infrastructure. Given these purposes, the County expressed concern that PSP's proposal for TIF treatment for the hotel at the Project did not meet these conventional uses for TIF financing.

53. To determine whether PSP's TIF proposal met the statutory criteria, Plaintiff and Commissioner Shellenberger voted to hire County special counsel to explore the proposal. The County special counsel, Howard Kelin of Kegel Kelin Almy & Grim, prepared a list of "57 Questions" directed to PSP (as well as to LCCCA and RACL) for response and explanation.

54. Before the County Commissioners voted on the TIF proposal, the School District rejected PSP's TIF proposal prompting a *Sunday News* article entitled "Tiff over a TIF" which reported that "The 57 questions asked by two commissioners appear to have ended one effort to raise money for hotel."

55. Although the LCCCA provided a partial response to the "57 Questions" drafted by the County special counsel, PSP never responded to the "57 Questions" and, at a March 30, 2005 meeting of the Commissioners, a PSP representative informed the Commissioners that PSP would not make the TIF proposal and abruptly left the meeting.

56. Nonetheless, determined to eliminate real estate taxes upon the hotel in the Project even after the School District's TIF rejection, and without responding to the "57 Questions," PSP maneuvered to secure an arrangement whereby RACL would act as the conduit to own the hotel building while PSP leased the space and operated the hotel business. PSP believed that this ownership arrangement would avoid real estate taxes that otherwise would be owed by PSP based on its ownership interest in the hotel.

57. On April 11, 2005, the County Commissioner's special counsel issued an opinion (quoted in part below) concerning the tax consequences associated with the Project's hotel and concluded that real estate taxes would continue to be due on the hotel even under the RACL ownership arrangement promoted by PSP since the sale/lease-back agreement with RACL primarily served private, rather than public, interests:

By entering a 20-year lease purchase agreement that provides PSP public financing of debt service on hotel construction costs, and then grants PSP the right to acquire title of the hotel after 20 years for \$2.25 million -- a figure far below the property's projected fair market value -- [the Redevelopment Authority of the City of Lancaster] is serving primarily a private interest, rather than the public interest.

2. Bond Issues and the Hotel Tax

58. In light of the special counsel's conclusions regarding the real estate tax consequences of the largely private benefits of the Project, Plaintiff and Commissioner Shellenberger voted, on April 19, 2005, to require the LCCCA to provide a legal opinion opining on whether the interest paid on the \$40 million County-guaranteed LCCCA bonds issued to finance the Project qualified for exclusion from federal income tax.

59. By May 2, 2005, Plaintiff and Commissioner Shellenberger had lost all confidence in the financing and cost estimates associated with the Convention Center and Hotel Project since the estimated costs for the Project had swelled to \$129 million. Plaintiff publicly supported a lengthy statement drafted by Commissioner Shellenberger withdrawing his support of the Project and providing the reasons supporting his position:

Events of recent months, which have coalesced over the past weeks, make clear the fact that we have arrived at a critical crossroads with regard to the proposed convention center and hotel in the City of Lancaster. I wish to take this opportunity to present my observations and conclusions regarding the plan as it is currently conceived. I have become firmly convinced that construction of the hotel/ convention center according to the latest

plans and most recently estimated cost is the wrong direction. A new focus for Lancaster City revitalization is needed.

What once was a \$75 million project funded with 47% public money has mushroomed into a \$137 million project funded with 93% public money; and I, in good conscience, can no longer stand by while the taxpayers of Lancaster County foot the bill for a project which I believe has become significantly flawed.

See Exhibit A, a true and correct copy of this article.

60. On May 4, 2005, Plaintiff and Commissioner Shellenberger voted to support a demand that LCCCA cease all spending and repay the \$40 million County-guaranteed LCCCA bond.

61. On May 4, 2005, Plaintiff and Commissioner Shellenberger also voted to authorize the County's special counsel to investigate whether the County's guarantee of interest payments on the LCCCA bonds could be withdrawn.

62. On May 16, 2005, the County filed, with the approval of a majority of the County Commissioners (including Plaintiff), a Local Government Unit Debt Act Complaint objecting to the City of Lancaster's two guarantees of the private hotel portion of the Project: a \$12 million guarantee to cover interest payments on a \$12 million Act 23 bond issuance sought by RACL; and a \$24 million guarantee extended to cover any possible real estate taxes due on the hotel over a 20-year period during which RACL holds title to the hotel, while the hotel is operated on a for-profit basis by PSP. *See Exhibit B, a true and correct copy of Local Government Unit Debt Act Complaint.*

63. On July 20, 2005, Plaintiff and Commissioner Shellenberger voted to file a Petition for Review in the Nature of a Declaratory Judgment seeking a judgment as to whether the State Department of Community and Economic Development ("DCED") improperly awarded special grants to RACL for use in the private hotel portion of the Convention Center

and Hotel Project under the State's "Act 23" program. See Exhibit C, a true and correct copy of the *Intelligencer Journal* article "County will sue city, Pa. agencies," dated July 21, 2005.

64. On September 27, 2005, Plaintiff and Commissioner Shellenberger voted to separate the County's 3.9% hotel "bed" tax (80% of which was used to provide financial support to the LCCCA's construction of the Convention Center and Hotel Project) from the County's 1.1% hotel "excise" tax. By "decoupling" the hotel "excise" and "bed" taxes, the Commissioners made it possible to reduce the County-level financial support provided to LCCCA's construction of the Project without harming the Pennsylvania Dutch Convention and Visitor's Bureau, calling into question the validity of the hotel tax scheme. See Exhibit D, a true and correct copy of *New Era* article "Proposal may kill center" dated September 27, 2005.

65. Also in the fall of 2005, three of the LCCCA board members terms ended and the County Commissioners appointed three new board members who had no known affiliation or allegiance to PSP or to any of the Defendants.

66. With the appointment of the new LCCCA board members by the County Commissioners, PSP was no longer assured that its financial proposals relating to the Project would receive the unquestioned support of the LCCCA and PSP faced the likelihood that a fourth and controlling County "swing" vote, with neither affiliation nor allegiance to PSP, would be appointed by the County Commissioners in September 2007.

D. PLAINTIFF'S ACTIONS AS COMMISSIONER THREATENED DEFENDANTS' FINANCIAL STAKE IN THE CONVENTION CENTER AND HOTEL PROJECT AND FORMED THE BASIS FOR DEFENDANTS' MALICIOUS INTENT TO FALSELY DEFAME PLAINTIFF.

67. Upon information and belief, the actions of Plaintiff in protecting against the dissipation of public funds by questioning the hotel tax revenue provided to the LCCCA,

considering reducing or eliminating the County's guaranty of interest payments on LCCCA bonds, eliminating the prospect of TIF tax treatment for the Project, and appointing new LCCCA board members with no demonstrated affiliation or allegiance to PSP were perceived by Defendant LNI as a serious threat to its interest in PSP's economic stake in the Project.

68. Plaintiff's questioning and examination of the validity or logic of the public financing efforts sought by PSP for the Project, including the use of the County hotel tax, the County guaranty of the LCCCA Bonds, and the TIF proposal, were objectionable to PSP and to its 50% owner, Defendant LNI.

69. Upon information and belief, Plaintiff's actions and statements were perceived by PSP as a threat to the significant financial support provided by the County to the Convention Center and Hotel Project.

70. Upon information and belief, the refusal of the School District of Lancaster to approve PSP's TIF proposal in March 2005 was perceived by Defendant LNI and the Defendants employed by LNI to be principally attributable to the "57 Questions" which were authorized by Plaintiff.

71. Based on the report requested by the County Commissioners from the County's special counsel, the County also refused to accept that the sale/lease-back arrangement between PSP and RACL created a "municipally owned" property so as to exempt the private Hotel from its annual real estate tax obligations.

72. Upon information and belief, the Petition for Declaratory Judgment against DCED and RACL authorized by the County Commissioners and filed by the County opposing the special grants given to the Convention Center and Hotel Project under the State's "Act 23" program was objectionable to PSP, including its 50% owner, Defendant LNI.

E. DEFENDANTS' PURSUE DISCREDITING PLAINTIFF

73. Beginning in July 2005, following Plaintiff's participation in, and favorable voting upon, the series of actions described herein that sought to reduce the public financing and resources committed to the Convention Center and Hotel Project, Defendants undertook to maliciously defame Plaintiff by publishing false, malicious and defamatory articles in Defendant LNI's print publications.

74. Infuriated by Plaintiff's withdrawal of her support for the Convention Center and Hotel Project and by her opposition to PSP's efforts to continue and expand the public financing used for that Project, Defendants seized the opportunity to exploit both the hiring of Gary Heinke, the County's former Human Services Administrator, and the sale of Conestoga View, the County-owned and operated nursing home, as vehicles to launch their campaign of false, malicious and defamatory attacks on Plaintiff.

1. Heinke and Conestoga View Controversies

75. On July 1, 2005, the Commissioners announced the possible sale of the Conestoga View. At the Commissioners' July 6th public meeting, an agreement of sale was presented, and Plaintiff made a motion to delay the vote pending further public comment. After the motion failed, Plaintiff and the other two commissioners unanimously voted to approve an agreement of sale of Conestoga View with affiliates of its long-time private sector manager, Complete HealthCare Resources, Inc. ("CHR"), and to hire Joanne Judge, a law partner of the County Solicitor at the firm of Stevens & Lee, to represent the County in the sale process. Prior to closing the transaction, Plaintiff specifically requested that Stevens & Lee provide an itemized invoice pertaining to the Conestoga View sale and was assured by Joanne Judge that this would promptly occur.

76. Gary Heinke, who was hired by the Commissioners in March 2004 to serve as the Lancaster County Human Services Administrator, was one of two County administrators who had principal oversight for matters relating to the Conestoga View sale.

77. In the three months following the announced Conestoga View sale, issues and concerns regarding the sale of Conestoga View were publicly raised and discussed at numerous public meetings of the County Commissioners. The concerns included whether the sale would affect the care of indigent elderly, the speed with which the sale was consummated, preservation of an historic building, and whether the County's operation of Conestoga View was profitable or not. On September 28, 2005, the CHR agreement was amended at a public meeting in response to the public's concerns.

78. On September 29, 2005, the sale of Conestoga View to CHR closed.

79. In October 2005, after the Conestoga View sale closed, Defendant Morris attacked the resume and qualifications of Gary Heinke through a series of articles published in Defendant LNI's newspapers.

80. On November 10, 2005, in an apparent response to Defendant Morris' vociferous attacks and the accompanying publicity appearing in Defendant LNI's publications, the County's district attorney submitted a Notice of Submission to the Honorable Louis J. Farina, Grand Jury Supervising Judge, to approve the convening of an Investigating Grand Jury to probe the "hiring of Gary Heinke as Lancaster County Human Services Administrator and whether any crimes, including but limited to unsworn falsification to authorities (18 Pa. C.S. § 4904), may have been committed." *See* Exhibit E, a true and correct copy of Grand Jury Report, dated 12/14/06.

81. The district attorney sought this Investigative Grand Jury even though the Human Resources director of the County and outside legal counsel had conducted a two-week internal

investigation of Heinke's hiring after potential improprieties were raised and Heinke resigned on October 28, 2005. The findings of the County investigation are documented in a detailed report, *i.e.*, the Myers-Hofmann Report, which was released on November 9, 2005, and reported on by each of Defendant LNI's papers. *See* Exhibit F, a true and correct copy of the Myers-Hofmann Report. Exhibit G, true and correct copies of the *Intelligencer Journal*, *New Era*, and *Sunday News* articles reporting on the release of the Myers-Hofmann Report.

82. The Myers-Hofmann Report concluded that Heinke had falsified his resume but not his job application. It also concluded that Commissioners Shellenberger and Shaub, and County Solicitor John Espenshade of the Stevens & Lee law firm, had provided assistance to Heinke that was not furnished to any other candidates. Additionally, the Myers-Hofmann Report concluded that Plaintiff had no involvement in assisting Heinke nor was she aware the other commissioners were doing so.

83. On December 21, 2005, the *New Era* published the article "Behind Closed Doors" which uses the collective term "the commissioners" in stating that "the commissioners" secretly hired Stevens & Lee to represent the County in the Conestoga View sale.

84. The day after "Behind Closed Doors" was published, Plaintiff met with Reporter Defendant Brubaker, whose byline was carried on the article, and requested a correction since she had not "secretly" participated in hiring Stevens & Lee. Defendant Brubaker refused her request for a correction and, when Plaintiff asked him to explain why her request was not reasonable, he responded "no comment." When Plaintiff continued to press for a printed correction to the story that falsely accused her of "secretly" hiring Stevens & Lee, Defendant Brubaker said "God help us all!" and fled the room.

85. After Defendant Brubaker's reaction, Plaintiff contacted Defendants Schreiber and Buckwalter, as well as counsel for Defendant LNI, to seek a retraction for the false statement regarding the "secret" hiring of Stevens & Lee. Defendant LNI's attorney refused the requested retraction.

86. Less than two weeks later, a January 5, 2006 *Intelligencer Journal* editorial claimed that Plaintiff had contemporaneous knowledge of a secret meeting held outside the Courthouse among Commissioners Shellenberger and Shaub, Heinke, and Stevens & Lee pertaining to the Conestoga View sale, that Plaintiff, herself, had participated in such secret meetings, and that Plaintiff had thus violated the state's Sunshine laws on several occasions.

87. Throughout January and February 2006, Defendant LNI's papers published articles similar to the *Intelligencer Journal's* January 5th editorial. However, in March 2006, after Plaintiff's many demands, Stevens & Lee finally released its time reports which showed, contrary to the published statements in Defendants' publications, that Stevens & Lee had had no "secret" meetings with Plaintiff prior to the announcement of the Conestoga View sale. *See* Exhibit H, a true and correct copy of Stevens & Lee's time reports.

88. Following the release of the Stevens & Lee time reports, on March 31, 2006, Plaintiff and Commissioners Shellenberger and Shaub issued the Statement of County Commissioners Concerning the Conestoga View Sale ("CV Statement") which was published in each of Defendant LNI's papers.

89. In the CV Statement, Commissioners Shellenberger and Shaub apologize to Plaintiff for failing to inform her of the actions that they were taking with respect to selling Conestoga View; confirm that she had no knowledge of any sale proposal prior to April 2005;

