



COUNTY OF POLK

BOARD OF SUPERVISORS
111 Court Avenue
Des Moines, Iowa 50309 / 2296
Fax No. 323-5225

RECEIVED

Jack Bishop, Chair
RACING AND GAMING COMM.
286-3119

September 23, 1998

Florence D. Buhr
1st District
286-3117

George M. Mills
3rd District
286-3115

Tom Baker
4th District
286-3116

John F. Mauro
5th District
286-3118

Iowa State Racing & Gaming Commission
717 E. Court Avenue
Des Moines, IA 50319

RE: Racing Association of Central Iowa

Dear Commission:

Enclosed is a copy of the lease between Polk County and the Racing Association of Central Iowa, with amendments adopted by both parties. (The Commission did not approve the first amendment). The lease is in full force and effect, and to the best of my knowledge all conditions have been satisfied.

Sincerely,

Jack Bishop, Chair
Polk County Board of Supervisors

Enclosure
cc: Thomas L. Flynn

**LEASE OF FACILITIES
KNOWN AS PRAIRIE MEADOWS RACETRACK AND CASINO**

THIS LEASE AGREEMENT (hereinafter called the "Lease") is made and entered into as of the 1st day of January, 1998, by and between the County of Polk, Iowa, a political subdivision of the State of Iowa (hereinafter called the "Landlord"), whose address for the purpose of this Lease is 111 Court Avenue, Des Moines, Iowa 50309-2218 and the Racing Association of Central Iowa, an Iowa non-profit corporation, (hereinafter called "Tenant"), whose address for the purpose of this Lease is One Prairie Meadows Drive, Altoona, Iowa 50009.

WHEREAS, Tenant currently operates Prairie Meadows Racetrack and Casino pursuant to the "Operating Agreement 1994" ("Operating Agreement") entered into between the parties in November, 1994, which Operating Agreement expires November 1, 1999; and

WHEREAS, the parties find that, due to changing circumstances and concerns of the Iowa Racing and Gaming Commission, it is in the best interests of the parties and the public to replace the Operating Agreement with this Lease.

NOW THEREFORE based on the mutual covenants contained herein, and other good and valuable consideration, it is agreed as follows:

1. **PREMISES AND TERM.** The Landlord hereby leases unto the Tenant and Tenant hereby leases from Landlord the following described real estate, situated in Polk County, Iowa, to wit: the land and improvements thereon, including improvements made during the term of this Lease, known as Prairie Meadows Racetrack and Casino, as legally described in Exhibit "A" attached hereto, and including, but not limited to, the (i) grandstand/club house/casino building, (ii) the racetrack, (iii) the paddock and saddling area, (iv) the "backstretch" containing horse stables, jockey (and other) living quarters, detention and receiving barns, and administration/recreation building, and (v) parking areas, and all rights, easements and appurtenances thereto belonging, for a term of five (5) years, commencing at 12:01 a.m. on the 1st day of January, 1998, and ending at midnight on the 31st day of December, 2002.

2. **RENTAL.** Tenant agrees to pay to Landlord as rental for said premises One Million Dollars (\$1,000,000.00) per month, in advance, the first rent payment becoming due the 1st day of January, 1998, and the same amount, per month, in advance, on the 1st day of each month thereafter, during the term of this Lease. All sums shall be paid at the address of Landlord, as above designated or elsewhere, as the Landlord may, from time to time, designate in writing.

Payments not made within fifteen (15) days of the due date shall draw interest at 10% per annum from the due date, until paid.

3. **PAYMENT OF NET RECEIPTS.** In addition to the rental amount provided in Paragraph 2 above, and in accordance with Sections 99F.6(4)(a) and 99B.7(3)(b) of the 1997 Code of Iowa, Tenant commits to pay to Landlord the first \$13.5 million of its net receipts generated for calendar year 1998, the first \$15 million of its net receipts generated for calendar year 1999, the first \$15 million of its net receipts generated for calendar year 2000, the first \$15.5 million of its net receipts generated for calendar year 2001, and the first \$16 million of its net receipts generated for calendar year 2002, all as determined after payment of reasonable expenses, charges, taxes, fees and deductions allowed by law, and including payments for leasehold improvements, and the purchase of newer model or replacement slot machines and other capital items referenced in Paragraph 23 below, which over the five year Lease term will not exceed \$61 million in the aggregate. Payment of such net receipts to Landlord each calendar year will be made on a quarterly basis as follows:

15%	End of first quarter
20%	End of second quarter
30%	End of third quarter
35%	End of fourth quarter

If, because of the costs or expenses associated with leasehold improvements, or capital outlays or other items, Tenant's net receipts in any year are not sufficient to make some or all of the scheduled payment for such year, Tenant will first use the net receipts from the subsequent year(s) to make up any such deficiency.

Inasmuch as Tenant must certify to the Iowa Racing and Gaming Commission the actual use of the net receipts distributed to beneficiaries, Landlord will account to Tenant on a yearly basis for the actual usage of such net receipts so as to confirm that the monies were used to erect or maintain public buildings or works, or to otherwise lessen the burden of government, or for such other uses as defined in Section 99B.7(3)(b).

4. **POSSESSION.** Tenant shall be entitled to possession on the first day of the term of this Lease, and shall yield possession to the Landlord on the last day of the term of this Lease, except as herein otherwise expressly provided.

5. **USE OF PREMISES.** Tenant covenants and agrees to use and to occupy the leased premises for live horse racing, simulcasting of horse and dog races, pari-mutuel betting, slot machine and other authorized gaming activities, musical entertainment, food and beverage sales, space rental and such other activities as Tenant has historically conducted or authorized in the ordinary course of business, all in accordance with Iowa law.

6. **QUIET ENJOYMENT.** Landlord covenants that its estate in said premises is fee simple and that the Tenant, on paying the rent herein reserved and performing all the agreements as provided in this Lease, shall and may peaceably have, hold and enjoy the demised premises for the term of this Lease free from eviction or disturbance by the Landlord or any other persons or legal entity whatsoever.

Landlord shall have the right to mortgage all of its right, title, interest in said premises at any time without notice, subject to this Lease.

7. **CARE AND MAINTENANCE OF PREMISES.**

(a) **AS IS CONDITION.** Tenant takes said premises "as is" in their present condition without any commitment or obligation of Landlord to make any repairs, maintenance or improvements therein.

(b) **TENANT'S DUTY OF CARE AND MAINTENANCE.** Tenant shall, after taking possession of said premises and until the termination of this Lease and the actual removal from the premises, at its own expense, repair and maintain said premises in a reasonably safe and serviceable condition, including the roof and structural parts of the building. Tenant will not permit or allow said premises to be damaged or depreciated in value by any act or negligence of the Tenant, its agents or employees. Without limiting the generality of the foregoing, Tenant will make necessary repairs to the sewer, the plumbing, the water pipes and electrical wiring, and will promptly take care of any leakage or stoppage in any of the water, gas or waste pipes. The Tenant further agrees to maintain adequate heat to prevent freezing of pipes. Tenant, at its own expense, may install floor covering and will maintain such floor covering in good condition. Tenant will be responsible for the plate glass in the windows of the leased premises and for maintaining the parking area, driveways and sidewalks on and abutting the leased premises. Tenant also agrees to remove snow and ice and other obstacles from the parking area, driveways and sidewalk on or abutting the premises.

(c) Tenant will make no unlawful use of said premises and agrees to comply with all regulations of the Board of Health, the laws of Polk County and the City of Altoona, and the laws of the State of Iowa and the federal government.

8. **UTILITIES AND SERVICES.** Tenant shall pay, before delinquency, all charges for use of telephone, water, sewer, gas, heat, electricity, power, air conditioning, garbage disposal, trash disposal and all other utilities and services of whatever kind and nature which may be used in or upon the demised premises.

9.

(a) **SURRENDER OF PREMISES AT END OF TERM.** Tenant agrees that upon the termination of this Lease, it will surrender, yield up and deliver the leased premises in good and clean condition, except the effects of ordinary wear and tear and depreciation arising from lapse of time.

(b) **REMOVAL OF EQUIPMENT AND FIXTURES.** Tenant may, at the expiration of the term of this Lease, or renewal or renewals thereof or at a reasonable time thereafter, if Tenant is not in default hereunder, remove any fixtures or equipment which Tenant has installed in the leased premises, providing Tenant repairs any and all damages caused by such removal.

(c) **HOLDING OVER.** Continued possession, beyond the expiration date of this Lease, by the Tenant, coupled with the receipt of the specified rental by the Landlord (and absent a written agreement by both parties for an extension of this Lease, or for a new lease) shall constitute a month to month extension of this Lease, provided, however, in such event, Landlord shall have the right, upon sixty (60) days prior written notice to Tenant, to terminate Tenant's occupancy of the premises.

10. **ASSIGNMENT AND SUBLETTING.** Tenant may not assign this Lease or sublet the premises without the Landlord's written permission which shall be evidenced by a duly executed resolution of Landlord's Board of Supervisors.

11. **REAL ESTATE TAXES, PERSONAL PROPERTY TAXES, SPECIAL ASSESSMENTS.**

(a) All real estate taxes levied or assessed by lawful authority (but preserving Landlord's rights of appeal) against the leased premises shall be timely paid by Landlord. This provision shall not prejudice the Landlord's right to seek any exception from any such property taxes.

(b) Personal property taxes or other public charges levied or assessed by lawful authority (but reasonably preserving Tenant's rights of appeal) against its personal property on the premises, shall be timely paid by the Tenant.

(c) Special assessments against the leased premises shall be timely paid by Tenant.

12. **PROPERTY INSURANCE.** Tenant shall assume the risk of loss with respect to the leased premises and shall procure and maintain continuously in effect during the term of this Lease, to the extent of the full insurable value of the improvements thereon, as agreed to by Landlord, all-risk (special form) insurance, subject only to the standard exclusions contained in the policy; and Tenant will procure and deliver to the Landlord a certification from the insurance company to that effect. Such insurance shall be with an insurance company authorized to do business in Iowa and rated A or above by A.M. Best Company, and any proceeds therefrom shall be made payable to the parties hereto as their interests may appear, except that the Tenant's share of such insurance proceeds are hereby assigned and made payable to the Landlord to secure rent or other obligations then due and owing Landlord by Tenant. Such policy shall provide for thirty (30) days written notice to the Landlord before cancellation.

13. **INDEMNITY AND LIABILITY INSURANCE.** Tenant will defend, indemnify and save harmless the Landlord from and against any and all loss, costs, damage and expenses occasioned by, or arising out of, any accident or other occurrence causing or inflicting injury and/or damage to any person or property, happening or done, in, upon or about the leased premises, or due directly or indirectly to the tenancy, use or occupancy thereof, or any part thereof by the Tenant or any person claiming through or under the Tenant. The Tenant further covenants and agrees that it will at its own expense procure and maintain casualty and liability insurance with an insurance company or companies authorized to do business in Iowa and rated A or above by A.M. Best Company, in amounts not less than those presently carried by Tenant, protecting the Landlord against such claim, damages, costs or expenses on account of injury to any person or persons, or to any property belonging to any person or persons, by reason of such casualty, accident or other happening on or about the demised premises during the term thereof.

Tenant shall furnish to Landlord certificates or copies of said policies, naming the Landlord as additional insured and providing for thirty (30) days' written notice to the Landlord before cancellation.

14. **BUSINESS INTERRUPTION INSURANCE.** Tenant shall maintain business interruption insurance similar to that now being carried by Tenant, such insurance to be with an insurance company authorized to do business in Iowa and rated A or above by A.M. Best Company.

15. **FIRE AND CASUALTY. DESTRUCTION OF PREMISES.** If any structure on the leased premises is damaged by fire or other casualty so as to effect a net loss of less than 40% of its depreciated value, as mutually determined by the parties, Tenant may restore, repair, replace, and rebuild such property to its prior condition, and Landlord will contribute any available property insurance proceeds towards such construction. If any structure is destroyed or damaged so as to effect a net loss of 40% or greater of its depreciated value, as mutually determined by the parties, it shall be at the Landlord's discretion whether to restore, repair, replace or rebuild the structure to the extent Tenant's casualty insurance proceeds are available and sufficient to do so.

16. **CONDEMNATION.** If any legally constituted authority condemns the entire leased property, or such part thereof which shall make the entire property unsuitable for the purposes leased, such condemnation shall be without prejudice to the rights of either party to recover compensation from the condemning authority for any loss or damage caused by the condemnation. Neither party shall have any rights in or to any award made to the other by the condemning authority, except that Landlord shall have a claim against Tenant's rights in or to any award (and not against any other assets of Tenant) for payment of Tenant's rental obligations hereunder.

17. **TERMINATION OF LEASE AND DEFAULTS OF TENANT.**

(a) **TERMINATION UPON EXPIRATION OR UPON NOTICE OF DEFAULTS.** This Lease shall terminate upon expiration of the demised term; or if renewed by Tenant, then upon termination of the renewal term. Upon default in payment of rental herein or upon any other default by Tenant in accordance with the terms and provisions of this Lease, this Lease may at the option of the Landlord be cancelled and forfeited. PROVIDED, HOWEVER, before any such cancellation and forfeiture, Landlord shall give Tenant a written notice specifying the default, or defaults, and stating that this Lease will be cancelled and forfeited thirty (30) days after the giving of such notice, unless such default, or defaults, are remedied within such grace period.

(b) **BANKRUPTCY OR INSOLVENCY OF TENANT.** In the event Tenant is adjudicated a bankrupt or in the event of a judicial sale or other transfer of Tenant's leasehold interest by reason of any bankruptcy or insolvency proceedings or by other operation of law, and such bankruptcy, judicial sale or transfer has not been vacated or set aside within ten (10) days from the giving of notice thereof by Landlord to Tenant, then and in any such events, Landlord may, at its option, immediately terminate this Lease, re-enter said premises, upon giving of thirty (30) days' written notice by Landlord to Tenant, all to the extent permitted by applicable law.

(c) In (a) and (b) above, waiver as to any default shall not constitute a waiver of any subsequent default or defaults.

18. **RIGHT OF EITHER PARTY TO MAKE GOOD ANY DEFAULT OF THE OTHER.** If default shall be made by either party in the performance of, or compliance with, any of the terms, covenants or conditions of this Lease, and such default shall have continued for thirty (30) days after written notice thereof from one party to the other, the party aggrieved, in addition to all other remedies now or hereafter provided by law, may, but need not, perform such term, covenant or condition, or make good such default and any amount advanced shall be repaid forthwith on demand, together with interest at the rate of 10% per annum, from date of advance.

19. **SIGNS.** Tenant shall have the right and privilege of attaching, affixing, painting or exhibiting signs on the leased premises, provided only (1) that any and all signs shall comply

with the ordinances of the City of Altoona and the laws of the State of Iowa; (2) such signs shall not change the structure of the building; and (3) such signs if and when taken down shall not damage the building.

20. **MECHANIC'S LIENS.** Neither the Tenant nor anyone claiming by, through, or under the Tenant, shall have the right to file or place any mechanic's lien or other lien of any kind or character whatsoever, upon said premises or upon any building or improvement thereon, or upon the leasehold interest of the Tenant therein, and notice is hereby given that no contractor, subcontractor, or anyone else who may furnish any material, service or labor for any building, improvements, alteration, repairs or any part thereof, shall at any time be or become entitled to any lien thereon.

21. **LANDLORD'S LIEN AND SECURITY INTEREST.**

Landlord shall have, in addition to the lien given by law, a security interest as provided by the Uniform Commercial Code of Iowa, upon all personal property and all substitutions therefor, kept and used on said premises by Tenant. Landlord may proceed at law or in equity with any remedy provided by law or by this Lease for the recovery of rent or other distributions or for termination of this Lease because of Tenant's default in its performance.

22. **INCORPORATION OF PROPOSAL.** This Lease is being executed in accordance with, and pursuant to, the Proposal adopted by Tenant's Board of Directors on September 11, 1997, and accepted by Landlord's Board of Supervisors on September 12, 1997, and approved by the Iowa Racing and Gaming Commission on September 20, 1997, such Proposal being attached hereto and incorporated herein by this reference.

23. **PRE-APPROVAL OF LEASEHOLD IMPROVEMENTS.** Landlord herein authorizes and pre-approves Tenant, at Tenant's expense, and without further approval from Landlord, to make the improvements to the leased premises as described in the Projected Capital Projects attached hereto and incorporated herein by this reference. All such leasehold improvements (but not the other capital items described therein) shall become the property of the Landlord and be surrendered to Landlord at the end of this Lease.

No other improvements to the leased premises shall be made by Tenant without prior written consent of Landlord unless the total cost of any such improvement is less than \$25,000.00, and then no such consent shall be required. Tenant shall not build any hotel and/or convention center complex during the term of this Lease, nor shall Tenant place any liens or encumbrances against the leased premises without the prior written consent of Landlord.

24. **OPTION TO RENEW.** Tenant may extend the term of this Lease for an additional eight (8) year period by giving Landlord written notice of such renewal at least thirty (30) days before the Lease term expires, the terms and conditions for such renewal period to be as mutually agreed by the parties in writing within fifteen (15) days after Landlord receives such written notice from Tenant.

25. **TENANT'S RIGHT TO MATCH HIGHEST AND BEST OFFER.** In the event Landlord decides to sell the leased premises, Tenant shall have the right to match the highest and best purchase offer received by the County. Tenant shall advise Landlord in writing of its intent to exercise this right within fifteen (15) days after receiving notice of the offer accepted by Landlord, and the parties shall thereupon mutually agree on a closing date. If Tenant fails to timely exercise this right, Landlord may sell the premises to such third party in accordance with the terms and conditions of the accepted offer.

26. **INSPECTION OF PREMISES AND BOOKS AND RECORDS.** An authorized representative of the County, as designated by the County Manager, shall have the right to enter and have access to the leased premises and to review the Tenant's books and records, at such reasonable times and for such reasonable purposes and upon advance reasonable notice to Tenant, in furtherance of the Landlord's responsibility to the public and in protection of its property, as long as such entrances do not unreasonably interfere with the Tenant's right to quiet occupancy. Such entrances and review by the Landlord shall be subject to the rules of the Iowa Racing and Gaming Commission and the exception for confidential records provided in Section

22.7, 1997 Code of Iowa. The authorized representative of the Landlord shall advise the Tenant's General Manager, or designee, upon his/her arrival at the premises.

27. **AVAILABILITY OF LANDLORD'S EXPERTISE AND RESOURCES.** Landlord, at Tenant's request, and subject to approval by the Landlord's County Manager, may provide to Tenant certain expertise and resources that are not available to Tenant. These services may include, but are not limited to, purchasing any of the insurance required hereunder, purchasing goods and printing documents, and maintenance of buildings and grounds. Tenant will reimburse the Landlord at the rate billed which will represent reasonable costs to the Landlord. The Landlord will not provide services if Landlord's County Manager deems that the Landlord's normal operations would be impaired.

28. **REGULATORY COMPLIANCE.** Tenant shall maintain a valid pari-mutuel license to conduct horse racing and a valid license to conduct gambling games as issued by the Iowa Racing and Gaming Commission, and shall make timely and appropriate application for the renewal of any such licenses as they expire from time to time. Tenant will maintain all other licenses necessary for its operations at the premises, including without limitation licenses to serve food and alcoholic beverages to the public.

29. **NOTICE OF ADVERSE DEVELOPMENT.** Both the Landlord and the Tenant shall give prompt notice in writing to the other party of any adverse development, financial or otherwise, which would materially affect the operation of the horse racing facility, or gambling game operation.

30. **RIGHTS CUMULATIVE.** The various rights, powers, options, elections and remedies of either party, provided in this Lease, shall be construed as cumulative and no one of them as exclusive of the others, or exclusive of any rights, remedies or priorities allowed either party by law, and shall in no way affect or impair the right of either party to pursue any other equitable or legal remedy to which either party may be entitled as long as any default remains in any way unremedied, unsatisfied or undischarged.

31. **NOTICES AND DEMANDS.** Notices as provided for in this Lease shall be given to the parties hereto in writing at the respective addresses designated on page one of this Lease unless either party notifies the other, in writing, of a different address. All notices to the Landlord shall be directed to its County Manager and all notices to the Tenant shall be directed to its General Manager. Without prejudice to any other method of notifying a party in writing or making a demand or other communication, such message shall be considered given under the terms of this Lease when sent, addressed as above designated, postage prepaid, by registered or certified mail, return receipt requested, by the United States mail and so deposited in a United States mail box.

32. **PROVISIONS TO BIND AND BENEFIT SUCCESSORS, ASSIGNS, ETC.** Each and every covenant and agreement herein contained shall extend to and be binding upon the successors and assigns of the parties hereto.

33. **CHANGES TO BE IN WRITING.** None of the covenants, provisions, terms or conditions of this Lease to be kept or performed by Landlord or Tenant shall be in any manner modified, waived or abandoned, except by a written instrument duly signed by the parties and delivered to the Landlord and Tenant. This Lease and the attached Proposal contain the whole agreement of the parties.

34. **CONSTRUCTION.** Words and phrases herein, including acknowledgement hereof, shall be construed as in the singular or plural number, and as masculine, feminine or neuter gender according to the context.

34. **ENVIRONMENTAL COVENANTS.** Tenant shall not cause or permit any Hazardous Substance to be used, stored, generated, or disposed of on or in the premises by Tenant, Tenant's agents, employees, contractors, or invitees, except such as are necessary, if any, to conduct its normal business operations. If Hazardous Substances are used, stored, generated, or disposed of on or in the premises, and if the premises becomes contaminated in any manner for which Tenant or Landlord is legally liable, Tenant shall indemnify and hold harmless the Landlord from any and all claims, damages, fines, judgments, penalties, costs, liabilities, or losses (including,

without limitation, a decrease in value of the premises, damages caused by loss or restriction of rental or usable space, or any damages caused by adverse impact on marketing of the space, and any and all sums paid for settlement of claims, attorneys' fees, consultant, and expert fees, arising during or after the lease term and arising as a result of that contamination by Tenant). This indemnification includes, without limitation, any and all costs incurred because of any investigation of the site or any cleanup, removal, or restoration mandated by a federal, state, or local agency or political subdivision. Without limitation of the foregoing, if Tenant causes or permits the presence of any Hazardous Substance on the premises and that results in contamination, Tenant shall promptly, at its sole expense, take any and all necessary actions to return the premises to the condition existing prior to the presence of any such Hazardous Substance on the premises. Tenant shall first obtain Landlord's approval for any such remedial action. These covenants shall survive the termination of this Lease.

As used herein, "Hazardous Substance" means any substance that is hazardous, toxic, ignitable, reactive, or corrosive and that is regulated by any local government, the State of Iowa, or the United States Government. "Hazardous Substance" also includes any and all material or substances that are defined as "hazardous waste," pursuant to state, federal or local governmental law. "Hazardous Substance" includes but is not restricted to asbestos, polychlorobiphenyls ("PCBs"), and petroleum.

36. **ARBITRATION.** Any dispute involving interpretation of this Lease or the parties' benefits and burdens hereunder, shall be submitted to and determined by arbitration in Polk County, Iowa, in accordance with Iowa Code Ch. 679A. The arbitrator shall be chosen by mutual agreement of the parties. If the parties cannot agree, an arbitrator shall be appointed by the Polk County District Court, pursuant to Iowa Code §679A.3.

37. **NO PARTNERSHIP OR JOINT VENTURE.** Nothing contained in this Lease shall constitute or be construed to be or create a partnership or joint venture between the Landlord, its successors or assigns, on the one part, and Tenant, its successors or assigns, on the other part.

38. **HEADINGS.** The Paragraph headings contained herein are for convenience and reference only and are not intended to define, limit or describe the scope or intent of any provision of this agreement.

39. **GOVERNING LAW.** This Lease shall be governed by and interpreted in accordance with the laws of the State of Iowa.

40. **SEVERABILITY.** If for any reason any provision of the Lease is deemed to be void or unenforceable, such event shall not render the remaining provisions of this Lease void or unenforceable.

41. **CONTINGENCIES.** This Lease is subject to approval by the Iowa Racing and Gaming Commission. This Lease is further subject to and conditioned upon the successful completion by the Landlord of the closing agreement procedure with the Internal Revenue Service, as same pertains to the outstanding bonds issued in connection with the leased premises, and Tenant's payment of the closing agreement amount. In that regard, Landlord commits that it will utilize its best efforts to effectuate the closing agreement procedure on or before December 31, 1997, and is aware of no reason why such matter cannot be successfully completed by such date. If for any reason the Landlord cannot successfully complete the closing agreement procedure with the IRS, the parties will proceed under the terms of the Operating Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Lease in duplicate the day and year first above written.

COUNTY OF POLK

By Stewart D. Baker

Its Chairman of the Board of Supervisors
LANDLORD

RACING ASSOCIATION OF CENTRAL
IOWA

By James E. Kammeyer

Its Chairman of the Board of Directors
TENANT

EXHIBIT A

The West 1/2 of the Northeast 1/4 less approximately 1 acre for road; and also a parcel of land in the Northwest 1/4 of Section 14, Township 79 North, Range 23 West of the 5th P.M., Polk County, Iowa, that is more particularly described as follows: Beginning at the center of said Section 14, thence North along the East line of said Northwest 1/4 283.00 feet to a point; thence Southwesterly approximately 400 feet to a point on the South line of said Northwest 1/4, said point being 283.00 feet West of the center of said Section 14; thence East along the South line of said Northwest 1/4 283.00 feet to the point of beginning, all now included in and forming a part of the City of Altoona, Polk County, Iowa.

The East 1/2 of the Southwest 1/4 of Section 14, Township 79, Range 23 West of the 5th P.M., less 3 acres for road and railway, all being in and forming a part of the City of Altoona, Polk County, Iowa, containing approximately 77 acres.

East 1/2 of the Northeast 1/4, in Section 14, Township 79 North, Range 23 West of the 5th P.M., Polk County, Iowa, less road.

The Racing Association of Central Iowa (RACI), Inc. d.b.a. Prairie Meadows Racetrack & Casino Projected Capital Projects Cash Flow Periods

9-Sep-97

ITEM:	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>TOTALS</u>
Training Track *	\$500,000					\$500,000
Two Barns *	\$900,000					\$900,000
Turf Track Development *	\$2,000,000	\$1,500,000				\$3,500,000
Viewing Stand *	\$60,000					\$60,000
MIS		\$200,000	\$200,000			\$400,000
New Starting Gate	\$50,000					\$50,000
Dormitory Facilities *	\$300,000	\$300,000				\$600,000
TV Equipment	\$100,000	\$100,000	\$250,000			\$450,000
Horse Demonstration Pavilion *		\$200,000				\$200,000
New Slots Additional	\$1,000,000	\$2,200,000	\$1,500,000	\$1,500,000	\$1,500,000	\$7,700,000
Seating	\$150,000	\$150,000	\$75,000	\$75,000	\$75,000	\$525,000
Signage	\$100,000	\$150,000	\$75,000	\$75,000	\$75,000	\$475,000
Bases		\$35,000	\$35,000	\$35,000	\$35,000	\$140,000
Capital Needs "To Be Specified" *	\$250,000	\$250,000	\$4,715,000	\$4,665,000	\$4,665,000	\$14,545,000
Immediate Leasehold Improvements *	\$3,000,000	\$10,000,000	\$6,300,000			\$19,300,000
Growth Leasehold Improvements *	\$7,000,000	\$4,000,000	\$200,000			\$11,200,000
Money Handling Equipment	\$75,000	\$75,000	\$150,000	\$150,000	\$150,000	\$600,000
TOTAL:	\$15,485,000	\$19,160,000	\$13,500,000	\$6,500,000	\$6,500,000	\$61,145,000

*Deemed leasehold improvement except that within the categories of "Capital Needs 'To Be Specified'", "Immediate Leasehold Improvements" and "Growth Leasehold Improvements" there may be certain furniture, fixtures or equipment which are readily removable and therefore not a "leasehold improvement".

PROPOSAL

From the
RACING ASSOCIATION OF CENTRAL IOWA, INC.
d/b/a PRAIRIE MEADOWS RACETRACK & CASINO
September 11, 1997

1. CANCELLATION OF 1994 OPERATING AGREEMENT:

(a) The Operating Agreement would be deemed canceled as of midnight on December 31, 1997.

(b) In connection therewith, the \$4 million now held in escrow by RACI for future horse purses would be paid to the County, such payment to be made on or before June 30, 1998.

(c) Further, the outstanding loan of approximately \$1.2 million extended by Polk County to RACI for vault cash would be repaid in full on or before June 30, 1998, after first offsetting therefrom the management fee due RACI under the Operating Agreement.

(d) If the County's outstanding bonds pertaining to Prairie Meadows need to be prematurely redeemed, RACI will also pay the County any penalty incurred for such early redemption.

(e) All other monies held by RACI whether in cash, coin, deposit accounts, or otherwise, shall remain RACI's property so as to enable it to carry on business as usual.

(f) A Bill of Sale conveying title to the slot machines and other related gaming equipment will be executed by the County in favor of RACI and placed in escrow with an independent third party, pending retirement of the Gaming Revenue Bonds in the first half of the 1998 calendar year, at which time such Bill of Sale shall be delivered to RACI at no additional cost.

(g) Further, title to all other furniture, furnishings, fixtures and equipment located at Prairie Meadows shall be conveyed by the County to RACI.

(h) The Supervisors will no longer approve RACI's purse contracts, key employee contracts, budgets, annual plans, or other aspects of RACI's operations. Further, there will be no further need for RACI's monthly reports to be submitted to the County.

2. LEASE:

(a) A Lease would replace the Operating Agreement, the term of which shall commence January 1, 1998 and end December 31, 2002.

(b) During such term, the County agrees that RACI may make the following leasehold improvements to the facilities: The Immediate Needs Construction Program developed by Leo Daly in conjunction with the County as presented in April 1996, a training track, a turf track, 2 barns, a viewing stand, new dormitory facilities, a horse demonstration pavilion, and a 40,000 square foot (more or less) expansion of the main building to the west.

(c) RACI agrees that it will not build any hotel and/or convention center complex during the term of this Lease.

(d) RACI will pay all assessments, utilities, repairs and maintenance pertaining to the facilities.

(e) The County will be responsible for any property taxes assessed against the land and improvements thereon.

(f) RACI will not place any liens or encumbrances against the facilities without the prior written consent of the County.

(g) RACI shall have the option to lease the facilities for an additional eight (8) year period upon terms and conditions mutually acceptable to both parties.

(h) In the event the County decides to sell the facilities, RACI shall have the right to match the highest and best purchase offer received by the County.

(i) Until the Lease is implemented, we will proceed under the terms of the Operating Agreement.

3. PAYMENT TO COUNTY:

(a) RACI will pay a fixed lease payment to the County of \$12 million per year, payable in equal monthly installments of \$1 million.

(b) In addition thereto, and in accordance with Sections 99F.6(4)(a) and 99B.7(3)(b) of the Iowa Code, RACI commits to pay to the County the first \$13.5 million of its net receipts in 1998, the first \$15 million of its net receipts in 1999, the first \$15 million of its net receipts in 2000, the first \$15.5 million of its net receipts in 2001, and the first \$16 million of its net receipts in 2002, all as determined after payment of reasonable expenses, charges, taxes, fees and deductions allowed by law, and including the payments for leasehold improvements described in Paragraph 2(b) above (approximately \$31 million), and the purchase of newer model or replacement slot machines and other capital items (approximately \$30 million), which over the five year Lease term will not exceed \$61 million in the aggregate. Payment of such net receipts to Polk County will be made on a quarterly basis as follows:

- 15% End of first quarter
- 20% End of second quarter
- 30% End of third quarter
- 35% End of fourth quarter

In the event RACI's net receipts in any year are not sufficient to make some or all of the scheduled payment for such year, RACI will first use the net receipts from the subsequent year(s) to make up any such deficiency.

(c) Inasmuch as RACI must certify to the Commission the actual use of the net receipts distributed to beneficiaries, the County will need to account on a yearly basis for the actual usage of same so as to confirm that the monies were used to erect or maintain public buildings or works, or to otherwise lessen the burden of government, or for such other uses as defined in Section 99B.7(3)(b).

4. **PAYMENT TO CHARITIES:**

All remaining net receipts each year will be distributed by RACI to charitable causes or to establish appropriate reserves.

5. **RACI's BOARD:**

RACI's Bylaws will be amended to provide that effective January 1, 1998, the Board will be comprised of 13 members, of which 5 are selected by RACI's Board from an unlimited number of at large applicants, 4 are appointed by the County Supervisors, 1 appointed by the Des Moines

Development Corporation, 1 appointed by the Polk County Taxpayers Association, 1 appointed by the South Central Iowa Federation of Labor, and 1 to be selected from Iowa horse owners. All Board terms will be for a three-year period and no Board Member may serve more than two consecutive three-year terms, it being understood that time spent prior to January 1, 1998 shall not be counted. Terms will be staggered as now provided.

6. **TIMING:**

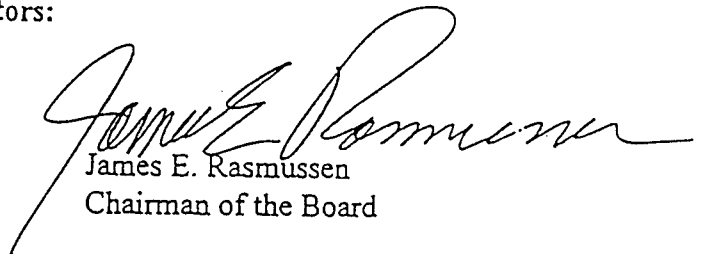
Time is of the essence and this Proposal shall lapse if not accepted by September 15, 1997.

7. **THIRD PARTY APPROVALS:**

This proposal is subject to approval by the Commission and further subject to RACI being able to negotiate a five year purse agreement with the Iowa Horsemen.

All of the foregoing are considered integral to this Proposal.

By order of RACI's Board of Directors:


James E. Rasmussen
Chairman of the Board

AMEND PARAGRAPH 17 ENTITLED 'TERMINATION AND DEFAULTS BY TENANT'
BY ADDING:

(D)TERMINATION UPON SALE OF PREMISES. This Lease shall terminate upon the sale of the property by the Landlord and upon the successful acquiring of a gaming license from the State of Iowa by a new qualified non-profit organization to operate gaming at the herein described property, it being agreed that Tenant's 15-day right to match any purchase offer shall not commence until all conditions precedent of such offer have been satisfied or removed.

**Second Amendment to Lease of Facilities
Known as Prairie Meadows Racetrack and Casino**

COME NOW Polk County, Iowa, ("Landlord") and the Racing Association of Central Iowa ("Tenant"), and agree to the following amendments to the Lease of Facilities Known as Prairie Meadows Racetrack and Casino, as amended and approved by the Polk County Board of Supervisors on December 23, 1997:

1. Delete paragraph 3, "Payment of Net Receipts," and delete the words "or other distributions" from paragraph 21.

2. Amend paragraph 41, "Contingencies," by deleting the third and fourth sentences and adding the following language:

In that regard, Landlord advises that it has received confirmation from the Internal Revenue Service that the closing agreement procedure can be successfully completed immediately upon tender of the requisite amount.

**RACING ASSOCIATION OF
CENTRAL IOWA**

COUNTY OF POLK

By Gary E. Palmer
Vice-Chairperson
TENANT

By John F. Haino
Vice-Chairperson
LANDLORD

Date March 4, 1998

Date March 3, 1998