

ORDINANCE #66243
Board Bill No. 435

AN ORDINANCE RECOMMENDED BY THE BOARD OF ESTIMATE AND APPORTIONMENT APPROVING A NEW CITY GAMING DEVELOPMENT PLAN KNOWN AS THE CITY OF ST. LOUIS REPORT TO THE GAMING COMMISSION OF THE STATE OF MISSOURI, FEBRUARY, 2004; APPROVING A TERM SHEET BY AND AMONG THE LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY OF THE CITY OF ST. LOUIS, THE PORT AUTHORITY OF THE CITY OF ST. LOUIS, THE ST. LOUIS DEVELOPMENT CORPORATION AND PINNACLE ENTERTAINMENT, INC. WITH RESPECT TO THE CONSTRUCTION AND OPERATION OF A GAMING FACILITY AND A RELATED MIXED-USE DEVELOPMENT IN THE CITY OF ST. LOUIS; AFFIRMING THE AUTHORIZATION OF THE LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY OF THE CITY OF ST. LOUIS TO NEGOTIATE AND EXECUTE A REDEVELOPMENT AGREEMENT BETWEEN THE LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY OF THE CITY OF ST. LOUIS AND PINNACLE ENTERTAINMENT, INC. WITH RESPECT TO SUCH REDEVELOPMENT; AUTHORIZING CERTAIN ACTIONS BY CITY OFFICIALS; CONTAINING A SEVERABILITY CLAUSE; AND CONTAINING AN EMERGENCY CLAUSE.

WHEREAS, the City of St. Louis, Missouri (the "City"), is a body corporate and a political subdivision of the State of Missouri, duly created, organized and existing under and by virtue of its charter, the Constitution and laws of the State of Missouri; and

WHEREAS, the Land Clearance for Redevelopment Authority of the City of St. Louis is a body corporate and politic and is duly constituted according to the Land Clearance for Redevelopment Authority Law, Sections 99.300 to 99.660 of the Revised Statutes of Missouri, as amended (the "LCRA Law"); and

WHEREAS, on January 21, 1981, pursuant to Ordinance No. 58215, the Board of Aldermen found that certain property along the downtown St. Louis riverfront constituted a blighted area as defined in Section 99.320 of the Revised Statutes of Missouri, as amended (the "Area"); and

WHEREAS, the Land Clearance for Redevelopment Authority of the City of St. Louis ("LCRA") thereafter prepared and submitted to the City for its review and approval a redevelopment plan titled "Redevelopment Plan for the Riverside Urban Redevelopment Area," dated January 21, 1981 (the "Redevelopment Plan"); and

WHEREAS, on March 25, 1981, the Board of Aldermen approved the Redevelopment Plan pursuant to Ordinance No. 58272 (the "Approving Ordinance"); and

WHEREAS, the Port Authority of the City approved a gaming development plan titled "The City of St. Louis Report to the Gaming Commission of the State of Missouri, October 25, 1993" which plan is on file with the Missouri Gaming Commission; and

WHEREAS, the Port Authority of the City of St. Louis (the "Port Authority") and the LCRA, in cooperation with the St. Louis Development Corporation ("SLDC") published a Request for Proposals on August 3, 2003 in the St. Louis Post-Dispatch and August 7, 2003, in the St. Louis American, newspapers of general circulation within the City, soliciting proposals for the construction of a gaming facility and mixed-use development within the Area, and made such Request for Proposals available for potential redevelopers of the Area; and

WHEREAS, Pinnacle Entertainment, Inc., in response to the solicitation of proposals from redevelopers, submitted its redevelopment proposal dated November 14, 2003 for a development within the Riverside Urban Redevelopment Area in downtown St. Louis (the "Proposal"); and

WHEREAS, the Proposal calls for development of an approximately 75,000 square foot gaming facility and related parking structure within the Area, as well as construction and renovation of portions of the Area into commercial and residential space (the "Redevelopment Project"); and

WHEREAS, on January 15, 2004, the Port Authority and LCRA, acting on a recommendation by an eight-member selection committee, determined to pursue the Proposal of Pinnacle Entertainment, Inc. ("Redeveloper") and negotiate a redevelopment agreement with Redeveloper; and

WHEREAS, the Redevelopment Project is of economic significance to the City and will promote the public health, safety, morals and general welfare of the City; and

WHEREAS, in order to facilitate construction of the Redevelopment Project, the City desires to replace The City of St. Louis Report to the Gaming Commission of the State of Missouri, October 25, 1993 by adopting an ordinance that approves a new gaming development plan titled The City of St. Louis Report to the Gaming Commission of the State of Missouri, February, 2004, attached hereto as **Exhibit A** and incorporated herein by reference; and

WHEREAS, on February 24, 2004, the Board of Commissioners of the LCRA approved the form of the Term Sheet by resolution number 04-LCRA-7615; and

WHEREAS, on February 24, 2004, the Board of Commissioners of the Port Authority approved the form of the Term Sheet by resolution number 04-PT-5E; and

WHEREAS, the City acknowledges and anticipates that the LCRA, the Port Authority and SLDC, acting on behalf of and for the benefit of the City, has or may execute a term sheet with the Redeveloper pertaining to the Redevelopment Project (the "Term Sheet"); and

WHEREAS, the City anticipates and desires that LCRA will negotiate and execute a redevelopment agreement with Redeveloper based on the provisions set forth in the Term Sheet and for the benefit of the City (the "Redevelopment Agreement"); and

WHEREAS, the Board of Aldermen finds that it is desirable and in the best interests of the City to approve The City of St. Louis Report to the Gaming Commission of the State of Missouri, February, 2004 and implement the Redevelopment Project in order to encourage and facilitate the redevelopment of the Area; and

WHEREAS, the Board of Aldermen finds that the terms of the Term Sheet, attached as **Exhibit B** hereto and incorporated herein by reference, are acceptable and that the execution and delivery of the Term Sheet by the LCRA, Port Authority and SLDC is necessary and desirable and in the best interests of the City and the health, safety, morals and welfare of its residents, and in accord with the public purposes specified in the Redevelopment Plan; and

WHEREAS, the LCRA is authorized, pursuant to the Redevelopment Plan and Section 99.420 of the LCRA Law, to enter into redevelopment agreements pertaining to redevelopment of the Area; and

WHEREAS, the Board of Aldermen finds that negotiation and execution, by LCRA, of a Redevelopment Agreement based on provisions set forth in the Term Sheet is consistent with the LCRA Law, the Approving Ordinance and the Redevelopment Plan, and that performance by LCRA and the Redeveloper of their respective obligations under the Redevelopment Agreement is necessary and desirable and in the best interests of the City and the health, safety, morals and welfare of its residents, and in accord with the public purposes specified in the Redevelopment Plan.

BE IT ORDAINED BY THE CITY OF ST. LOUIS AS FOLLOWS:

Section One. The Board of Aldermen hereby adopts the foregoing recitals as findings.

Section Two. The gaming development plan known as The City of St. Louis Report to the Gaming Commission of the State of Missouri, October 25, 1993 executed by the Port Authority of the City and on file with the Missouri Gaming Commission is hereby replaced with The City of St. Louis Report to the Gaming Commission of the State of Missouri, February, 2004 which is hereby adopted and approved. A copy of The City of St. Louis Report to the Gaming Commission of the State of Missouri, February, 2004 is attached hereto as **Exhibit A** and incorporated herein by reference.

Section Three. The Board of Aldermen hereby affirms that the attached Term Sheet and the Redevelopment Agreement contemplated by said Term Sheet are in the best interest of the City and in conformance with The City of St. Louis Report to the Gaming Commission of the State of Missouri, February, 2004. Accordingly, the Executive Director of the LCRA or his designated representative, is hereby authorized to take all necessary actions to implement the Term Sheet, attached hereto as **Exhibit B** and incorporated herein by reference.

Section Four. The Board of Aldermen finds and determines that the LCRA is authorized, pursuant to Section 99.420 of the LCRA Law and the Redevelopment Plan, to enter into a Redevelopment Agreement pertaining to redevelopment of the Area, and that negotiation and execution, by LCRA, of a Redevelopment Agreement based on provisions set forth in the Term Sheet is consistent with the LCRA Law, the Approving Ordinance and the Redevelopment Plan, and that performance by LCRA and the Redeveloper of their respective obligations under the Redevelopment Agreement is necessary and desirable and in the best interests of the City and the health, safety, morals and welfare of its residents, and in accord with the public purposes specified in the Redevelopment Plan.

Section Five. The Board of Aldermen finds and affirms that the Executive Director of the LCRA or his designated representative is authorized, pursuant to the LCRA Law, the Approving Ordinance and the Redevelopment Plan, to take any and all actions to negotiate, execute and deliver, for the benefit of the City, a Redevelopment Agreement and any and all additional certificates, documents, agreements or other instruments as may be necessary, desirable, convenient or proper in order to carry out the matters described herein.

Section Six. It is hereby declared to be the intention of the Board of Aldermen that each and every part, section and subsection of this Ordinance shall be separate and severable from each and every other part, section and subsection hereof and that the Board of Aldermen intends to adopt each said part, section and subsection separately and independently of any other part, section and subsection. In the event that any part, section or subsection of this Ordinance shall be determined to be or to have been unlawful or unconstitutional, the remaining parts, sections and subsections shall be and remain in full force and effect, unless the court making such finding shall determine that the valid portions standing alone are incomplete and are incapable of being executed in accord with the legislative intent.

Section Seven. Passage of this Ordinance being deemed necessary for the immediate preservation of public health, morals, safety and the general welfare of the residents of the City of St. Louis, it is hereby declared to be an emergency within the meaning of Article IV, Sections 19 and 20, of the Charter of the City of St. Louis, and, as such, this Ordinance shall become effective immediately on its passage and approval by the Mayor.

EXHIBIT A

GAMING DEVELOPMENT PLAN OF THE CITY OF ST. LOUIS

REPORT TO THE MISSOURI GAMING COMMISSION

February, 2004

In accordance with Section 313.812 of the Missouri Revised Statutes, the City of St. Louis submits the following plan to the Missouri State Gaming Commission. The plan addresses:

- I. RECOMMENDED NUMBER OF LICENSES**
 - II. RECOMMENDED LICENSEE OR LICENSEES**
 - III. COMMUNITY ECONOMIC DEVELOPMENT IMPACT AND AFFIRMATIVE ACTION PLAN**
 - IV. PROPOSED REVENUE SHARING WITH OTHER LOCALITIES**
 - V. ADDITIONAL CITY INFORMATION**
 - VI. INFORMATION THE MISSOURI GAMING COMMISSION DETERMINES NECESSARY**
- I. RECOMMENDED NUMBER OF LICENSES**

The policy of the City of St. Louis is to recommend to the Missouri Gaming Commission ("MGC") to limit the number of gaming licenses in the City to any license(s) currently existing at the time of adoption of this plan and one additional license, with an emphasis on attracting the highest quality operations.

The City may determine a need to reassess its policy regarding number of City gaming licenses after a seven (7) year period to determine whether conditions warrant an amendment of this policy and recommendation of any additional licenses.

II. RECOMMENDED LICENSEE OR LICENSEES

In August of 2003, the City through its Port Authority and Land Clearance for Redevelopment Authority issued a “Request for Proposals” (RFP) for the development of a gaming facility and related mixed use development in an area along the central riverfront in the City of St. Louis. A City Selection Committee received, reviewed and evaluated two (2) proposals. The Selection Committee determined that both proposals were quality gaming proposals but, pursuant to an evaluation based upon the RFP criteria, the City is recommending and supporting Pinnacle Entertainment, Inc. (Pinnacle) for licensure by the MGC. The President Casino at the Admiral is also licensed in the City of St. Louis.

III. COMMUNITY ECONOMIC DEVELOPMENT IMPACT AND AFFIRMATIVE ACTION PLAN

The City of St. Louis wishes to expand its economic development through the utilization of a gaming-based development within the boundaries of the City. In addition, the City wishes to secure gaming development that will include other complementary development, including entertainment, retail, parking and residential development in the area adjacent to the gaming facility. The City is particularly interested in a comprehensive “boat-in-a-moat” project whereby the excursion gaming boat would be located within a constructed basin off the river channel and would be connected to other, land-based development.

In assessing the economic impact of the Pinnacle proposal, the City through its Port Authority and Land Clearance for Redevelopment Authority retained the services of a financial consulting team comprised of Stifel, Nicolaus & Company, Inc., PGAV Urban Consulting and Columbia Capital to review and evaluate the proposals. Pinnacle has provided the following description of the proposed project and economic benefits to the City.

- Total Investment: \$257.7 million (\$200 million total construction, \$7.7 million land, \$50 million residential/retail commitment) plus the cost of tenant improvements.
- Casino size: 75,000 sq. ft. on a single level
2,000 slots
40 tables
- Jobs: 1,300 FTE projected and 1,157 FTE guaranteed (well paying with full benefits) for operations for the first year; staffing equivalent to similar luxury hotel/casino developments thereafter.
- Hotel rooms: 200 luxury rooms
Four Seasons Hotel, Fairmont, St. Regis, Intercontinental or other City approved luxury hotel.
- Resident/Retail: \$50 million commitment to residential housing either on site in a high end luxury condominium tower or in newly constructed mid to upper end housing projects elsewhere within downtown St. Louis or City approved retail development(s) within downtown St. Louis.
- Parking: 2,000 parking spaces
Parking garage
- Restaurants: 3+ (including high quality buffet).
- Lounge/night clubs: 1 Entertainment lounge/several bars.
- Retail and Other: Gift, retail shops, full service salon and spa and health club Amenities: totaling a minimum of 30,000 sq. ft.
- Convention/meeting space: 12,000 sq. ft.

Infrastructure improvements necessary to support the proposed development.

Direct employee benefits for the first year of operation shall be at least thirty percent (30%) of payroll. Thereafter, the number of employees and percentage of direct employee benefits to payroll shall be consistent with the staffing and benefits at similar luxury hotel and casino developments in the continental United States. In order to encourage employment of City residents, minorities and women, the prospective licensee will work with the St. Louis Agency for Training and Employment (“SLATE”) and the Federal Empowerment Zone to develop a recruitment and job training program designed to achieve and maintain its MBE/WBE objectives. Further, the prospective licensee will sponsor a cafeteria plan for its employees pursuant to which employees can direct a portion of their income for, among other things, childcare expenses. The cafeteria plan shall be subject to the approval of any union that may sign a collective bargaining agreement with the prospective licensee.

The licensee is required to comply with the Mayor’s Executive Order #28, as amended, during the design, construction and operation of the Project and with respect to ongoing services provided by third parties to the Redeveloper. The City shall be provided with a compliance plan for construction at the time of design submission and an ongoing and comprehensive compliance plan at the time of licensure. Said plan, which will include the aforementioned elements of design, construction and operation will be approved by the City and monitored by the City’s MBE/WBE Contract Compliance Officer.

IV. PROPOSED REVENUE SHARING WITH OTHER LOCALITIES

This City is willing to consider revenue sharing opportunities with St. Louis County, Missouri.

V. ADDITIONAL CITY INFORMATION

The City envisions that the proposed development will be the impetus for a greater overall development of the City’s central riverfront and the Riverside Redevelopment Area in particular making this area a destination for tourists and residents to enjoy premier entertainment and retail as well as the establishment of a residential base within the area.

The City may supplement or update this plan by amendment or replacement as it deems proper. Any non substantial modification or amendment of the plan may be made by approval of the Land Clearance for Redevelopment Authority of the City of St. Louis.

VI. INFORMATION THE MISSOURI GAMING COMMISSION DETERMINES NECESSARY

The City and its Authorities will provide any additional information requested by the Commission.

EXHIBIT B

Form of Term Sheet

(Attached hereto)

EXHIBIT B

NEW RIVERFRONT CASINO AND MIXED-USE DEVELOPMENT TERM SHEET

Redeveloper: PINNACLE ENTERTAINMENT, INC., a publicly traded company headquartered in Las Vegas, Nevada (the “Redeveloper”).

Project Area: An area bounded by Carr Street, North Second Street, Dr. Martin Luther King Drive and North Third Street consisting of approximately 7.27 acres which is owned by Redeveloper.

Redevelopment Agreement: The City of St. Louis, by and through the Land Clearance for Redevelopment Authority of the City of St. Louis (the “LCRA”), the Port Authority of the City of St. Louis (the “Authority”) and the St. Louis Development Corporation (the “SLDC”), for itself and as Agent for LCRA, (collectively, the “City”) and the Redeveloper have agreed to undertake the negotiation of a Redevelopment Agreement incorporating the following terms:

1. Project - The Redeveloper shall construct a luxury class gaming and multi-use development within the Project Area

- generally in accordance with its initial response and supplemental responses, as amended by its written or oral statements to the Selection Committee, (the “**Project**”) to the City’s Request For Proposals For Development and Operation of a Gaming Facility and Related Mixed-Use Development in the City of St. Louis, Missouri dated November 14, 2003, as amended, (the “**Proposal**”). The Project shall, at a minimum, contain the elements and features set forth in Exhibit A (“**Essential Elements**”) and as otherwise provided in this Term Sheet and the Redevelopment Agreement.
2. Project Modifications - The Redeveloper may modify its Proposal and the boundaries of the Project Area to include any property located within the boundaries of North Third Street, Dr. Martin Luther King Drive, Biddle Street and Leonor K Sullivan Drive (the “**Gaming Redevelopment Area**”) with the advance written consent of the LCRA, which consent shall not be unreasonably withheld, provided that there is no reduction in Essential Elements.
 3. Improvements - In addition to the Essential Elements listed on Exhibit A, the Essential Elements shall include, at a minimum, the improvements set forth on Exhibit B (the “**Improvements**”). The City shall not be required to contribute any out-of-pocket funds to the Improvements with respect to the initial construction and installation of the Improvements. To the extent allowed by law, the Redevelopment Agreement shall include language under which the Redeveloper controls and owns the Improvements subject to standards of maintenance approved by the City. Upon completion of the Improvements, the Redeveloper or the business development district that may be established pursuant to the Redevelopment Agreement, will enter into a maintenance agreement with the City agreeing to maintain the Improvements at Redeveloper’s sole expense. Upon City’s approval, the Redeveloper may take advantage of any state or federal funds that might be available for such Improvements. The City shall not be obligated to seek state or federal funds on behalf of Redeveloper. The total costs of the Improvements paid from private non-governmental sources shall be credited toward the required \$200 million expenditure.
 4. LCRA Property Option - In order to assist Redeveloper’s efforts to provide the Essential Elements of the Project, in a manner that is in the best interest of the City with respect to redeveloping the Laclede’s Landing area generally and the Gaming Redevelopment Area specifically, including but not limited to the residential/retail element as provided in Section 8 hereof, the Redevelopment Agreement shall provide for an option agreement wherein the LCRA options to ground lease to the Redeveloper all properties it presently owns or subsequently acquires within the Gaming Redevelopment Area during the option period (“**Option Agreement**”). The Option Agreement shall be for a term of eighteen (18) months from the date the Redeveloper is selected for investigation by the Missouri Gaming Commission (the “**MGC**”) with a one year renewal provision at the discretion of the Redeveloper. Payment for the Option Agreement shall be \$300,000 for each option period. Under the terms of the Option Agreement, LCRA shall make available to the Redeveloper up to seven acres under a ground lease. The final terms of the Option Agreement and any subsequent ground lease shall be as mutually agreed by the parties. In consideration of the Option Agreement, the Redevelopment Agreement shall provide that within ninety (90) days of LCRA’s execution of the Redevelopment Agreement, the LCRA shall have assigned to the Redeveloper the exclusive right to develop the Project Area in a form reasonably satisfactory to the Redeveloper which shall include the full release of Wharfside Development Corporation to development rights to the Project Area and under the Master Parcel Development Agreement and which shall be sufficient to eliminate the exceptions from coverage related to the Master Parcel Agreement for the Riverside Urban Redevelopment Area included on Redeveloper’s title insurance policy.
 5. Supplemental Services –In addition to maintaining and operating the Improvements, the Redeveloper and City shall cooperate to design and form a Community Improvement District (“**CID**”) which will, at a minimum, include an area bounded by Carr Street, Dr. Martin Luther King Drive, Fourth Street and the center of the Mississippi River (the “**Project CID**”) that will generate \$365,000 per year for the purpose of security, public improvements, including the Improvements, maintenance and improving and enhancing the environs in the immediate vicinity of the Project Area (“**Supplemental Services**”). To the extent the Project CID generates sufficient revenues per year, the Project CID shall make, by January 31st of each year commencing on the January 31st immediately following licensure of the Redeveloper for the Project, an annual payment to the CID Board in the amount of \$365,000 (subject to a CPI increase commencing on the third anniversary date of the initial payment) for Supplemental Services. The Redeveloper shall participate in the Project CID and will not challenge any imposition of a special assessment by the Project CID, provided that (i) other property owners within the Project CID agree to the same level of special assessment as Redeveloper, (ii) the representation on the Project CID Board of Directors reflects the financial contribution to the Project CID, and (iii) the special assessment is not based on parking or gaming activities. Assuming the formation and participation by Redeveloper in the Project CID as contemplated by this Section 5, in the event the Project CID fails to generate the full payment of \$365,000 for Supplemental Services in any given year (subject to CPI increases beginning on the third anniversary date of the initial payment), Redeveloper shall pay to the CID Board the difference between the amount of revenues generated by the Project

CID and \$365,000 (subject to CPI increases beginning on the third anniversary date of the initial payment). In the event, through no fault of Redeveloper, that the Project CID is not formed and/or not operating as contemplated in this Section 5, the Redeveloper shall pay to LCRA \$165,000 annually for Supplemental Services (subject to CPI increases beginning on the third anniversary date of the initial payment) until such time as the Project CID is formed and operating in the manner contemplated in herein.

6. City Services Fee – In consideration of the City’s cooperation regarding certain City actions, including but not limited to, vacation of streets and rights-of-way, and to assure the continued delivery of quality City services related to the Project, the Redeveloper shall make, by January 31st of each year commencing on the January 31st immediately following licensure of Redeveloper for any Project located in St. Louis County (the “**County**”) which opens within seven (7) years of the initial licensure of the Project, an annual payment to the City of \$1,000,000 (the “**City Services Fee**”). The City, at its discretion, shall use these proceeds for services and capital improvements within the downtown area. This City Services Fee shall be in addition to all other payments by the Redeveloper to the City pursuant to this Term Sheet and otherwise required by law.
7. Minimum Development Standards – The Project shall be constructed as a luxury class, fully integrated mixed-use development. Total capital investment by the Redeveloper shall be at least \$207.7 million. The Redeveloper shall provide as part of the Project a luxury hotel equal in quality to Four Seasons Hotels located in major metropolitan areas within the continental United States. In the event an alternate brand of hotel other than the Four Seasons is chosen as part of the Project, and such alternate brand is one other than Fairmont or St. Regis or Intercontinental, the City, in its sole discretion, shall approve in writing such other hotel. All designs and materials related to the Project shall be approved by the LCRA and no material change to design or materials shall occur without prior written LCRA approval.
8. Residential Development – Redeveloper shall exercise best efforts to construct a luxury condominium project associated with the luxury class hotel provided in Section 7 above. Total capital investment by the Redeveloper and/or its development partners, shall be at least \$50 million. In the event Redeveloper and City mutually agree, based on the determination of an independent third party acceptable to both the City and the Redeveloper, that such condominium is economically unfeasible, Redeveloper shall provide, at a cost to Redeveloper and/or its development partners of at least \$50 million, either (i) other newly constructed housing for sale to owner-occupants within an area comprising the currently existing downtown CID (the “**Downtown CID**”) or the Project CID or (ii) one or more retail or mixed use developments within the Downtown CID or Project CID. Redeveloper shall submit its alternate plans to LCRA for review and approval as to location and quality at least 120 days prior to the date residential or retail construction is scheduled to commence and shall obtain LCRA’s approval prior to the time construction is to commence. If requested by Redeveloper, the City shall consider tax abatement and/or other incentives to assist in assuring the economic feasibility of new residential, excluding the luxury condominium project associated with the luxury class hotel, retail or mixed use development that includes a significant amount of retail. In no event shall Redeveloper seek tax abatement for any residential project which includes the renovation or rehabilitation of an existing structure. In the event Redeveloper and/or its development partners fail to meet said \$50 million capital investment commitment within sixty (60) months after the opening of the hotel and casino, Redeveloper shall pay to the City an additional City Services Fee, in the amounts set forth below, on January 31st of each year, commencing on the January 31st immediately following the expiration of the sixty (60) months, until such time as Redeveloper has met its \$50 million capital commitment from private sources (including but not limited to a loan or grant). To the extent Redeveloper expends funds or becomes contractually obligated to third parties for the residential or retail developments specified above in any year that the additional City Service Fee is due, the City Service Fee owed in any given year shall be credited by an amount equal to the percentage of the \$50 million commitment which has been met by Redeveloper as a result of funds so expended or contracted, provided that if the actual construction of the residential or retail development contracted for does not commence within one year of the date such contract was executed, the additional City Service Fee amount credited shall become immediately due and payable. For illustration purposes only, based on the following schedule, in the event Redeveloper is obligated by contract to a third party for \$2,000,000 in Year One, such amount being 4% of the \$50 million commitment, the City Service Fee of \$1,000,000 would be reduced by 4% or \$40,000.

The following schedule of additional City Service Fees shall apply:

Year One	\$1,000,000
Year Two	\$2,000,000
Year Three and thereafter	\$2,000,000 (subject to a yearly CPI increase commencing on the third anniversary date of the initial payment)

9. Schedule and Date.

<u>Schedule</u>	<u>Date</u>
Term Sheet approval by LCRA and Authority	Feb. 24, 2004
Redevelopment Agreement executed	March 19, 2004
Submission of Gaming Application and Design Hearing Petition to MGC	March 31, 2004
Submission of Code compliant Plans and Specifications and evidence of Financing Commitment to City	Not later than 6 months from the date of MGC Design Approval
Casino and Hotel Construction initiated	Not later than 30 days from City Approvals and Permits
Casino and Hotel completed, licensed and opened	Not later than 18 months from the date of the initiation of construction
New Residential/Retail Construction completed	Not later than 60 months from the date of the licensing and opening of the Casino and Hotel

10. Force Majeure Provisions – The City recognizes that due to the regulatory nature of this venture and the complexity of coordinating a mixed-use project in an urban setting, delays outside the control of the Redeveloper may occur. The City agrees to incorporate a reasonable force majeure provision into the final Redevelopment Agreement, provided that force majeure will not be granted in connection with any administrative proceeding or litigation related to the acceptability of the Project Area for casino operations.

11. Termination by Redeveloper – The Redevelopment Agreement shall include a provision allowing Redeveloper to terminate the final Redevelopment Agreement in the event that (i) the Missouri gaming laws are changed to prohibit excursion gambling boats and/or gambling games and devices in Missouri before or after the opening of the casino, or (ii) there is an enactment by a governmental authority of taxes so significant that the operation of the casino business is no longer profitable as substantiated by a financial analysis performed by an independent third party acceptable to both the City and Redeveloper. The Redevelopment Agreement shall condition any such termination upon the closing or abandonment by Redeveloper of any other gambling projects within Missouri. The Redevelopment Agreement shall provide that in the event Redeveloper terminates the Redevelopment Agreement, the parties will take all reasonable and necessary actions and execute and deliver the necessary documents to rescind and cancel the Redevelopment Agreement.

12. Gaming Related Licensing – The City shall cooperate with the Redeveloper during all phases of licensing before the MGC including, but not necessarily limited to, the following:

- a. the City shall amend its gaming development plan on file with the MGC to conform to the Project prior to the execution of the Redevelopment Agreement;
- b. the City shall sponsor and recommend to the MGC the selection of Redeveloper for investigation and licensing for the Project located in the City on terms and conditions set forth in the Redevelopment Agreement;
- c. the Redevelopment Agreement shall provide that design changes and regulatory requirements dictated by MGC or other legal or governmental authorities shall not be considered material modifications to the Project unless said changes or requirements have the effect in quantity and/or quality of reducing any of the Essential Elements;
- d. subject to Section 13 below, the City shall diligently pursue a resolution by the MGC in connection with the Redeveloper’s application and selection for investigation (“**MGC Resolution**”) that the MGC will not select or process any other riverboat gaming application for investigation which application proposes a project within twenty-five (25) miles of the Project Area for a period commencing upon the date that the MGC selects the

Redeveloper and the Project for investigation and terminating on the date that is seven (7) years following the initial date of licensure of the Redeveloper for the Project.

The parties agree that the provisions of this Section do not and will not apply to:

- (i) Licensed projects in existence at the time of execution of the Redevelopment Agreement. For purposes of the Redevelopment Agreement, existing licensed projects shall include, but not be limited to, the replacement of existing excursion gambling boat and/or a change in ownership of existing licensed projects; or
 - (ii) Redeveloper's current proposal for a competing gaming project submitted to the County.
13. Competing Projects - The Redeveloper will not object to a requirement that it will open no other gaming facility within twenty-five (25) miles of the Project Area for a period of one (1) year commencing upon the date of licensure of the Redeveloper for the Project.
14. County Project Agreement – In the event Redeveloper is selected for investigation by the MGC for a competing project in the County, the City will use its reasonable efforts to enter into a county project agreement with the County detailing the reasonable terms and conditions, including economic terms, under which the City will lease or otherwise provide access to City-owned and/or controlled property necessary for the County project.
15. Performance Guaranty – In order to secure the timely opening of the casino and hotel, the Redeveloper will enter into construction contracts secured by payment and performance bonds which include normal penalties for failing to meet the completion date. Unless otherwise permitted or agreed to, and provided that the MGC provides for at least a one (1) year separation between the licensure of the Project and the licensure of any other gaming facility of the Redeveloper within twenty-five (25) miles of the Project Area, in the event the casino and hotel are not opened within eighteen (18) months of the commencement of construction, the Redeveloper shall pay to the City \$500,000 and in the event the casino and hotel are not opened within twenty-four (24) months of the commencement of construction, the Redeveloper shall pay to the City an additional \$500,000. Failure to timely open the casino and hotel shall not effect the schedule for the residential/retail component of the Project. In the event the Redeveloper (i) fails to open the casino and hotel within thirty (30) months of the commencement of construction provided that the MGC provides for at least a one (1) year separation between the licensure of the Project and the licensure of any other gaming facility of the Redeveloper within twenty-five (25) miles of the Project Area, or, in the alternative, eighteen (18) months from the date of the commencement of construction in the event that the MGC does not provide for at least a one (1) year separation between licensure of the Project and licensure of any other gaming facility of the Redeveloper within twenty-five (25) miles of the Project Area or (ii) is unable to continue to operate the casino and hotel for a period of at least ten (10) years from the date of initial licensure, Redeveloper shall pay to the City an additional \$10 million. The Redeveloper shall execute and deliver to the City within fifteen (15) days following selection by the MGC as the next applicant to be investigated, a Deed of Trust for the benefit of the City, granting a security interest in any and all real property owned by Redeveloper within the Project Area in an amount of \$10 million. Such Deed of Trust shall remain of record until the tenth anniversary of the date of initial licensure of the Redeveloper for the Project. On such tenth anniversary, the City shall release of the Deed of Trust. The Redeveloper shall have the right at any time to substitute a letter of credit in the amount of \$10 million for the Deed of Trust. Upon payment by Redeveloper of the \$10 million, the Redevelopment Agreement shall terminate and neither party shall have any further obligations or liabilities thereunder.
16. Union Matters – Redeveloper has represented that it intends to use union construction trades in the construction of the Project. The Redeveloper agrees to enter into a Neutrality Agreement with any unions applicable to the operations of the Project, whereby the Redeveloper agrees to remain neutral with regard to the efforts of any union to unionize the employees of the Project. Nothing in this provision shall prevent Redeveloper from imposing certain procedures or processes permitted by law during unionization efforts.
17. Employment – An employment representation by Redeveloper is considered an Essential Element. The Redeveloper shall provide at least ninety percent (90%) of the numbered mix of employment as set forth on Exhibit G, Staffing Projections, to Redeveloper's Proposal for Gaming Facilities and Related Mixed-Use Development presented to the City, for the first year of operation. Direct employee benefits for the first year of operation shall be at least thirty percent (30%) of payroll. Thereafter, the number of employees and percentage of direct employee benefits to payroll shall be consistent with the staffing and benefits at similar luxury hotel and casino developments in the continental United States. In order to

- encourage employment of City residents, minorities and women, the Redeveloper agrees to work with the St. Louis Agency for Training and Employment (“SLATE”) and the Federal Empowerment Zone to develop a recruitment and job training program designed to achieve and maintain its MBE/WBE objectives. Further, the Redeveloper shall sponsor a cafeteria plan for its employees pursuant to which employees can direct a portion of their income for, among other things, childcare expenses. The cafeteria plan shall be subject to the approval of any union that may sign a collective bargaining agreement with the Redeveloper.
18. MBE/WBE – The Redeveloper shall agree to comply with the Mayor’s Executive Order #28, as amended, during the design, construction and operation of the Project and with respect to ongoing services provided by third parties to the Redeveloper. Redeveloper shall provide the City with a compliance plan for construction at the time of design submission and shall provide an ongoing and comprehensive compliance plan at the time of licensure. Said plan, which will include the aforementioned elements of design, construction and operation will be approved by the City and monitored by the City’s MBE/WBE Contract Compliance Officer. A goal of 25% MBE and 5% WBE utilization has been established in connection with this Term Sheet. This goal shall remain in effect throughout the term of the Redevelopment Agreement. If this goal is not met, the Redeveloper shall continue good faith efforts throughout the term of the Redevelopment Agreement to increase MBE/WBE participation and to meet this goal.
19. Assignment – The Redeveloper may not assign the Redevelopment Agreement or any rights and obligations arising thereunder without the express written consent of the City, provided that no such consent shall be required if Redeveloper assigns Redeveloper’s rights and obligations to Redeveloper’s lender for security, if so required, or to any wholly owned subsidiary of Redeveloper or a subsidiary in which Redeveloper owns 90% of the outstanding stock or equity interest. In the event of any assignment, Redeveloper shall execute a guaranty in a form satisfactory to City and such guaranty shall not be assignable.
20. City’s Costs – Prior to authorization and execution of an approved Redevelopment Agreement, the Redeveloper shall reimburse the City for all of its outside consultant costs, including reasonable attorneys’ fees, incurred in excess of the \$50,000 advance paid pursuant to the RFP and provide additional advance funding for the City’s outside consultant costs throughout the MGC and City approval processes.
21. Governing Law – This Term Sheet and the Redevelopment Agreement shall be governed by Missouri law.
22. Local Governmental Approvals – Redeveloper shall apply for and use reasonable good faith efforts to obtain any and all necessary permits, licenses and approvals from the applicable local governmental authorities for the Project (the “Governmental Approvals”). To the extent allowed by law, the City shall cooperate with Redeveloper to timely consider all Governmental Approvals in connection with the Project and shall take all necessary actions to assist Redeveloper in achieving the objectives of the Redevelopment Agreement. Upon execution of the Redevelopment Agreement, each party will appoint a named representative to serve on the Development Assistance Committee which shall meet at regularly scheduled intervals. The City will be asked to designate a business representative to serve on the Development Assistance Committee and to work with the City’s representatives to assure that the Project obtains timely review of Governmental Approvals. The City’s representatives and the representative of Redeveloper will also consider reasonable actions to encourage the ultimate development of the newly constructed residential and/or retail development provided for in Section 7 above and will also consider, document and notify the appropriate parties regarding any force majeure events during the Governmental Approval and construction process.
23. Confidentiality – Except as otherwise required by law, the parties agree that each will treat in confidence the Redevelopment Agreement and all documents, materials and other information which each party shall have obtained during the course of the negotiations leading to, and its performance of, this Term Sheet and the Redevelopment Agreement. The Redevelopment Agreement and such written documents, materials and information shall not be communicated to any third party, including the media, without providing twenty-four hours advance written notice to the other party. The obligation of the parties to treat such documents, materials and other information in confidence shall not apply to any information which (i) is or becomes available from a source other than a party’s counsel or representatives, (ii) is or becomes available to the public other than as a result of disclosure by one of the parties or their agents, (iii) is required to be disclosed under applicable law, by a regulatory agency, administrative process or judicial process, but only to the extent it must be disclosed, or (iv) a party reasonably deems it necessary to disclose to obtain any of the consents or approvals contemplated hereby. Notwithstanding the foregoing, the parties hereto may provide confidential information to City officials, a party’s counsel, accountants, financial advisors, corporate parents, affiliates, officers, directors or employees thereof, provided that any such party, with the exception of City officials, receiving such information shall agree to the terms regarding

confidentiality contained herein.

- 24. Default –In the event of a default, as such term shall be defined in the Redevelopment Agreement, the non-defaulting party shall have, subject to reasonable cure rights, all available remedies, at law and in equity, including the right to injunctive relief and specific performance, enjoining any actions of the defaulting party which constitute such a default, it being acknowledged that other remedies may be inadequate. Neither party shall have the right to seek consequential or punitive damages. In the event any action at law or in equity is brought to enforce or interpret any provision of this Term Sheet or the Redevelopment Agreement, the prevailing party to such an action shall be entitled to its reasonable attorneys’ fees and costs.
- 25. Approval of Board of Directors. The Redevelopment Agreement shall be subject to the approval of the Board of Directors of the Redeveloper, provided that the failure or delay of such approval shall not be considered a force majeure event.
- 26. Non-Binding Terms – Except for Sections 23 and 24, the terms herein shall not impose any binding legal obligation on any party nor obligate any party to proceed with a transaction or acquire any rights from a party. The purpose of this Term Sheet is to set forth (for discussion purposes only) certain basic terms that might be included in a definitive Redevelopment Agreement should the parties decide, in each of their sole discretion, to enter into a definitive Redevelopment Agreement. The terms included are not intended to be exhaustive.

[The remainder of this page left intentionally blank. Signature pages to follow.]

Pinnacle Entertainment, Inc.

By: _____
Name: _____
Title: _____

Land Clearance for Redevelopment Authority of the City of St. Louis

By: _____
Name: _____
Title: _____

Port Authority of the City of St. Louis

By: _____
Name: _____
Title: _____

St. Louis Development Corporation

By: _____
Name: _____
Title: _____

EXHIBIT A

**St. Louis Development Corporation
Pinnacle Entertainment, Inc.**

**Project Proposal
Essential Elements**

	COMMITMENT
Total investment:	\$257.7 million (\$200 million total construction, \$7.7 million land, \$50 million residential/retail commitment) plus the cost of tenant improvements
Casino size:	75,000 sq. ft. – on a single level 2,000 slots
Jobs	1,157 FTE (well paying with full benefits) for operations for the first year; staffing equivalent to similar luxury hotel/casino developments thereafter
Hotel rooms:	200 luxury rooms Four Seasons Hotel, Fairmont, St. Regis, Intercontinental or other City approved luxury
Residential/Retail:	\$50 million commitment to residential housing either on site in a high end luxury condominium tower or in newly constructed mid to upper end housing projects elsewhere within downtown St. Louis or City approved retail development(s) within downtown St.
Parking	2,000 parking spaces Parking garage
Restaurants	3+ (including high quality buffet)
Lounge/night clubs	1 Entertainment lounge/several bars
Retail and Other Amenities:	Gift, retail shops, full service salon and spa and health club totaling a minimum of 30,000 sq. ft.
Convention/meeting space:	12,000 sq. ft.
Infrastructure/Improvements	Exhibit B

EXHIBIT B

**IMPROVEMENTS
PINNACLE COMMITMENT**

Enclosed pedestrian bridge across MLK to traffic island near Dome

Enclosed pedestrian bridge across 2nd St. to Embassy Suites Hotel (subject to Embassy Suites approval)

Extensive landscaping of plaza along Broadway to include casino signage in conformance with City Sign ordinances

Trees along N. 2nd St. & Carr St.

Fully landscaped perimeter

New crosswalks at existing traffic lights to access Laclede’s Landing and Convention Center from pedestrian bridge

Accessible parking in compliance with federal, state and local law

Bus stops at appropriate locations in accordance with Metro Development Agency

Left turn extension onto Carr Street to alleviate traffic congestion entering area from southbound off-ramp of I-70

All infrastructure (street & utilities) necessary to construct, maintain and operate the Project

Street lighting and “clear path” from landing of MLK pedestrian bridge to entrance to Convention Center

Flood protection/site drainage in accordance with MSD/City regs

Approved: March 30, 2004