



MINUTES

Special Meeting of the KID Board of Directors
Carl W. Petersen Board Room
July 28, 2009

Call to Order/Roll Call: Acting President, John Pringle, called the meeting to order at 9:00 a.m.

Board Members Present

John Pringle, Vice President
Gene Huffman, Director
Patrick McGuire, Director
David McKenzie, Director

Staff Present

Scott Revell, Interim District Manager
Joetta Rupert, Real Estate Manager
Judy Smith, Admin. Contracts Specialist
Margo Hines, Assist. Mgr., Admin.

Legal Counsel, Fran Forgette, was present. President Jaksch was absent with previous notification he would be unable to attend.

Approval of Agenda: Director Huffman moved to approve the agenda as presented. Director McGuire seconded the motion and it carried unanimously.

Ms. Rupert announced the meeting was being recorded and made an opening statement regarding the purpose and format of the meeting.

Resource Management and Planning:

1. Approval of Sale of KID Lot Nos. 1122, 1132, 1142, 1152, 1162, 1172, 1182, 1192, 1202, 1212, 1232 and 1252 or approximately 15.05 acres known as the Vista Entertainment District: Acting President Pringle asked if there were any changes to the sales contract since it had last been discussed. Ms. Rupert advised there were minor changes. Attorney Forgette said there were no changes that affected the price. The changes were in the title language and were signed off by the purchaser; e.g., the greenbelt pathway up to the property. KID added a provision that the level of improvement would be a match to the existing green belt. Vice President Pringle asked if possession would take place at closing. Ms. Rupert said there is an opportunity for the buyer to enter the property for testing to make sure there are no problems with the development. The purchaser would have to leave the property as they found it. No early possession of the property. If they stir up any dust, they would be responsible for that but the KID is responsible for dust and weed control, etc., until they take possession.

Director McGuire asked if the purchaser had 180 days for due diligence. Ms. Rupert said they have the first 180 days to make certain the zoning is okay and to deal with any issues on easements, covenants and restrictions, to get with the city and various utilities to assure it is economically feasible to move the project forward and to make certain they are good with stipulations set forth in the contract. Director McGuire asked if, within 180 days from signing of the contract, the purchaser finds the zoning is not correct, we would refund their money. Ms. Rupert said if it was within 180 days, the down payment of \$30K is refundable. Director Huffman: Just in the first 180 days? Ms. Rupert: Yes. Attorney Forgette: By then, they will see if they have a line of customers for business there, or if they don't have a firm lineup at this point. Ms. Rupert: They are talking to nationally known restaurant chains and retailers. The developer is fairly confident he will get the tenants he is looking for.

Ms. Rupert continued: Negotiations have been going on since 2008. Originally, the buyer wanted to have more than two extensions; but, now we have only one. We feel confident this is a good contract. Vice President Pringle: If at the end of the second 180 days they walk away, they forfeit the \$50,000 (security) - if they don't proceed to close? Ms. Rupert: They have requested a three day opportunity to cure; but, they must close or forfeit the \$50,000 security. But, they do have three days after the second 180 days to cure. Attorney Forgette: That is as to any deadline in the contract. It is unusual to have a cure notice on the closure date. They felt they needed this reminder opportunity and their attorney felt it was important. You don't see this often. If it is a great deal otherwise, it's not significant - to go along with, if the rest of the package is good. Ms. Rupert: It requires a higher level of administration for the contract from our office. Director McGuire asked Ms. Rupert to explain what she means by this comment. Ms. Rupert: We will have to be on top of every one of their due dates, for example the 180 days, with this "active method". Typically with the inactive method, if we haven't heard after 180 days that they've accepted all the terms and ECRs and requirements, it's assumed they've all been accepted. But this developer has requested an active method through which they must submit in writing that they have accepted all contingencies. We will need to ensure we are on top of the situation and have received their acceptance. Director McGuire requested that Ms. Rupert present to the Board a milestone calendar so that the directors can pay attention and ask questions. Ms. Rupert assured she definitely would provide such a calendar.

Director McKenzie requested the buyback clause be further explained. Ms. Rupert: We have a buyback that is 18 months instead of the typical 12 months because of the economic climate and the size of the property. The purchaser has 18 months from closing to actively begin construction which we define as the pouring of footings and bringing the utilities into the property. If within the 18 months they have not done those two things, we have the opportunity to

purchase the property back at no additional costs to us. The purchaser pays all closing costs. This ensures they will continue to move their project forward and it keeps the momentum running. The purchaser has 12 months to secure a building permit. We put a buyback provision in all our contracts. At the beginning of all negotiations it weeds out those who are not serious about a project. Director McKenzie: The buyback is not an obligation, just an opportunity. Attorney Forgette: Some purchasers might sit on property and bank on it whereas we would rather not assist speculating but have the KID get that (increased inflationary value). Director Huffman: If we do go with this and they purchase the land and we have to come into this buyback, do we hold the money until this is final? We don't want to use the money and then have to come into a buyback. Attorney Forgette: You are free to use the money. The buyback is a tool the Board may never elect to use. There is a 10-15% chance of buyback and you can elect to or not. We encourage economic development soon after closing. Vice President Pringle: If there is no further discussion, do I hear a motion?

Director Huffman moved to approve the sale of approximately 15.05 acres of KID property known as the Vista Entertainment District to the Provost Group for the sum of Three Million Three Hundred and Thirty Thousand Dollars (\$3,330,000). Director McGuire seconded the motion and it carried, unanimously.

Director McGuire: How does this tie in with the City? Ms. Rupert: The City sold approximately nine acres to the same buyer and this sale will work hand-in-hand with that sale to move the entire project forward, together as one. It will be a seamless master plan with the same theme throughout Vista Entertainment Center. Vice President Pringle commented to Ms. Rupert, "Good job."

2. Executive Session: None necessary

Vice President Pringle asked Attorney Forgette if the Board can discuss the status of the Main Canal leak. Attorney Forgette stated an emergency must be dealt with when there is an emergency. If action is required, the Board should have a special meeting for that subject matter but receiving information was fine.

Interim District Manager, Scott Revell reported repairs are underway. The contractor removed concrete panels that buckled inward six to eight inches. There was water flowing behind the panels. They are excavating collapsed soil and placing new, compacted soil 30 feet in back of the canal liner. They will expedite a safe rebuild of the canal wall which did not completely collapse. There has been nothing new to report in the past 45 minutes. We should have the canal bank repaired in the next day or two and then concrete poured for replacement panels. We will let the concrete cure for a short period of time and will do a timeline for the startup schedule from Chandler to the site and to

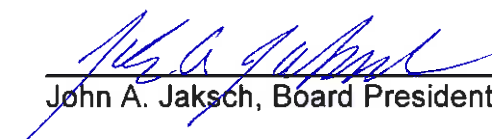
Division 4 at the 4.25 bifurcation. KID asked Chandler to deliver 75 cubic feet per second starting at 7:00 a.m. to serve some deliveries up to that point. By the end of the day, we hope to have a timeline for repairs and the restart. We will be in touch with the Board and are doing another press release soon. Those who were relocated can return home now and Badger Road is re-opened. Lynda Rosenbaum personally handled that. He stated that there were some personal needs from the evacuees that Ms. Rosenbaum also handled. Attorney Forgette: Under typical circumstances, how long would it take to recharge the system? Mr. Revell: About 36 hours, plus or minus. To fill and turn everything on is a couple of day process at best. Harry (Fox) deserves credit for his plan to keep the Badger East Canal flowing. That means our crews don't have to turn off those pump stations and have to go back out to turn everything back on. It will save us a day to a day and a half. That's the latest.

Vice President Pringle: It's not as disastrous as it could have been. Mr. Revell: It was three weeks to repair the Main Canal when it broke in 1998. The quick response of neighbors all contributed, too. Vice President Pringle: We appreciate their help. Director Huffman: You should be commended for taking a "safety first" approach by getting people out of there. That was a good option: Repair second - safety first. There were no further questions.


Director Huffman moved to adjourn the meeting at 9:22 a.m. Director McGuire seconded the motion and it carried unanimously.

Attest:

Witness:



John A. Jaksch, Board President



Scott Revell, Secretary/Manager