

Approved: 4/30/93
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on April 1, 1993 in Room 519-S of the Capitol.

All members were present except: Representative Pottorff, excused

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Lynne Holt, Legislative Research Department
Bob Nugent, Legislative Research Department
Bill Edds, Revisor of Statutes
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Lee Derrough - President, Hunt Midwest
Dennis Speigel - President, International Theme Park Services
Jim Bednar - President, Land and Leisure, Inc.
Jim Prager - former outside corporate lawyer with Six Flags Corporation
Steve Nicholson - Nicholson & Associates/Emerald City Development Co.
Ed Engel - President, Emerald City/Land of Oz Corp.

Others attending: See attached list

A motion was made by Representative Lahti, seconded by Representative Larkin, to introduce a bill on a policy change locally between counties, regarding how improvement districts are operated. The motion carried.

Chairperson Roe opened the hearing for opponents on SB 421.

SB 421 Financing of city redevelopment projects.

Lee Derrough, President, Hunt Midwest, testified in opposition to SB 421 and said that all aspects of the Oz theme park venture be reviewed before Kansas begins the trip down the path of tax increment financing. He said that outside of southern California and central Florida, no other market are has shown the ability to successfully support more than one major project. Mr. Derrough reviewed projected attendance figures for the Oz project compared to actual attendance figures for the Worlds of Fun facility and requested that an independent feasibility study be done to corroborate the Price study findings (Attachment 1). Mr. Derrough responded to questions and agreed that the bottom line is overdeveloping the market, which would, in turn, affect Worlds of Fun.

Dennis Speigel, International Theme Park Services, testified in opposition to SB 421. He said that based on the situation in the Kansas City area, it is unrealistic to assume that the tourist market in Kansas City is similar to that of Los Angeles or Orlando. The critical mass necessary to attract the visitors, as these other destinations have, does not exist in Kansas City (Attachment 2). Mr. Speigel responded to questions and said that the Kansas City area is already supporting one theme park, the support is only marginal, and it will not support two.

Upon request by Representative Lahti, Mr. Speigel read the first paragraph of a letter on his stationery which said that the "Emerald City" is a great concept and apparently just the right location (Attachment 3).

James Bednar, Land and Leisure, Inc., testified in opposition to SB 421. He said that he questions the projected attendance figures for the Oz theme park, and the assumption that the World of Oz project can attract over 1,000,000 new visitors to the area specifically to visit the project seems suspect (Attachment 4).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on April 1, 1993.

Jim Prager, former outside corporate lawyer with Six Flags Corporation, testified in opposition to SB 421. He said that he has been involved in closing several attractions, among them the Power Plant in Baltimore and the Admiral in St. Louis, and these attractions were closed because they were built based on incorrect feasibility studies and cost estimates (Attachment 5).

Steve Nicholson, Nicholson & Associates/Emerald City Development Company, testified in opposition to SB 421 and he questioned the \$450,000 in economic development grants from the Kansas City, Kansas, Board of Public Utilities to Oz Resorts & Entertainment, Inc. Mr. Nicholson recommended that if this legislation moves forward, that the bill be amended to clearly indicate that the bonds, because they are not guaranteed by the taxpayers, are speculative and, as such, do not fulfill the "prudent man rule" and should not be considered for purchase by any fiduciary investors (Attachment 6).

Ed Engel, President, Emerald City/Land of Oz Corporation, testified in opposition to SB 421 and said that our tax dollars will be used to clean up the mess when this project fails (Attachment 7).

Representative Lahti distributed copies of two letters from Gary Goddard, Landmark Entertainment Group, explaining the involvement of Six Flags in the failure of the Power Plant and Admiral projects (Attachment 8).

Chairperson Roe closed the hearing on SB 421.

The minutes of March 30 and 31, 1993, were approved as printed.

The Chair directed the Committee to turn to SB 252.

SB 252 Protest payment procedure for mortgage registration fees.

A motion was made by Representative Larkin, seconded by Representative Glasscock, to pass SB 252 favorably. The motion carried.

The Chair directed the Committee to return to SB 421.

Bill Edds, Legislative Research Department, reviewed a balloon to clarify that sales taxes generated within a redevelopment district but outside the geographical boundaries of the project would not be used to retire the bonds (Attachment 9).

A motion was made by Representative Adkins, seconded by Representative Lahti, to amend SB 421 as shown on the above balloon. The motion carried.

A motion was made by Representative Brown, seconded by Representative Welshimer, to amend SB 421 regarding the use of special assessments, as shown on (Attachment 10). The motion failed.

A motion was made by Representative Wagnon, seconded by Representative Lahti, to amend SB 421 to remove New section 9 which had been added on the floor of the Senate. The motion carried.

A motion was made by Representative Wagnon, seconded by Representative Lahti, to pass SB 421 favorable as amended. The motion carried. Representative Brown requested to be recorded as voting no.

The meeting adjourned at 12:05 p.m.

Date: 4/1/93

GUEST REGISTER

HOUSE COMMITTEE ON
ASSESSMENT AND TAXATION

NAME

ORGANIZATION

ADDRESS

PHONE

Ed Engel	Emerald City & Yellow Brick Rd Productions	Topeka	273-8119
Tim Zurek	Emerald City & Yellow Brick Rd Prod.	Topeka	266-4149
Roger M. Stephenson	" " "	Topeka	246-1905
Quis Perel	Hunt Midwest / ITPS	Channahon, IL	513-381-6131
Jim Prager		Los Angeles	213 250 3929
James Bednar	Land & Leisure, Inc. / Hunt Midwest	Plano, TX	214 612 2710
Joe STEINER	City of KEOKUK Mayor	KEOKUK	573 5010
Mark Barcellina	KDOC & H	Topeka	
Alvin Buller	KS Good Roads	Topeka	
Roger Truitt	KS Govt Consulting	"	
Jordan T. Hamitt	Comm Prop Assoc	Topeka	
Eric Winters	Intern		
Jill Meyer	KU - Intern		
Joe Reardon	Intern	Lawrence	
David A. Ross	KS. Assn. of Life Underwriters	Topeka	
Marilyn Henke		Junction City	
Tom Tummel	KS GRAIN & FEED ASSN	TOPEKA	
Jim Allen	Lead of SO	"	
MIKE WOJCICKI	DOB	"	-2436
STEVE NICHOLS or	NICHOLSON & ASSOCIATE	KC KS	384-1667
Trudy Arrow	Am Inst of Architects	TOPEKA	357-5308
Guy Galt	KDOC & H	Topeka	246-2009

Date: 4/1/93

GUEST REGISTER

HOUSE COMMITTEE ON
ASSESSMENT AND TAXATION

[illegible]

**Remarks of Lee Derrough
before the Taxation Committee
of the Kansas House of Representatives**

Thursday, April 1, 1993

I'd like to introduce myself. I'm Lee Derrough, president of Hunt Midwest Enterprises, operators of Worlds of Fun and Oceans of Fun theme parks, the Kansas City area's largest tourist attraction. I've been associated with the parks since their inception 21 years ago, serving as marketing director, general manager, vice president/general manager and president. In addition, I've served the tourism and entertainment industry as president of the International Association of Amusement Parks & Attractions, the largest organization of its kind in the world, a Missouri State Tourism Commissioner and chairman of the Convention & Visitors Bureau of Greater Kansas City.

Our company and myself have been portrayed as outsiders, but I'd like you to know that I grew up in the state of Kansas, graduated from high school in the state of Kansas, and am a University of Kansas graduate.

Also, please know that Hunt Midwest owns property and has a substantial mining operation in Kansas and is a Kansas taxpayer. One of the company's principal shareholders, who is also an officer and director, lives in Kansas. Another officer and director also lives in Kansas. In addition, 328 employees of Hunt Midwest live in Kansas.

I have one objective today. We believe it is only proper that before the Legislature and the Governor begin the trip down the path of tax increment financing for the Wonderful World of Oz, that all aspects of this venture and the status of the American theme park business be carefully reviewed.

I am not here to recreate the war between the states. I am here to share with each of you our knowledge of the theme park business we have accumulated over the past 20+ years of operating two theme parks, Worlds of Fun and Oceans of Fun.

I wish this were not the first forum we have had to share our information. When the Wonderful World of Oz project was first announced, we offered Dave Owen and Harrison Price access to our financial and attendance history so they could better ascertain the viability of their proposed project.

If early on, we could have shared with them the actual market performance from Kansas City and the region, and in turn led the principals of this project to qualified operators and theme park consultants around the country, I believe their projections would look different than the ones they have shared with you and the public thus far.

Without those opportunities to avail themselves of any number of the experts that understand the theme park business, there is no choice but for us to provide you as the elected representatives of the state with the background the supporters of the Wonderful World of Oz refused to consider.

House Taxation Cmte

*4/1/93
Attachment 1*

Let me clarify our motives so there isn't any misunderstanding:

1. Outside of southern California and central Florida, no other market area has shown ability to successfully support more than one major project. An example: this is taking place in San Antonio where there are now two parks trying to survive in a market that barely supported one.
2. We are also here to caution investors, be they public, pension fund or private, of the extraordinary risk in developing a second park, regardless of the theme or scope, in the 28th market in the U.S. with a competing park only 15 miles away which has 20+ years of success, patron loyalty and substantial ownership behind it.
3. Finally, we believe all of us should be concerned about the damage which would be done to the reputation and public credit of Kansas if there were default on the Oz bonds.

I think it only appropriate to start in the real world with the actual Worlds of Fun experience in 1992 versus what the Wonderful World of Oz is projecting to get a perspective on how questionable the Oz predictions are. The following comparisons should be of interest.

Comparison of Wonderful World of Oz Projections to Worlds of Fun 1992 Actual

	Wonderful World of Oz Projections		Worlds of Fun 1992 Actual		Difference	% Increase Over 1992 Actual Worlds of Fun
Total Attendance	2,800,000		1,263,667		1,536,333	122%
Number of Operating Days	165 ?		144		21	15%
Attendance per Day	16,970		8,775		8,195	93%
<u>Market Penetration</u>						
Local	500,000	17.86%	692,869	54.83%	(192,869)	−28%
Regional	62,000	2.21%	99,324	7.86%	(37,324)	−38%
Tourist	<u>2,238,000</u>	<u>79.93%</u>	<u>471,474</u>	<u>37.31%</u>	<u>1,766,526</u>	<u>375%</u>
	2,800,000	100.00%	1,263,667	100.00%	1,536,333	122%
Gross Revenue	\$93,240,000		\$25,628,811		\$67,611,189	264%
Revenue Per Capita	\$33.30		\$20.28		\$13.02	64%

Sources for data on Wonderful World of Oz are Mid-America Regional Council (MARC) and publicity packet from Oz.

12

Reasonable people must ask themselves whether it is practical to assume that the Wonderful World of Oz can draw double the attendance of Worlds of Fun in the same market with the added burden of a competitor? We are confident they can't.

If they cannot, the question that must be asked, can they service their debt? Based on projections we've seen, they cannot.

As Steve Bannon told you yesterday, we live in a cold weather climate and that is a risk to this project. No other cold weather, northern market park draws 79% of its attendance from tourists. Recently the Oz developers have compared themselves to Cedar Point and Kings Island as theme parks that draw over 2 million people in cold weather markets. Since all but approximately 11% of their attendance comes from within 300 miles, we felt a similar comparison was appropriate for the Oz park. Please note the population density in those two markets compared to Kansas City, and again, please remember that neither of those two parks have direct competitors only a few miles from one another. The level of penetration into those markets and what Oz would have to achieve to penetrate its market to do its projected attendance should be most interesting.

PARKS	1992 ATTENDANCE	POPULATION ** 300 MILE RADIUS	MARKET PENETRATION
Kings Island	3,260,000 (est. *)	48,474,400	6.7%
Cedar Point	3,125,000 (est. *)	45,733,832	6.8%
Worlds of Fun	1,327,395 (actual)	15,982,162	8.3%
World of Oz	2,800,000 (proj.)	15,982,162	17.5%

* Figures from *Amusement Business* magazine

** Population figures from CACI MARKETING SYSTEMS

If it was practical to develop additional parks, with one park already in the market, then why haven't experienced developers gone into the following high density metro areas? The reason they haven't is that because knowledgeable developers know you can't make any money doing so. Numerous cities with much greater population than Kansas City have only one park:

Chicago (6 million population)
Atlanta (3 million population)
Dallas (2.6 million population)
New York (8.5 million population)
Houston (3.3 million population)
Minneapolis/St. Paul (2.5 million population)
Tampa (2.1 million population)
St. Louis (2.4 million population)

If those communities can't support more than one park and major park developers haven't seen the potential to build a second park in those markets, why do the Oz proponents believe **Kansas City, with 1.5 million population**, can sustain two such facilities? If they can't attract all those tourists and they have to live with the local and 300-mile regional markets

that all other theme parks draw from, then their projections and dreams collapse.

Also, as you look at the Oz projections, please consider the fact that the same expert, Harrison Price, did the original projections for Worlds of Fun. Attendance at our park fell short of Price's projections by nearly <34%>.

Based on what we know to be their level of investment, both public and private, the Wonderful World of Oz cannot withstand that large a margin of error. Again, we offered Mr. Price the benefit of our 20 years of actual experience in the Kansas City market but our offer was refused.

SUMMARY OF PROJECTED AND ACTUAL
ATTENDANCE AT WORLDS OF FUN
1972-1991

	Projected Attendance*	Actual	Difference	Percentage of Difference
1972	1,380,000			
1973	1,460,000	878,036	(581,964)	-40%
1974	1,550,000	1,027,818	(522,182)	-34%
1975	1,610,000	1,068,018	(541,982)	-34%
1976	1,680,000	1,155,365	(524,635)	-31%
1977	1,720,000	1,270,655	(449,345)	-26%
1978	1,760,000	1,266,307	(493,693)	-28%
1979	1,800,000	1,310,427	(489,573)	-27%
1980	1,840,000	1,423,194	(416,806)	-23%
1981	1,880,000	1,411,991	(468,009)	-25%
1982	1,920,000	1,356,004	(563,996)	-29%
1983	1,950,000	1,381,619	(568,381)	-29%
1984	1,990,000	1,365,552	(624,448)	-31%
1985	2,030,000	1,362,265	(667,735)	-33%
1986	2,070,000	1,296,902	(773,098)	-37%
1987	2,110,000	1,310,422	(799,578)	-38%
1988	2,160,000	1,197,421	(962,579)	-45%
1989	2,200,000	1,320,942	(879,058)	-40%
1990	2,250,000	1,166,274	(1,083,726)	-48%
1991	2,300,000	1,287,053	(1,012,947)	-44%
Average from 1973-1991				-34%

* Source: Economics Research Associates

1-H

What's important is to be aware that the use of public and pension funds to pursue a high-risk project as is the proposed Oz park is extremely dangerous. Since the promoters aren't contributing significant capital to the project, the probability of finding private financing will be slight unless there are guarantees from the state, county and city. Consequently, the "no risk, no guarantee" \$60 million TIF being proposed today will most likely require a guarantee in the future. What then will you do if those or even greater amounts of public funds will have to be put at risk? And how will you feel if retirement funds of Kansans are put at risk in this project after hearing today's testimony? If the Oz bonds default, will investors be as willing to invest in the next Kansas bond issue? We doubt they will.

Based on our years of experience and expertise gained in the theme park business in this area of the country, this project could do more harm than good if it is built and fails. Consequently, we encourage you to do your due-diligence. We recommend that the complete feasibility study which you have not seen be reviewed by two other, independent consultants with experience in park operations to corroborate the Price study findings. We also encourage you to fully investigate the proponents of the project to determine whether they have the ability to deliver and successfully operate the project for the long-term.

KAY NIES
COUNTY COMMISSIONER, 2ND DISTRICT

October 30, 1992



OFFICE OF
BOARD OF COUNTY COMMISSIONERS
WYANDOTTE COUNTY COURT HOUSE
710 N. 7TH STREET
KANSAS CITY, KANSAS 66101
PHONE (913) 875-0827
FAX (913) 251-0827

The Honorable Joseph E. Steineger, Jr.
Mayor, City of Kansas City, Kansas
Municipal Office Building
701 North 7th Street
Kansas City, Kansas 66101

Mr. Tom Lynch, President
Board of Public Utilities
700 Minnesota Avenue
Kansas City, Kansas 66101

Re: Land of OZ Project

Dear Mayor Steineger and President Lynch:

Let me be one of the first to express my support for the economic development potential of the Land of OZ Project in Wyandotte County. Let me also express my support for continued positive policies for development projects in Wyandotte County. I congratulate both the City and the BPU for fostering an attitude which allows developers the opportunity to build in our County.

Regrettably, because of Wyandotte County's experience with at least two of the promoters of the Land of OZ concept, I feel compelled to write and ask you, and each of your Boards, to take into consideration the experience of Wyandotte County with the promoters and their involvement in the Sandstone facility. On election day of 1988, former County Commissioners Scherzer and Wilhm responded to the request of World Entertainment Services as presented by their agent, Mr. Gus C. Fasone and their attorney (now President) Mr. Robert Kory, to issue \$6,000,000 in Wyandotte County Taxpayer Backed Financing. Every assurance was given by Mr. Fasone and Mr. Kory that this venture would be successful and a benefit to the people of Wyandotte County and would

1-6

reflect positively for economic development in Wyandotte County. Further assurances were made that the taxpayers of Wyandotte County would not be called on to pay for the financing due to potential failure of the project. The developers noted that there was money to be placed in escrow to cover the county should anything go wrong. This money would provide ample time for the County to find a new operator in case of default, thereby preventing the taxpayers from being assessed. Furthermore, the people involved in World Entertainment Services were very well known, successful, and rich as presented to the people of Wyandotte County by Mr. Fasone. This project was promoted as a "No Lose" for the people of Wyandotte County. To put it bluntly, the exposure of the Wyandotte County Taxpayers on this project financing was greatly understated by the promoters, Mr. Fasone and Mr. Kory.

Each of you know Sandstone took bankruptcy this year. The bankruptcy judge allowed them to operate this summer and to use the escrow funds for their operation costs. Those funds were the funds that the promoters, Fasone and Kory, referred to as the Taxpayer's insurance against failure. Beyond that money which is now all gone, Sandstone owes \$119,487.00 for unpaid back taxes, \$33,899.00 to the State for failure to pay other taxes, and approximately \$4.9 million dollars of the \$5 million dollar financing of 1988. Additionally, many local businesses are now stuck with nonpayment for services and goods rendered. The Sandstone refinancing using taxpayer backing was and is a serious MISTAKE. A mistake that I hope will not be repeated.

It is with great alarm, that I have read the names of the same two promoters of the Sandstone financing as two-thirds of the ownership of the OZ project. The newspaper accounts of this promotion read remarkably similar to the Sandstone promotion of four years ago - ONLY MUCH, MUCH BIGGER. I also have read that the City and the BPU have provided these people with some \$450,000 in public money to perform the feasibility for the project. How is it that these people who owe so much money to the taxpayers of Wyandotte County, can be awarded more taxpayer money for one of the most speculative projects ever conceived in the United States?

Mayor Steineger, you know that there has been no public official that has supported economic development for Wyandotte County stronger than I have. Together with you and many others we have seen the formation of

1-7

the Wyandotte County Economic Development Council. There is no question Wyandotte County desperately needs economic development - BUT - can the taxpayers of Wyandotte County suffer another Sandstone fiasco?

Shortly after the filing of the Bankruptcy, the County employed bankruptcy counsel. While Mr. Fasone and Mr. Kory make glowing statements about the economic impact of their new concept, please keep in mind that shortly before the filing of bankruptcy, Sandstone paid GCF, Inc. (owned by Gus C. Fasone) \$315,440.03 and other payments to Mr. Kory personally. Our bankruptcy counsel advises that the transactions action may either be preferential or fraudulent transfers of monies that could become part of the bankruptcy estate.

Today, my deep concern is that these two Land of OZ promoters, who have absolutely no experience in the construction and development of theme parks, may seek from your organizations public funding for a variety of projects. I simply write to inform you of their prior track record and urge that you give the most careful scrutiny to any proposal that will required taxpayer or ratepayer money for their projects.

Not only has Sandstone defaulted, they have also defaulted on a lease with the City for Memorial Hall. To me it would seem very ironic that those who have endeavored to promote two different facilities in Wyandotte County and have taken bankruptcy, now seek the support and approval of other elected officials in our community for their latest ventures.

Wyandotte County stands ready to provide you with any information you desire regarding the transactions surrounding the Sandstone bankruptcy and financial situation.

Sincerely,



Kay Nies, County Commissioner

cc: KCK City Council
BPU Board Members

1-8

600 BROADWAY 300 RIVERGATE CENTER
KANSAS CITY, MISSOURI 64105-1554

816 / 474-4240 VOICE / TDD

MARC

MID-AMERICA REGIONAL COUNCIL

March 24, 1993

Lee Derrough, President
Hunt Midwest
8300 N.E. Underground Drive
Kansas City, MO 64161

Dear Mr. Derrough:

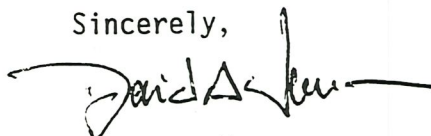
This letter is in response to your request for a clarification of the work completed by the Mid-America Regional Council as part of its analysis of the economic impact of the proposed Wonderful World of Oz.

At the request of the city of Kansas City, Kansas, MARC estimated the economic impact of the Wonderful World of Oz project. MARC's analysis is based on estimates of gross revenue, employment, payroll and tourism contained in various feasibility and planning studies conducted by consultants retained by Oz Resorts and Entertainment Inc., primarily the Harrison and Price Company, which prepared the theme park feasibility study analysis. MARC did not independently generate attendance, construction costs or revenue estimates, but relied on information provided to us to conduct the economic impact analysis. Our estimates did not include an analysis of the tax impacts of the project or tax increment financing options.

MARC has significant expertise in conducting economic impact analyses, having prepared similar estimates for major investments and amenities in the Kansas City region. However, as indicated in our report, MARC does not have sufficient expertise to comment on the accuracy of the cost and feasibility studies prepared by consultants to this project. As you know, we also have not determined what impact the Wonderful World of Oz theme park would have on Worlds of Fun. The estimates in our analysis implicitly assume Worlds of Fun is not affected.

I hope this information is of help to you in better understanding MARC's economic impact analysis.

Sincerely,



David A. Warm
Executive Director

DAW/lcs

cc: Mayor Joe Steineger
Councilman Frank Corbett

1-9

Chair
Georgia Erickson
Council Member
Overland Park, KS

1st Vice Chair
Marsha Murphy
County Executive
Jackson County, MO

2nd Vice Chair
T.A. Stolfus, D.V.M.
Mayor
Bonner Springs, KS

Secretary
Gary L. Mallory
County Clerk
Cass County, MO

Treasurer
William McDonald
Council Member
Independence, MO

David A. Warm
Executive Director

Remarks of Dennis Spiegel
before the Taxation Committee
of the Kansas House of Representatives

Thursday, April 1, 1993

4/1/93
House Taxation Cmte
Attachment 2

*International Theme Park Services, Inc.*

1212 Sycamore Street • Cincinnati, Ohio 45210 • USA
513-381-6131 • Telefax: 513-381-2756

Dennis Speigel
President

March 25, 1993

VIA TELEFAX 816/455-2890

Mr. Lee Derrough
President
Hunt Midwest Enterprises
8300 N.E. Underground Drive
Kansas City, MO 64161

Dear Mr. Derrough:

International Theme Park Services, Inc. ("ITPS") has reviewed the Land of Oz feasibility numbers and offers the following observations:

- (1) The market penetration rates seem totally opposed to the experience of other attractions and theme parks. Research and experience has established that there is a direct correlation between time and distance from a site and the propensity to visit. The greater the distance, the less the ability to attract visitors.
- (2) The assumption that the project can attract new visitors in the amount of 1,000,000 annually in addition to the expected 1,000,000 to be drawn from the existing visitor market is more than ambitious and, in all probability, unrealistic.
- (3) No theme park, other than Disney operations, in the U.S. has ever achieved paid attendance of 2,000,000 million in its initial year of operation.
- (4) It is illogical and imprudent to compare any project with those developed by the Disney organization. Recognizing this, industry analysts for major New York investment firms always conduct their reviews of the industry with and without Disney.
- (5) In comparing the original Worlds of Fun attendance prepared by the former president of Economic Research Associates ("ERA"), Mr. Harrison Price, with the actual results achieved, the actual results fell short of the forecasts by an average of more than thirty-three percent (33%) annually, a relatively high margin of error.

2-2

Mr. Lee Derrough
Page Two
March 25, 1993

- (6) Any analysis of the potential for the World of Oz must recognize the actual results achieved by Worlds of Fun (located only 15 miles from the World of Oz site).
- (7) Industry experience has shown that for theme parks and attractions similar to the proposed World of Oz, sixty-five percent (65%) of annual attendance is generated from the population residing within a 150-mile radius of the site, and that eighty-five percent (85%) of the attendance is generated from the population residing within 250 miles of the site. That is not the case in the Oz projections.
- (8) Based upon the situation in the Kansas City area, it is unrealistic to assume that the tourist market in Kansas City is similar to that of Los Angeles or Orlando. The critical mass necessary to attract the visitors, as these other destination areas, does not exist in Kansas City.
- (9) The assumption that the project can attract 1,000,000 visitors or twenty percent (20%) of the existing visitors to the Kansas City area is also suspect when the actual number of visitors traveling for leisure (rather than business, conventions and other purposes) is considered. For those not traveling for pleasure, they may have neither the time nor inclination to visit a leisure project.
- (10) Based upon the information furnished in the materials from the World of Oz project, and utilizing industry criteria, it does not appear that the project has the capacity to pay operating costs and retire the anticipated debt. This situation exists using the data furnished. If the attendance does not meet forecasts and approximates that achieved by Worlds of Fun, the situation is even more critical.

Also not planned is the reinvestment necessary to compete in this industry. For a project of this size, it is not unreasonable to program annual reinvestment of \$2,000,000 with a new attraction every three (3) years at an approximate cost of \$9,000,000.

###

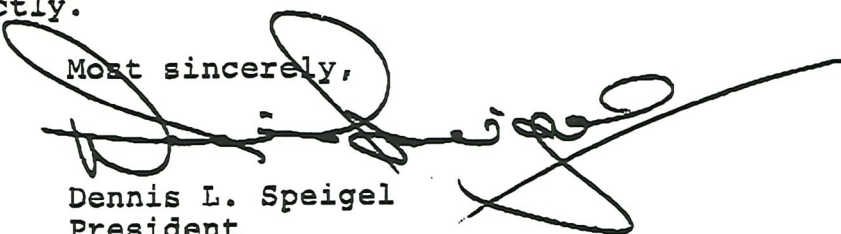
2-3

Mr. Lee Derrough
Page Three
March 25, 1993

Based on our experience in preparing feasibility studies and, most importantly, our experience in actual operations of theme parks, we have prepared the attached scenarios for your review. The information is based upon our operating experience within the industry as well as on standard recognized industry criteria.

Should you have questions or comments on the above, please do not hesitate to contact me directly.

Most sincerely,



Dennis L. Speigel
President

DLS/jpr
Attachment

2-4

Preliminary Financial Comparisons The Wonderful World of Oz

The following financial comparisons reflect three scenarios:

Scenario #1: Utilizes attendance levels and per capita expenditures as presented by the Wonderful World of Oz ("Oz") representatives coupled with industry standards for operating costs at parks with over 2,000,000 in attendance and capital reinvestment. The principal and interest payments are based on the "pie charts" provided by Oz whereby 50% of the initial project capital would be funded through long-term debt.

Scenario #2: Utilizes the same assumptions as Scenario #1 except that attendance levels are discounted by 33.7%. This discount represents the error factor on the feasibility study developed by Harrison (Buzz) Price for Worlds of Fun ("WOF") prior to its opening.

Scenario #3: Utilizes all the same assumptions as Scenario #1 except that Oz attendance figures are projected at the same level as Worlds of Fun actual attendance. In reality, this would still require an expansion in the visitor market of 100% if we allow for WOF's existing visitor base plus 1,335,000 additional visitors at Oz's theme park.

	1998		
	Scenario #1	Scenario #2	Scenario #3
Assumptions			
Attendance per World of Oz			
Per Capita Revenue Totals for Admissions and Concessions per World of Oz			
Admissions	16.75	16.75	16.75
Food and Beverage	7.00	7.00	7.00
Merchandise	8.00	8.00	8.00
Other	0.25	0.25	0.25
Parking	1.30	1.30	1.30
Cost of Goods Sold			
Food and Beverage	30%		
Merchandise	45%		
Other	19%		
Operating Costs as a Percentage of Gross Revenues	54%		
License Fees (as shown)			
Management Fees (as shown)			
Attendance (000's)	2,800	1,856	1,335 (*)
Paid attendance of 1,275,000 with 60,000 complimentary (*)			
Per Capita Revenues			
Admissions	20.95	20.95	20.95
Discount @ 20%	4.20	4.20	4.20
Net Admissions Per Capita Revenue	16.75	16.75	16.75
Concessions	15.25	15.25	15.25
Parking	1.30	1.30	1.30
Total Per Capita Revenue	33.30	33.30	33.30

2-5

Preliminary Financial Comparisons
The Wonderful World of Oz
(continued)

	1998		
	Scenario #1	Scenario #2	Scenario #3
Operating Revenues (000's)			
Admissions	58,680	38,883	26,711
Discount @ 20%	11,732	7,777	5,342
Net Admissions Revenues	46,928	31,107	21,369
Concessions	42,700	28,304	20,359
Parking	3,040	2,413	1,738
Total Operating Revenues (000's)	93,268	61,823	43,463
Cost of Goods Sold (000's)	16,093	10,667	7,673
Gross Profit	77,175	51,156	35,790
Operating Costs	50,365	50,365	50,365
Net Operating Profit	26,810	792	-14,574
License Fee (3% of Gross Revenues)	2,798	1,855	1,304
Management Fee (5% of Gross Revenues)	4,663	3,091	2,173
Cash Flow	19,349	-4,154	-18,052
Interest @ 8.25% on \$163.5 million	10,628	10,628	10,628
Cash Flow Before Debt Payment	8,721	-14,782	-28,680
Debt Payment with 15 Year Repayment Schedule	10,900	10,900	10,900
Cash Available for Reinvestment/Distribution	(2,179)	(25,682)	(39,580)
Annual Reinvestment (\$2,000,000 normal and \$9,000,000 every three years; 1998 would be the third year of operation)	9,000	9,000	9,000
Cash After Reinvestment	(11,179)	(34,682)	(48,580)

International Theme Park Services, Inc.

PAST AND CURRENT CLIENTS INCLUDE:

Accor
Paris, France

Ampak Group
Beaumont, Texas

Ancol Pem Banguanjaya
Jakarta, Indonesia

Asterix Theme Park
Paris, France

Autoworld
Flint, Michigan

Bahamas International Film Festival
Nassau, Bahamas

Beijing Amusement Park
Beijing, P.R.C.

BnW, Inc. (Recreational Developers)
Cincinnati, Ohio

Benson's Inc. (Major Food Developers)
Covington, Kentucky

Cadillac Fairview (Woodbine Mall)
Toronto, Canada

Canadian Baseball Hall of Fame
Toronto, Canada

Carousel Creations, Ltd.
Cincinnati, Ohio

ChanFwu Properties, Ltd.
Hong Kong and Taipei

Chippewa Lake Park
Chippewa Lake, Ohio

Columbia Hills Management
Atlanta, Georgia

Coney Island Resorts, Inc.
New York, New York

Desaru International Resorts
Singapore

Destinations New Orleans/The Mall Company
New Orleans, Louisiana

Diamonda Europa
The Netherlands

Discovery Village/Darling Harbour
Sydney, Australia

Eupalinos Theme Park
Montpellier, France

Lee Greenwood, Inc.
Nashville, Tennessee

Happyland
Lagos, Nigeria

Haw Par Villa (Tiger Balm Gardens)
Singapore

Hixson
Cincinnati, Ohio

Intamin, Inc.
Millersville, Maryland

Interplay Park
Salvador, Brazil

Isles of the Caribbean
Nassau, Bahamas

Jallo Park
Pakistan

Kentucky Kingdom
Louisville, Kentucky

Kingman Island
Washington, D.C.

Kumagai Gumi
Beijing, P.R.C.

International Theme Park Services, Inc.

PAST AND CURRENT CLIENTS
CONTINUED

Laventhol and Horwath
Toronto, Canada

La Monde, Fou, Fou, Fou
Nice, France

Le Nouveau Monde Des Schtroumpfs
Hagondage, France

Looney and Grossman
Boston, Massachusetts

Lotte World
Seoul, Korea

Marineland
Niagara, Ontario

Marriott Corporation
Washington, D.C.

MCA/Universal Studios
California and Florida

Middle East Financial Corporation
Cairo, Egypt

Mott Foundation
Flint, Michigan

MRM International, Inc.
Israel

New Heritage U.S.A.
Charlotte, North Carolina

Netpark Theme Park
Istanbul, Turkey

Nice, France (City of) (Exotic Gardens)
Nice, France

Northpark Mall/Beerman Realty
Dayton, Ohio

Ocean Mile Development Group
Asbury Park, New Jersey

Old Indiana
Thorntown, Indiana

Ontario Place
Toronto, Canada

Pacific Rim Artisan Village
Chemainus, British Columbia

Pennsylvania Travel Council
Harrisburg, Pennsylvania

Price Waterhouse/China
Hong Kong and Beijing

Proctor & Gamble
Cincinnati, Ohio

Queen City Diner
Cincinnati, Ohio

Reino Aventura
Mexico City, Mexico

Rhein Park
Dusseldorf, Germany

Bruce D. Robinson and Associates
Cincinnati, Ohio

Rockford Park District
Rockford, Illinois

Rye Playland
Rye, New York

2-8

International Theme Park Services, Inc.

PAST AND CURRENT CLIENTS
CONTINUED

Ryh Jing Leisure Industry Co.
China and Taiwan

Six Flags Great America
Gurnee, Illinois

Six Flags Over Texas
Arlington, Texas

Space Exploration/Development Corporation
Landover, Maryland

Curtis D. Summers and Associates
Cincinnati, Ohio

Taft Broadcasting
Cincinnati, Ohio

Time Warner, Inc.
New York, New York

Togo Japan, Inc.
Tokyo, Japan

Tropicana
Atlantic City, New Jersey

Upper Valley Medical Center
Dayton, Ohio

URSA Foundation
Toronto, Canada

Venture Productions
Miami, Florida

Walt Disney Productions
Los Angeles, California

Water Works, Inc.
Marbella, Spain

Water Street Pavillion/Festival Marketplace
Flint, Michigan

West Edmonton Mall
Edmonton, Alberta

Whydah Pirate Complex
Boston, Massachusetts

WonderWorld
London, England

Worlds of Fun
Kansas City, Missouri

Wrather Port Properties
Queen Mary/Spruce Goose
Long Beach, California

Yankton Sioux Nation
Marty, South Dakota

Zygofohis
Nice, France

*International Theme Park Services, Inc.***Dennis L. Spiegel***President*

A profit-minded management generalist with over 30 consecutive years of "hands-on" experience in the Theme Park/Leisure Industry, Mr. Spiegel directs International Theme Park Services, Inc. with exceptional business judgment and financial savvy.

Mr. Spiegel's early beginnings in 1960 as a ticket taker/seasonal employee at Coney Island Amusement Park (Cincinnati, Ohio) were the impetus behind his decision to make the theme park business his career. He quickly worked his way to Assistant Park Manager of Coney Island and then Kings Island (Cincinnati, Ohio), where he supervised general park operations, including Personnel, Rides, Food/Beverage, Merchandise and Games.

In 1974, Mr. Spiegel became the Vice President and General Manager of Kings Dominion/Lion Country Safari (Richmond, Virginia). In addition to overseeing the planning and construction of the park, he administered a \$60 million construction budget, utilized his creative marketing skills to establish and implement several long-range marketing/development plans and administered the park for Taft Broadcasting and the Kroger Company, while generating 11 million in attendance and over \$250 million in cumulative revenues from 1974-1980. Mr. Spiegel also successfully opened Lion Country Safari, achieving an attendance record of 650,000 the first season.

Formerly affiliated with the Taft Broadcasting Company (Cincinnati, Ohio), Mr. Spiegel served as Vice President of Operations from 1980-1981, during which time he developed a standardized safety security program, monitored union activity and oversaw activities with the Hanna-Barbera Studios.

As Vice President of International Operations from 1981-1983, Mr. Spiegel was directly responsible for overseeing the assessment and selection of foreign markets, including all negotiations, research and development, design, site selection, zoning and securing of investors. He was instrumental in developing project negotiations in Singapore and Tokyo, and secured a management/design and planning/project development contract in London, England in March, 1983.

A graduate of Morehead State University with a Bachelor of Science Degree, Mr. Spiegel is also Past President of the International Association of Amusement Parks and Attractions ("IAAPA"). Currently, he serves on the Board of Directors of the Association. Mr. Spiegel also serves as Chairman of the IAAPA Education Committee and as such chaired the 1991 IAAPA Convention and Trade Show Workshop entitled "Future of Amusement Parks". He is also Chairman of the IAAPA Strategic Planning Committee which recommends long-term goals and objectives of this global association.

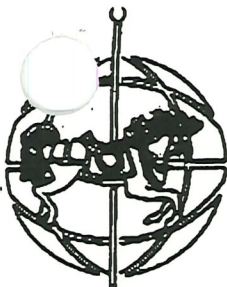
210

International Theme Park Services, Inc.

He also currently serves on the Board of Directors of Big Brothers and Big Sisters of Greater Cincinnati; the ACA College of Design; the Cystic Fibrosis Foundation; the Advisory Board of Universal Recognition of Special Achievement ("URSA") of Toronto, Canada; the Board of Patrons, Leisure Industry Council Week; and the Travel and Tourism Policy Council. Mr. Spiegel also serves as Co-Chairman, Advisory Board, to the Cincinnati Recreation Commission for master planning, marketing and operations improvement; and serves on the "New" Heritage U.S.A. Asset Management Team. Previously, Mr. Spiegel served on the Board of Directors for First & Merchants National Bank; the Red Cross; and the Travel and Tourism Industrial Advisory Council to the United States Senate. Additionally, Mr. Spiegel is a member of the World Leisure and Recreation Association and the World Waterpark Association.

Mr. Spiegel's management philosophy includes truth with diplomacy; implementation with expediency and care.

2-11



Dennis Spelgel
President

International Theme Park Services, Inc.

1212 Sycamore Street • Cincinnati, Ohio 45210 • USA
513-381-8131 • Telefax: 513-381-2758

March 31, 1992

VIA TELEFAX 818/753-6767

Mr. Gary Goddard
Landmark Entertainment Company
5200 Lankershim Boulevard
North Hollywood, CA 91601

Dear Gary:

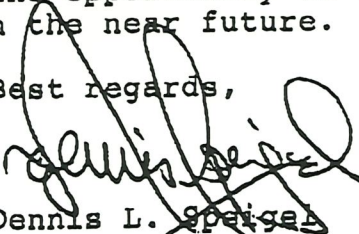
During this interim period while I have been waiting to hear back from you on the Kansas City, Kansas, "The Wonderful World of Oz" project, I have been made aware of information and issues which face the project which seem very unreasonable to me in terms of expectations.

In view of this recent information I have received, I am withdrawing our name for consideration for consultation on the project.

If you will please be so kind, would you please make this decision known to the parties with whom you have discussed our potential participation.

Hopefully, we will have the opportunity to work together on a mutually beneficial project in the near future.

Best regards,


Dennis L. Spelgel
President

DLS/jpr

2-12

International Theme Park Services, Inc.

1212 Sycamore Street • Cincinnati, Ohio 45210 • USA
513-381-6131 • Telefax: 513-381-2756

Dennis Speigel
President

June 5, 1991

Mr. Gus Fasone
Box 476
Bonner Springs, Kansas 66012

Dear Gus:

Thank you for your call today. "Emerald City" sounds wonderful! It's a great concept and apparently just the right location! I would imagine that the cast of characters and mascots would be fantastic!

For your review, enclosed is an International Theme Park Services, Inc. ("ITPS") company background booklet and a short video tape which I believe will give you a good overview of our capabilities, experience, and staff. Also enclosed is a recent article which appeared in AMUSEMENT BUSINESS which you might find of interest.

Our services are many and varied. We are an internationally recognized leader, provider, and consultant in the field of recreation and leisure services---from feasibility analysis to concept and design to operations and management arrangements, we are a full service firm...working with both the public and private sector and with the small-medium-large facility. We specialize in conceptual design, operations planning and management for both indoor and outdoor attractions. In each instance, we have provided a myriad of services associated with the design, construction, pre-opening and into actual operations. A comprehensive list of services we provide follows:

Concept/Design	Planning/Development	Maintenance
Feasibility Analysis	Sponsorship Acquisitions	Construction
Financial Development	Loss Prevention	Safety/Security
Executive/Employee Training	Manual Development	Entertainment
Long-Range Planning	Computer Integration	Network Sourcing
Project Administration	Operational Planning	Executive Search
Attractions Development	Ride Bid/Negotiation	Ride Procurement

Our staff has a combined "hands-on" experience that totals over 150 years. Our team of experts consists of practitioners - not theorists. All have expertise and actual experience in the planning, designing and daily operation of theme parks, amusement parks and other leisure oriented facilities. At present we are working on projects in South Korea, Singapore, Germany, Turkey, Pakistan, Peoples Republic of China, Brazil, Japan, England, Canada, and the United States.

It was good of AMUSEMENT BUSINESS to recommend us to you. Certainly a great compliment to our staff and capabilities.

4/11/93

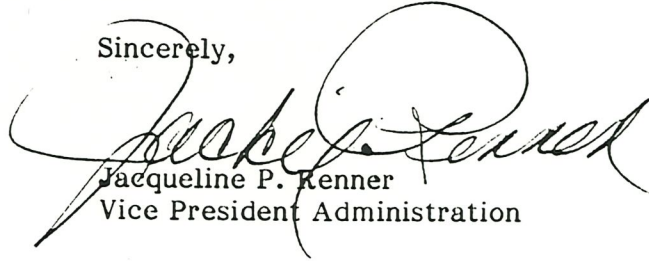
Heese Traction Gate

Attachment 3

Mr. Gus Fasone
Page Two
June 5, 1991

After you have reviewed the enclosed, it would be a pleasure hearing from you to discuss next steps. I look forward to hearing from you and receiving information on "Emerald City"!

Sincerely,



Jacqueline P. Renner
Vice President Administration

JPR:sf
Enclosures

China's Park Industry About-Faces After Staff, Operational Changes

(EDITOR'S NOTE: Dennis Speigel is president of Cincinnati-based International Theme Park Services Inc. (ITPS), and is a former president of the International Assn. of Amusement Parks & Attractions. ITPS also has offices in Salvador, Brazil; Nice, France; and Beijing, China.)

INTERNATIONAL NEWS



By DENNIS SPEIGEL

Make no mistake about it — the amusement park industry is alive, well and prospering in the People's Republic of China.

On a recent trip to the Orient, I made the following observations:

During the last five to seven years, the amusement park industry in China has seen great changes in its approach to the business. No longer is the amusement park industry without ideas on how to formulate successful strategies to operate and attract visitors.

Using Beijing Amusement Park (BAP) as a classic case study, the park has undergone a real metamorphosis in terms of its management programs.

In 1990, after successfully consulting to Beijing Amusement Park for more than one and a half years, International Theme Park Services Inc. signed a contract to manage the project on-site. BAP was struggling for life after only four years of existence.

During our one and a half years of management consulting to BAP, we were able to determine what

was required by the park to stabilize and then turn the park on a positive charted course. All areas required great assistance.

Our first step was to assign a knowledgeable individual who had a broad range of experience in managing themed attractions. I hired Bob Lamb, formerly general manager of Six Flags Autoworld, to become the on-site manager. Lamb gained experience at Autoworld in the areas of marketing, ride operations, food and beverage and maintenance. It takes a special person to manage a foreign park, particularly in a country as remote as China.

What had happened was that a park was built but no one knew how to sit at the controls and run it. ITPS and Lamb as general manager have fulfilled that role.

Since taking over the park, which just celebrated its fourth birthday this year, we have instituted a pay-one-price system that has dramatically reshaped the economics of the park.

Since the program was instituted, attendance has increased by more than 45 percent, and revenue by more than 70 percent. We also have changed the way food, beverage and merchandise are sold in the park. We have instituted the fundamentals necessary for a park to operate: programs that work whether you are in Beijing or Cincinnati.

The Chinese did not know what to do. "They were at a loss, and the park was failing miserably," Lamb said. "We started working on the fundamentals. We educated and trained the staff very hard during the first year of our management agreement. Some people were released. We had to instill good attitudes and healthy work ethics. Sometimes the 'old guards' did not want to change their usual approach to operations and maintenance, but it was absolutely necessary to get the park on the right track."

So, the good attitudes stayed and the bad attitudes left, either by choice or termination. Now we have a very strong management team eager to learn and with a huge desire to succeed. They now take pride in their jobs and park. They constantly strive to make BAP the best park in China.

As part of the changes, we emphasized improving the marketing effort. An aggressive group sales program was set up by Lamb. He went out and sought talent who understood volume sales. He hired Henry Tao, a former security agent who spoke English. This helped bridge the training and sales education gap.

BAP now has high volume group sales. On my visit to Beijing Amusement Park on April 21 and 22, attendance was 25,000 and 30,000-plus. Lamb had his hands full with attendance days that large. But the park can now handle the large crowds thanks to its new orientation to guest handling and

"When the park has its peak days, we are fully staffed and in a complete state of readiness," Lamb said. "The staff is prepared and 'ready for action' due to programs ITPS has put in place. They now understand that all rides and attractions must operate when we are open."

"Before we arrived, there was never an understanding of how the park needed to function in order to properly entertain the guests," said Lamb. "Now it is always in a prepared state of readiness. All rides and attractions are checked out and given the green light long before the gates swing open."

To give the park a real boost in attendance this year, several new entertainment programs have been planned and implemented. The first being a new state-of-the-art film concept which is projected on a water curtain in the middle of Dragon Lake.

This concept is one of the most exciting new concepts I have seen developed in the last 15 years. The concept was conceived by Yves Peppin. He is the owner of ECA2, a French production company which has signed a three-year contract to produce and show the film titled "The Daughter of the Water and the Son of Fire."

The film is projected on an invisible screen of water 26 meters wide and 13 meters high. It appears that the images are being projected in mid air. The Chinese audience was astonished at the production. I, too, was quite impressed. Two thousand five hundred spectators a night will be able to view the fairy tale sight of water and images.

Another large amusement park in Beijing is Shin Jiang Shing. "After we introduced the pay-one-price concept at BAP, the general manager of Shin Jiang Shing came to see me and was very upset," Lamb said. "He said that it was not fair that we had introduced

this new successful pricing concept. He was so angry because we had scooped them!"

They have now, after a lot of study, introduced the pay-one-price concept, so I guess capital is on the march.

Another interesting park which ITPS is consulting is Nine Dragons Park, located in the Ming Tombs area outside of Beijing. This attraction draws more than 5,000 tourists a day. We are going to assist Nine Dragons with the same kinds of programs we instituted at BAP.

BAP and Nine Dragons are owned by Kumagai Gumi, a major Japanese construction company. Kumagai has a Sino-Japanese joint venture with both parks.

I also have visited a ride manufacturing company, Shi Bao Playing Facilities Co. Ltd. This company will play a major role in the Chinese amusement park industry in the future. They have developed quite a few rides at inexpensive prices. The amusement park industry is going to see more and more rides and attractions coming from China in the next decade.

It is an exciting time to be participating in the Chinese amusement park industry. To be the first to have introduced pay-one-price to China, and then see it responded to by both park and marketplace, so well is very rewarding. I know the park in China will never be the same again.

33

PRESENTATION TO THE TAXATION COMMITTEE
KANSAS HOUSE OF REPRESENTATIVES

APRIL 1, 1993

by: James M. Bednar

L² Land and Leisure, Inc.

2716 DOWNING DRIVE
PLANO, TEXAS 75023
TELEPHONE: (214) 612-2716

4/1/93

House Taxation Cmte

Attachment 4

PRESENTATION TO THE TAXATION COMMITTEE

KANSAS HOUSE OF REPRESENTATIVES

April 1, 1993

INTRODUCTION

Thank you very much for the opportunity to be here today. My name is James M. Bednar. I currently live in Plano, TX where I am President of Land and Leisure, Inc., a consulting company to the leisure industry.

BACKGROUND

I was born and raised in Kansas City, Kansas and lived there until about nine (9) years ago. I attended Ward High School and Donnelly College in Kansas City, Kansas and completed work on a degree in Economics at Rockhurst College in Kansas City Missouri.

PROFESSIONAL EXPERIENCE

During college and immediately after graduation, I was employed by the Wyandotte County Planning Board. I then moved to the staff of the Planning Department of Kansas City, Kansas. My next employment was at Midwest Research Institute where I was on the staff of the Economics and Management Science Division for more than eight (8) years. During that time, I was involved with a variety of projects including many which dealt with the leisure industry and travelers. This included work on the State Comprehensive Outdoor Recreation Plans for several states, studies to examine the potential of using leisure and recreation to stimulate the economies of regions including Fun Country Oklahoma, the Lake of the Ozarks Region and the Lakes Country Region (encompassing the Branson area) in Missouri.

During my tenure at MRI, I also worked on other studies relating to travel and leisure. These included a resort study in Iowa, an analysis of the impact of major league baseball on the economy of the Kansas City Region and I was part of the team which prepared an evaluation of the impact of Kansas City International Airport on the economy of the region.

4-3

After leaving MRI, I joined the staff of the Special Projects Division at Burns & McDonnell. While there, I was involved primarily with the economics of airports, particularly in major tourist destination areas such as Reno, Nevada and Lake Tahoe, California.

Upon leaving Burns & McDonnell, I was employed as Vice President, Economic Studies, by a leading consulting firm in the theme park industry in Dallas, Texas. During the five (5) plus years there, I wrote or directed the preparation of over one hundred studies. This included extensive work in the United States and internationally. The international work included projects in England, Ireland, Northern Ireland, Italy, Canada, Mexico, Australia, Japan, Spain and Norway. These projects included theme parks, water parks, festival retail areas, major attractions, family entertainment centers, acquisition analysis, and the potential of new entertainment concepts.

In 1989, I formed the firm of Land and Leisure, Inc. Land and Leisure specializes in the preparation of feasibility studies, financial analysis, acquisition analysis and site selection and evaluation for major attractions and theme parks. Since establishing the firm, I have worked on numerous projects

4-4

in the United States in Missouri, Oklahoma, Texas, Ohio, Massachusetts, Florida, New York, Utah, South Dakota and Colorado. I have had the good fortune to continue work internationally having prepared studies in Japan, The Peoples Republic of China, Taiwan, Turkey, Israel, Mexico and Brazil. I have prepared studies and served on the project team for major clients including Silver Screen Management, Paramount Studios, Warner Brothers, Six Flags, the Hong Kong Parkview Group and others.

OTHER

While living in Kansas City, which I still consider home, I was fortunate to be invited to participate in several other activities including the Board of Directors of the West Branch YMCA and coaching youth soccer teams. I also served as the Chairman of the Wyandotte County Planning Board which gave me another perspective on questions of development in the county.

Ladies and gentlemen, I know this has been rather lengthy but I felt it necessary that you know my personal and

professional background before I present the information which follows.

THE WONDERFUL WORLD OF OZ PROJECT

There are many factors which must be considered in the preparation of a feasibility study for any project. These include the project concept, the site, the market area and demographics of the market area population, the experience of other projects and the evolution of the industry.

I think we all recognize that the industry, as we know it today, began in 1955 with Disneyland in Anaheim, CA. That Walt Disney, who lived in the Kansas City area for some time, was the person to start this industry was very fortunate. His foresight and planning certainly set standards which have added to our quality of life.

However, in the nearly forty (40) years since the opening of Disneyland, the industry has grown. Today the top forty (40) theme parks and attractions attract attendance equal to about fifty percent (50%) of the total population of the United States. With this growth has come a maturing of the

industry in the United States and the emergence of certain criteria or controls regarding new development.

In 1987, a confidential study on the theme park and attractions industry was completed for the investment department of a major Canadian bank. One of the conclusions of that study was that the nature of competition in the industry was generally rational. The study noted that the tendency had been for larger projects (at least 1 million in attendance) and smaller projects within a particular demographic area to have a franchise, and that an overdeveloped market was bad for everyone. I think this view has continued to be true. Looking at such markets as Salt Lake City, Dallas, Atlanta, St. Louis, Chicago, Cincinnati and others would tend to confirm this.

Another thing which has generally been avoided by industry analysts, developers and operators is to compare any other project with those of the Disney organization. Analysts for the major investment houses in New York have always presented their reports "with" and "without" Disney. The Disney organization so dwarfs the other projects that comparison is not reasonable. Even the past president of ERA, Mr. Harrison Price, in speeches to industry groups, has done the same in his presentations.

In examining the limited data available about the development of the Wonderful World of Oz, I have tried to first focus on the forecasts for the attendance expected to visit the attraction. Based upon the data I have examined, the attendance for 1998, the third operating year, appears to be generated as follows:

o Primary Market	504,000 visitors
o Secondary (Daytripper)	62,000 visitors
o Tourist	
Overnight Base (normal)	1,150,000 visitors
Induced Increment (new)	1,125,000 visitors
o ESTIMATED TOTAL ATTENDANCE	2,841,000 visitors

On the basis of these forecasts, the percentage distribution of the attendance would be:

o Primary Market	17.74%
o Secondary Market	2.18%
o Visitor Market	80.08%

In my experience in the industry and having had the

4.8

advantage of working with historical data on the actual attendance at major theme parks such as the King's parks and those of Six Flags, I can say that the distribution forecast for the proposed World of Oz project is quite different from that actually experienced by these existing parks. Based on the actual attendance achieved by these major parks, approximately sixty-five percent (65%) of total attendance has been derived from the population within 150-miles of the project with approximately eighty-five percent (85%) of attendance derived from the population residing within 250-miles of the project site.

This same conclusion was reached by the authors, Richard J. Roddewig, Stephen P. Schiltz and Gary Papke, of an article published in The Appraisal Journal. They found that:

Most theme parks, apart from Disneyland and Disney World, draw almost all of their business from the region in which they are located, or the area within a three-hour drive. This allows sufficient time for a family to reach the theme park in the morning, spend five to seven hours at the park, and return home the same day. This primary market may account for as much as 70% to

85% of theme park business.

A similar pattern of attendance distribution has been experienced by Worlds of Fun. For example, in 1992, the attendance distribution was:

o Local Market	54.83%
o Regional Market	7.86%
o Tourist Market	37.31%

As the authors in the article in The Appraisal Journal noted, the Disney parks are exceptions to the normal patterns of attendance distribution for theme parks. However, to assume that the Kansas City market approaches that of Florida and Southern California is more than optimistic. Each of these had well established tourist markets even before the introduction of the Disney projects and a critical mass of other entertainment which had for some time attracted tourists. This is not currently the case and will not, in all probability, be achieved in Kansas City, Kansas. Therefore, the assumption that the World of Oz project can attract over 1,000,000 new visitors to the area specifically to visit the project seems suspect.

4-10

Other aspects of the market analysis for the World of Oz also need to be closely checked. The forecasts indicate that 1,000,000 visitors to the World of Oz will come from the existing visitor market. The current visitor market has been estimated to be approximately 5,000,000 visitors to the metropolitan area. However, it must be recognized that many of these may not have the time or inclination to visit the World of Oz. This could include those in the area on business, many of whom may be on a one-day trip, those attending conventions and other meetings, and, those coming for other reasons such as for the excellent medical facilities in Kansas City. When these are not counted, the penetration rate may become rather high. If so, the forecast of 1,000,000 visitors to the World of Oz from this market may also be optimistic.

In my review of the forecasts of the attendance for the World of Oz, two (2) other points seemed apparent:

1. There was no similarity between the attendance forecasts for the World of Oz and the actual attendance achieved by Worlds of Fun. Since Worlds of Fun is only about 15-miles from the proposed site for the World of Oz, you might expect some compatibility between the forecasts of attendance

from each market segment for the World of Oz and
and that achieved by Worlds of Fun.

2. In comparing the original forecasts of attendance for Worlds of Fun prepared by the former president of Economic Research Associates (ERA), Mr. Harrison Price, the actual results achieved were quite different than the forecasts. In fact, the actual results fell short of the forecasts by an average of more than thirty-three percent (33%) annually, not an insignificant amount.

I also examined financial information prepared for the World of Oz project. In doing this, I used that data available and industry standards regarding operating costs and the costs of goods sold. The principal and interest payments were based on the distribution of funding as provided in the attached material (Attachment A).

In the examination of the possible financial results of the operation of the project, I developed three (3) different scenarios with forecasts for the first five (5) years of operation under each scenario.

In the first of these, Attachment B, the forecasts and projections available from the Wonderful World of Oz were utilized with other information based on industry standards. All data is in 1992 dollars for compatibility with World of Oz data. Operating costs are assumed to be fifty-four percent (54%) of gross revenues in the first two operating years and then to decrease to fifty-two percent (52%) of gross revenues thereafter. Operating costs at year-round operations, based on the experience of other year-round operations, tend to be higher than that experienced by seasonal operations. The long-term financing is assumed to be fifty-six percent (56%) of the initial project financing based on the distribution of financing indicated by information from the World of Oz and shown in Attachment A.

Without going into an examination of each line of the forecasts, it does seem that, using the forecasts as presented by the Wonderful World of Oz, the possibility of financial problems exists. This analysis, Scenario 1, Attachment B, indicates that there could be a negative cash flow in each of the first three years totaling approximately \$16,826,000 when allowing for a level of annual reinvestment thought to be necessary to compete in the theme park and attractions industry. The projected results after five years of operation

indicate a potential negative cash flow of nearly \$14.5 million. During this time, no allowance has been made in the forecasts for a return on the investment for those providing the equity/convertible debt.

Scenario 2, Attachment C, provides the same format and utilizes the same assumptions as that of Scenario 1 with one significant exception. In this analysis, the attendance forecasts have been discounted by thirty-three and seven-tenths percent (33.7%). As noted earlier, this is the average annual difference experienced by Worlds of Fun from the forecasts presented in the feasibility study prepared for Worlds of Fun prior to opening by the then president of ERA.

In this scenario, Attachment C, the projected results are considerably less attractive. The forecasts of cash flows indicate that there may be negative results in each of the first five (5) years totaling \$48,611,000.

In Scenario 3, Attachment D, forecasts have been prepared using the same financial assumptions used in the other two (2). In this scenario, the attendance forecasts used are based on the actual attendance achieved by Worlds of Fun. A trend analysis was developed using the attendance achieved by

Worlds of Fun for the years 1988 through 1992.

Using this data and trend line analyses, forecasts of attendance for the Wonderful World of Oz were prepared and are presented in Scenario 3, Attachment D. Using this information and the other stated assumptions, the forecasted results may be even less favorable than those forecast in Scenario 2.

Negative cash flows could occur in each of the first five (5) years totaling \$65,577,000.

CONCLUSIONS

Ladies and gentlemen, what I have presented to you today is not particularly encouraging, I know. I also know, perhaps more than many who will testify before you on this matter, that Kansas City, Kansas needs an economic stimulus. However, it appears that there may be significant questions regarding this project and its ability to retire debt. Because you are being asked to amend laws to allow financing for the Wonderful World of Oz, it would seem that the work completed should be very carefully examined before moving forward with any public financing for the project.

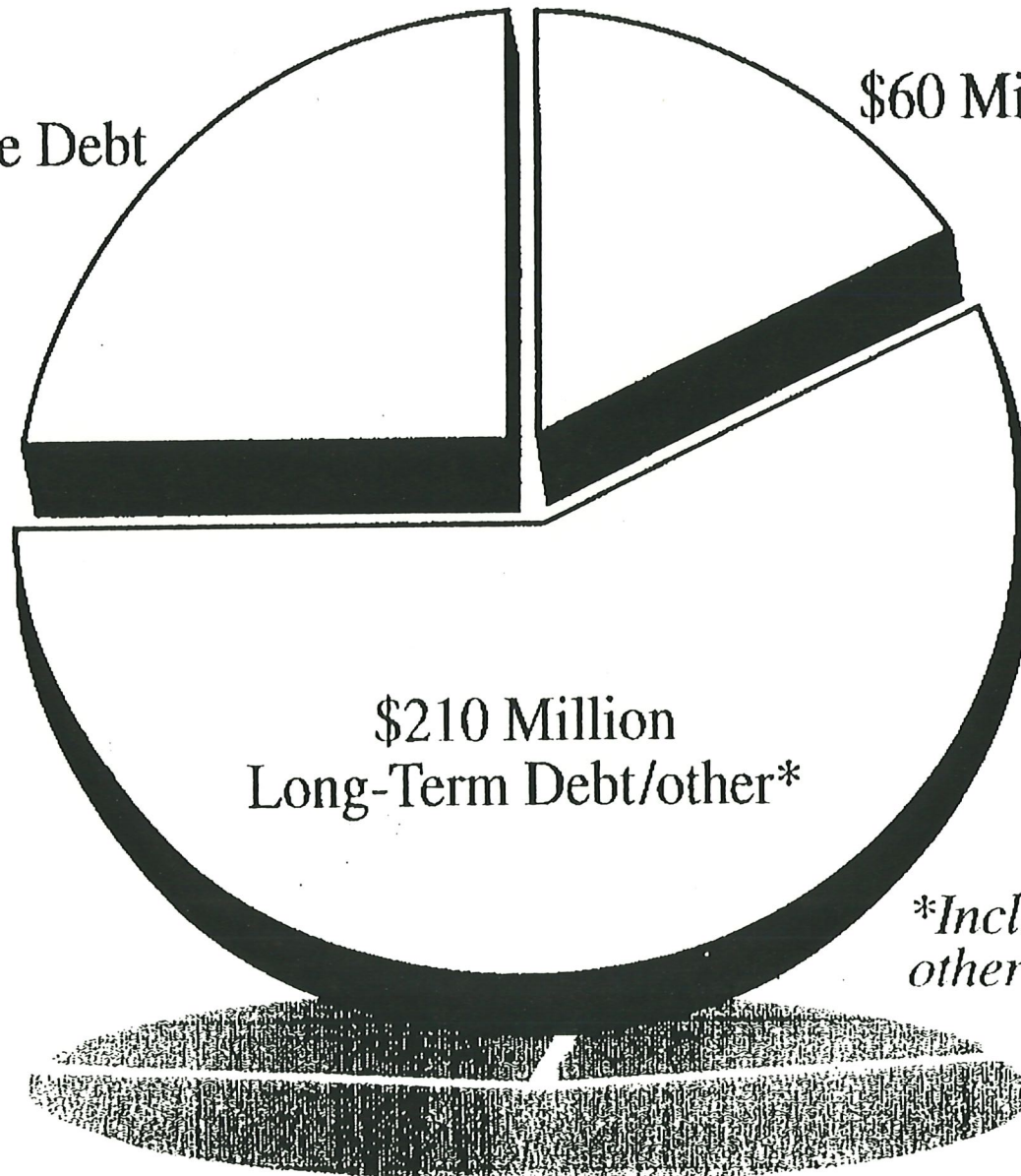
4-15

The Wonderful World of OZ

Proposed Financing Components

\$105 Million
Equity/Convertible Debt

\$60 Million TIF Financing



\$210 Million
Long-Term Debt/other*

**Including Federal and
other grant programs.*

14/10

ATTACHMENT B

SCENARIO 1
FINANCIAL COMPARISONS
THE WONDERFUL WORLD OF OZ

WORLD OF OZ ASSUMPTIONS & FORECASTS

	1996	1997	1998	1999	2000
ASSUMPTIONS					
Attendance: per World of Oz.					
Per Capita Revenue: Totals for Admissions and Concessions per World of Oz.					
Admissions	\$16.75	\$16.75	\$16.75	\$16.75	\$16.75
Food/Beverage	7.00	7.00	7.00	7.00	7.00
Merchandise	8.00	8.00	8.00	8.00	8.00
Other	0.25	0.25	0.25	0.25	0.25
Parking	1.30	1.30	1.30	1.30	1.30
Cost of Goods Sold:					
Food/Beverage	30% of Food/Beverage Sales				
Merchandise	45% of Merchandise Sales				
Other	19% of Other Sales				
Operating Costs:					
	54% of Gross Revenues in 1996 and 1997; 52% of Gross revenues thereafter.				
License Fees	3% of Gross Revenues				
Management Fees	5% of Gross Revenues				
ATTENDANCE	2,522	2,682	2,841	2,841	2,942
PER CAPITA REVENUES					
Admissions	\$20.95	\$20.95	\$20.95	\$20.95	\$20.95
Discount (20%)	4.20	4.20	4.20	4.20	4.20
Net Admission Per Capita Revenue	16.75	16.75	16.75	16.75	16.75

4.17

Concessions	15.25	15.25	15.25	15.25	15.25
Parking	1.30	1.30	1.30	1.30	1.30
Net Adjusted Per Capita Revenue	33.30	33.30	33.30	33.30	33.30
REVENUES					
Admissions	52,836	56,188	59,519	59,519	61,635
Discount (20%)	10,567	11,238	11,904	11,904	12,327
Net Admissions	42,269	44,950	47,615	47,615	49,308
Concessions	38,461	40,901	43,325	43,325	44,866
Parking	3,279	3,487	3,693	3,693	3,825
OPERATING REVENUES	84,008	89,337	94,634	94,634	97,998
Cost of Goods Sold	14,495	15,415	16,329	16,329	16,909
GROSS PROFIT	69,513	73,923	78,305	78,305	81,089
OPERATING COSTS	45,364	48,242	49,210	49,210	50,959
Net Operating Profit	24,148	25,680	29,096	29,096	30,130
License Fees	2,520	2,680	2,839	2,839	2,940
Management Fees	4,200	4,467	4,732	4,732	4,900
CASH FLOW	17,428	18,533	21,525	21,525	22,290
Interest @ 6.25% on \$163.5 million	10,219	9,538	8,856	8,175	7,494
CASH FLOW BEFORE DEBT PAYMENT	7,209	8,996	12,669	13,350	14,796
Debt Repayment with 15-Yr. Term	10,900	10,900	10,900	10,900	10,900

418

CASH AVAILABLE for Reinvestment and Distribution	(3,691)	(1,904)	1,769	2,450	3,896
Annual Reinvestment (\$2,000,000 normal and \$9,000,000 every three years)	2,000	2,000	9,000	2,000	2,000
CASH after Reinvestment	(5,691)	(3,904)	(7,231)	450	1,896

Note: All figures are in millions except for the per capita revenues.

ATTACHMENT C

SCENARIO 2
FINANCIAL COMPARISONS
THE WONDERFUL WORLD OF OZ

DISCOUNTED ATTENDANCE WITH
WORLD OF OZ ASSUMPTIONS

	1996	1997	1998	1999	2000
ASSUMPTIONS					
Attendance:					
Discounted by 33.7%					
Per Capita Revenue:					
Totals for Admissions					
and Concessions per					
World of Oz.					
Admissions	\$16.75	\$16.75	\$16.75	\$16.75	\$16.75
Food/Beverage	7.00	7.00	7.00	7.00	7.00
Merchandise	8.00	8.00	8.00	8.00	8.00
Other	0.25	0.25	0.25	0.25	0.25
Parking	1.30	1.30	1.30	1.30	1.30
Cost of Goods Sold:					
Food/Beverage	30% of Food/Beverage Sales				
Merchandise	45% of Merchandise Sales				
Other	19% of Other Sales				
Operating Costs:					
	54% of Gross Revenues in 1996 and				
	1997; 52% of Gross revenues				
	thereafter.				
License Fees	3% of Gross Revenues				
Management Fees	5% of Gross Revenues				
ATTENDANCE	1,672	1,778	1,884	1,884	1,951
PER CAPITA REVENUES					
Admissions	\$20.95	\$20.95	\$20.95	\$20.95	\$20.95
Discount (20%)	4.20	4.20	4.20	4.20	4.20
Net Admission Per					
Capita Revenue	16.75	16.75	16.75	16.75	16.75

4-20

Concessions	15.25	15.25	15.25	15.25	15.25
Parking	1.30	1.30	1.30	1.30	1.30
Net Adjusted Per Capita Revenue	33.30	33.30	33.30	33.30	33.30
REVENUES					
Admissions	35,028	37,249	39,470	39,470	40,873
Discount (20%)	7,006	7,450	7,894	7,894	8,175
Net Admissions	28,023	29,799	31,576	31,576	32,699
Concessions	25,498	27,115	28,731	28,731	29,753
Parking	2,174	2,311	2,449	2,449	2,536
OPERATING REVENUES	55,694	59,225	62,756	62,756	64,988
Cost of Goods Sold	9,610	10,219	10,828	10,828	11,213
GROSS PROFIT	46,085	49,006	51,928	51,928	53,774
OPERATING COSTS	30,075	31,982	32,633	32,633	33,794
Net Operating Profit	16,010	17,025	19,295	19,295	19,981
License Fees	1,671	1,777	1,883	1,883	1,950
Management Fees	2,785	2,961	3,138	3,138	3,249
CASH FLOW	11,554	12,287	14,274	14,274	14,782
Interest @ 6.25% on \$163.5 million	10,219	9,538	8,856	8,175	7,494
CASH FLOW BEFORE DEBT PAYMENT	1,335	2,749	5,418	6,099	7,288
Debt Repayment with 15-Yr. Term	10,900	10,900	10,900	10,900	10,900

4.21

CASH AVAILABLE for
Reinvestment and
Distribution

(9,565) (8,151) (5,482) (4,801) (3,612)

Annual Reinvestment
(\$2,000,000 normal
and \$9,000,000 every
three years)

2,000 2,000 9,000 2,000 2,000

CASH after
Reinvestment

(11,565) (10,151) (14,482) (6,801) (5,612)

Note: All figures are in millions except for the per capita
revenues.

4.22

ATTACHMENT D

SCENARIO 3
FINANCIAL COMPARISONS
THE WONDERFUL WORLD OF OZ

WORLDS OF FUN ATTENDANCE WITH
WORLD OF OZ ASSUMPTIONS

	1996	1997	1998	1999	2000
ASSUMPTIONS					
Attendance:					
Trend Line of Worlds of Fun Attendance					
Per Capita Revenue:					
Totals for Admissions and Concessions per World of Oz.					
Admissions	\$16.75	\$16.75	\$16.75	\$16.75	\$16.75
Food/Beverage	7.00	7.00	7.00	7.00	7.00
Merchandise	8.00	8.00	8.00	8.00	8.00
Other	0.25	0.25	0.25	0.25	0.25
Parking	1.30	1.30	1.30	1.30	1.30
Cost of Goods Sold:					
Food/Beverage	30% of Food/Beverage Sales				
Merchandise	45% of Merchandise Sales				
Other	19% of Other Sales				
Operating Costs:					
	54% of Gross Revenues in 1996 and 1997; 52% of Gross revenues thereafter.				
License Fees	3% of Gross Revenues				
Management Fees	5% of Gross Revenues				
ATTENDANCE	1,329	1,351	1,372	1,394	1,416
PER CAPITA REVENUES					
Admissions	\$20.95	\$20.95	\$20.95	\$20.95	\$20.95
Discount (20%)	4.20	4.20	4.20	4.20	4.20
Net Admission Per Capita Revenue	16.75	16.75	16.75	16.75	16.75

4.23

Concessions	15.25	15.25	15.25	15.25	15.25
Parking	1.30	1.30	1.30	1.30	1.30
Net Adjusted Per Capita Revenue	33.30	33.30	33.30	33.30	33.30
REVENUES					
Admissions	27,843	28,303	28,743	29,204	29,665
Discount (20%)	5,569	5,661	5,749	5,841	5,933
Net Admissions	22,274	22,643	22,995	23,363	23,732
Concessions	20,267	20,603	20,923	21,259	21,594
Parking	1,728	1,756	1,784	1,812	1,841
OPERATING REVENUES	44,269	45,002	45,701	46,434	47,167
Cost of Goods Sold	7,638	7,765	7,886	8,012	8,138
GROSS PROFIT	36,631	37,237	37,816	38,422	39,029
OPERATING COSTS	23,905	24,301	23,765	24,146	24,527
Net Operating Profit	12,725	12,936	14,051	14,276	14,502
License Fees	1,328	1,350	1,371	1,393	1,415
Management Fees	2,213	2,250	2,285	2,322	2,358
CASH FLOW	9,184	9,336	10,395	10,562	10,728
Interest @ 6.25% on \$163.5 million	10,219	9,538	8,856	8,175	7,494
CASH FLOW BEFORE DEBT PAYMENT	(1,035)	(202)	1,539	2,387	3,234
Debt Repayment with 15-Yr. Term	10,900	10,900	10,900	10,900	10,900

4.24

CASH AVAILABLE for
Reinvestment and
Distribution

(11,935) (11,102) (9,361) (8,513) (7,666)

Annual Reinvestment
(\$2,000,000 normal
and \$9,000,000 every
three years)

2,000 2,000 9,000 2,000 2,000

CASH after
Reinvestment

(13,935) (13,102) (18,361) (10,513) (9,666)

Note: All figures are in millions except for the per capita
revenues.

4-25

**Remarks of Jim Prager
before the Taxation Committee
of the Kansas House of Representatives**

Thursday, April 1, 1993

My name is Jim Prager. I have worked or been an investor in the theme park and attractions industry for more than 20 years. Today I would like to share with you my views on the Wonderful World of Oz.

I have lived in Los Angeles since 1968 but my roots are in Kansas. I attended Washburn Rural High School here in Topeka and graduated from the University of Kansas in 1967.

I happened to see Governor Finney in Los Angeles last Saturday and told her I felt especially Kansan having worked on my mother's Kansas tax return for her farm in Atchison and watched KU advance to the Final Four on the same day.

My work with theme parks began in 1971 as an outside corporate lawyer with Six Flags Corporation. I helped Six Flags buy Astroworld in Houston in 1975, Great Adventure in New York in 1978 and Magic Mountain in Los Angeles in 1979. I joined Six Flags in 1979 as its vice president for corporate development, responsible for buying or developing additional attractions. In that role, I reviewed as an investor scores of theme park projects. We bought Great America in Chicago, built water parks in Florida and Texas, opened urban entertainment attractions in Michigan, Baltimore and St. Louis. In 1987, I helped to organize the LBO of Six Flags serving as its executive vice president, treasurer and for a period, its chief financial officer and also as a member of the board of directors executive committee.

I am able to chronicle the varying degrees of interest of the film industry in theme parks over the last 20 years. Until recently, that interest was limited mostly to the Los Angeles area. I tried to interest the major studios in the Six Flags in connection with the 1987 LBO but was not successful. Recently, to my good fortune, the film industry has found it fashionable to associate with theme parks. At the end of 1991, Time Warner purchased Six Flags and I became a private investor. In 1992, Paramount acquired Kings Entertainment Co., another operator of regional theme parks. Studio tour attractions, on the model of Universal Studios Tour in Hollywood, are now open in Orlando.

My experience has taught me that every community wants to have a Disneyland, but that only a few worldwide locations are suitable; that many areas can support regional theme parks, but that the U.S. market is saturated; that the cold, financial facts of our industry are often ignored by the consultants in the industry who, pressured by their clients, can show almost any project to be feasible.

In my years of experience, I have closed several attractions that were built based on incorrect feasibility studies and cost estimates. Two of those failed attractions, the Power Plant in

4/1/93
House Taxation Cmte
Attachment 5

Baltimore and the Admiral in St. Louis, were principally designed by the designer of the Wizard of Oz project, Gary Goddard and his Landmark Entertainment Group.

These two projects were complete failures, costing investors, lenders and governments over \$80 million. The projects as built were more costly than estimated and the finished projects did not have the appeal of the renderings used to sell the investment. It took more than 140% of the cost estimates to build the attractions with less visitor satisfaction than the entertainment concept. The same thing could happen with the Wizard of Oz.

I would like to bring to your attention similarities in the approval process for those two failed projects to the process for approving the Wonderful World of Oz.

First, the projects were "pitched" as one "pitches" a movie idea. We all know that there is a high rate of financial failure for new movies, but it is tolerable in an industry where there is in effect unlimited upside. But, in contrast, Frank Mancuso, the former CEO of Paramount, once instructed me during acquisition discussions in 1989, that there is only a limited upside in the attractions industry. You can only put so many people in one theme park.

Accordingly, the attractions industry has historically been and should be one that makes capital investment decisions pursuant to prudent review of industry performance standards, the market, the competitive environment, and reliable cost estimates — not the appeal of the entertainment idea. In the case of the Power Plant and the Admiral, the entertainment idea, colorful renderings and nostalgia and similar emotions packaged superbly by Gary Goddard and coupled with government incentives, overcame the cold, financial wisdom of the attractions industry.

I fear the same thing is happening here with the Wizard of Oz.

Second, there is also a similarity in who will make the financial decisions to go forward with the Wizard of Oz project. The decision to make the investment in the Power Plant and Admiral was made by investors who were unfamiliar with the theme park industry. Six Flags had recently been acquired by Bally Manufacturing and Bally, not Six Flags, executives made the decision to go forward. They were neither experienced investors nor operators in the industry. In the case of the Wizard of Oz project before you, there is no seasoned theme park investor or operator involved. Yes, there are consultants, designers, lawyers and restaurateurs involved. But even in the film business, when it's time to decide whether to invest \$26 million, it's the studio executive who makes that decision, not the art director. Consultants or vendors who will profit from the project whether or not it is successful should not be empowered to spend other people's money. Before you give your approval, please consider requiring a detailed description of the project, its rides, shows and retail units and a detailed economic feasibility study, with projections, both of which are available for public comment. To test whether this is a viable project, also please consider requiring a financially capable investor, who is not involved in a manner to earn a fee whether or not the project is completed or is successful, to commit to provide 25%, i.e. \$75 million of equity on a \$300 million project.

There is a striking similarity in the way this project is advancing to the way junk bond financed corporate acquisitions were approved in the 1980s. In that bleak period of our financial history, we turned over our good sense to young computer jockeys who could make any deal pencil, so long as the fee paid to the lenders, deal sponsors and lawyers were big enough. Greed was then not a good thing. While raising revenues for the state of Kansas is important, care needs to be taken to ensure that that is indeed the result.

Over the years, I have reviewed as an investor, the financial feasibility numbers on hundreds of projects. I has also prepared hundreds of projections on new projects and on the performance of existing theme parks.

Based on my experience, it is my opinion that it is foolish for anyone to invest in the Wonderful World of Oz project so long as it is structured as a \$300 million park, contemplates a paid attendance of 2.8 million or more, and is located in the Kansas City metropolitan area.

The Wizard of Oz is a marvelous concept for an attraction and can work in some configuration. But there is no existing attraction that suggests the Kansas City market can support or draw tourists to a 2.8 million attendance. In fact, the experience in San Antonio with Fiesta Texas and Sea World of Texas sounds a clear alarm that the Wizard of Oz might draw something substantially less than 2 million. This year, Sea World of Texas — on an investment of over \$200 million — drew only 1.3 million visitors.

Let me also observe that even if the Wizard of Oz idea were guaranteed to attract 2.8 million visitors — which of course you can't do with an attraction not yet built — based on industry experience, it would be risky to invest more than \$200 million and certainly difficult, if not impossible, to finance more than \$200 million.

I worked intensely to sell a steady Six Flags performer in the L.A. market with more than 2.8 million attendance for \$200 million without success.

Powerful film projects such as *E.T.*, *Star Trek*, *Raiders of the Lost Ark*, *Cinderella*, and *Jaws* are used successfully as attractions within the Disney and Universal Studios theme parks. Six Flags, now a Time Warner company, has begun theming rides and shows based on *Batman*. But building a park centered on the theme of a single film has not been done before and some single theme attractions such as Circus World and Hanna Barbera Land have failed.

As I said earlier, I have closed and sold the remains of attractions that should not have been built. The process is painful. Employees who built their careers on the theme park industry — moving from other positions or entering the industry straight from school — lose their jobs. Small business trade vendors lose account receivables. Tax dollars are spent to clean up the mess. Bond ratings are adversely affected. Investors such as pension funds encounter financial difficulties. The single purpose facility becomes a derelict, and only a bulldozer can improve the landscape.

I don't believe this project can work. My advice is not to let the magic of Hollywood or the need for tax revenues, blind you to the realities of the theme park business. Make your decision and condition your approvals on a project that makes sense within industry precedent. Require a known and financially capable equity investor to come forward with at least 25% of the project financing. Ensure the project doesn't become an \$80 million park, with \$60 million of public funds which were originally intended to be 16% of the cost, not 75% of the deal. Be certain you understand what the actual entertainment activities of a guest will be and that these rides or shows have demonstrated success elsewhere.

Theme park projects can fail. Kansas and Dorothy should not be tarnished by such a failure. Please be guided by a careful understanding of the finished product, the market and industry performance experience, and not the strong emotional appeal of the entertainment concept.

54

Stephen Nicholson

(913) 384-1667 • 4216 Adams • Kansas City, Kansas 66103

April 1, 1993

It is my understanding that you are gathering information to be used to evaluate proposed legislation which would permit Kansas City, Kansas to issue some \$60 million of special bonds to help pay for the proposed Wizard of Oz theme park in Kansas City, Kansas. And, that taxpayers would not be responsible for the bonds in the event of default. And, if the project fails, the bondholders themselves would take the loss. Accordingly, I offer the following information to you regarding the proposed "Wonderful World of Oz" theme park ("Theme Park") and its development company, Oz Resorts & Entertainment, Inc. ("Company"). As a concerned taxpayer I am compelled to point out to you what I note as serious irregularities and misinformation with the project.

I begin with some background information on the Theme Park project to illustrate what I see as questionable motives and methods of operation.

In November, 1991, the Company requested and received \$450,000 in economic development grants from Kansas City, Kansas and the Board of Public Utilities. The proposed predevelopment work was specifically outlined. However, the Landmark Entertainment Group had given the Company a cost estimate of only \$162,500 for the same work. (see appendix A) The \$287,000 cushion is a clear indication of the Company's intent to realize a profit at the taxpayer's expense, even in the predevelopment stage.

When the Company requested the grants, they were asked if they had a licensing agreement with Turner Home Entertainment for use of the characters from the "Wizard of Oz" movie. The Company strongly indicated that the agreement with Turner was a "done deal". This was a clear misrepresentation of the

4/1/93
House Taxation Committee
Attachment 6

facts, because, in fact, the Company did not have a "done deal" with Turner until some three weeks after they said they did on November 6, 1991. (see appendix B) Were the grants given because there was a "done deal" with Turner, or was Turner influenced by the grants? Probably both, and certainly bad business.

These actions and attitudes do not reflect the type of company which merits public trust and confidence. Yet, here they are, waving the hope of economic salvation, requesting special legislation so Kansas City, Kansas can issue special bonds, so the Company can get more free money. Of course, the Company promises to repay the bondholders out of revenues from state and local sales taxes and hotel guest taxes which the project would generate. The Company indicated a repayment schedule of ten years, based on their projected annual attendance of three million plus visitors. HOLD EVERYTHING! THESE PROJECTED FIGURES ARE HIGHLY SUSPECT. In 1991, as part of a privately funded feasibility study, I commissioned Economics Research Associates ("ERA") to determine the market capture potential for a major Kansas City themed attraction. ERA is the oldest and largest economic consultant to the tourism and leisure industry. They have recently completed a major tourism study for the Kansas Department of Commerce. (You might find it interesting to get the report and see what the study found concerning Kansas tourism based on the "Wizard of Oz" image.) Using industry accepted formulas and practices and targeting an attraction in the \$200 - 300 million range, ERA indicated that 1.8 million visitors annually is the TOP figure which could be expected at a major themed entertainment attraction in the Kansas City area. (see appendix C) This projected 1.8 million figure is realistic when compared with the annual attendance of the established and successful Worlds of Fun theme park.

Please carefully evaluate all the facts before you place the Kansas State seal of approval on a project that may be more glitter than gold. The developers of the proposed Oz theme park have thus far set down a pattern of abuse of the public treasury for private gain, and have consistently used inflated and misleading data. The passage of legislation allowing the issue of special bonds give the appearance of state and city support, yet provide no guarantee for bondholders. The false credibility created may lead otherwise cautious investors to purchase these Kansas City, Kansas bonds without awareness of the high degree of risk involved.

Should you move this legislation forward, I strongly suggest you include a rider which would clearly indicate that the bonds, because they are not guaranteed by the taxpayers, are speculative and, as such, do not fulfill the "prudent man rule" and should not be considered for purchase by any fiduciary investors. In this way, you can guard against any pension plans from risking members' funds in an investment project strong on sentiment but weak on substance. Remember KPERS. Don't let it happen with any other retirement funds, public or private.



June 8, 1991

Mr. Robert Kory
Law Offices of Robert Kory
10960 Wilshire Boulevard
Suite 2224
Los Angeles, California 90024

Re: Wizard of Oz Project

Dear Robert,

Thanks for your telephone call regarding the proposed "Wizard of Oz" theme park for Kansas City. It sounds like a perfect idea for Kansas and I'm confident, done well, the park could provide Kansas City with a major tourist destination for people the world over. Per your request I am sending over some information on Landmark, along with several associate companies who would work with us in creating the overall concept and masterplan for the project. In addition, I'll expand a little on the way in which we would see this program moving forward.

1. Developing a Theme Park Project/Guidelines and Recommended Team

With regards to getting such a project started, Landmark has developed a straight-forward approach to theme park project development. We realize that in the first stage of a project like this, keeping the up-front expenses down while developing a solid concept and business plan is the key goal. To achieve this, we recommend assigning the task of creating the concept presentation to a team composed of the following key participants:

- | | |
|---------------------------------|-------------------------------------|
| 1. Design Group | Landmark Entertainment |
| 2. Economic Feasibility Company | Economic Research or Harrison Price |
| 3. Cost Estimator | Holtz Cost Consultants |
| 4. Local Architect | TBD |

Together, this team would work with the local developer to create a viable concept, a strong pro-forma and a business plan; along with a phased development plan, all tied to the budget, schedule and feasibility study. The resulting presentation, based upon utilizing the services of the team outlined above, provides the client with an impressive and accurate project analysis. We believe this team is the strongest available experts in each of their respective fields. A review of the company brochures will show that the collective experience of these companies bring to this project a team that has provided services to virtually every major theme park built in the last ten years.

2. Basic Phase of Project Development

We have identified six major phases in any large scale project. These phases are:

- A. Concept Development
- B. Masterplan/Schematic Design
- C. Design Development
- D. Production, Fabrication, Construction
- E. Installation and training
- F. Opening day and post-opening maintenance

A review of our brochure on Theme Parks contains a listing and description of each of the phases of the work.

6-4

Mr. Robert Kory
 Law Offices of Robert Kory
 June 8, 1991
 Page Two

3. Costs & Fees

As I mentioned to you, the range for concept presentations is varied depending upon the complexity, number of component elements, level of detail required, etc.. Based upon your description, I would assume an overall magnitude as follows:

Assuming this project is to be roughly 50 acres in size, and assuming an investment of no more than \$100,000,000 I believe the development costs for phase one would be as follows:

Concept Development	(Landmark)	\$ 75,000
Costs Estimate	(Holtz Cost Consultants)	\$ 7,500
Feasibility Study and Economic Research	(E.R.A. or Harrison Price)	\$ 40,000
Local Architects	(TBA)	\$ 20,000
TOTAL		\$142,500

In addition, I would put another \$20,000 to cover travel, lodging, and per diem for a trip to Kansas City, along with material & reimbursement costs:

TOTAL COST:	\$162,500
-------------	-----------

4. Schedule

For this project, we would estimate a total development period of 12 weeks. While it is possible it may be completed in a shorter time, we feel 12 weeks is the maximum time required.

During the development process, we would hold at least two milestone meetings where all key participants meet with the client. During these meetings, we will review the creative direction of the project for approvals and input on the work done to date.

On a 12-week schedule, the first review would take place in the 3rd or 4th week, with a mid-point review around the 6th or 7th week. In addition, reviews will be held on an as-needed basis if and when such meetings are required.

5. Summary

I hope the enclosed materials, together with this letter, provide you with a clear direction of our process. We are all highly enthusiastic about the idea of an "OZ" park, and would look forward to the opportunity of working with you and your associates in Kansas City.

Please let me know if I can be of any further service. I look forward to hearing from you soon.

Very best regards,

DICTATED BUT NOT READ

Gary Goddard
 Chief Executive Officer

cc: T. Christopher
 D. Thornton

G. Wade
 D. Sharits

6-5

THE LAND OF OZ™

Home of
Tin Man,™
Scarecrow,™
Munchkins,™
and the
Wizard.™

Board of Public Utilities
October 30, 1991
Page 5

development. (See Exhibit 10). The anticipated capital cost of the theme park, lake and parking is approximately \$150 million. The hotels, conference center, and golf course require additional investment.

A thorough conceptual plan for the theme park, land use plan for the site, a detailed construction budget and a thorough feasibility study, all by leaders in the theme park and resort industry, are prerequisites to financing this project. The Company has received a proposal from Landmark Entertainment Group as a team leader to design the theme park, develop the land use plan, and prepare a construction budget. (See Exhibit 9). The Company is hiring the Harrison Price Company to do the economic feasibility study. (See Exhibit 9).

Although the Company has invested or will invest in excess of \$300,000 in obtaining the right to develop the project, ~~acquire the options on the land, and to develop the preliminary concept,~~ the Company is seeking assistance to retain Landmark Entertainment Group and Harrison Price Company. The total cost of the design and feasibility work is budgeted at \$485,000. (See Exhibit 9). The Company anticipates that the Kansas City, Kansas Department of Economic Development will provide \$50,000 to fund in part the Harrison Price study. The Company respectfully requests a grant of \$400,000 from the Board of Public Utilities to finance the Landmark design work and additional feasibility costs.

The Company's financing request involves three phases. During the first six weeks of the design and feasibility analysis, the Company will obtain a preliminary design and economic pro forma. The cost of this first phase is \$150,000 in design fees and \$25,000 in feasibility fees. The Company will advance these funds at the outset of the project, and the Company would seek reimbursement following mid-point reviews.

Assuming the mid-point review is favorable, the Company will advance the additional funds to complete the design development and feasibility analysis, and the Company will again ask reimbursement upon completion of the work. (See Exhibit 9). The Company would expect a representative of The Board of Public Utilities to participate in this review.

The end product of the design development and feasibility analysis will be a detailed project design, reliable construction cost estimates, and reliable financial analysis including projections and economic impact study. Copies of all these materials will be delivered to the Board of Public Utilities. These written materials will allow Stephens, Inc. to proceed with the financing transactions necessary to build the project. The Company anticipates completion of design development and feasibility analysis by the end of February, 1992 and the closing of financing for Phase I to be completed by August 1992.

Kansas City Kansan Nov 23, 1991

Theme park talks with Turner continue

By DON DENNEY
Kansan Staff Writer

A spokesperson for Turner Home Entertainment said today although no deal has been struck, negotiations are continuing between her company and developers of a proposed \$600 million theme park and hotel resort in western Wyandotte County.

"We have a meeting scheduled for Nov. 25 in Atlanta with the Kansas City people," said Lois Sloane, senior vice-president of licensing and merchandising for Turner.

K.C. Theme Park, Inc., has a two-phase plan to build a 60-acre theme park based on the 1939 film "The Wizard of Oz", a 100-150 acre lake, three hotels, a championship golf course and a movie production facility on approximately 550 acres located immediately north of Interstate 70 and I-435.

Ms. Sloane, who has handled all of the negotiations for Turner with the local developers to date, said although the Turner people are excited by the proposal, no deal has been struck.

"We've seen the K.C. Theme Park proposal and we want to explore it," Ms. Sloane said. "We're excited about the concept and we will explore every facet during the negotiations."

She added the concept is not new to her company.

"We receive hundreds of proposals for such ideas," Ms. Sloane said today from her New York office. "People, everyone from grandmas to kids, have sent us crayon drawings with ideas."

"We have an idea of what we want and that is

we want a state of the art theme park," she added. "We'll only get involved with the most credentialed people who can put together a sound development."

"I've been impressed with what I've seen so far from the K.C. Theme Park people," she added. "We're very excited to see how far we can go with this project."

Originally, developers were to meet in Atlanta on Nov. 18-19, but those plans were changed due to Turner officials being out of the country on those dates.

The reality for such a venture here depends on the Turner group, which owns the rights on the movie and its characters.

Without an agreement with Turner, phase one of the project could not be carried out under the current plan.

Phase one calls for a \$150 million development of a 60-acre theme park, a 300-room hotel, a championship golf course, a lake and parking facilities.

Turner's involvement also would play a major role if phase two of the proposal is completed.

Phase two is planned to develop an "Epcot-like" corporate fair, two additional hotels, a movie studio and studio tour facilities.

Developers are hoping Turner will play a major role in providing the movie studio.

Robert Kory, a Los Angeles attorney who is one of the three principal shareholders in the corporation, said at last week's Board of Public Utilities meeting, "I'm confident it's a done deal. If it wasn't, I wouldn't be standing before you

(See PARK, page 2)

Park

(Continued from page 1)

asking for any money.

The BPU voted to conditionally allocate \$400,000 toward an economic pre-development study.

The board agreed to reimburse developers in a three-phase plan, making payments

only upon the completion of each phase.

The first phase for the economic development study is expected to be completed by mid-January. At that time, the BPU will determine if it wants to be involved in financing the remaining feasibility and development studies.

6-7

B-2 The Kansas City Star Tuesday, November 26, 1991

★

KCK theme park gets positive sign

Land of Oz backers find Turner interested in a licensing agreement with 550-acre project.

By PHILLIP O'CONNOR
Staff Writer

Developers of a proposed Wizard of Oz theme park in Kansas City, Kan., returned Monday from Atlanta, optimistic about their chances of securing a licensing agreement with Turner Home Entertainment.

Ted Turner owns the rights to the characters and images in the 1939 Metro-Goldwyn-Mayer classic, "The Wizard of Oz."

"It couldn't have been any more positive," former Kansas Lt. Gov. Dave Owen said of the 90-minute meeting with Turner officials. "They think the Land of Oz belongs in Kansas. This was a major step today."

Owen, Los Angeles lawyer Robert Kory and restaurateur Gus Fasone are the principal shareholders in K.C. Theme Park Inc.

The group has proposed building the Land of Oz theme park, three hotels, a golf course and other amenities on 550 acres in western Wyandotte County. The group also talked with Turner officials about building a movie

studio in conjunction with the project.

The licensing agreement is key to their multimillion-dollar plans, Owen said.

Attorneys for both sides were expected to continue negotiating and a final agreement could be concluded this week, Owen said.

The Kansas City, Kan., Board of Public Utilities has agreed to contribute up to \$400,000 to study the feasibility of the park, but the grant is conditional on the agreement with Turner.

Mayor Joe Steineger, utility officials and a labor union representative were among those who flew to Atlanta aboard a private jet supplied by Owen's company.

The group also delivered letters in support of the project from Kansas Gov. Joan Finney and Commerce Secretary Laura Nichol.

"I think the most encouraging thing was when they said they've been waiting for the right people to come along," City Councilman Frank Corbett said. "They're as enthused as we are."

6-8

Table 10

From Economic Feasibility Study prepared for Emerald city Development Company
prepared by Economics Research Associates
September 1991

Market Capture Potential for Major Kansas City Themed Attraction

Market Areas	Size of Market Areas	People in Market	Range of Capture Rates		Possible Range of Attendance		Percent of Total Visitation	
Resident Market Area								
Primary Market Area	0-50 Miles	1,861,668	25%	45%	465,417 To	837,751	60%	45%
Secondary Market Area	50-150 Miles	1,988,702	8%	17%	159,096 To	338,079	21%	18%
Tertiary Market Area	150-250 Miles	3,517,280	3%	10%	105,518 To	351,728	14%	19%
Existing Tourist Market (visitors from over 250 miles)		2,000,000	2%	17%	40,000 To	340,000	5%	18%
Total		9,367,650	8%	20%	770,032 To	1,867,558	100%	100%

69

Testimony Before the House
Taxation Committee
Keith Roe, Chairman
Regarding H.B. 2539
April 1, 1993

Mr. Chairman and Committee Members, I appreciate the opportunity to present testimony in opposition to H.B. 2539. As the President of Emerald City in the Land of Oz Corporation, a Kansas Close Corporation, you should be made aware that the idea of a theme park based on the Wizard of Oz is not new to Kansas. Our company and our sister company, Emerald City and Yellow Brick Road Productions, Inc., initiated plans for a theme park based on the Wizard of Oz in April of 1985. As a result of these plans we had feasibility studies done by Leisure and Recreational Concepts of Dallas, Texas to see if a \$100,000,000. theme park would be successful in the Kansas City Metropolitan area, in competition with Worlds of Fun, Silver Dollar City in Branson, Mo., and Six Flags in St. Louis, Mo. It was determined that Kansas City was not an end destination tourist market and that the most gate traffic we could anticipate would be approximately 10% more than Worlds of Fun, based on our theme.

At that point, we felt that the figures could not be right because they showed that 90% of all of the park participants would be coming from a 125 mile radius of Kansas City. These were not facts we wanted to hear. Unfortunately, soon after we obtained our land and our feasibility study, a man by the name of Kent Barbee took off with an idea of building a \$600,000,000. theme park, including the Wizard of Oz theme and hoping to bring Hollywood to Johnson County. This was an impossible scheme but with the help of Dorothy and Toto, he was able to dip into the pockets of some old ladies and others. Consequently, he tarnished our project and bought himself four years in our lovely Lansing Prison.

Therefore, we let the project settle for a while, although we continued with design work and further studies. We were ready to start up again when a man by the name of Burton Stonefield came up the idea of building a Wizard of Oz Theme Park in Wyandotte County. He was going to have the Agricultural Hall of Fame give him *part* of their land and Wyandotte County give him some of their land for this scheme. Well, before he could get his plans off the ground, he was indicted on fraud charges.

This did not cool our plans however, and we pursued new feasibility studies with ERA out of Los Angeles, California. After hearing what they had to say, it was determined that not

House Taxation Cmte

4/1/93
Attachment 7

even a \$100,000,000. theme park based on the Wizard of Oz would be successful in the Kansas City area. It definitely would not be compatible with the proposed gambling casino at the Woodlands, as one is adult oriented and the other is children oriented. Parents, it was determined, would be afraid to leave their kids at the Wizard of Oz park like they do Worlds of Fun, because of the bad element in the area.

I also spent quite a long session with Mr. Ed Bruske, director of our State Chamber of Commerce, discussing all of the aspects of building a Wizard of Oz theme park in Kansas. After thoroughly analyzing this project, he recommended that while the logical setting for this theme was Kansas, the climate here was just too forbidding for such a project. Such a park could only be utilized about six months out of the year, and even then you would lose many days because of inclement weather.

Now we have a new group of three trying to bring stars to the eyes of anyone who wants to buy into the scheme. This project of \$375,000,000. is not feasible. This is not new jobs. - this is a con of the worst kind. Our tax dollars will be used to clean up the mess when this project fails. If you were going for a loan, the banker would want to know about your character. Here are the characters coming to you for the money. A convicted felon on income tax evasion, a thug who crushed the skull of one of the Kansas City Chiefs, a man indicted on extorting gambling debts, a man that failed on public bonds on Sandstone and Memorial Hall in Kansas City, Kansas and an attorney from Hollywood that failed Sandstone and Memorial Hall. If you pass this legislation, you will endorse their activities and legitimatize their scheme so they can obtain bond financing from public and private pension funds.

Their intent is to hit the Board of Public Utilities Pension fund like they hit the Board of Public Utilities for the \$450,000. to do their preliminary studies. We ask that if you pass this bill, you include the following amendment to protect the citizens of Kansas. We do not need another KPERS here !

"These bonds are highly speculative and do not fulfill the requirement of the prudent man rule and should not be considered for investment by any fiduciary investors."

Thank you very much.
Submitted by Edward F. Engel
273-8119

7-2



To: Robert Kory
Re: Six Flags Projects

From: Gary Goddard
Date: October 17, 1992

Dear Robert,

Following up on your request, I asked Richard Hoag to dig up some of the key documents on The Power Plant and The Admiral projects. I'm sure you will find the correspondence enlightening. I am sending the key letters which were sent to Jim Prager and Dick Knight when questions of Landmark's performance first came up. Prior to reviewing the attached documents, I wanted to note my overall feelings on each project for your review as well.

1. The Power Plant

When Gary Goddard Productions was awarded this contract, it was early in our history. We had an excellent reputation with MCA at the time, having completed the CONAN show for them, and having been hired to do additional work as well. Likewise, we had successfully produced THE MONSTER PLANTATION for Six Flags Atlanta, and THE GREAT TEXAS LONGHORN REVUE for Six Flags' AstroWorld in Houston. All of our projects to date had been produced on time and on budget. When we were hired for the Power Plant project, we probably had a staff of about ten people, maybe twelve.

- To make a long story short, Six Flags management completely mis-managed that project. They tried to build the project non-union. When the Unions struck the site, they had to negotiate a very expensive contract. They did not know construction and got themselves in hot water over and over again. The project budget went from \$23,000,000 to some \$48,000,000 before it was over. Of that the entire attractions budget, including all interiors and public spaces, was roughly \$9,000,000. We came in roughly \$1,000,000 above the original attractions budget. ALL OF THE OTHER OVERAGES were in construction and other such areas. But even this does not tell the entire story. GGP had no authority to approve contracts, negotiate deals, or to handle any of the funds. The three actual components awarded to us "turn-key" are in fact, on budget.

The Power Plant is a classic example of what happens when the client does not understand the process, and stands out as a completely mis-managed effort from day one.

2. The Admiral

This project was an even bigger mess, because it involved city officials, UDAG grants, etc. Again, the project was mis-managed from day one, with Six Flags putting the project under the leadership of 6 different people at various times during the project's convoluted history. In the end, Landmark (GGP) designed the boat about 12 different times, each new design providing the new 6 Flags General Manager with "his vision" of the boat. Our concept was thrown out from day one, and in hind sight, that's when we should have walked out too. The final project was done with Landmark contracted ONLY to provide Art Direction services (interior design) and production of the St. Louis River Revue animatronic show. ALL OTHER ATTRACTIONS were handled directly by 6 Flags.

House Tapetion Cmte

4/1/93

Attachment 8

ROBERT KORY
SIX FLAGS PROJECTS
OCTOBER 17, 1992
PAGE TWO

The Admiral (continued)

The irony in all of this is that the only show that was a "hit" was the one show produced by us -- the Animatronic Bird Show.

The other thing about The Admiral is that there were some very fishy doings by some of the local participants. The whole thing was a disaster and in fact was put on hold for darn near two years. We were asked to "invest back into the project" \$50,000 worth of fees due us, this after we had been put on hold for years. And if we didn't contribute back the \$50,000, the project would self-destruct. There is no question that The Admiral was an ill-conceived project, and that it suffered from a lack of vision from almost the first week the concept work began. But in the end, Six Flags has no one to blame for the ineptitude by themselves.

3. Summary

It should be noted that Six Flags was also brought in to manage another project almost at the same time we were involved with The Power Plant and Admiral adventures. It was called "Autoworld" and it was forever memorialized in the movie "Roger and Me." Interesting to note that Autoworld was an even bigger fiasco than either The Power Plant or The Admiral. With a total capital cost of over \$80,000,000 --- it closed within 3 months of opening. Now, Landmark/GGP had nothing to do with this whatsoever. Neither did we have anything to do with a Waterpark they constructed in Florida around this time. The Waterpark bombed out too. What was the sole single element connected to these four disasters? Six Flags Corporation. An Operations company who attempted to get into the development business.

Its my opinion that Six Flags had to blame these visible disasters on someone. They therefore attempted to lay blame in all directions except where it belonged. You will note, that since these unique experiences in the development business, they have never again tried it again. They stuck with what they know --- operations.

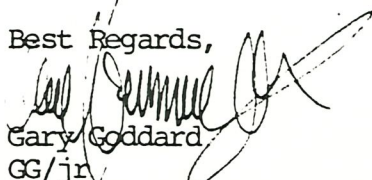
4. For The Record

I would like to state that we have enjoyed a relationship with MCA since 1981, with Busch Gardens since 1985, and with Caesars World, Inc. since 1986. In addition, prior to the Power Plant and Admiral projects, even Six Flags would have to admit that we produced major attractions for two of their parks on time and on budget.

Perhaps it is time for me to clear the air once and for all with Six Flags, and get them to provide a letter confirming the true responsibility for both The Admiral and Power Plant projects. If you require it, and if in fact our chances at heading up the "OZ" project hinges on it, you can be sure I will get it.

I hope you find this letter, along with the enclosed materials, of some use. If you require additional materials, please let me know.

Best Regards,


Gary Goddard
GG/jr

8-2

July 12, 1989

Mr. James Prager
Executive Vice President
Six Flags Corporation
611 Ryan Plaza Drive
Suite 1200
Arlington, Texas 76011

Re: Landmark/Six Flags

Dear Jim,

Per our conversation, I am writing you this letter to give you just a little insight into Landmark's side of the Power Plant story. And as I promised, I am forwarding a copy of the letter I sent to Dick Knight in September of 1985, when he first mentioned that Six Flags was thinking of taking us into court.

I assure you that Tony and I personally put in 110% and more for that project. And everyone in the company did the same. For the life of ~~me~~ I don't understand how it is that we are being blamed for the problems of The Power Plant and The Admiral. Having said this, let me try to explain to you the way in which the business was set up between Six Flags and Landmark.

The Power Plant

Six Flags elected to have Gary Goddard Productions serve as the project designer. In addition, Six Flags decided that Gary Goddard Productions should also "produce" the entertainment. Prior to concluding these arrangements however, Six Flags hired REC Associates (Terry Zinger and Mike Rose) to act as the "client representative" and gave them complete authority to manage the project. As you can see from the chart given to us by Six Flags and REC, very little real authority was given to us. We were to provide art direction services and creative advisory services for the most part. All final approvals, payments, contract signature approval and negotiation power was reserved to Six Flags and/or REC. I think this is one of the most important things to understand:

83

That Gary Goddard Productions had no actual authority to make contracts, sign checks, authorize payments, or conclude deals. This power was solely in the hands of REC and Six Flags.

In addition to this, Six Flags demanded they have "buy-off" approval of every show element, which was in fact the way in which the shows were put together. Six Flags was involved in approving all show elements, to the point that Ray Grable, Larry Miller and Terry Zinger would make trips to our vendors from Technifex in San Fernando Valley, to Sally Animation in Florida. Each element was presented to Six Flags and only after approval of each such element could the project move to the next step. The key issue here is that Six Flags retained approvals, and that very little was done without their consent. In addition, the fact that all negotiations, payments and contracts were done by Six Flags meant that authority for performance by vendors was assumed by Six Flags.

The key issue seems to be one of quality versus budget. Let me address the qualitative issues first. Gary Goddard Productions entered into the Power Plant contract with certain "givens" about the building which were provided by John Jerde's original plan, created in concert with Six Flags. When we came into the project the basic plan had been developed. We were merely asked to add some entertainment to a concept that Six Flags management uniformly agreed "lacked entertainment." Based upon our concepts, Six Flags decided to proceed with Gary Goddard Productions, and not with Jerde. GGP proceeded based upon the basic plan developed by Jerde, only to discover that most of what Jerde had represented in his plan was not possible due to prohibitive costs and problems with the Power Plant infrastructure.

The plan changed many times as the architects (Ron Altoon of CKA) attempted to wrestle with the realities of the Power Plant building. GGP made many, many changes to our work without any extra costs being billed to Six Flags, even though the changes being requested required major rework by our staff. It was during this stage of the project's development that the number of entertainment attractions dropped from an original number of nine, to seven, to four. At this point, we raised a red flag and noted that four attractions might not be of the magnitude required for such a venture. Our opinions were ignored and we were told to "make it work." Early into this design period, our concept included two ride attractions.

As complications in the building came up, and as budgets became tight, the rides were deleted by Six Flags, over our strenuous objections. In numerous letters we warned Six Flags of the importance of having rides in the project, but we were finally told in no uncertain terms, to drop the subject. There would be no rides in the Power Plant. Period.

At this point, we seriously considered dropping out of the project. However, after consulting with several trusted business associates, they said dropping out would only infuriate Six Flags, and that they probably would sue us. So we realized we had no choice but to continue and to try and make things right. We tried to work within the increasingly difficult space, finally having to put two "major" attractions within a space that was completely filled with four giant smokestacks. A near impossible task. But we tried to make it work. Did we fail? I think not. The Laboratory of Wonders and Circus of the Mysterious were actually very good design solutions to a difficult space. We recommended rides for these spaces you understand, but these suggestions were shot down due to costs. On a dollar-for-dollar basis the amount of production value placed within those spaces was without equal. The original reviews from the press were quite good following the Mayor's invitational pre-opening party. Negative reviews which followed usually commented on the amount of the admission price, which as I stated earlier was quite abit higher than the price originally planned for the facility. (For the record, I stated at the time of the price change, which was many, many months before opening, that it was a mistake. I told management that the traditional way of handling a situation was to open with a reduced fee. If the attraction is popular, you can always increase the price. But if you open high, and then cut the price, it sends a sure signal to the press and public that you have a problem. Our thoughts on the matter were not taken seriously, and the marketing plan proceeded, discarding the "same price as a movie" concept, and putting the cost closer to \$10.00)

The Sensorium was a definite hit and even those who may not have liked the total facility still enjoyed the Sensorium. This project became a reality only because of our own faith in the project. At one point we were ordered to stop work on the Scent units. Six Flags did not believe that the scent units could be manufactured as promised (from a third party vendor.)

But because we persisted at our own cost, we were able to make the units work, and because of this the world's first Sensorium premiered as part of The Power Plant.

The Magic Lantern Theatre was a project which was designed to be an animated theatre. But by hiring Sally Animation, we found ourselves with a "non-animated" theatre. While everyone agreed to hire Sally initially, it was GGP that recognized early-on, that they would be unable to produce what they had promised. Our warnings were virtually ignored and not only did Sally show up with equipment that wouldn't work, Six Flags paid them additional money to fix things as they continued to break down. GGP had no control over Sally, since they were under direct contract to Six Flags, through REC.

On the issue of budget, do you realize that we were the only part of the entire project which worked within the budget range assigned to us? The entire entertainment and theme budget was roughly \$8,500,000 and we completed our work for about \$9,800,000. The rest of the \$48,000,000 was in construction and other costs which had nothing to do with us. In fact, we performed a miracle in my opinion, providing Six Flags with every set, animatronic, film, soundtrack, interior design, everything the guest saw, viewed, touched or heard, for the sum of \$9,800,000. Think about that Jim, everything which was part of the entertainment experience from the time they entered the building. I was begging for more money to improve the quality of the entertainment, but there was nothing for that. Yet, there was always more money for the unions when they went on strike, for the asbestos removal, for the new support foundations, and on and on. Of course, when the costs for the facility went up, so did the ticket price. But when the ticket price went from \$4.95 to \$8.95, did anyone up the budget to include additional entertainment? No. And we took a strong stand on this issue: You can't expect people to pay almost \$10.00 for what amounts to a 3 to 4 hour experience, only to pay again for games inside, for arcade devices, for merchandise and for food. This pay and pay again approach created a great deal of ill will towards the facility.

The bottom line is this: Tony, my employees and I all gave everything we had to The Power Plant. We worked the all-night shifts to allow the construction people the daytime (which was cheaper for Six Flags.) We entered the building long before it was "dust-free" as promised in the contract.

We did this to assist Six Flags in getting the shows in. We worked seven-day weeks without complaint. And most importantly, against impossible schedules, we got the shows up and running in line with the target dates.

During the entire history of the project, we on many occasions let Six Flags know that we did not agree with the way in which things were being handled. We talked about the lack of rides, of the over-pricing of the ticket price and food in the restaurant. We warned of having a boring exterior and of the location of the ticket booth outside. In November of 1983, we warned Six Flags of the compromises being done to the shows and the potential budget problems as well. A month later, in December 1983, we react to the fact that we now have new line items stuck into our already-tight budgets, and this was done without anyone consulting us on it.

In August of 1984, I warned management that if REC was to continue to make judgements about work quality without consulting with us, that they should be the Producers of Record. In October of that year, I let Six Flags know that it was REC who had the functioning position as the Producer, and that we at GGP had no power for real decision-making. I wrote in my letter that we were in essence, an advisory body to REC.

When initial cost overruns hit the facility, dollars were slashed from entertainment, without even consulting with us. We were told to "make it work." We registered our objection to the manner in which this was being done, but then agreed to do the best we could under the circumstances. When the contingency was cut, we asked David Holtz to write a letter on the problems on this, since we now felt no one was listening to us on matters of budget or schedule.

Anyway, the letters from my staff and from me, form a pretty clear picture of the problems with The Power Plant. I believe, upon taking a clear and objective look, you will find that I and my staff performed above and beyond the call of duty. And in addition, we were responsible in our requests and recommendations with regards to the quality of the work, the cutting of budgets, and the lack of concern which was displayed with regards to the entertainment aspects of the project.

No one was more disappointed than I when The Power Plant proved to be a disappointment. However, I honestly believe we did our best to sound the alarms. We pleaded with management to listen to us in matters of show quality, and with regards to the mix of entertainment. We were forbidden to create any rides, and we were forbidden use of live entertainers or live shows.

On The Power Plant, I truly believe we provided Six Flags with the best work possible in the given framework. I am not saying that we did not make mistakes. But by and large, our mistakes were small when compared with the larger management issues and overall project decisions which were made by those in charge. I can only tell you that we delivered to Six Flags an incredible value in terms of the total entertainment package valued against the budget assigned to shows and interior theming.

My letter to Dick Knight is attached for your review, along with copies of the key documents described in that letter. While this is by no means a complete outline of the numerous letters and memos sent by my office, it does give you a quick review of the recommendations, warnings and requests which were being made by our company throughout the project.

The S.S. Admiral

The Admiral is another story all together. The main thing that you should be aware of is that almost all of Landmark's entertainment and show concepts were rejected due to budget or concept considerations. Landmark's original concept for the boat was to have it become "a Rosie O'Grady's on the Water." Our model was Church Street Station in Orlando, a series of unique themed environments where food, drink and music all mix together to create a fantastic night spot. Our idea was to create a place where locals would congregate, and then tourists would naturally follow as it became the "hot spot" in St. Louis.

The Admiral management team decided they were not in the "nightclub business" and rejected that idea. It should be more tourist oriented, and have more theme-park kind of elements. In addition, it had to have daytime appeal. Somewhere in this mix, Bill Crandall was brought in as a consultant. He wanted to have "a kid's playground, with ball crawls, slides and physical elements." We adapted our design to include this.

At another point, due to HUD finding, we have to have a historical area. Landmark designed a small historical exhibit in the Pilot's Cabin atop the ship. For cost reasons it was determined the Animatronic Show and the Mark Twain show could not be on the ship proper, but that we had to have a barge anyway between the shore and the ship. Therefore, it was requested that the two theatre shows be moved onto the barge. From the time we started to the time we finished, George DeLenoy, Larry Miller, Bill Crandall, Jim Wintrose, Bill Haveluk, Bob Kochan, Keith Alper, Al Fleischman, and a host of HOK and community people were involved with the design. Landmark tried its best to respond to the many differing opinions. The fact that we wound up with a Camel when we started out designing a horse should be no surprise.

In the final analysis, the overall management of the Admiral project ultimately fell to Bill Haveluk, a Six Flags Employee. Bill brought Bob Kochan on to handle marketing and entertainment, and Bob brought on Keith Alper to work with him on the entertainment aspects of the project. This group took a long look at everything done to date, and determined that they would create a new approach, and that from the day they took over, it was going to be their way.

Without going into great detail, the bottom line is that Landmark was asked to produce the St. Louis River Revue, an animatronic bird show. All other entertainment was handled by Kochan and Alper.

I hate to keep sounding as if we are washing our hands of these things, but what else can I say? The facts are that Kochan and Alper did not think our idea of doing a live dinner and live music show for the ballroom was a good one. This is spite of the fact that the Western Dinner Show I created for Walt Disney World in 1974, still runs today, three shows a night, generating upwards of \$5,500,000 annually for WDW. Our suggestion of having "Big Band Night" on Tuesdays (for those St. Louis people who remembered the boat during the 30's and 40's) was discarded, along with our "Sock Hop/50's Rock Around The Clock" night. These were ideas to get people on the boat during the Tuesday through Thursday nights, when we thought attendance would be slight.

Our Cabaret show was rejected. Then Bob Kochan began to dictate to us what the show would be, what changes should be made, and they informed us we would use the Six Flags Costume designer.

We told Bob either let us to the show or you do it. We would not be responsible for a show that was done without being able to use our own team of professionals. And further to this, we told him that doing essentially "theme park" shows on the stages would be a disaster. Our argument was that why would people pay money to see the same shows they see for free at Six Flags Mid-America? Bob didn't agree with our theory and elected to procede on this own. Shortly after this, Six Flags approached Jefferson Eliot, the Art Director on the Admiral and a Landmark employee and asked him if he could help them pull a show together. Jefferson called me and asked me if it was okay for him to work directly for them on that show. I was so fed up with the Admiral by that point, that I approved him doing it. But I also made it clear that we would have nothing to do with the show from then on, and Kochan and Alper understood completely. They contracted directly with Jefferson and the show which resulted was a Kochan/Alper approved production.

The "Mark Twain's Life on the Mississippi" show was cut (due to budget cuts, because the cost of construction was rising) and replaced by a Multi-media slide show. Bob Kochan proudly told me that he made the best deal ever when he contracted with a local firm to do the complete show for \$50,000. I remember telling Bob at the time, that it was near impossible to get anything of substance for that price. And I also told him that multi-media shows were new in 1960, but that to put such a show on the Admiral today would be a big mistake. But he said it was a done deal.

So, the entertainment mix, the "musical revue" in the Ballroom, the Cabaret Show, the Multi-media show and the strolling entertainment, were all directly contracted and produced Six Flags shows, or S.S. Admiral shows. What Landmark was responsible for was the interior designs for the restaurants and theatres, and for the animatronic "St. Louis River Revue," all of which I believe were quite exceptional and of high quality. When you look into what we accomplished the work for in terms our budgets, I think you will once again find that we worked near miracles in providing the quality result for the budgets we had to work with.

A final note on The Admiral. At the request of Mr. Haveluk, Landmark "invested" \$50,000 in a plan which had the vendors all allow the partnership to withhold sums against the contracts as a way of keeping the budget on track.

8-10

We were essentially told that if we couldn't agree to this, then the project would collapse. We reluctantly agreed. The Admiral was a project which we budgeted originally as a two-year project. It stretched out to over four years, and never was there additional allowance made for involvement beyond the original target date. But Landmark hung in there because of our relationship with Six Flags. I assure you we lost a great deal of money on the venture as well.

I hope that this sets the record straight once and for all on The Admiral. Landmark had nothing to do with the entertainment and attractions on the ship, with the sole exception of The St. Louis River Revue. And again, we tried under very difficult circumstances to back the project to the best of our abilities.

Landmark And Six Flags

In my opinion, Landmark has always come through for Six Flags, though it must not appear that way from upper management's perspective. But on The Monster Plantation, we brought our portion of the project in on budget and on schedule. The boat system itself, supervised by Dave Gengenbach, had nothing to do with us. And the marketing of the attraction that summer was one of the worst campaigns I have ever seen in my life! Have you seen it? The target audience could only have been three year olds. The people who got on the ride that first day loved it. It's commemorated on film if you ever want to see it. "Better than Disney..." says one mother, "Daddy, can we see it again,..." And on and on.

The Great Texas Longhorn Revue at Astroworld was a hit show from the day it opened. And I understand that continued to be popular many years after it opened.

The Power Plant did not have a happy ending, but I would hope that you can see that we were certainly doing our best to make management aware of the problems which were most assuredly coming. The Admiral, between Fleishman/Seeger, the city, the partnership and Six Flags, was an uncommon situation which proved to become messier and more chaotic with each passing year. But there again, we did our best to advise Six Flags management on our recommended course of action.

The common thread in both cases, was that entertainment got the short stick. The Power Plant, which cost somewhere between \$42,000,000 and \$48,000,000 I am told, spent only \$9,800,000 of that on theming, shows and entertainment. If memory serves correct, only about \$3,000,000 was spent on the entertainment elements on The Admiral, on a cost of \$30,000,000! Jim, you have to admit that this is not a great balance in terms of construction and show. To this day we all still wonder where all the money was going.

Summary

The point to all of this is to say, we believe that we did our very best to serve Six Flags. What would we have to gain by doing otherwise? We value our relationships in the industry. Look at our history with Universal Studios. We have worked successfully with them year after year since 1981. We have given them hit after hit, from Conan, to the A-Team Live Action Spectacular, to the 2010 Special Effects Show, to Kong on the Loose, and now Ghostbusters. We have consulted with them on masterplanning various elements in the parks. We have outlined and scripted the new Jaws attraction for Florida, the E.T. Adventure Ride, the new KONG show for Florida, the Hanna-Barbera Simulation Theatre, and the Back to the Future Simulator.

For Busch Gardens we created The Enchanted Laboratory of Nostromos, and now they have contracted us to work with them on their European park. In addition to all of this, Landmark has the highest success rate in the industry for creating popular themed attractions. And for whatever it's worth, we are a different company now then in 1983. We have over 300 employees, we have our own manufacturing entity (ROBOSHOP) and we are engaged in the design, development and production of themed attractions.

Based upon all of the foregoing, I would really like to find the time to sit down with you and answer any other questions you may have concerning our past history. The reason for all of this is to clear the air and try to once again initiate some kind of relationship with Six Flags. What's past is past, and I hope you know that we all have scars from such experiences. But on the other hand, we learn. I would hope that you can see that our intentions have always been too the very best work we can within the budget and schedule we are given.

8-12

120

As I said to you on the telephone Jim, I truly believe our industry is such that it Six Flags and Landmark will find ourselves working together again at some point. We are the best at what we do. My hope now is that I can somehow begin to prove to you my intentions, by bringing some possible new revenue sources to Six Flags, though they may be small sums at first glance. (Under separate cover I am sending a letter on our proposed new business, The Sensorium Theatres.)

I guess what I hope is that you will give us a chance to prove we are the company we believe we are. Whatever your decision, I want you to know that we value the time spent working with Six Flags and that we would welcome the opportunity of putting that relationship back together.

Respectfully Submitted,

Gary Goddard
GG/dk

cc: Tony Christopher, George Wade, File

1 amount of ad valorem taxes collected from real property located
2 within the redevelopment district that is in excess of the amount
3 which is produced from such property and attributable to the as-
4 sessed valuation of such property prior to the date the redevelopment
5 district was established, as determined under the provisions of K.S.A.
6 12-1775, and amendments thereto.

7 (i) The governing body of a city, in contracts entered into with
8 the Kansas department of health and environment or the United
9 States environmental protection agency, may pledge increments re-
10 ceivable in future years to pay costs directly relating to the inves-
11 tigation and remediation of environmentally contaminated areas. The
12 provisions in such contracts pertaining to pledging increments in
13 future years shall not be subject to K.S.A. 10-1101 *et seq.* or K.S.A.
14 79-2925 *et seq.*, and amendments thereto.

15 (j) Before any redevelopment project is undertaken, a compre-
16 hensive feasibility study, which shows the benefits derived from such
17 project will exceed the costs and that the income therefrom will be
18 sufficient to pay for the project shall be prepared. Such feasibility
19 study shall be an open public record.

20 Sec. 2. K.S.A. 12-1774 is hereby amended to read as follows:
21 12-1774. (a) (1) Any city shall have the power to issue special ob-
22 ligation bonds to finance the undertaking of any redevelopment pro-
23 ject in accordance with the provisions of this act. Such special
24 obligation bonds shall be made payable, both as to principal and
25 interest: (A) From property tax increments allocated to, and paid
26 into a special fund of the city under the provisions of K.S.A. 12-
27 1775, and amendments thereto;

28 (B) from revenues of the city derived from or held in connection
29 with the undertaking and carrying out of any redevelopment project
30 or projects under this act;

31 (C) from any private sources, contributions or other financial as-
32 sistance from the state or federal government; ~~or~~

33 (D) *from a pledge of a portion or all of the revenue received by*
34 *the city from sales, use and transient guest taxes collected pursuant*
35 *to K.S.A. 79-3601 et seq., 79-3701 et seq., 12-187 et seq. and 12-*
36 *1696 et seq., and amendments thereto, and which are collected from*
37 *taxpayers doing business within the city's redevelopment district es-*
38 *tablished pursuant to K.S.A. 12-1771, and amendments thereto, if*
39 *there first is a finding by the secretary of the department of com-*
40 *merce and housing that the redevelopment project is of statewide as*
41 *well as local importance. In making such finding, the secretary must*
42 *conclude at least: (1) That capital improvements costing not less than*
43 *\$300,000,000 will be built in the state for such redevelopment project,*

that portion of

occupied by a redevelopment project

4/1/93

Howe Taxation Cmte
Attachment 9

1 (d), to the state general fund.

2 (b) A refund fund, designated as "sales tax refund fund" not to
 3 exceed \$100,000 shall be set apart and maintained by the director
 4 from sales tax collections and estimated tax collections and held by
 5 the state treasurer for prompt payment of all sales tax refunds in-
 6 cluding refunds authorized under the provisions of K.S.A. 79-3635,
 7 and amendments thereto. Such fund shall be in such amount, within
 8 the limit set by this section, as the director shall determine is nec-
 9 essary to meet current refunding requirements under this act. In
 10 the event such fund as established by this section is, at any time,
 11 insufficient to provide for the payment of refunds due claimants
 12 thereof, the director shall certify the amount of additional funds
 13 required to the director of accounts and reports who shall promptly
 14 transfer the required amount from the state general fund to the sales
 15 tax refund fund, and notify the state treasurer, who shall make proper
 16 entry in the records.

17 (c) The state treasurer shall credit $\frac{1}{12}$ of the revenue collected
 18 or received from the tax imposed by K.S.A. 79-3603, and amend-
 19 ments thereto, at the rate of $\frac{4.25}{100}$, and deposited as provided in
 20 subsection (a), exclusive of amounts credited pursuant to subsection
 21 (d), in the state highway fund.

5/98

4.9%

22 (d) *The state treasurer shall credit all revenue collected or re-*
 23 *ceived from the tax imposed by K.S.A. 79-3603, and amendments*
 24 *thereto, as certified by the director, from taxpayers doing business*
 25 *within a redevelopment district [in which was constructed] a rede-*
 26 *velopment project that was determined by the secretary of commerce*
 27 *and housing to be of statewide as well as local importance and to*
 28 *meet the other criteria specified in K.S.A. 12-1774(a)(1)(D), and*
 29 *amendments thereto, to the city bond finance fund, which fund is*
 30 *hereby created. The provisions of this subsection shall expire when*
 31 *the total of all amounts credited hereunder and under subsection*
 32 *(d) of K.S.A. 79-3710, and amendments thereto, is sufficient to retire*
 33 *the bonds issued for the purpose of financing all or a portion of*
 34 *the construction of such redevelopment project.*

that portion of

occupied by

35 Sec. 6. K.S.A. 79-3710 is hereby amended to read as follows:
 36 79-3710. (a) All revenue collected or received by the director under
 37 the provisions of this act shall be deposited daily with the state
 38 treasurer and the state treasurer shall credit the same, less amounts
 39 set apart as provided in subsection (b) and amounts credited as
 40 provided in subsection (c) and (d), to the general revenue fund of
 41 the state.

42 (b) A revolving fund, designated as "compensating tax refund
 43 fund" not to exceed \$10,000 shall be set apart and maintained by

9-2

1 the director from compensating tax collections and estimated tax
 2 collections and held by the state treasurer for prompt payment of
 3 all compensating tax refunds. Such fund shall be in such amount,
 4 within the limit set by this section, as the director shall determine
 5 is necessary to meet current refunding requirements under this act.

6 (c) The state treasurer shall credit 1/17 of the revenue collected
 7 or received from the tax imposed by K.S.A. 79-3703, and amend-
 8 ments thereto, at the rate of 14.25%, and deposited as provided in
 9 subsection (a), *exclusive of amounts credited pursuant to subsection*
 10 *(d)*, in the state highway fund.

5/984.9%

11 (d) *The state treasurer shall credit all revenue collected or re-*
 12 *ceived from the tax imposed by K.S.A. 79-3703, and amendments*
 13 *thereto, as certified by the director, from taxpayers doing business*
 14 *within a redevelopment district in which was constructed a rede-*
 15 *velopment project that was determined by the secretary of commerce*
 16 *and housing to be of statewide as well as local importance and to*
 17 *meet the other criteria specified in K.S.A. 12-1774(a)(1)(D), and*
 18 *amendments thereto, to the city bond finance fund created by sub-*
 19 *section (d) of K.S.A. 79-3620, and amendments thereto. The pro-*
 20 *visions of this subsection shall expire when the total of all amounts*
 21 *credited hereunder and under subsection (d) of K.S.A. 79-3620, and*
 22 *amendments thereto, is sufficient to retire the bonds issued for the*
 23 *purpose of financing all or a portion of the construction of such*
 24 *redevelopment project.*

that portion ofoccupied by

25 New Sec. 7. Moneys credited to the city bond finance fund in
 26 accordance with the provisions of subsections (d) of K.S.A. 79-3620
 27 and (d) of K.S.A. 79-3710, and amendments thereto, shall be dis-
 28 tributed biannually to cities which have issued special obligation
 29 bonds ~~or full faith and credit tax increment bonds~~ to finance, in
 30 whole or in part, a redevelopment project which was determined
 31 by the secretary of commerce and housing to be of statewide as well
 32 as local importance and to meet the other criteria specified in K.S.A.
 33 12-1774(a)(1)(D), and amendments thereto. The state treasurer shall
 34 make such biannual distributions on such dates as mutually agreed
 35 to by the city and the state treasurer. The total of all distributions
 36 under this section shall not exceed an amount determined to be
 37 sufficient to retire the principal and interest payable on such bonds.
 38 Moneys paid to cities hereunder shall be deposited in a special fund
 39 of the city to pay the costs described herein.

40 New Sec. 8. No individual, firm, partnership, association, cor-
 41 poration or any other entity shall establish or operate any lottery
 42 within any redevelopment district in which is located a redevel-
 43 opment project that has been found to be of statewide as well as local

that portion ofoccupied by

93

Proposed Amendment to Senate Bill 421
As Amended by Senate on Final Action

On page 14, before line 14, by inserting:

"New Sec. ____ Unless submitted to and approved by a majority of the owners of property to be assessed, no special assessments may be levied against property located outside the boundaries of a redevelopment project determined by the secretary of commerce and housing to be of statewide as well as local importance and to meet the other criteria specified by K.S.A. 12-1774 (a)(1)(D), and amendments thereto, for (1) construction of public infrastructure within such project or for (2) the construction of public infrastructure outside boundaries of such project if the capacity of such infrastructure exceeds the capacity necessary to serve the property located outside the boundaries of such project if such project did not exist. Such election shall be called and held in the manner provided by the general bond law.

4/1/93
House Taxation Cmte
Attachment 10