

Approved: March 24, 1999
Date

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on March 22, 1999 in Room 123-S of the Capitol.

All members were present except: Senator Feleciano

Committee staff present:

Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:

Skip Palmer, President, The Wonderful World of Oz
Curtice Cornell, Buttonwood Capital, Inc.
Ken Becker, Saloman Smith Barney
Rick Wright, GilmoreBell
Steve Prudden, Mayor, City of DeSoto
Frank Lenk, Mid-America Regional Council
Dana Fenton
Rick Bendis, President, Kansas Technology Enterprise Corporation
Bud Burke

Others attending: See attached list (Sheet lost)

HB 2166 - Projects of statewide as well as local importance; maximum bond maturity

Skip Palmer, President, The Wonderful World of Oz, briefed the Committee on the Oz project and The OZ Entertainment Company (OEC), stating the theme park will be constructed in Johnson County on the former 9,065-acre Sunflower Army Ammunition Plant. The first phase of the project on 1,750 acres includes the theme park, a 350 room hotel with 50,000 square feet of conference space, an 18 hole golf course and a recreation vehicle park. The Company also will develop important strategic growth business; OZ Digital Media will launch Virtual OZ on the Internet. The first phase is scheduled to open in the spring of 2002, the schematic design is 70% complete, at an estimated cost of \$630 Million, \$16.4 Million of which has been raised in equity capital to date. The next round of financing has commenced and will raise an additional \$25 to \$40 million in senior preferred stock.

Mr. Palmer stated the OEC has agreed to purchase the entire Sunflower Army Ammunition Plant, less those portions that will be conveyed through the public benefit transfer process or will have restricted or conditional uses. The Company further will enter into a consent agreement with Kansas Department of Health and Environment to remediate the entire plant. The Federal Government's current estimate for remediation is approximately \$85 million. Environment consultants opine that OEC should be able to complete the work in 14 years at an estimated cost of less than \$60 million. The Wonderful World of Oz project's feasibility has been confirmed by industry experts based on the detailed theme park design completed by Landmark Entertainment. Management Resources has projected an attendance range of 2.8 to 3.2 million visits with 185 days of operation. The Company has assembled an all-star project management team, and the planning and development team includes leaders in the entertainment industry. The financing team is comprised of leaders in merchant and investment banking and public finance. Mr. Palmer testified in support of **HB 2166**, stating the bill provides the project with economic protection against unforeseen market conditions by enlarging the maturity date from 20 to 30 years, and increasing the sales by 1%. (Attachment 1)

Ken Becker, Salomon Smith Barney, stated they are one of the largest financial service companies in the world. Their parent group, City Group, is made up of a number of diversified companies, the largest of which is City Bank, Travelers Insurance, Commercial Credit, and Salomon Smith Barney, being the third largest financial institution in the world and the largest in the United States. Salomon Smith

CONTINUATION SHEET

MINUTES OF THE SENATE COMMERCE COMMITTEE, Room 123-S of the Statehouse, at 8:00 a.m. on March 22, 1999.

Barney was asked in February, 1998, to take a look at the OZ Entertainment project and to decide whether or not they could provide the capital necessary to finance the project. As a result of the initial look at the project, considering it was attempting to deliver a Disney quality project, costing about 3/4th of a Billion dollars, in only 185 days a year, it was determined the project was not viable for investors. However, Salomon Smith Barney were convinced to take another look and do a "due diligence" review which was done, and after two months decided it was very much worth spending the time to look at the project. (Attachment 2)

The private-public partnership that was formed in Kansas, most notably, the STAR bond legislation, created the back bone of a financing plan that allowed for the proper return of dollars to be brought to investors with only 185 days of operation. In revisiting the project and using different models, Salomon Smith Barney determined a "highly confident letter" could be issued which means Salomon, Smith Barney is confident it can raise the capital if the revenues are extended from 20 to 30 years and the sales tax is increased by 1% as provided in **HB 2166**.

Curtice Cornell, a partner in the firm Buttonwood Capital, Inc., which is a Los Angeles based merchant banking firm whose principal activities are sponsoring management buy-outs and raising capital for certain start-up ventures. In May 1998, Buttonwood, together with OZ Entertainment Company, structured and led the offering for a round of \$12 million of venture equity for OZ, following upon the \$4.4 million of seed equity capital that had already been raised. Buttonwood conducted 11 months of due diligence on OZ, its management and business plan, including historical reviews, meetings with numerous project participants and the feasibility study on the project. Concurrent with the offering, Buttonwood interviewed and introduced in a competitive manner a number of investment banks for the purpose of leading the effort to raise the remaining financing for the project. Ultimately Salomon Smith Barney was chosen to head this effort due to the firm's number one position in public/private sector project financing. Buttonwood believes it has a strong investor group represented by high quality corporations and individual investors who are enthusiastic and supportive of the OZ Entertainment Company and its management team. (Attachment 3)

Rick Wright, Gilmore Bell, testified in support of **HB 2166** which extends the maturity date on the STAR bonds to 30 years and increases the sales tax within the project area by 1%.

Steve Prudden, Mayor, City of DeSoto, read a Resolution of Support for the Johnson County Comprehensive Plan for Sunflower Army Ammunition Plant Property and The Wonderful World of Oz Theme Park, Resolution No. 544, approved by the City Council endorsing the OZ theme park project. (Attachment 4)

Frank Lenk, Mid-America Regional Council submitted an Economic Impact Executive Summary Report, prepared for Johnson County, updating a report previously prepared for Kansas City, Kansas, dated April 1998, relating to The Wonderful World of Oz, the Park and the Emerald Resort Hotel. According to the report, the project is valued at \$585 million, will create 7500 jobs, 5700 of which are in Kansas, will add \$237 Million in gross regional product, and \$202 million in income to metropolitan Kansas City's economy, roughly equivalent to the combined impact of the Kansas City Royals and Kansas City Chiefs. (Attachment 5)

Dana Fenton, Intergovernmental Relations Coordinator, Johnson County Board of Commissioners, testified in support of **HB 2166**, stating the bill 1) extends the maximum term of STAR bonds associated with projects of statewide as well as local importance from 20 to 30 years and raises the state sales and compensating use tax within a redevelopment district to 6.9%; 2) honors the agreement reached last year to protect the three dedicated sales tax revenue sources of Johnson County - one-quarter of one percent Public Safety Sales Tax, one-tenth of one percent Stormwater Management Sales Tax, and one-eighth of one percent Bi-State Cultural Sales Tax to fund the renovation of Union Station; 3) honors the second agreement reached last year to remediate and redevelop the entire site; and 4) ensures that the redevelopment district is located outside the limits of any city at the time of establishment. The Johnson County Board of Commissioners believes this bill provides a positive economic development tool for the

CONTINUATION SHEET

MINUTES OF THE SENATE COMMERCE COMMITTEE, Room 123-S of the Statehouse, at 8:00 a.m. on March 22, 1999.

comprehensive redevelopment of the former Sunflower Army Ammunition Plant. The Board of Commissioners adopted a Position Statement **HB 2166**. (Attachment 6)

Rich Bendis, President, Kansas Technology Enterprise Corporation, testifying in support of **HB 2166**, stated there are many ways that the Oz Park could help to strengthen the technology base of the Kansas economy. Oz could be an engine, as well as a consumer, of advanced information technologies and a launchpad for technology development and employment in Kansas. (Attachment 7)

The Chair inquired as to the amendatory language on Page 11, regarding who is responsible for the remediation of all environmental contamination; Mr. Burke replied Representative Ballou added that amendment in order to insure that there would be third-party involvement and guarantees that the site would be remediated.

Mr. Palmer, in further response stated, Representative Ballou's amendment requires that OEC enter into a Consent Agreement with the Department of Health and Environment, mandating a commitment from operating revenues a \$40 million expenditure for the 54 solid waste management units; and another \$40 million for the clean up of unknown contaminants. There are two activities occurring on the site at the present time; one is remediation, the clean up of the solid waste management units, the 54 units previously mentioned, managed by the Army Corps of Engineers. The second activity is the Environmental Stabilization Program (ESP), which is the responsibility of the United States Army who has had a contractor in place since 1942, Alliant Tech Systems, who manages the ESP. The Stabilization program is currently being used to remove structure and infrastructure from the site. There were originally about 2600 buildings which have recently been reduced to just below 2,000.

The Chairman asked how the K-10, Lexington Avenue modifications would be funded. Mr. Palmer responded that the interchange would be modified with public dollars as well as the arterial access.

There will be a total of 185 acres for the Theme Park; the hotel and 18-hole golf course will be another 200 acres; the recreational vehicle park and camp ground will take up another 100 - 150 acres; the balance of the land of the first phase development has been identified in the Land Use Development Plan submitted to Johnson County to address the needs of expansion of the theme park and of the resort experience to include two additional hotel sites and another 36 holes of golf, a family water park, a technology park, entertainment and dining experience, and a substantial portion of that 1750 acres as set out in the Sunflower site is set aside as public open space to include areas of restoration for prairie and wildlife refuge.

HB 2166 does not address any conditions as to land use, the sole purpose of this legislation is to address the additional 1% sales tax and the additional 10 years for bond maturity. The original legislation and the legislation passed last year are very clear as to how the funds can be used and what they cannot be used for.

Upon motion by Senator Ranson, seconded by Senator Jordan, the Minutes of the March 19, 1999 meeting were unanimously approved

Senator Steffes challenged the veracity of the statement made by Rich Bendis as it was set out in the Minutes of March 19, 1999.

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for March 23, 1999.

Presentation to the Senate Commerce Committee

Skip Palmer

March 22, 1999 8:00 AM Room 123S

Good morning Madam Chair and members of the Senate Commerce Committee, my name is Skip Palmer, President of The Wonderful World of OZ, a subsidiary of The OZ Entertainment Company. As Senator Burke mentioned, we are pleased to have this opportunity to provide a brief overview of our project and our company.

The OZ Entertainment Company is a development-stage family entertainment company that plans to build a family destination resort and theme park based on the legendary MGM film, The Wizard of OZ. The film has been viewed by more than a billion people and the forty-OZ books have been published in thirty-two languages.

The Wonderful World of OZ will be constructed in Johnson County. Our company is in the process of purchasing the 9,065-acre Sunflower Army Ammunition Plant from the State of Kansas. The Kansas Development Finance Authority is facilitating the conveyance of the property from the United States Army to other agencies through the Public Benefit Transfer process. Our company is negotiating with KDFFA for the remainder of the plant. We believe that the eventual conveyance could result in our company receiving title to a substantial portion of the plant. We are preparing a plan to remediate and clean up the entire facility.

The first phase of the project, 1,750 acres, includes the theme park, a 350-room hotel with 50,000 square feet of conference space, an 18-hole golf course and a recreation vehicle park. In addition, our subsidiary, OZ Consumer Products will capitalize on the popularity of OZ to market merchandise worldwide. The company will also develop important strategic growth businesses. OZ Digital Media will launch Virtual OZ on the Internet to promote the Theme Park and to sell tickets, merchandise, on-line games and advertising, all of which could generate significant revenues. Our development group will manage the economic redevelopment of the balance of the land including an Entertainment, Dining and Retail Complex as well as the OZ Technology Park. The first phase of the project at Sunflower is estimated to cost \$630 million dollars. The company has raised \$16.4 million dollars in equity capital to date. We are currently in the next round of

Senate Commerce Committee

Date: 3-22-99

Attachment # 1-1 thru 1-24

There are 17 million people who live within a 300-mile radius from Kansas City and 57 million people who live within a one-day drive (500 miles). The Midwest currently has no entertainment equivalent to The Wonderful World of OZ. There are approximately twelve amusement parks within 600 miles of Kansas City with annual attendance ranging from 1.1 to 3.3 million visitors. Almost all of them are thrill ride oriented seasonal parks that primarily target the teenage market. With its strong thematic appeal, scale of investment and diverse ride and show mix, The Wonderful World of OZ will offer a unique entertainment experience that will appeal to all age groups. Currently, Midwesterners must travel to Florida or California to visit a destination themed attraction that appeals to the entire family. From the Midwest, The Wonderful World of OZ will be a one-day drive or less versus two days or more for a trip to Walt Disney World or Disneyland. Families will spend significantly less money visiting The Wonderful World of OZ than visiting Walt Disney World. The following comparison assumes two adults and two children:

	Drive to WWOZ	Drive to Walt Disney World	Fly to Walt Disney World
Transportation Costs	32	140	1,642
Travel Motels & Meals	64	516	Not Applicable
Resort Hotel & Meals	760	1,440	960
Theme Park Costs	231	256	256
TOTAL	\$1,087	\$2,352	\$2,858

As previously mentioned, the Project's feasibility has been confirmed by industry experts based on the detailed theme park design completed by Landmark Entertainment. Assuming 165 days of operation, Harrison Price, the Dean of theme park feasibility and known for his conservatism, has projected an annual attendance range of 2.6 to 3.1 million visitors. It should be noted that studies conducted by Harrison Price for 13 new theme and amusement parks in North America was, on average, 20% higher than his projected attendance. Management Resources has projected an attendance range of 2.8 to 3.2 million visits with 185 days of operation.

Based on the above, our management team projects that we will draw 3.2 million visitors during our first year of operation. That projection is predicated on the following:

design outstanding. High quality theming will compare favorably with Disney. Interactive rides and attractions will add a contemporary dimension to the Theme Park (e.g., an animated Wicked Witch may call you by name from a video screen as you pass by). The Theme Park will operate 185 days per year with April through October accounting for approximately 95% of annual attendance. The Theme Park will encompass 200 acres, including parking, service areas, buffer and expansion space.

Landmark's signature design, rides and attractions will draw national attention:

OLD KANSAS offers a nostalgic journey to turn-of-the-century Kansas. The major attraction will be a re-creation of a tornado that transports visitors to OZ.

MUNCHKINLAND recreates the miniature world of the Munchkins. Visitors will relive Dorothy's first visit to OZ through an interactive, 3-D dark ride.

THE HAUNTED FOREST surrounds the Castle of the Wicked Witch and features many of the Theme Park's major thrill rides.

YELLOW BRICK COUNTRY provides a fantasy environment divided into three sections: The Enchanted Forest, A Fantasy Farmland and The Tinsmith's Village.

THE NORTHERN KINGDOM (future development to be completed in Phase II over the first five years of Theme Park operations), home of the "Good Witch", will evoke the atmosphere of a winter carnival. The major attraction will be a thrilling bobsled on Glinda's icy mountain.

The dramatic Towers of OZ, home of the Wizard dominate THE EMERALD CITY. The Emerald City will be the principal venue for major shows, parades and a nightly fireworks spectacular.

The Theme Park is designed to accommodate repeat visitation and growth in attendance. The first phase of the Park is capable of accommodating 31,500 guests per day supporting a potential annual attendance of 3.4 million guests.

The full service, four star, 350 room Emerald Resort and Conference Hotel will provide a unique experience for visitors to Kansas. Occupancy will be supported by two primary markets: Tourists visiting the Theme Park when it is open and business conferences and meetings during the Theme Park's shoulder seasons (Fall weekdays, Winter, early-Spring weekdays) The hotel's 50,000 square feet of dedicated conference and meeting areas will be capable of handling 500 to 600 person group meetings. Amenities will include an 18-hole golf course, an indoor/outdoor swimming pool, tennis, health club, jogging and bike trails. The resort also includes a 600-space RV Park and 30-acre Campground.

The OZ Consumer Products subsidiary will capitalize on the popularity of OZ: Sales of OZ-related merchandise have been significant for many years without coordinated promotion. For ten years, Turner's OZ merchandising activities focused on the collectibles market. Time Warner recently began including OZ merchandise in its Warner Brothers Stores, which will benefit the Theme Park. Time Warner OZ merchandising will support the Theme Park. The \$630 million Project will greatly enhance merchandising opportunities by bringing OZ to life in a major entertainment destination, creating new images of OZ characters and joining the existing OZ Film images with new characters in new products. OZ Consumer Products will consist of three divisions; Worldwide Licensing, The OZ Club, and Direct Marketing.

Our Project's strengths include:

- OZ is an American cultural icon that is popular worldwide.
- We have a rights agreement with Time Warner for use of the OZ Film images.
- We have a rights agreement with the L. Frank Baum Family Trust for those remaining books that are protected by copyright law.
- Based on Landmark's Concept Design, the Theme Park's viability has been confirmed by feasibility experts Harrison Price and Management Resources.

- The theme park industry has exhibited strong revenue growth and high operating margins for the last 25 years.
- We are uniquely positioned to benefit from the future growth of the Internet and the application of digital technology to a theme park.

The Project will have significant economic impact on the State of Kansas and the Kansas City metropolitan area. According to the Mid-America Regional Council, that impact is the equivalent of both the Kansas City Chiefs and Royals combined at 240 million dollars annually.

As previously mentioned, we have agreed to purchase the entire Sunflower Army Ammunition Plant, less those portions that will be conveyed through the public benefit transfer process or will have restricted or conditional uses. In addition, our company will enter into a consent agreement with KDHE to remediate the entire plant. The Federal Government's current estimate for remediation is approximately 85 million dollars. This fiscal year the Army appropriated approximately 2 million dollars for remediation for Sunflower. As you can quickly calculate, at that annual appropriation rate, it could take more than 40 years to complete the work. It is the opinion of our environmental consultants, that our company should be able to complete the work in 14 years at an estimated cost of less than 60 million dollars.

The feasibility of The Wonderful World of OZ has been thoroughly documented by the leading research firms in our industry. The current mix of shopping and entertainment in the metropolitan area is diverse:

The Country Club Plaza
 The Kansas City Chiefs
 The Kansas City Royals
 The Kansas City Zoo
 Riverboat Gaming

In addition to the above, the following attractions costing 200 million dollars each will open within the next several years:

Union Station
 The Kansas City International Speedway

There are 17 million people who live within a 300-mile radius from Kansas City and 57 million people who live within a one-day drive (500 miles). The Midwest currently has no entertainment equivalent to The Wonderful World of OZ. There are approximately twelve amusement parks within 600 miles of Kansas City with annual attendance ranging from 1.1 to 3.3 million visitors. Almost all of them are thrill ride oriented seasonal parks that primarily target the teenage market. With its strong thematic appeal, scale of investment and diverse ride and show mix, The Wonderful World of OZ will offer a unique entertainment experience that will appeal to all age groups. Currently, Midwesterners must travel to Florida or California to visit a destination themed attraction that appeals to the entire family. From the Midwest, The Wonderful World of OZ will be a one-day drive or less versus two days or more for a trip to Walt Disney World or Disneyland. Families will spend significantly less money visiting The Wonderful World of OZ than visiting Walt Disney World. The following comparison assumes two adults and two children:

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As previously mentioned, the Project's feasibility has been confirmed by industry experts based on the detailed theme park design completed by Landmark Entertainment. Assuming 165 days of operation, Harrison Price, the Dean of theme park feasibility and known for his conservatism, has projected an annual attendance range of 2.6 to 3.1 million visitors. It should be noted that studies conducted by Harrison Price for 13 new theme and amusement parks in North America was, on average, 20% higher than his projected attendance. Management Resources has projected an attendance range of 2.8 to 3.2 million visits with 185 days of operation.

Based on the above, our management team projects that we will draw 3.2 million visitors during our first year of operation. That projection is predicated on the following:

- Strength of the OZ story and characters
- Scale of investment
- Appeal to all age groups
- Significant marketing budget
- Participation of Corporate Sponsors
- Signature attractions and shows
- An additional 5,000 hotel rooms (now 23,000) since completion of the Harrison Price report.

In addition, there are 17 theme and amusement parks in the United States that achieve 3.0 million or more annual visitors and an additional 13 that achieve between 2.0 million and 3.0 million annual visitors.

As you are aware, the State has passed legislation authorizing the issuance of Star Bonds. Star Bonds are sales tax revenue bonds issued by the State and are exempt from State and Federal income taxes. Star Bonds are repaid from all sales and hotel occupancy taxes generated by the Project. Star Bonds are non-recourse to State of Kansas. The current legislation provides for a 20-year Star Bond term. Mr. Becker and Mr. Wright will explain the purpose of the modification we are requesting today.

One of the most fascinating components of our company is our subsidiary, OZ Digital Media. This company is staged to maximize the opportunities provided by the Internet, new media and digital technology: The Internet coupled with OEC's unique competitive advantages enable us to share the magic of OZ with a worldwide audience and become a leader in the application of new media technologies. New 3-D technologies combined with high-speed lines enable us to bring Virtual OZ to life as a new Internet portal community. Designing the Theme Park and its attractions will create \$50 million in digital art and technology that can be used for Virtual OZ. OZ is a branded, magical world of characters and three-dimensional effects that provide an excellent storyline for interactive attractions and virtual world applications. While more than three million people a year will visit the Theme Park, as many as three million people a day may visit Virtual OZ. The brand, scale and timing of the OZ Project allow OEC to become a leader in integrating networked virtual worlds with real entertainment locations.

Additionally, OZ Digital Media has the following competitive advantages:

- The Wonderful World of OZ will be the first theme park to be digitally designed and incorporating large-scale interactive attractions, thereby creating unique opportunities to put Virtual OZ on the Internet.
- OZ Digital Media can deliver higher quality media products at a lower cost by using Theme Park digital art.
- OZ is a globally recognized entertainment brand with high character recognition. Q-Scores (system for rating the public's recognition of a character) nearly equivalent to Disney's characters without Disney's years of expensive promotion.
- The Wizard of OZ movie has played annually on television, introducing new generations of children to all of the characters each year.
- We have no legacy systems and can build a large-scale Internet company from the ground up.

We have assembled an all-star project management team:

Robert Kory	Chairman and Chief Executive Officer
Ron Bension	Vice Chairman and Chief Operating Officer
Skip Palmer	President Wonderful World of OZ
Dan Mapes	Chief Technology Officer and President of OZ Digital Media
Wendy Nunes	Vice President, Legal and Business Affairs
Bill McKenzie	Vice President and Treasurer

Our creative, planning and development team includes the leaders in the entertainment industry:

Landmark Entertainment Group
 The Harrison Price Company
 Hospitality Valuation Services
 Kajima Urban Development
 Project Control
 Baker Leisure Group
 Management Resources

Adrienne Weiss Company
EPM Communications
Economic Research Associates

Our construction team includes two of the nations leading firms:

J. E. Dunn Construction
Turner Construction

Our financing team is comprised of the leaders in merchant and investment banking and public finance. Mr. Curtice Cornell of Buttonwood Capital is here today. He will present their role in placing the A Common equity with our shareholders. Mr. Ken Becker is also present today and he will review the role of Salomon Smith Barney in both the private and public finance sectors.

In conclusion, our company is poised to launch the most significant entertainment enterprise ever conceived in the mid-west. Our true industry impact is regional, national and international. Today, we seek your support of a legislative modification that provides the project with economic protection against unforeseen market conditions. Without HB 2166, the future of the Wonderful World of OZ could become extremely fragile.

Thank you again for the time you have afforded us to present our project.



THE OZ ENTERTAINMENT COMPANY (“OEC”) KEY FACTS

- ◆ OEC consists of the following six operating units:
 - The Wonderful World of OZ Theme Park: admissions, sponsors, special events, merchandise, parking, food and beverage
 - OZ Resorts: the Emerald Resort hotel, conference center, championship golf course, RV park, campgrounds and other hotels/golf course;
 - OZ Consumer Products: worldwide licensing, OZ Club and direct marketing;
 - Heartland Development; master site planning, water park, western town and studio tour;
 - Wizard Works: creative design management, attraction design, overall theme and design and international joint ventures; and,
 - OZ Digital Media; interactive attraction design, digital character design, park simulation, MIS system design, OZ on the Web education media and children’s live/animated TV
- ◆ Current OEC headquarters are in Los Angeles, California, with plans to move to Kansas after groundbreaking
- ◆ The Wonderful World of OZ Theme Park will be based on the legendary MGM film *The Wizard of Oz*, the book *The Wonderful Wizard of Oz*, written by L. Frank Baum, and 40-official OZ books by Baum and other OZ writers.
- ◆ The first phase of The Wonderful World of OZ will include a 50-acre theme park, with approximately 40 unique rides, shows and attractions, 13 game and arcade locations, 14 food service locations, 150 acres of parking and more than 35 retail areas. In addition to the theme park, the first phase will also include the Emerald Resort, a 350 room four-star hotel.
- ◆ First year attendance is estimated at 3.2 million visitors.
- ◆ Initial days of operation will be 185 days a year
- ◆ The Wonderful World of OZ will have five interrelated theme areas, including *Old Kansas*, *Munchkinland*, *Yellow Brick Country*, *The Emerald City* and *The Haunted Forest*
- ◆ According to the Mid-America Regional Council (MARC), OEC will create approximately 7,500 jobs and increase gross regional product by \$240 million per year each year for 13 years from the date of groundbreaking. MARC estimates the project will have a financial impact equal to the equivalent of the Kansas City Chiefs and the Kansas City Royals combined.



- ◆ The Project will be financed through approximately \$440 million from private investors, \$270 million in STAR Bonds issued by the State of Kansas, and \$20 million in grants.

KEY EXECUTIVES

- ◆ Robert Kory, Chairman and CEO of OEC
- ◆ Ron Bension, Vice Chairman, President and Chief Operating Officer of OEC
- ◆ Dan Mapes, Chief Technology Officer of OEC
- ◆ Skip Palmer, Vice President, Attractions of OEC



Questions and Answers

Q: Who owns The OZ Entertainment Company?

A: The OZ Entertainment Company (“OEC”) is a privately held company owned by management, strategic investors including many local Kansas City companies, and Wall Street investors.

Q: Who is financing The OZ Entertainment Company?

A: Buttonwood Capital, an L.A.-based merchant bank, is OEC’s principal financial advisor. Salomon Smith Barney, the worldwide leader in project financing for projects such as The Wonderful World of OZ, is OEC’s lead investment banker and underwriter.

Q: Who runs The OZ Entertainment Company?

A: The company executives are as follows:

- ◆ Robert Kory – Founder, Chairman and CEO
- ◆ Ron Bension – Vice Chairman, COO and President
- ◆ Dan Mapes – Chief Technology Officer
- ◆ Skip Palmer – Vice President, Attractions
- ◆ Wendy Heimann-Nunes – Vice President, Legal and Business Affairs
- ◆ William McKenzie – Treasurer
- ◆ Fred Ulrich – Director
- ◆ Curtice Cornell – Director
- ◆ Christine Baum – Manager, Corporate Communications

The company is growing rapidly and is significantly expanding the management team over the next 12 months.

Q: How is funding for the construction of the theme park and resort being financed?

A: Construction funding will be financed through approximately \$440 million from private investors, \$270 million in STAR Bonds issued by the State of Kansas, and \$20 million in grants.



Q: What will the theme park be called?

A: The name of the theme park is "The Wonderful World of OZ". It is part of The Wonderful World of OZ theme park and resort, which will include a hotel and championship golf course.

Q: How large do you estimate The Wonderful World of OZ theme park and resort to be?

A: Initially, the theme park will be approximately 50 acres. Parking and services will add 150 acres for a total of 200 acres. The project also will include a 350-room hotel, a 50,000 square foot conference center, an 18-hole championship golf course, and a 600-space recreational vehicle park with a campground. In all, the park and resort will cover approximately 1,500 acres.

The park is projected to be open 185 days each year with first-year attendance estimated at 3.2 million visitors.

Q: When will construction begin and when will the theme park and resort open?

A: Groundbreaking is scheduled for August 1999. The grand opening of the park is scheduled for April 2002. Once OEC breaks ground, followers of OZ will be able to log on to the interactive Wonderful World of OZ Internet site to follow the park's construction progress.

Q: What economic impact will the theme park and resort have in the Kansas City community?

A: According to the Mid-America Regional council (MARC), the OZ project will create approximately 7,500 jobs and an increase in gross regional product of \$240 million annually for 13 years. MARC estimates that the project will have a financial impact equal to the equivalent of the Kansas City Chiefs and Kansas City Royals combined.



Q: How will the theme park utilize the Internet?

A: OEC will produce a 3-D virtual OZ world created specifically for the Internet and other digital networks that are expected to have high bandwidth access to homes by 2002. Virtual OZ will include a simulation of the theme park incorporating the digital design drawings used to build the theme park. This simulation will link the theme park to participants worldwide. Management can also use this simulation as a tool to enhance the experience of guests at the theme park through delivery of interactive entertainment, crowd control and efficient ride access. The company plans to develop children's programming using Virtual OZ and the theme park as production sets.

Q: Are there any Kansas companies involved in the Project?

A: Yes. They include, among many others:

- HNTB is the master architect.

- JE Dunn and Turner Construction are the general contractors.

- Continental Consulting Engineers is the civil engineering firm.

- Lockton Company is the insurance advisor.

- Shook, Hardy & Bacon, PC is the corporate counsel.

- Polsinelli, White, Vardeman & Shalton is the real estate counsel.

- Bibb & Associates is an engineering subcontractor.

- TranSystems is the transportation consultant.

- Corporate Communications Group is the local media advisor.

THE KANSAS CITY STAR

Tuesday, February 9, 1999

Oz can succeed, investment banker says

By GRACE HOBSON
The Kansas City Star

A \$600 million World of Oz theme park could not be built without public financing, the project's Salomon Smith Barney investment banker told the Johnson County Commission on Monday.

The partnership between the Oz developers and the Kansas Development Finance Authority is the main reason the investment firm thinks the project can be successful, Ken Becker told commissioners.

The Oz Entertainment Co. is working with the authority to take title to the Sunflower Army Ammu-

nition Plant, where a theme park and resort complex are planned.

The authority plans to buy the 9,065 acres from the federal government and give it to Oz in exchange for the developers' promise to rid the site of environmental hazards.

The authority also may issue \$250 million in bonds to help finance the project. The bonds would be repaid with sales-tax revenue, and the developers are asking the state Legislature to boost the potential income with a one percentage point sales-tax increase on the property.

Salomon Smith Barney agreed last year to sell the bonds for project. After nine months of review by

"professional doubters," Becker said, the firm deemed the project worthy of a "highly confident" letter. He said that told potential investors the firm was sure the project could get built and provide a proper rate of return on the bonds.

The letter is a strong signal that the project is a good one, he said.

"We turn down more projects than we accept," Becker said. "Our name is obviously extremely important to us, and when we indicate we are involved in a project and ultimately end up giving a highly confident letter, that's something we want to be able to make a statement to the marketplace and have

the marketplace be able to depend on the fact that we will be able to get the financing done."

Five factors led the investment bankers to favor the project, Becker said:

- The public-private partnership. Without it, the project would not work in Kansas' climate and would instead have to be situated where the theme park could operate 365 days a year.

- The Oz management team. Becker singled out Chief Executive Officer Robert Kory, an entertainment lawyer who worked to secure the Wizard of Oz rights; Ron Benson, who helped build Universal

Studios projects in Florida, California, Japan and the United Kingdom; and Skip Palmer, a former Disney executive.

- The work by the development authority to transfer the Sunflower land to Oz by April 1.

- The \$17 million that developers raised in seed capital.

- The securing of the Wizard of Oz rights from Time Warner, and Time Warner's agreement to act as the licensing agent for spinoff products developers plan to market.

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THE OLATHE DAILY NEWS

Friday, February 5, 1999

County approves Oz plan

ELVYN J. JONES

Daily News Reporter

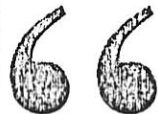
The Johnson County Commission learned Thursday that Oz Entertainment plans to move rapidly on its proposal to build a family entertainment complex at the closed Sunflower Army Ammunition Plant.

In December, Oz Entertainment submitted a redevelopment plan for phase I of its planned development at the plant for the commission's approval. Phase I would include a Disney-like theme park, hotel and golf course. A not-for-profit digital imaging studio would also be planned.

Thursday, the commission approved the redevelopment plan by a vote of 4-0. Commissioner Gary Anderson abstained because of a potential conflict of interest.

In doing so, the commission agreed with a finding by its legal and planning departments. Those departments found the redevelopment plan was "generally consistent and compatible" with the Community in a Park land-use plan developed by the county last spring.

County legal council Don Jarrett said approval of the redevelopment plan in no way authorized specific land uses or permits. Oz Entertainment must next submit a redevelopment agreement to the county, which will spell out specific land uses



The next 90 to 120 days are pivotal. There won't be any 'next year' in terms of the project.

— **Larry Winn III**
attorney for Oz project

and site development.

When Commissioner Johnna Lingle said she hoped a public hearing could be scheduled on the redevelopment agreement "within the next year," Oz Entertainment attorney Larry Winn III said the company had to move faster if the venture was to succeed.

"The next 90 to 120 days are pivotal," Winn said. "There won't be any 'next year' in terms of the project."

He suggested Oz Entertainment would be back before the commission with the development agreement in mid-April.

In approving the redevelopment plan, the commission found that it:

- Minimized influence on surrounding property and included green space and parks along the periphery of the property.

- Provides reasonable assurance for the end of existing uses and the improvement of infrastructure for the property.

- Provides for reasonably integrated land uses and would create comprehensive development.

- Recognizes a community area central to the development.

In other business, the commission moved the planned Johnson County Transit and Operations and Maintenance Facility closer to reality.

The facility, which will be located on 14.2 acres across Old US-56 from the county public works complex, will include three different buildings and a fueling canopy. It will replace a current facility in Lenexa.

The largest building in the planned complex will include a six-bay shop, training rooms, dispatch center and administrative offices.

The federal grant will provide \$5.7 million of the \$8.4 million needed for land acquisition and construction of the facility. The state will provide another \$100,000.

Thursday, the commission authorized the purchase of 14.2 acres from the Howard Hougland Testamentary Trust for \$220,000. Acting as the Johnson County Building Commission, commissioners authorized notice of publication of the issuance of \$2.3 million in revenue bonds to construct the facility.

1-16

THE OLATHE DAILY NEWS

Friday, February 5, 1999

Oz plan clears another hurdle

ELVYN J. JONES
Daily News Reporter

Larry Winn III characterized as "a small step for mankind" the Johnson County Commission's approval of Oz Entertainment Co.'s proposed redevelopment plan for the Sunflower Army Ammunition Plant.

RELATED STORY ON PAGE A6

At Thursday's commission meeting and then in an impromptu news conference in the hallways of the County Administrative Building, Winn said the commission's decision was an "important step" in the process that Oz Entertainment hopes will lead to ground breaking on phase I of the Wonderful World of Oz theme park this fall.

At the same time, the Oz Entertainment attorney continually hedged his

“ “ The state could have control of Sunflower by mid-April. Then the state would have the private sector, and hopefully Oz could slip into its shoes.

— Larry Winn III
attorney for Oz project

comments with the word "if."

Winn said Oz Entertainment has a punch list of more than 500 items that must be in place before the project could be successful.

See OZ, Page A6

THE OLATHE DAILY NEWS

Friday, February 5, 1999

Oz project clears another hurdle

● OZ/ from page A1

On the top of that list are ongoing negotiations between the U.S. General Services Agency and the Kansas Development Finance Authority that would enable Oz Entertainment to develop parts of Sunflower.

"The state could have control of Sunflower by mid-April," Winn said. "Then the state would have the private sector, and hopefully Oz could slip into its shoes."

The arrangement being negotiated would have the GSA sell the land to the KDFA, which would, in turn, transfer the property to Oz Entertainment. With that transfer, the KDFA would issue revenue bonds that would allow Oz Entertainment to clean up and develop Sunflower property.

Winn explained the KDFA would be a "nominal issuer" of the bonds, meaning it would not guarantee the bonds estimated to total from \$250 to \$300 million.

Oz Entertainment wants 1,750 acres in the northeast corner of the plant for its Phase I development and about 2,000 acres for future phases of development. But just how much of the closed plant's 9,000-plus acres might be transferred to Oz Entertainment is yet to be determined.

The GSA has invited local governments to request parts of Sunflower for public use. Winn said these "public benefit transfers" could be handled directly through GSA or through Oz

Entertainment once it gains control of the property.

Another priority issue that must be worked out is to manage the cleanup of property contaminated by years of munitions manufacturing at Sunflower. Winn said the estimate to clean up the entire plant is \$60 million to \$70 million.

Written into any property transfer to private-sector interests, including Oz, would be a consent decree, Winn said. That document, which would have the authority of a court order, would spell out the work plan for cleanup, its timetable and the cost.

It is not yet known if the U.S. Environmental Protection Agency or the Kansas Department of Health and Environment would be responsible for enforcing the cleanup, Winn said.

The last priority issue Winn identified involves amending the bill the Kansas Legislature passed last year that spelled out the terms of development on closed federal enclaves, including Sunflower.

Oz has asked the Legislature to extend the term of bonds issued for Sunflower from 20 to 32 years and increase the state sales tax collected by future Oz ventures from 5.9 to 6.9 percent. The sales tax would be dedicated to paying off bonds.

Winn said Oz sought the changes on the advice of the New York City investment management firm of Salomon, Smith and Barney. The two amendments would create a revenue to

debt-service coverage ratio of 1.75 percent.

That kind of coverage ratio would make the bonds much more attractive to investors, Winn said.

"It allows them to be very conservative," he said.

Because of the concerns voiced by Salomon, Smith and Barney, Oz Entertainment will also ask the county for a tax break.

Winn said a development agreement Oz Entertainment will submit to the county this spring will request for tax increment financing. In such an arrangement, all or part of the property tax revenue the county could collect on Oz improvements would be used by the company to retire debt incurred on infrastructure development.

The county commission would have to approve the tax break.

It is unlikely the DeSoto School District would be asked to participate in property tax increment financing, Winn said.

Should the land transfer, environmental cleanup and legislative issues be resolved, Winn said Oz Entertainment could start dealing with remaining issues.

"If the big-bullet items fall in place, the other dominoes should begin to go down," he said.

Winn said Oz Entertainment hoped to start initial earth work on Phase I development in the fall. The target date for opening the theme park is Memorial Day 2002.

51-1

SUN NEWSPAPERS

Friday, February 5, 1999

Developer says groundbreaking on Oz could begin later this year

BY REA WILSON

SUN CORRESPONDENT

Construction of the new Wonderful World of Oz theme park and entertainment center at the Sunflower Army Ammunition Plant near DeSoto could begin this year, a representative of the Oz developers said Thursday.

Larry Winn III, an attorney rep-

resenting Oz Entertainment Co., told the Board of County Commissioners that developers hoped to start site grading for a proposed golf course this fall.

The first phase of the \$618 million project, which includes an Oz theme park, 320-room hotel and a golf course, is scheduled to open Memorial Day 2002, Winn said.

The project is to be funded

with state-issued bonds and private investment. The bonds will be retired through sales tax collections from the Oz site.

Commissioners formally agreed Thursday that the Sunflower redevelopment plan proposed by Oz Entertainment Co. was generally compatible with the county's comprehensive conceptual plan for the 9,066-acre

site.

The board's action "in no way approves or authorizes any specific project," said Donald Jarrett, chief legal counsel to the commission.

Winn called the commission's vote an "important first step" for the Oz project.

The action taken by commis-

See OZ, Page 2

51-1

SUN NEWSPAPERS

Friday, February 5, 1999

Oz groundbreaking may happen later this year

From Page 1

sioners on Thursday did not address specific areas, such as park land, roads, sewers or other public services required for the site.

Commissioners, apparently thinking the Oz project would travel at a slower pace, asked Winn to conduct public hearings within the next year.

In response, Winn said hearings at the state level would be held within the next 90-120 days.

Decisions by both the federal and state government that will affect the future of Sunflower are expected within weeks, Winn said. These decisions would give Oz developers control of the entire Sunflower site.

"We're asking two pretty large bureaucracies to move quickly, but it is not beyond reason," Winn said.

Before the bulldozers start running, however, dozens of things must fall into place:

- The Kansas Development Finance Authority must create a redevelopment district for the entire Sunflower site and approve a redevelopment plan and agreement which would identify specific projects. These actions are expected by late March or early April.

Oz is initially looking at developing 1,750 acres in the northeast section of Sunflower and ultimately about 3,500 acres. The rest of the land would be leased or sold for other types of development.

Kansas Development Finance Authority would conduct a public hearing on the redevelopment district and plan before granting approval.

- The Kansas Legislature must pass a bill to extend the life of the sales tax revenue bonds from 20 to 32 years. The legislation would also boost the sales tax within the redevelopment district from 5.9 percent to 6.9 percent.

- The Kansas Development Finance Authority must finish negotiations with the federal General Services Administration over the transfer of the land from the federal government to the state. The

state has asked for the entire plant site for state economic development. This transfer is critical to the Oz project, Winn said.

- The Kansas Development Finance Authority and the Kansas Department of Health and Environment must establish an arrangement for an environmental cleanup of the site. Winn said the state would control the remediation process, which will be accomplished in phases over a period of time. Technically, the federal government cannot transfer ownership of the land until it is environmentally clean.

- The General Services Administration must make decisions on whether to directly transfer land to DeSoto, Kansas State University and the Johnson County Park and Recreation District, which have all asked for a slice of the Sunflower site. The land must be cleaned of environmental hazards before the transfer would be complete.

Instead, the General Services Administration could decide to transfer the entire site to the state, which would, through the Oz redevelopment plan, respond to these public land requests. Under this scenario, the private developer — Oz — would be responsible for cleaning up any waste sites, Winn said.

Winn told commissioners that the county should expect to receive significant amounts of park land. On their comprehensive conceptual plan, commissioners had earmarked nearly 6,000 acres of the site for park use.

- In a new twist, Oz developers may ask the county to create a Tax Increment Financing District for the Oz project. The tax abatement would probably be partial and not include the DeSoto School District, Winn said.

- The county will have to approve zoning for the Oz projects. It may also have to adopt new building codes to address theme park structures, Winn said.

THE OLATHE DAILY NEWS

Thursday, February 4, 1999

Financial firm likes Oz project

Financial firm likes Oz project

ELVYN J. JONES
Daily News Reporter

The Johnson County Commission learned Monday that the country's largest financial service firm is willing to put its name behind Oz Entertainment's proposed theme park at Sunflower Army Ammunition Plant.

In a presentation to the commission Monday, Ken Becker of Salomon, Smith, Barney reviewed the financing for the proposed project. The firm has extensive experience in financing large projects involving public and private cooperation, Becker said, including the new football stadium in St. Louis and the McCormick Convention Center in

See **FINANCIAL**, Page A6

THE OLATHE DAILY NEWS

Thursday, February 4, 1999

● **FINANCIAL/** from page A1

Chicago.

He explained that after a nine-month due diligence review, Salomon, Smith, Barney (the largest financial service company in the United States and the third largest in the world) issued a "highly confident" letter on the Oz Entertainment project.

The letter indicates the firm has faith in the venture's viability, believes it offers a reasonable return to investors and is persuaded financing can be arranged.

With the firm's putting its reputation behind the highly confident letter, it was only issued after the project has been examined for weaknesses, Becker said.

"Basically, it's a team of trained doubters looking for what's wrong with a project and why it can't survive," he said.

The skepticism he and other shared about the Oz project was the ability of the theme park to draw the 2 million annual visitors it needs to survive.

"How can you draw Disney-quantity numbers in an area like Kansas City that can't be open 365 days a year? Can a theme park open 185 days a year survive?" Becker asked. "The answer I finally came to was yes. The dominate reason is the public/private partnership."

That partnership starts with the U.S. General Services Agency and Defense Department's willingness to work with the Kansas Development Finance Authority to arrange the transfer of the property to Oz Entertainment. Representatives of all entities are currently trying to negotiate the property transfer.

But, Becker said for the Oz Entertainment project to succeed, the cooperation must also include tax breaks.

"How much should the public be asked to contribute?" Becker asked. "That's a hard question. But it is true in any such discussion, that



Right now, a TIF isn't in our financial model. However, it is still on the forefront of back of our minds.

— **Ken Becker**
financial expert

the private sector should give back more than the project takes."

And, citing a Mid-America Regional Council study, Becker said the Oz project would give back a good deal. That study indicated the first phase of Oz Entertainment's development at Sunflower would mean \$240 million annually to the local economy through wages and increased retail activity.

To help with the development of projects that meaningful, it is normal to dedicate a tax collected from the venture's customers to paying off bonds, Becker said. In this case, Oz Entertainment will make use of a bill the Kansas Legislature passed last year, which allows the state to issue STAR Bonds to qualifying projects on closed federal enclaves.

Becker explained Oz Entertainment will ask the KDFA to issue \$250 million in STAR Bonds for the cleanup and development of Sunflower. Sales tax collected on newly opened Oz ventures would be dedicated to paying off the bonds.

However, there is no history to indicate how much revenue the sales tax will earn, Becker said. That explains the bill before the Legislature this year that will extend the length of the bonds from 20 to 30 years and increase the sale

THE OLATHE DAILY NEWS

Thursday, February 4, 1999

tax on Oz ventures from 5.9 to 6.9 percent.

It is not yet known if the financial plan will include tax increment financing on property tax, another tax break it could seek through state law.

‘Right now, a TIF isn’t in our financial model. However, it is still on the forefront of back of our minds,’ Becker said.

If Oz Entertainment does seek a break on property taxes, it will not come as a surprise to the commission, said Larry Winn III, Oz Entertainment attorney. The tax break would be written into the redevelopment agreement the company submits to the commission.

As overwhelming as the \$250 million in STAR Bonds seems, the lion’s share of the project’s debt financing would come through the private sector. Becker said the Oz Entertainment plans to finance part of its development through the sale of \$350 million in non-tax exempt bonds.

Those bonds would be either placed with banks or privately through 144(a) bonds, Becker said. The bonds would be “senior” bonds, meaning investors would have first rights to Oz Entertainment’s property (including that at Sunflower) and assets.

Finally, Oz Entertainment has raised \$17 million seed money through the sell of common stock, Becker said. It is anticipated the company will raise another \$25 to \$35 million through the same means.

A bond sale is planned for late summer or early fall. That means, he should be back before the commission to review the final financial plan some time from early to mid-summer, Becker said.

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THE OLATHE DAILY NEWS

Thursday, February 4, 1999

Oz seeks flexibility for bond repayment

ELVYN J. JONES
Daily News Reporter

Most borrowers are presented two options when they take out loans. They can either pay the loans back quickly at higher interest rates or take out long-term loans with lower monthly payments.

The bill introduced in the Kansas House last week would give Oz Entertainment Co. more options on terms of indebtedness. The proposed legislation would allow developers on closed federal enclaves longer periods to repay debt, while increasing the state sales tax dedicated to that repayment.

The bill would amend the legislation passed last year, which enabled the state to issue bonds for development of "statewide importance" at closed fed-

eral enclaves such as the Sunflower Army Ammunition Plant.

The Kansas Development Finance Authority and Oz Entertainment are seeking to arrange the transfer of the plant from the federal government to the Oz group. The K DFA would act as an intermediary in the transfer.

Under terms of the enabling legislation, Oz Entertainment is asking the K DFA to issue \$250 million to \$300 million in revenue bonds for the environmental cleanup and infrastructure improvements at Sunflower. K DFA President Ken Frahm said the exact amount of the bond issue won't be known until Oz Entertainment concludes negotiations with the government over the purchase price for

See OZ, Page A6

Oz seeks flexibility for bond repayment

● OZ/ from page A1
Sunflower.

The bonds would be paid off by a state sales tax on newly created economic activity within closed federal facilities.

The bill introduced last week in the House Taxation Committee would give Oz Entertainment more flexibility in retiring the bonds, said Rep. David Adkins, R-Leawood and chairman of the tax committee. It would lengthen the term of bond repayment from 20 to 32 years, while increasing the amount of state sales taxes dedicated to repaying that debt from 5.9 to 6.9 percent.

"I think they want to keep their options open," Adkins said. "I think they are hoping interest rates in the bond market remain favorable and they can repay the bonds in 20 years."

But Adkins said he understands Salomon Brothers Inc., a New York City investment management firm, has expressed concern to Oz

Entertainment about a 20-year repayment schedule because of the up-front time needed to get Oz ventures open to the public.

Although the bill was introduced in his committee, Adkins said it has been referred to the House Economic Development Committee. Hearings on the bill will probably be scheduled for Feb. 17 when representatives of Salomon Brothers plan to be in Topeka.

Don Jarrett, Johnson County legal council, said Monday the proposed legislation would not change the county's ability to collect the three dedicated parts (bi-state, jail and storm water) of its sales tax.

The Johnson County Commission will decide today whether or not to approve Oz Entertainment's Phase I redevelopment plan for Sunflower. That first stage of construction on 1,700 acres the plant's northeast corner would include a Disney-type theme park, golf course and hotel.

Remarks by Kenneth L. Becker, Director, Salomon Smith Barney

For those of you not familiar with my company, let me start with a brief introduction. Salomon Smith Barney's parent company is Citigroup, the largest financial services firm in the United States and the third largest in the world. Citigroup is made up of a number of permanent companies, the largest of which is, Citibank, Traveler's Insurance, Salomon Smith Barney, and Commercial Credit Corp. Salomon Smith Barney has been ranked number one in the United States for the last three years in a row in Public Finance and has also been ranked number one in structured finance which includes projects like the World of OZ Theme Park. Examples of other projects that fall into the structured finance area for which we have either recently been hired or recently finished our engagement include:

- Kansas City NASCAR Speedway
- Houston Astros (new stadium)
- Nashville and St. Louis (new football stadiums)
- McCormick Convention Center
- Pittsburg Stealers (serving as financial advisor for the new stadium)
- Kansas Department of Transportation (serving as investment banker)
- Bank corporations (on the corporate side serving as investment banker)

We were chosen by the OZ Entertainment Company to bring this expertise to this complex financing for the proposed theme park.

We were contacted in February of 1998 to consider providing investment banking services to the OZ Entertainment Company. We spent the first two months determining whether or not to even accept this assignment. We were skeptical at first, and that skepticism revolved around the question: Can a Disney quality theme park be built in an area that can not operate 365 days a year and still be commercially viable and produce an acceptable rate of return to the investors?

After completing our due diligence, we concluded the answer was yes to this question. The reason we could answer positively was primarily because of the public/private partnership which has been forged in this project. The largest part of this partnership lay in the ability to use Star Bonds as a financial tool in our modeling. The other part of the public/private partnership that is important is the recent cooperation with KDFA in the negotiations with the General Services Administration and the Department of the Army in helping to expedite the land transfer at the Sunflower site.

We spent the next nine months, March - November, doing our due diligence on the project. Our role in doing this is to look at all of the economic and project feasibility material with a critical eye and to play "doubter." We go in and look for weaknesses and then see if we can restructure the project to take care of these weaknesses. We dedicated six people during this period of time to completely reviewing this project.

Senate Commerce Committee

Date: 3-22-99

Attachment # 2-1 thru 2-3

Upon completing our due diligence, there were elements that brought us to the conclusion that this project not only makes sense, but can be commercially viable and provide a fair rate of return to investors.

These included:

1. The public/private partnership that was discussed above;
2. Management team - the hiring of Ron Bension (the former Chairman and CEO of RCA/Universal Studios Recreation Group) was an important hire and brought to this start up operation the overall experience that was needed in the development of the park. When combined with Robert Kory, who has had the vision and legal expertise in securing the rights to the OZ stories and movie, and Skip Palmer, a former Director of Operations at Disneyland, the existing management forms the basis of the team which can make this project successful.
3. Reaching Agreement between KDFFA and the GSA on an expedited process to transfer title of Sunflower;
4. The closing of \$17 million of seed capital for initial design of the park; and
5. Final conclusion of the rights agreement with Time Warner and subsequent agreement by Time Warner to serve as Licensure Agent for the consumer products generated by the OZ Entertainment Company.

Our due diligence culminating in submission of the project finance plan to two of Salmon Smith Barney's credit committees, the equity and high yield debt committees. Here the project was subjected to further scrutiny and was approved. This resulted in our providing to the company a "highly confident letter" in December of 1998. This highly confident letter indicates that our firm is highly confident that we can raise the money necessary to finance the project. In short, we are highly confident that, given present market conditions, that the World of OZ theme park is going to be financed, built, and will be a commercially viable enterprise and a large contributor to the economic health of the region.

This brings me back to the public/private partnership component of this endeavor. Whenever there is a public/private partnership, there is the inevitable question as to how much the public should participate in any particular project.

This is not an easy question since the financing of a project such as this is not a science but instead an art. There are no easy formulas that tell one what the public contribution should be. However, it is certainly true that the private entity should contribute back to the public more than it receives. In this vein, the Mid America Regional Council (MARC) was commissioned by Wyandotte and Johnson Counties to produce an independent analysis of the economic contribution of the project to the region. The MARC study showed that net of the Star Bonds the theme park will contribute approximately \$240 million of additional Gross Regional Product

including 7,500 new jobs created. We believe this is a significant contribution to the economic well being of the region and is the equivalent of both the Chiefs and Royals sports teams.

The finance plan for this project is an extremely complicated one requiring the coordination of a number of different markets (equity, bank, taxable, bond market, and the tax-exempt bond market) all of which are constantly moving and have most recently been somewhat volatile; and in addition, they don't necessarily move in the same direction or in sync with each other. This means that small movements in the market can mean millions of dollars to the finance plan and unforeseeable circumstances can close off some market options for short periods of time. For instance, the world wide liquidity crunch experienced in the last 8 months shut down the high yield taxable market for several months. Fortunately, this problem is easing and this market is again becoming viable.

The reason I point this out is simply to make the point that when we get to the final months of the finance plan, that there are a number of things we need to make sure we have taken into account and contingencies made to assure that we can finance the project.

In addition, during the period we were modeling the financial plan, the scope of the project has changed. Initially, the company was going to lease the first 1,500 acres and now the company, if it is the successful bidder, intends to purchase all 9,000 acres and sign a consent decree which will require the company to remediate all 9,000 acres.

Along with the forward looking master planning of the site done with Johnson County assures the residents of Johnson County that this site will not continue to be used for the types of uses that are presently being allowed on the site including a sulfuric acid plant.

While everyone agreed this is a positive development on the rational development and planning of the site, and that it extracts a large amount of public benefit, it does so at a significant cost to the company.

All of these factors taken together have created a need to readjust our financial modeling and ask for an extension from twenty years to thirty years in the use of Star Bonds and an increase of 1% in the sales tax imposed only on the project district which encompasses the 9,000 acres on the Sunflower site.

These types of user fees are typical in large mass attendance projects like this. Examples include an increase in the sales tax by Hamilton County, Ohio to build the new Bengals stadium, and a restaurant and hotel occupancy tax in the district effected to finance the McCormick Convention Center in Chicago.

I would like to emphasize that no tax is being asked to be imposed on any area outside the Sunflower site and we are only asking for the flexibility to have these people visiting the Sunflower site and taking advantage of the facilities to help pay for the development of those facilities.

Discussion of Buttonwood Capital Inc.'s Role in Advising and Raising Capital for
The OZ Entertainment Company

Presented to the State of Kansas Senate Commerce Committee, March 22, 1999

Good Morning. Thank you Madam Chair and the other members of the Commerce Committee for the opportunity to talk to you about The OZ Entertainment Company (OEC) and my firm's role with the company.

By way of introduction, my name is Curtice Cornell and I am a partner in the firm Buttonwood Capital Inc. Buttonwood has been working with OEC from mid 1997 in advising the company including determining the capital structure and raising a large portion of its most recent equity financing. The chairman of Buttonwood, Frederick Ulrich, and myself are also directors of OEC.

Buttonwood is a Los Angeles-based merchant banking firm whose principal activities are sponsoring management buy-outs and raising capital for certain promising start-up ventures. Since 1988, we have sponsored ten core transactions including OEC. Companies represented and which we have been members of the board of directors include Pinnacle Automation, Inc. (a leading material handling company), Data Documents, Inc. (a business forms manufacturer), Holophane Corporation (an industrial lighting company), Ames Company, Inc. (a valve manufacturer), FreshPoint, Inc. (a food distributor), and Government Property Investors, Inc. (a start-up real estate investment trust, or REIT).

In addition to these initial transactions, we have been involved in over fifty follow-on transactions for these companies including acquisitions, divestitures,

Senate Commerce Committee

Date: 3-22-99

Attachment # 3-1 thru 3-4

refinancings, recapitalizations, and IPOs. In total, Buttonwood has been involved in raising acquisition, start-up and follow-on financing for these companies in excess of \$1.5 billion.

In May 1998, with OEC, Buttonwood structured and led the offering for a round of \$12 million of venture equity for the company, following upon the \$4.4 million of seed equity capital that had already been raised by the company. Leading up to the offering, Buttonwood conducted 11 months of due diligence on the company, its management and business plan, including historical reviews, meetings with numerous project participants, and, of course, the feasibility of the project. Our work was particularly detailed in this case, because we knew that the business plan would have to extend beyond the anticipated venture equity offering and encompass much of the planned remaining project financing.

Concurrent with the offering, we interviewed and introduced in a competitive manner a number of investment banks to the company for the purpose of leading the effort to raise the remaining financing for the company. In cooperation with the company's management, we ultimately chose Salomon Smith Barney to head this effort given that firm's number one position in public/private sector project financing.

The company's equity investors represent three basic groups:

1. Corporations which have had or are expected to have a business interest in the development of the project;
2. Individual financial investors, who in general are business professionals, and are by necessity accredited investors; and
3. Families, friends and employees of the company.

Corporate investors include, among others:

- a national marketing firm and designer of animatronic displays,
- a prominent theme park design firm,
- a national architectural firm,
- a large regionally-based construction firm,
- an international construction firm,
- an international engineering firm,
- a leading theme park project management firm, and
- a regionally-based insurance brokerage firm.

There are approximately 15 corporate investors in the company with equity commitments ranging between about \$50,000 to a multi-million dollar amount.

Buttonwood was responsible for bringing most of the individual financial investors to the company. Mr. Ulrich and/or myself know each of these individuals personally and have worked with about half of them in a business relationship.

There are about 45 of these individual accredited investors, which include:

- private equity and venture capitalists,
- investment bankers,
- CEOs and senior executives of companies,
- professionals including attorneys, consultants and business managers, and
- business founders (or retired business owners) and entrepreneurs, including those in real estate development and the entertainment industry.

These individuals invested between \$25,000 and \$300,000 each. Mr. Ulrich and I, for example, invested a total of \$500,000 in the company.

In summary, we believe that we have a very strong investor group represented by high quality corporations and individual investors. These investors are enthusiastic and supportive of the company and its management team. We look forward to propelling the company to groundbreaking, so that all may enjoy the dream and vision of the Wonderful World of OZ. Thank you.

RESOLUTION NO. 544**A RESOLUTION OF SUPPORT FOR THE JOHNSON COUNTY COMPREHENSIVE PLAN FOR SUNFLOWER ARMY AMMUNITION PLANT PROPERTY AND THE WONDERFUL WORLD OF OZ THEME PARK**

WHEREAS, the Federal Government via the United States Army has placed the Sunflower Army Ammunition Plant on "excess" and is in the process of disposing the property; and

WHEREAS, the Board of County Commissioners of Johnson County through their Planning and Development staff developed conducted public and informational hearings and adopted a Comprehensive Land Use Plan for the Sunflower Plant located in unincorporated Johnson County; and

WHEREAS, the Wonderful World of Oz, an Oz Entertainment Company, through its President, Mr. Skip Palmer, has proposed, planned and announced potentially using a portion of the Sunflower property for the location and development of a multi-use theme park entitled, the "Wonderful World of Oz"; and

WHEREAS, the City of DeSoto's current corporate boundary abuts the Sunflower property and proposed Oz park and the City has proposed an annexation of other land abutting said Sunflower Property; and

WHEREAS, the City has entered into a lease with Alliant Techsystems, Property Manager of the Sunflower property for lease and operation of its water treatment and sewer facilities located on the property and is currently serving all the existing tenants of the Plant and is hopeful of acquiring the water treatment facility and water rights from the General Services Administration for the benefit of the City of DeSoto, including providing water services to all development within the Sunflower Plant, including the Oz Park; and

WHEREAS, the City has reviewed the Comprehensive Plan for the future growth and development of the Sunflower Plant by Johnson County, Kansas, reviewed and studied the proposal by Mr. Palmer for the Wonderful World of Oz, and is extremely concerned that the Sunflower Plant be properly utilized for the future with anticipation that the City of DeSoto will be the governing jurisdiction over the Sunflower Plant at some date in the future.

Senate Commerce Committee

Date 3-22-99

Attachment # 4-1 thru 4-2

NOW, THEREFORE, BE IT RESOLVED BY GOVERNING BODY OF THE CITY OF DESOTO:

SECTION 1: That the City supports, approves and endorses the Comprehensive Land Use Plan prepared and adopted by the Board of County Commissioners of Johnson County, Kansas as a guide for the future growth and development of the Sunflower Plant property.

SECTION 2: The City strongly endorses and supports the proposed Wonderful World of Oz theme park on the Sunflower property as a tremendous asset to the State of Kansas, Johnson County, and the DeSoto community.

SECTION 3: The City recognizes that without the proposed Oz theme park and the remediation proposed as part of that development, the development and remediation of the Sunflower Plant could take decades to adequately reclaim for future development.

SECTION 4: The City, therefore encourages the federal government, the United States Army, General Services Administration, Alliant Techsystems, the State of Kansas and Johnson County, Kansas to cooperate in the swift processing of all necessary plans, permits and agreements to permit the development of the Oz theme park.

ADOPTED by the City Council and APPROVED by the Mayor on this 23 day of July, 1998.

CITY OF DESOTO

(688)

Steve A. Prudden
STEVE A. PRUDDEN
Mayor

ATTEST:

Lana R. McPherson
Lana R. McPherson
City Clerk

APPROVED AS TO FORM:

Michael P. Howe
MICHAEL P. HOWE
City Attorney

The Economic Impact of The Wonderful World of Oz Theme Park and The Emerald Resort Hotel

EXECUTIVE SUMMARY

**Prepared for Johnson County, Kansas, updating a report
previously prepared for Kansas City, Kansas**

**Mid-America Regional Council
300 Rivergate Center 600 Broadway
Kansas City, Missouri 64105
816/474-4240**

April 1998

Senate Commerce Committee

Date: *3-22-99*

Attachment # *5-1 thru 5-9*

Introduction

OZ Entertainment, Inc. has proposed building The Wonderful World Of OZ Theme Park and Emerald Resort hotel in either western Wyandotte County adjacent to the NASCAR race track or in western Johnson County at the former Sunflower Army Ammunition Plant. The project is valued at \$585 million, which would be a significant investment in the recreation industry for metropolitan Kansas City.

The feasibility of this project depends on attendance, and attendance depends primarily on two factors: 1) overall tourism market size, and 2) the quality of the theme park and resort. The project quality determines both the proportion of the existing market the theme park can attract and the number of new tourists the theme park and hotel can induce to visit metropolitan Kansas City. In recognition of this fact, the guiding design criteria of the project is that the quality be equal to the Disney theme parks.

To estimate the feasibility of the project, OZ Resorts and Entertainment, Inc. hired several consultants. The first feasibility studies were completed by 1992, when the park was first proposed. Landmark Entertainment Group prepared the theme park master plan. Based on the proposed concept, the Harrison Price Company prepared the initial theme park feasibility analysis. The initial theme park cost estimate was performed by David Holtz. Ellerbe Becket provided the theme park architectural design as well as the land use planning. Management Resources designed the theme park marketing and theme park operations. The hotel concept and operations analysis was prepared by Destination Properties, Inc. Hospitality Valuation Services prepared the hotel economic feasibility analysis. Hotel cost estimating was prepared by the J.E. Dunn company.

Since 1992, several of the studies have been revised. The attendance projections were reviewed and modified by Economics Research in 1995. Management Resources also prepared an independent estimate of theme park attendance in 1995. The Harrison Price Company updated its attendance estimates in 1995 and again in 1996. An improved financial model for the theme park and hotel was prepared by Bannon and Co., Inc in 1994. OZ Entertainment's final estimates of attendance and revenue combined and extended the projections of the various consultants. These were prepared in 1997 and provided to MARC in February/March 1998. All of the studies have projected attendance to be in the range of 2.5 to 3.2 million annually.

The estimates of economic impact contained in this report mark the third revision of figures generated by MARC. The 1992 feasibility studies were used to generate a draft report to Kansas City, Kansas, in February 1993. This report was not finalized, however.

In 1995, at the request of OZ Entertainment, data from the Bannon financial model was employed to do a detailed impact analysis, but no report was requested or published at the time.

This report publishes the results of the detailed 1995 impact analysis, then modifies the results to account for the latest projections of project construction cost, gross revenue and attendance by OZ Entertainment.

MARC has significant expertise conducting economic impact analyses. Previous studies have estimated the economic impact of the Kansas City Chiefs and Kansas City Royals, metropolitan Kansas City's arts and amenities, World Cup Soccer, expanding Bartle Hall and building a convention hotel, constructing and operating a new aircraft assembly plant and expanding the Kansas City Zoo.

However, MARC does not have sufficient information to evaluate the accuracy of the cost and feasibility studies. Also, MARC did not analyze what impact the Wonderful World of OZ Theme Park would have on specific alternative attractions such as Worlds of Fun.

This study was prepared with care using generally accepted procedures. It is intended to help local and state governments measure their response to the project proposal and plan for the expected economic impact. However, this analysis only assesses aggregate economic impacts on employment, income and gross regional product. It does not provide a detailed analysis of the project's expected impact on tax revenue, infrastructure demands, or public service needs.

As with all studies of this type, the estimated economic impact is essentially a forecast highly dependent upon the study assumptions. Though every attempt was made to make the assumptions conservatively, the future is inherently unpredictable. It is likely that some assumptions will not hold and unexpected events will occur. Therefore, actual results may vary from those estimated here.

The Economic Impact Estimates

Basic Methodology

The 1992 market feasibility studies provided the basic information needed to estimate economic impact. This information includes: construction cost and timing, expected total theme park revenue, expected theme park attendance from inside and outside the metropolitan area and the value of proposed development incentives. The information from the feasibility studies was captured in the Bannock financial model, which served as the primary input into the 1995 detailed economic impact analysis.

The economic impact of the Wonderful World of OZ project was analyzed using MARC's regional economic model, which was developed by Regional Economic Models, Inc. (The REMI model is described in more detail below.) To calculate benefits, the REMI model is run twice. First, a baseline forecast is created, which represents the likely state of the Kansas City area economy without the infusion of economic activity caused by opening a new theme park and hotel. Then the data describing the level of economic activity expected to be generated by the project is input into the model, which is then rerun to simulate the project's impact on the local economy. The difference between the simulation and the baseline forecast represents the economic benefit attributable to the Wonderful World of OZ theme park and Emerald Resort hotel.

The goal of an economic impact study is to calculate net, rather than gross, benefits. Therefore, great care is taken to avoid attributing to the project economic benefits actually generated elsewhere in the economy. For instance, the income spent by local patrons at the theme park would still be available to the metropolitan economy even if the theme park didn't exist. That income was earned at other local businesses and is not dependent upon the theme park. The economic impact of local patron expenditures cannot, then, be attributed to the theme park. Only the increment in economic activity that is somehow new to the metropolitan area is counted in the estimates of the project's net economic impact.

Additionally, the impact of any locally borne costs of acquiring the theme park and hotel are subtracted before reporting its net economic benefits. This is because development incentives offered by local governments, such as tax increment financing (TIF), diminish the project's economic impact compared to a similar project acquired without forgoing some portion of future taxes.

For example, if the project were completely privately financed, the entire amount of tax revenue generated by the project would be available for government spending on roads, police, schools, and so on. While diverting future tax revenue to pay for the project may make the project possible, it still must be distinguished from the case where the developer pays for everything without public involvement. To capture this distinction, the cost to the region of any incentives is subtracted from the estimates of the project's economic benefit.

Net economic benefits to metropolitan Kansas City are measured by the amount of jobs, gross regional product (GRP) and income the region enjoys over and above what it otherwise would have been likely to attain. The use of GRP, rather than output as in most economic impact analyses, provides a conservative measure of the dollar value of the project. GRP only counts the increase in value added by area businesses and workers as a result of the project. Output, on the other hand, is essentially equivalent to sales and so includes the full value of purchases from outside the region in addition to the value added locally.

Metropolitan Kansas City is defined as an 11-county area including Johnson, Leavenworth, Miami and Wyandotte Counties in Kansas and Cass, Clay, Clinton, Jackson, Lafayette and Ray Counties in Missouri. The REMI model provides impact estimates for the Kansas and Missouri sides of the region separately as well as combined into a metropolitan area total.

Six Steps to Estimating Economic Impact

In order to carefully estimate economic impacts, the REMI model is run in a step-by-step fashion. At each step, appropriate policy variables are stimulated by the amount that direct spending is expected to increase. The REMI model estimates how the direct spending influences other sectors, enabling the model to simulate the impact of construction, operation, and tourist spending associated with the OZ project. To develop an estimate of *net* impact, the effects of diverting local spending from activities that exist today to the theme park and hotel are also taken into account. Adding together the impacts from each step yields the estimate of total economic impact.

The six steps used to simulate the construction and operation of the OZ project are briefly described below:

Step 1: Estimate the Construction Impact

Construction provides an immediate stimulus to the economy, but its effects are temporary. Moreover, a quality economic impact study assesses both where the money for construction came from and where it flows to. Construction financed out of local taxes, for example, simply transfers money from one local sector to another with minimal net benefit. Construction expenditures on materials such as glass, steel and lumber may not provide much local benefit if local producers are not used or don't exist. Fortunately, a good regional economic model such as REMI estimates the demand satisfied locally.

Because we are ultimately interested in the annual average impact over the entire period of construction and operation, average impact during the construction period must be translated into averages over the entire 13-year project period (by letting the construction impact in succeeding years be zero) in order to be correctly added to the succeeding steps.

Step 2: Add the Impact of Operating the Theme Park and Hotel

Once construction is complete and the project opens, the long-term impact begins to unfold. The REMI model translates overall project output (which is derived from project revenue) into demand for both labor and goods and services purchased from local businesses. Wages paid to labor create additional economic impact

Step 3: Subtract the Impact of Spending by Local Residents

Money spent attending the theme park and hotel by local residents cannot be considered new dollars to the region. Rather, these are dollars that used to be spent elsewhere in the local economy that are now spent at the OZ project. To accurately estimate the economic impact of the OZ project, these dollars from local residents must be subtracted from the figures above.

Step 4: Add the Impact of Tourism

Besides adding to attendance, visitors from outside the metropolitan area also spend on food, car rental, lodging, clothing and other items needed to live in metropolitan Kansas City for the duration of their stay. Such tourism spending adds significantly to the project's impact.

Step 5: Subtract Tourist Demand Already Counted in Theme Park Operations

When the REMI model adds in tourism expenditures, it includes its own estimate of purchases of food, clothing, film, toys and amusements that have already been included in the estimates of theme park revenue in Step 2 above. Therefore, these purchases must be subtracted from the sum of the economic impacts derived thus far.

Step 6: Subtract the Public Cost of Financing the Project

The primary method of public support sought by the developer is the ability to issue bonds to be paid off using future sales tax receipts generated by the project. The state of Kansas passed legislation authorizing such sales tax revenue bonds if the OZ project is built in the state.

From an economic development point of view, paying off bonds out of future sales tax receipts may not appear to be a cost at all. After all, this is revenue the state of Kansas and Kansas local governments would never have had without the project.

However, from an economic modeling point of view, diverting future sales tax receipts to pay for project construction is a cost that must be taken into account. This is because all the steps up to now have assumed the money to finance the project came entirely from outside the region and that future sales (and all other) taxes would be spent on the normal services that state and local governments provide. Diverting the money to pay for construction of the OZ project means the REMI model must be told not to spend as much as it would have otherwise on those services on the Kansas side of the region.

Results

The original economic impact estimates were prepared in 1995. At that time, construction was expected to begin in 1995 and the theme park and hotel were expected to open in 1998. Theme park and hotel operations data provided to MARC extended to 2007. Consequently, MARC prepared estimates of the annual average economic impact over the entire 13-year period, 1995-2007.

In early 1998, the developer provided to MARC revised estimates of the project direct expenditures. Because the REMI model behaves fairly linearly – i.e., an expenditure of \$100 million has approximately the ten times the impact of a \$10 million expenditure – MARC chose not to rerun the REMI model in light of the new data. Instead, MARC factored up or down each of the six steps described above based on the changes in direct project expenditures provided. (Those desiring to understand how each adjustment factor was derived should consult the full report).

Construction is now expected to begin in late 1998 with the theme park and hotel opening in 2001. To be consistent, MARC's estimates of economic impact continue to be annual averages over 13-year period, which now extends to 2010.

Overall, MARC estimates the Wonderful World of OZ theme park and Emerald Resort Hotel will add 7,500 jobs, \$237 million in gross regional product, and \$202 million in income to metropolitan Kansas City's economy. This is roughly equivalent to the combined impact of the Kansas City Royals and Kansas City Chiefs. The original 1995 economic impact estimates and their adjustment in light of updated information in 1998 are summarized in Table 1.

TABLE 1

Economic Impact of the OZ Project on Metropolitan Kansas City
(annual averages in millions of 1998 dollars)

1995 Economic Impact Estimates

Step 1: Impact of Construction During Construction Period, 1995-1998

Region	Jobs	GRP	Income	After-tax Income
Kansas	1,303	\$79.9	\$43.4	\$36.5
Missouri	260	\$15.8	\$8.7	\$7.4
Metro	1,563	\$95.7	\$52.1	\$43.9

Step 1a: Impact of Construction During Project Period, 1995-2007

Region	Jobs	GRP	Income	After-tax Income
Kansas	401	\$24.6	\$13.4	\$11.2
Missouri	80	\$4.9	\$2.7	\$2.3
Metro	481	\$29.4	\$16.0	\$13.5

Step 2: Add Impact of Revenue from Park & Hotel Operations, 1995-2007

Region	Jobs	GRP	Income	After-tax Income
Kansas	5,656	\$153.8	\$136.5	\$115.5
Missouri	440	\$27.4	\$16.3	\$13.9
Metro	6,096	\$181.1	\$152.8	\$129.4

Step 3: Subtract Impact of Expenditures by Local Residents 1995-2007

Region	Jobs	GRP	Income	After-tax Income
Kansas	-372	-\$10.6	-\$8.3	-\$7.0
Missouri	-98	-\$4.0	-\$2.8	-\$2.4
Metro	-470	-\$14.7	-\$11.2	-\$9.4

Step 4: Add Impact of Tourism, 1995-2007

Region	Jobs	GRP	Income	After-tax Income
Kansas	742	\$24.9	\$24.9	\$21.1
Missouri	1,740	\$57.3	\$50.9	\$43.3
Metro	2,481	\$82.2	\$75.9	\$64.4

Step 5: Subtract Impact of Tourist Expenditures Already Counted
In Theme Park Operations, 1995-2007

Region	Jobs	GRP	Income	After-tax Income
Kansas	-165	-\$5.7	-\$4.7	-\$4.0
Missouri	-346	-\$11.7	-\$8.4	-\$7.2
Metro	-511	-\$17.4	-\$13.1	-\$11.2

Step 6: Subtract Impact of Public Cost to Finance Project, 1995-2007

Region	Jobs	GRP	Income	After-tax Income
Kansas	-298	-\$15.4	-\$10.5	-\$8.9
Missouri	-31	-\$2.0	-\$1.1	-\$1.0
Metro	-329	-\$17.4	-\$11.6	-\$9.9

Result: Total Average Annual Economic Impact, 1995-2007

Region	Jobs	GRP	Income	After-tax Income
Kansas	5,963	\$171.5	\$151.3	\$128.0
Missouri	1,785	\$71.8	\$57.5	\$48.9
Metro	7,748	\$243.2	\$208.8	\$176.9

1998 Adjusted Economic Impact Estimates

Impact of Construction During Construction Period, 1998-2001

Adjustment Factor: 1.4101

Region	Jobs	GRP	Income	After-tax Income
Kansas	1,837	\$112.7	\$61.2	\$51.5
Missouri	366	\$22.3	\$12.2	\$10.4
Metro	2,204	\$134.9	\$73.4	\$61.9

Impact of Construction During Project Period, 1998-2010

Adjustment Factor: 1.4101

Region	Jobs	GRP	Income	After-tax Income
Kansas	565	\$34.7	\$18.8	\$15.8
Missouri	113	\$6.8	\$3.8	\$3.2
Metro	678	\$41.5	\$22.6	\$19.0

Add Impact of Revenue from Park & Hotel Operations, 1998-2010

Adjustment Factor: 0.9936

Region	Jobs	GRP	Income	After-tax Income
Kansas	5,619	\$152.8	\$135.7	\$114.8
Missouri	437	\$27.2	\$16.2	\$13.8
Metro	6,057	\$180.0	\$151.8	\$128.6

Subtract Impact of Expenditures by Local Residents 1998-2010

Adjustment Factor: 1.7038

Region	Jobs	GRP	Income	After-tax Income
Kansas	-634	-\$18.1	-\$14.2	-\$12.0
Missouri	-167	-\$6.9	-\$4.8	-\$4.1
Metro	-801	-\$25.0	-\$19.0	-\$16.1

Add Impact of Tourism, 1998-2010

Adjustment Factor: 1.0074

Region	Jobs	GRP	Income	After-tax Income
Kansas	747	\$25.1	\$25.1	\$21.3
Missouri	1,753	\$57.7	\$51.3	\$43.6
Metro	2,500	\$82.8	\$76.4	\$64.9

Subtract Impact of Tourist Expenditures Already Counted
In Theme Park Operations, 1998-2010

Adjustment Factor: 1.0074

Region	Jobs	GRP	Income	After-tax Income
Kansas	-167	-\$5.7	-\$4.7	-\$4.0
Missouri	-348	-\$11.8	-\$8.5	-\$7.2
Metro	-515	-\$17.6	-\$13.2	-\$11.2

Subtract Impact of Public Cost to Finance Project, 1995-2007

Adjustment Factor: 1.4101

Region	Jobs	GRP	Income	After-tax Income
Kansas	-420	-\$21.8	-\$14.7	-\$12.5
Missouri	-44	-\$2.8	-\$1.6	-\$1.4
Metro	-464	-\$24.6	-\$16.3	-\$13.9

Total Average Annual Economic Impact, 1998-2010

Region	Jobs	GRP	Income	After-tax Income
Kansas	5,711	\$166.9	\$145.9	\$123.4
Missouri	1,743	\$70.2	\$56.3	\$47.9
Metro	7,455	\$237.1	\$202.3	\$171.3

Source: MARC

Unmeasured Costs and Benefits

Not all costs and benefits are quantifiable, but that does not make them any less real. In addition, other costs and benefits, while theoretically quantifiable, require research beyond the scope of this report to meaningfully assign appropriate values. Nevertheless, these unmeasured costs and benefits need to be factored into any public policy decision or public officials risk being blindsided later by unintended consequences.

The following sections describe the major unmeasured costs and benefits noted by MARC.

Unmeasured Economic Benefits

The REMI model is adept at translating an increase in economic activity in one sector into metropolitan-wide impacts, *given the current structure of the economy*. That is, the estimates above do not allow for any significant change in the region's industries or their purchasing patterns.

If the project is built as proposed, it will draw heavily on state-of-the art electronics and computer animation and visualization in order to create the illusion of OZ in Kansas. The use of such technology make it possible to change a patron's experience of the theme park each time he or she visits, increasing the opportunity for repeat business. If the theme park is as successful as the feasibility studies indicate, it will create a sustained demand for this new technology.

The REMI model currently assumes most of this new technology will be imported to the regional economy. However, economic development efforts and entrepreneurial acumen can result in a greater proportion of the technology being produced locally. In REMI terms, the regional purchase coefficient for high-tech products and services can be increased over time. If it is and these kinds of technologies are purchased locally, they improve metropolitan Kansas City's ability to compete for the rapidly growing global demand for advanced technology. Such spin-offs would add even further to the region's growth potential.

The addition of a world-class theme park will also likely improve the region's convention business, though the degree to which this would occur is uncertain. The synergistic impact between the theme park and conventions is also not included in the economic impact estimates above.

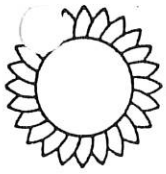
Unmeasured Economic Costs

If the Sunflower site is chosen, significant expenditures will need to be made to clean up any environmental damage and remove any remaining safety hazards from its years as a military munitions manufacturing site. These remediation efforts will need to be made in any event, however, and should not be charged as a cost to the project. Rather, they belong properly to an evaluation of the net benefits of the munitions manufacturing activities.

Aside from public costs incurred to help finance the project directly, off-site costs created by the project have not been deducted from the net benefit calculations. These might include lane additions, interchanges, additional sewer and water capacity and increases in public expenditures on schools, police and fire to accommodate an increased level of economic activity. Such expenditures can be significant.

In an expanding economy, many of these expenditures would occur anyway. The project can be expected to influence the timing and location of public investments, however. This can be a cost or a benefit, depending on the degree to which such changes are consistent with existing plans and investments. At any rate, the impact of altered public investment strategies has not been included in the estimates of net benefit above.

Finally, the project will require many low-wage workers in a suburban, or even ex-urban, location. Most suburban areas are experiencing shortages of low-wage workers already. The theme park will likely exacerbate this problem, although its proposed proximity to the University of Kansas (along either I-70 or K-10) and having a peak season (summer) when school is out will partially compensate for the increased labor demand.



MARCH 22, 1999
SENATE COMMERCE COMMITTEE
TESTIMONY IN SUPPORT OF HB 2166

PROVIDED BY DANA FENTON
INTERGOVERNMENTAL RELATIONS COORDINATOR FOR JOHNSON COUNTY

Madame Chair, members of the Committee, thank you for the opportunity to testify this morning. My name is Dana Fenton, Intergovernmental Relations Coordinator for the Johnson County Board of Commissioners.

I am here today to testify in support of HB 2166. This bill would accomplish several objectives including:

- Extend the maximum term of STAR bonds associated with projects of statewide as well as local importance from 20 to 30 years and raise the state sales and compensating use tax within a redevelopment district established pursuant to this act to 6.9%;
- Honor the agreement reached last year, as embodied in SB 675, to protect the three dedicated sales tax revenue sources of Johnson County;
- Honor the second agreement reached last year to remediate and redevelop the entire site; and,
- Ensure that the redevelopment district is located outside the limits of any city at the time of establishment.

Regarding the twin issue of whether to extend the maximum term of STAR bonds and to raise the sales tax rate within the redevelopment district, the Board was presented the results of a detailed financial study undertaken by Salomon Smith-Barney. In this presentation Salomon Smith-Barney provided information that 30-year STAR bonds would provide a reasonable financing cushion to assure investors that the proposed project could be financed despite moderate market fluctuations. With 20-year STAR bonds, there would be no financing cushion.

Salomon Smith-Barney also showed that higher sales and compensating use tax for the redevelopment district may be needed to service the STAR bond debt. This bill would raise the state sales and compensating use tax to 6.9%. When combined with the four (4) current Countywide sales taxes and an additional one-half of one percent sales tax to be levied only within the redevelopment district, the combined sales and compensating use tax rate within the district would be 8.375%.

The legislation proposed by OZ Entertainment Company would honor the agreement reached last year to protect the County's three dedicated sources of sales tax revenue. These are (1) a one-quarter of one percent Public Safety Sales Tax; (2) a one-tenth of one percent Stormwater Management Sales Tax; and (3) a one-eighth of one percent Bi-State Cultural Sales Tax to fund the renovation of Union Station in Kansas City, Missouri. These sales and compensating use tax revenues collected within the redevelopment district would still be dedicated for the purposes promised to the public. None of these sales and compensating use tax revenues would be used to pay off the STAR bonds.

Senate Commerce Committee

The bill would also honor the agreement providing for the remediation and redevelopment of the entire Sunflower site. This is of particular importance to the Board, as they do not want the site to be sold off piecemeal. If the site were to be sold piecemeal, the cleanest parts of the site would be bought up while the contaminated sites would remain in the hands of the Federal Government.

Finally, the bill was amended by the House Committee of the Whole to require that the redevelopment district be located outside the limits of any city at the time of establishment. This amendment was introduced at the Board's request. The Board would exercise planning and zoning authority in the event the site is transferred to a private corporation. The planning and zoning role exercised over this area is a responsibility that the Board takes very seriously and will continue to do so in the future. In fact, the Board found that the Redevelopment Plan for Sunflower offered by the OZ Development Company was generally consistent and compatible with the comprehensive future land use plan of the County as it provided for the remediation of the entire site and proposed uses comparable with the County's vision.

Madame Chair and members of the Committee, if this legislation is enacted into law, the proposed project for the site will still be a proposed project. The OZ Entertainment Company and the Kansas Development Finance Authority (KDFFA) would still have to negotiate the transfer of land with the United States General Services Administration. The Remediation Plan would still have to be completed by the Federal Government prior to comment by Johnson County. A comprehensive Redevelopment Agreement still needs to be negotiated between KDFFA and the OZ Entertainment Company prior to comment by Johnson County. In summary, there are still numerous steps in the process yet to come. This legislation is only one step.

In summary, the Johnson County Board of Commissioners believes this bill provides a positive economic development tool for the comprehensive redevelopment of the former Sunflower Army Ammunition Plant. It also protects the State of Kansas and Johnson County in that in case of failure, the STAR bonds would not become a liability of either the state or county.

After hearing the pros and cons of this bill, the Johnson County Board of Commissioners adopted a Position Statement on HB 2166. That Position Statement is attached to my testimony.

Madame Chair, thank you for this opportunity to testify. I will be glad to stand for questions at the appropriate time.

**JOHNSON COUNTY BOARD OF COMMISSIONERS
POSITION STATEMENT ON HB 2166**

Since the United States Army announced its intention to dispose of the Sunflower Army Ammunition Plant site, the Johnson County Board of Commissioners has been supportive of efforts to conduct the process of disposal in a comprehensive manner and to ensure the remediation and redevelopment of the entire site. The Board supported SB 675 in 1998 as it provided a framework for remediating and redeveloping the entire site.

The Board would exercise planning and zoning authority in the event the site is transferred to a private corporation. The planning and zoning role exercised over this area is a responsibility that the Board takes very seriously and will continue to do so in the future. At its February 4, 1999, meeting, the Board found that the redevelopment plan for Sunflower offered by the Oz Development Company was generally consistent and compatible with the comprehensive future land use plan of the County as it provided for the remediation of the entire site and proposed uses comparable with the County's vision. A finding of the Board was required by KSA 74-8922 (b), subsequent to the adoption of the redevelopment plan by the Kansas Development Finance Authority (KDFA). KDFA is the body empowered by State law to authorize creation of and financing of a redevelopment district proposed by a private developer.

The process of disposal was compounded by the introduction of HB 2166, which if enacted lengthens the maximum term of STAR bonds to 30 years and raises the highest possible sales tax rate within the redevelopment district to 8.375%. Salomon Smith-Barney has compiled, verified and presented detailed financial data to the Board, the state legislature and KDFA that 30-year STAR bonds and higher sales tax authority would strengthen the overall capital structure of a redevelopment project.

In summary, HB 2166 would provide an acceptable framework for the successful remediation and redevelopment of the entire site. The issues of whether 30-year or 20-year bonds are necessary should be considered in the context of what is required to remediate and redevelop contaminated land. Bonds are normally issued for 20 years for projects such as construction of public buildings. The remediation and redevelopment of 9,062 acres of contaminated land is a very unique situation. Several years will be needed to remediate and market contaminated parcels of land before construction of permanent structures commences. Since remediation is necessary and preparatory to redevelopment, 30-year STAR bonds are reasonable.

Therefore, the Johnson County Board of Commissioners finds:

1. That 30-year STAR bond authority is a viable option for KDFA to consider for the remediation and redevelopment of contaminated land;
2. That additional sales tax authority may be necessary to support 30-year STAR bonds;
3. That the Board urges the legislature to maintain K.S.A. 1998 Supp. 74-8902 (p, iii) in its current form requiring that a redevelopment district "...is to be located outside the city limits of any city"; and,
4. That the Board will continue to be supportive of efforts to dispose of the site in a comprehensive manner and ensure its complete remediation and redevelopment.

Senate Committee on Commerce
March 22, 1999
HB 2166

Richard A. Bendis
Kansas Technology Enterprise Corporation

I am here to support the Land of Oz park and what it could mean for the state of Kansas, particularly what it could mean to KTEC's mission of technology-based economic development. The impact of Oz would likely go well beyond the immediate construction jobs and the continuing service jobs which the park would create. Perhaps as significant might be the high-tech infrastructure which the park and its attractions would demand. I use the word "infrastructure" here in a broad sense meaning not only the physical high-speed communications network the park would require but as importantly the human infrastructure - the innovative and highly skilled engineers and programmers - which would be needed to design and continually re-design the park's information technologies.

We have to understand that the creative work in information technologies won't be over once the park has been designed and built. The state-of-the-art technologies built into the park in the year 2002 won't be state-of-the-art in 2005 or 2010. The park's technologies will have to be continuously recreated and refreshed, much like the video game industry today. Some of this work will undoubtedly be done outside of Kansas, but some will just as undoubtedly have to be done here. Oz is going to require a large support infrastructure around it and even the best electronic communications will never replace the advantages of being physically close at hand.

An added possibility is that the information technologies and highly skilled, creative talent needed to support Oz might also find entrepreneurial opportunities through related applications in the communications and entertainment industries, which are two of the fastest growing sectors of the U.S. economy.

Kansas ranks 2nd in the nation on a per capita basis in educating graduate degree scientists and engineers, yet ranks 38th in the nation on a per capita basis in employing Ph.D. scientists and engineers. What this means is that along with airplanes and agricultural products, a highly educated workforce is one of Kansas' greatest exports. The Oz Park and its surrounding support infrastructure could help in reversing this trend.

Our universities would also likely benefit as part of this support infrastructure through collaborative research projects with Oz. The Information and Telecommunications Technology Center (ITTC) - one of our Centers of Excellence on the KU campus - is already a valuable research partner with Sprint as well as smaller companies in Kansas. Many of their research strengths - such as high-speed networking, communications, and intelligent information systems - complement the high-tech needs of the park.

Senate Commerce Committee

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Attachment # 7-1 thru 7-2

Oz will demand a continuous replenishing of information technologies and recognizes that its main business is running a park not being a technology developer. So, part of its overall plan is to form a New Media Research Center on site which will feed state-of-the-art technologies into the park as well as create spin-off, high-tech business opportunities. In fact, KTEC and Black & Veatch have already started exploring with Oz how this research center might operate.

In sum, there are many ways that the Oz Park could help to strengthen the technology base of the Kansas economy. The bottom line is that Oz could be an engine - as well as a consumer - of advanced information technologies and a launchpad for technology development and employment in Kansas. From KTEC's perspective, the opportunities of Oz extend well beyond the park itself.