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April 11, 2008

Galen Beaufort, Esq.
City Attorney
City of Kansas City, Missouri
414 East 12th Street
Kansas City, MO 64106

Re: Festival District Legislation

Dear Galen:

I am writing to you to advise you that Kansas City Live, LLC ("Developer") has significant concerns relating to the actions of the City of Kansas City, Missouri ("City") relating to the so-called "Festival District" legislation initiated, endorsed, and/or directed by the City of Kansas City and its lobbyist. I am presenting these concerns to you now, before any further action is taken that will force the commencement of legal action, so that the City can act to avoid future litigation and liability.

I refer you to the Master Development Agreement dated as of April 27, 2004, by and between the City and Kansas City Live, LLC ("Developer"), as amended to date (as amended, the "MDA"). Terms used in this letter as defined terms and not defined herein shall have the meaning set forth in the MDA.

As you know, the MDA included, in Article IX, certain conditions precedent that were required to be satisfied before Developer was obligated to proceed with the Closing. Section 9.1(g) provides that one of the conditions to be satisfied was that Developer or its designee, or any tenant of the Urban Mixed-Use Project designated by Developer, would be entitled to obtain an arena type liquor license similar to the arena license utilized at Power Plant Live!, Baltimore, Maryland, or an Entertainment Destination Center License similar to the license issued for Fourth Street Live!, Louisville, Kentucky. To satisfy this condition, in the 2005 legislative session the City caused legislation to be introduced in the Missouri General Assembly, and spearheaded the effort to pass, the legislation that is codified as Section 311.086 of Missouri Revised Statutes (the "Entertainment District Liquor License").

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The Entertainment District Liquor License legislation that was adopted in 2005, and that remains in place today, is, like the Entertainment Destination Center License utilized at Fourth Street Live! in Louisville, effectively limited in scope only to projects located in the downtown of Louisville, and projects located outside of the downtown area cannot take advantage of this license.

Based in part upon the satisfaction of the condition precedent set forth in Section 9.1(k) of the MDA, as well as acts taken by the City to satisfy other conditions precedent, in July 2006 Developer proceeded to close upon the purchase of the property covered by the MDA and to commence development and construction of the Urban Mixed-Use Project. Developer, its tenants, and its lenders relied upon the aforesaid and have spent tens of millions pursuant thereto.

Since the Closing, actions have been taken by the City in regard to the above that will result in substantial liability to the City. These actions by the City will result in significant damage to Developer and the value of the Urban Mixed-Use Project, and unless City proceeds to change its course of conduct, its actions will give rise to substantial legal liability of City. Developer feels compelled to advise City of these concerns to avoid the necessity of future litigation and in hopes of a quick, amicable resolution of the matter.

In late 2007, the City endorsed, as part of its legislative agenda (which, as you know, identifies legislation to be supported by the City for adoption in the Missouri General Assembly), a statutory change that would eliminate the special benefits created by the Entertainment District Liquor License. Instead, the proposed legislation allows the creation of so-called "festival districts" throughout the entire City of Kansas City, Missouri; the impact of this "festival district" legislation is to allow any group of tavern owners to close a street and receive the same benefits that Developer receives under the Entertainment District Liquor License, without requiring the investment into the development of a private common area similar to the investment made by Developer. Although City staff were fully aware of the interests of Developer in the preservation of the special benefits created by the Entertainment District Liquor License, no notice was ever given to Developer or its representatives of the proposed change in the City's legislative position, nor were the Developer or its representatives offered any opportunity to communicate to City Council with respect to the proposed unilateral withdrawal of the Developer's negotiated rights.

A few weeks ago, a second bill was introduced in the Legislature that, in addition to the above, significantly, and detrimentally, eliminates the rights granted to Developer under its Entertainment District Liquor License. Representatives of The Cordish Company have been advised by City officials and representatives of the City that the bill gutting Power & Light District's existing Festival License will "go away" if Power & Light District will voluntarily go along with the City initiated legislation to extend the Festival License statewide.

The City's course of conduct with respect to the adoption of the Entertainment District Liquor License statute is very disturbing to Developer, and that course of conduct will form the basis for significant claims against the City. Prior to Closing, both during the course of and following the adoption of the Entertainment District Liquor License, the City affirmatively fought to preserve the Entertainment District Liquor License as a license that would be available only in the downtown area, and more specifically within an area which is designated as a redevelopment area under the Missouri Downtown and Rural Economic Stimulus Act. In both 2005 and 2006, the City caused its representatives to testify in opposition to efforts to broaden the Entertainment District Liquor License statute to make it available to other areas of the City; included in this opposition were statements, made on multiple occasions, that the City did not want this license to be available City-wide (specifically including Westport) and that it wanted the Entertainment District Liquor License to be available only within the Urban Mixed-Use Project. Further, the City has acknowledged in hearings in Jefferson City that it did agree with Developer that the Entertainment District Liquor License would be made available only within the downtown area, not including Westport or other venues. **Most importantly, the City, prior to this year, has acknowledged publicly and privately, and fought for, the proposition that the City had committed to Power & Light District that its Festival License would be exclusive.** I can state personally that the commitment to exclusivity was made by City representatives on multiple occasions, and our client acted in reliance on this commitment.

In reliance upon the City's support for the preservation of the Entertainment District Liquor License as a special benefit for the Urban Mixed-Use Project, as demonstrated by its repeated opposition to the efforts in the Missouri General Assembly to broaden the Entertainment District Liquor License statute to make it available to other areas of the City, and in further reliance upon the specific form of the Entertainment District Liquor License and the rights it granted, in July 2006 Developer completed the Closing of the property purchase and proceeded to develop and construct the Urban Mixed-Use Project, including the development of a private common area in which the Entertainment District Liquor License is applicable.

Following the Closing and the commencement of the development and construction of the Urban Mixed-Use Project, City has now proceeded to reverse its position and is acting to support the creation of so-called "festival districts" throughout the City. In addition, City is participating in efforts to take away rights granted by the Entertainment District Liquor License statute. Developer has been advised that these proposed statutory revisions would have no likelihood of passage except for the City's endorsement, including testimony by City representatives that the festival district legislation is the top legislative priority of the City.

The facts described above are actionable and will subject the City to liability for fraudulent inducement. In addition, these same facts demonstrate a lack of good faith and fair dealing under the MDA, and Developer is certain that, with further

investigation, additional causes of action against City will be available to Developer based upon the facts described herein as well as others that may be discovered. On behalf of Developer, I am writing to demand that the City hereby cease all actions to deprive Developer of its negotiated-for rights as created by the Entertainment District Liquor License statute. This includes further support of the festival district legislation, as well as support of any attempt to modify or limit the provisions of the Entertainment District Liquor License statute.

The effort to permit festival districts in other areas of the City is actionable because of the manner in which the City induced Developer to proceed with Closing, and then has attempted to modify the form of liquor license that was specifically provided to satisfy the condition precedent under the MDA. Additionally, the broadening of the festival license to areas that were not specifically designed and built to accommodate the operational aspects of these types of licenses is bad public policy and creates added risks for Developer of the ultimate loss of the Entertainment District Liquor License. While the Entertainment District Liquor License area in the Urban Mixed-Use Project is located upon private property that is specifically designed to control access and to provide a secure area, the areas in other parts of the City to which the festival license will be expanded (a temporarily closed street) will undoubtedly be less secure and will be subject to access by underage and already intoxicated customers. Developer fully expects that these "half-baked" festival districts will be a constant source of negative publicity, with a good likelihood that a legislative decision will be made in the future to eliminate not just the poorly thought out festival districts but also to eliminate the Entertainment District Liquor License that is available in the Urban Mixed-Use Project. The passage of the legislation creating festival districts is bad public policy that our client believes is motivated solely by individual political contributions to individual Council persons.

Please note that the specification of certain claims, causes of action or theories of recovery are not intended, and shall not be deemed to be, a limitation upon any other claims, causes of action or theories of recovery that exist, or may exist, as of the date of this letter. We intend to vigorously pursue all appropriate legal action on behalf of our client, its tenants and its lenders.

Very truly yours,

STINSON MORRISON HECKER LLP

David Frantze

David W. Frantze

DWF:jb

cc: Stephen Sparks, Esq.
Charles Jacobs, Esq.

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