

Amusement Central A Case Study

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AMUSEMENT CENTRAL Case Study

ABSTRACT

The use of a case study is an invaluable method of integrating and applying the knowledge and concepts learned in other College of Business courses including Economics, Accounting, Finance, Statistics and most importantly Risk Management and Insurance (RMI). The case study method is probably the most effective way to teach and assess students' understanding of enterprise risk management concepts. However, developing and writing a case study takes an inordinate amount of time for the faculty, and reusing previous cases may tempt students to plagiarize the work of their predecessors.

Amusement Central represents a case structured to guide students through the four categories of risk (strategic, operational, financial and hazard) faced by a company that owns and operates amusement parks. Emphasis is on hazard risk and the use of insurance as a risk treatment method; however, the focus could be shifted to financial management, human resources management, or international management. For undergraduates the case solutions should focus on identification of risk; graduate students should provide solutions that address risk control and alternative risk transfer solutions as well as organizational structure.

INTRODUCTION

The use of a case study is an invaluable method of integrating and applying the knowledge and concepts learned in other College of Business courses including Economics, Accounting, Finance, Statistics and most importantly Risk Management and Insurance (RMI). The case study method is probably the most effective way to teach and assess students' understanding of enterprise risk management concepts. However, developing and writing a case study takes an inordinate amount of time for the faculty, and reusing previous cases may tempt students to plagiarize the work of their predecessors.

The following case was used in the RMI capstone course at Appalachian State University during the spring semester of 2012. App State offers a major in RMI and the

capstone course is designed to incorporate elements of the major courses as well as fundamentals taught in other College of Business courses. The capstone course covers the management of enterprise risk and insurance. While the case was designed specifically for an RMI course, it can easily be adapted for finance, human resources, or international management courses.

The case is entirely hypothetical; however, it is based on a variety of actual amusement parks and actual geographical locations are important for the case analysis. Financial statements, loss data and other supporting statistics are entirely fictitious and may be exaggerated to demonstrate certain concepts.

TEACHING NOTES:

The case is structured to guide students through the four categories of risk (strategic, operational, financial and hazard) faced by a company that owns and operates amusement parks, Amusement Central. Emphasis is on hazard risk and the use of insurance as a risk treatment method; however, the focus could be shifted to financial management, human resources management, or international management. For undergraduates the case solutions should focus on identification of risk; graduate students should provide solutions that address risk control and alternative risk transfer solutions as well as organizational structure.

The Amusement Central case includes Excel files that are available from the authors. Students are expected to work through the Excel workbooks. The Risk Map Workbook

provides a structure for students to identify exposures, organize them in terms of relative frequency and severity, and depict them graphically on a risk map. The Claims Workbook requires students to evaluate potential problems with frequency and severity in workers' compensation losses and suggest loss control steps. The Loss Forecasting Workbook is designed to help students forecast future expected Workers Compensation losses. The Financial Statements Workbook requires students to conduct an analysis of the financial health of Amusement Central. The Property Workbook provides schedules of property owned or used by Amusement Central and requires students to properly categorize various types of insurable property, the appropriate values to be considered, and identify insurance policies that would provide coverage (if insurable). The Insurance Program Worksheet provides a current insurance program for the company and requires students to suggest changes and recommend a new program in terms of coverages, endorsements, limits and hypothetical insurers (based on information provided).

For graduate students the case may be used as the source of instruction under the case method. The case should be used as a supplement to traditional undergraduate class lectures. Students can work on the case individually or in groups of 3 to 5. An exceptionally beneficial use of the case is for students to present their case analyses to a panel of industry professionals. The panel should then present their reactions and evaluations of the solutions at the conclusion of the presentations. This practice not only helps students understand the perspective of professionals, but also builds ties with industry which can lead to scholarship and internship support. Students should

understand that career opportunities could even result from the presentation of case solutions.

Amusement Central (AC) is a family based company structured as a Limited Liability Company (LLC). Students should note the importance of corporate forms and the impact on financial, governance and legal liability and insurance coverage issues.

The home office is based in the United States, but the company has operations in Mexico and suppliers in Asia. Several issues are raised to encourage students to consider the international exposures of exchange rates, international trade, supply chains, regulation, foreign property, employment of foreigners, cultural and liability issues. Additional emphasis could be placed on the historical impact and effectiveness of trade agreements such as the North American Free Trade Agreement (NAFTA).

The organizational chart and the make-up of the Board of Directors are provided. Students should recognize that the reporting relationships are not ideal and suggestions are needed for a succession plan. The complications of a family owned enterprise can also be emphasized as well as the value of outside directors. Other situations are presented in the case that relate to family involvement in a work situation that need to be addressed in every organization such as the use of corporate vehicles by family members. Domestic disputes and other human resource issues could be easily interjected. AC's current employment practices and the need for an employee manual

could lead to discussions of virtually any human resource issue for family and non-family owned enterprises.

AC is highly leveraged and students should recognize the problems that they have in the areas of receivables and inventory management. Information for ratio analysis can be obtained from the authors. Additional emphasis for a finance intensive course could be placed by adding information for capital budgeting and cash budgeting problems. Risk management students should identify exposures that could cause a park shutdown and suggest a crisis management plan in the event of such a shutdown.

Numerous examples are provided for students to identify risk, suggest loss control options, determine whether the current insurance program provides coverage and suggest needed coverage changes. Students should also recognize that hazards can't be easily compartmentalized and that solutions in one area (cyber liability for example) may cause problems in other areas (customer service and profitability). Students should also consider the benefits (savings) versus the risk of using or not using vendors/wholesalers (importing Chinese seafood, for example).

The case refers to contracts AC has entered into and provides a sample lease agreement. Students should recognize that AC has accepted liability of others through these contracts; then discuss contractual liability and how risk can be transferred contractually. Additional emphasis could be placed on civil and contractual legal principles through discussion of tragedies at amusement parks. Recently, a woman fell

to her death while riding a roller coaster at Six Flags Over Texas, focusing attention on the lack of federal regulations. (Curry, 2013) Park safety news and information is provided by the Amusement Safety Organization. (Amusement Safety Organization, 2013)

Students should be encouraged to think “out of the box” and suggest solutions that are not necessarily given in a textbook. This encourages discussion among students, exercises critical thinking skills and gives opportunity to learn from one’s mistakes.

Works Cited

- Amusement Safety Organization. (2013, July 30). *The Latest Park Safety News & Information*. Retrieved July 31, 2013, from Amusement Safety Organization: <http://www.amusementsafety.org/>
- Curry, C. (2013, July 22). *No Federal Regulations for Roller Coaster Safety* . Retrieved July 31, 2013, from ABC News: <http://abcnews.go.com/US/flags-roller-coaster-death-highlights-lack-safety-regulations/story?id=19736762>

AMUSEMENT CENTRAL



Case Study For Enterprise Risk and Insurance Management



This case is entirely hypothetical. Any resemblances to people, events or entities are merely coincidental. Some of the places may actually exist and the geographical locations may be important for the case analysis. This case is purely for instructional purposes and may not otherwise be reproduced or used in any fashion without the written consent of the authors.

The following Excel Workbooks are available from the authors:

- ⊕ Claims Analysis
- ⊕ Financial Statements/Ratios
- ⊕ Insurance Program
- ⊕ Loss Development
- ⊕ Loss Forecasting
- ⊕ Property
- ⊕ Risk Map

AMUSEMENT CENTRAL

Company Description

Amusement Central (AC) is a Limited Liability Company (LLC) operating a regionally based system of amusement parks headquartered in Charleston, SC. Founded in 1940 as a family fun park, AC has based their operations on the premise of "everyone having a good time." Additionally, their main attraction to the park includes providing guests with the most *extreme* adventure possible in terms of their roller coasters and other rides. For example, for many years AC has been able to boast the oldest and longest wooden roller coaster adventure at their Charleston, SC facility. Each park has on average 10 different roller coasters or otherwise "extreme" rides.

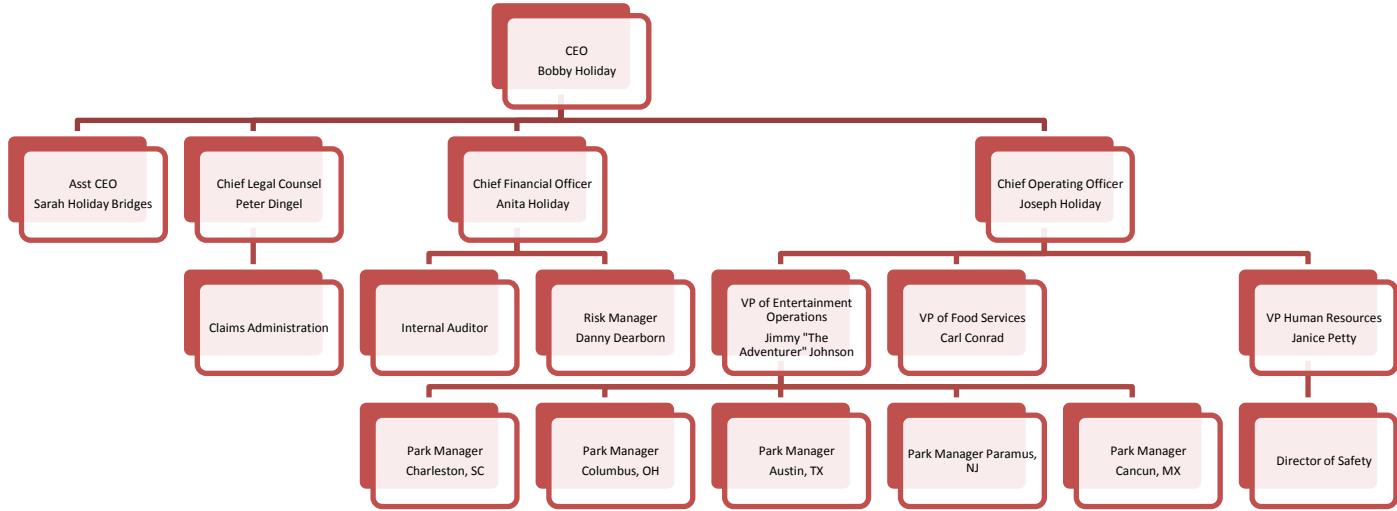
Amusement Central is primarily a family based operation. The Holiday family currently has 45% ownership in the company. Just over 12 years ago, the family was faced with financial challenges and had to reorganize from a partnership to an LLC. The remaining ownership rests with 20 very large LLC's, banks, and private equity firms. Amusement Central, LLC passes profits to its members based on percentage of ownership. The LLC structure is an attractive business form because it allows the company to pay out earnings to its owners without first paying significant federal and state taxes at the entity level, avoiding what is known in the corporate form as double taxation of earnings.

Eight years ago AC embarked on a major acquisition effort and expanded from their historic 2 park operation (Charleston, SC and Columbus, OH) to its current base of 5 theme parks. This includes the three year old acquisition of a run-down indoor theme park located in Cancún, Mexico, which targets cruise line passengers during their debarkation in Cancún or Cozumel. Other locations include Austin, TX and Paramus, NJ. With the current expected economic downturn lasting for several additional years, Standard & Poor's Ratings Services had lowered its outlook on the theme park company to "Negative" from "Stable". Amusement Central's SIC code is 7996 and corresponding NAICS code of 713110. On average, the parks are open 6 months/year running from May 1st through October 31st. The Cancún theme park is open year-round.

AC judges their annual performance based upon two main parameters: (1) Total number of guests visiting each park, and (2) Average amount spent in the park per guest. Last year's attendance was 8,721 ('000) with in-park spending per guest of \$36.26 (food, drinks, games, etc).

Summary of Park Pricing Schedule	
U.S. Operations	
Season Pass ≥ 48" tall	\$85.00
Season Pass < 48" tall	\$62.00
Regular 1 Day Pass	\$40.00
Regular 2 Day Pass	\$60.00
Mexico Operation	
Cruise Line 1 Day Pass	\$95.00
Non-Mexican Citizens Regular 1 Day Pass	\$75.00
Mexican Citizens' Regular 1 Day Pass	1,400 MX - Pesos

The Holiday family has 45% ownership and they run the company. Last year the company suffered a loss (just over \$6 million) for the first time in many years. The organizational chart is:



The Board of Directors consists of the following members:

- Bobby Holiday – Chief Executive Officer, Amusement Central
- Anita Holiday – Chief Financial Officer, Amusement Central
- Joseph Holiday – Chief Operating Officer, Amusement Central
- Sarah Holiday Bridges – Assistant Chief Executive Officer, Amusement Central
- Peter Dingle - Chief Legal Counsel, Amusement Central
- Phillip Cage – Retired Chief Financial Officer – AmeriCan Grocery Services, Inc.
- Lewellin (Lew) Forrester – Chief Executive Officer – Allstate Entertainment Enterprises
- Kingsford W. Gross, IV. – Chairman and President – SwampFox Adventures
- Mary Beth Oxford – Retired Senator from the State of South Carolina

Bobby Holiday is 76 years old and has been at the helm of the company for the past 35 years. He loves to ride the roller coasters and believes that he is only doing his job when he is out on site visiting with guests and employees. Last June the family had quite a scare when Bobby complained of chest pains after riding the signature Dragon Drop Gravity Tower. After a trip to the emergency room, it was determined that he was just suffering from a bad case of indigestion. However, the event scared the family because it highlighted the fact that the company does not have a firm succession plan in place should one of the family members die or become incapacitated.



Sarah Holiday Bridges, 47, is Bobby's oldest daughter. Her place as the company's Assistant CEO is largely titular. Sarah quit high school when she was 17 and spent many years traveling around the country trying to "find her." After several visits to drug rehab centers, Sarah thinks she is finally getting her act together. Two years ago she married Jonah Bridges whom the

family thinks is a fortune hunter. The family just wants Sarah to be happy, so they largely overlook Jonah's wild spending sprees and penchant for bar-hopping. The outside board members are largely displeased with Sarah's role in the company and want to force a vote to get her dismissed from the company and board. However, the Holiday Family has pulled out all the stops to preclude this from happening (see Litigation).



Anita and Joseph Holiday are Bobby's more successful children. Anita, 45, serves as the company Chief Financial Officer (CFO), with internal audit and risk management reporting directly to her. Joseph, 42, serves as the Chief Operating Officer (COO) and is responsible for all operations involving the park. This includes the park rides, food services, and human resource functions. Jimmy "The Adventurer" Johnson serves at the VP of Entertainment Operations. His nickname as "The Adventurer" was proudly earned. Jimmy's main goal in life is to create new and more adventurous rides for each park. He firmly believes that the AC brand across the nation will only survive their competition by offering the most challenging and frightening rides in the country. At times Jimmy goes a bit too far and guests have complained of heart pains and severe body bruises from the roller coaster rides.

Danny Dearborn, 30, serves as the company's risk manager. Danny is relatively young but has earned quite a reputation among other risk managers in the recreation industry as being honest, forthright, and progressive in his risk management philosophy and practices. Danny recently completed his CPCU designation and is currently actively learning as much as he can about Enterprise Risk Management. Danny is convinced that a more global approach to managing all types of risk will keep the company from economic catastrophe, especially during these hard economic times. Danny is lobbying to become the company's youngest VP as their new VP Enterprise Risk. Currently Danny's main role is to purchase insurance and he wants more control over risk. Danny especially wants a change in reporting structure where both the claims and safety functions report directly to him. Currently there is widespread confusion concerning this idea.

Operations

With the exception of the Mexico location, each park has the same basic layout. Park operations include a 400 acre theme park with an additional 100 acres designated for parking. Each park has on average 10 thriller rides, with other smaller and less exciting rides dispersed throughout. There is a special area designated for smaller children, with age-appropriate rides included.



Walking is the primary means of transportation throughout the park. However, each park also has a chair lift to transfer guests from one end of the grounds to another. Guests under the age of 8 must be accompanied by an adult on the chair lift. Modified golf carts are used for transportation of injured or ill guests to the first-aid station which is located near the park's entrance. The first-aid station is staffed with one registered nurse and two medical students from area schools. A tram system is in place to help guests get from the parking area to the entrance. Children's strollers and manual or electric powered wheelchairs are available at the entrance for rent at a cost of \$10.00 per day.

Each park has a “Main Street” section with restaurants, shops, and entertainment venues. Alcoholic beverages are available for purchase only in the “Main Street” section of the park. The *Scavengers Bar* is the most popular location for adults who want to see scantily clad bar-maids and pirates re-enact the old days while chugging down a brew or two. For fight scene reenactments, *Scavengers* has been known to use pyrotechnics. A few small fires have been noted to erupt, but so far there has been no major damage. At times the bar gets rather rowdy, so guests under the age of 21 are not allowed. Parents have been known to “lose” their children as they have let them run unaccompanied through the park while the parents spend time in the bar.



For security purposes there is only one means of ingress or egress at each park...through the main entrance. Main Street is strategically located as the first major area within the park. Three to four restaurants are located along the street for a mid-level to fine dining experience. Entrees range from \$15-\$40 per person. A number of shops are also included for gifts and souvenirs associated with the Amusement Central experience. Guests must walk through this area before accessing the other attractions. Three theaters are also included for entertainment purposes. Shows start at 10:00 am and run until the park closes at 10:00 pm. Most of the early shows are geared for children and young adults. However, a nationally acclaimed comedy show and adult content shows typically run from 7:00 – 10:00 pm. During the evening hours, show entertainers have been known to walk around Main Street in their “performance outfits” to entice adult guests into the show.

AC runs two seasonal events each year, one in July and the other in October. In July, the park celebrates the birth of our country with a special 4th of July month-long promotion (excluding the Cancún location). Park hours are extended until midnight, and a special U.S.A. Forever show is conducted on Main Street. Bands play and children get to dress up in their favorite U.S. character for the parade. The evening is capped off with a special fireworks extravaganza where the night skies are lit over the parking area. A few guests have complained over the years about cinders on their parked cars, but to date no serious reports of injury or damage have been noted.

Because of the specialized skills necessary to run the *Scavengers* pyrotechnics and the special July fireworks extravaganza, AC has contracted with Fires Are Us (FAU) to provide this service. FAU is a small family-run company that has been in the business for the past 50 years. The company will not work in Mexico, so only the U.S. operations are involved.

The agreement with Fires Are Us states, in part, that:

“Amusement Central agrees to indemnify and hold harmless Fires Are Us and its officers from and against all liabilities, damages, losses, costs, and expenses for property damage, bodily injury or death of any officer, agent, employee, or customer of Amusement Central, arising out of or in connection with products and services to be provided under this agreement.”

During the month of October, AC runs their famous “Amusing Halloween Adventure” promotion. The entire park is re-engineered to scare the guests in typical Halloween fashion. The lights are dimmed or replaced with low-wattage orange lights throughout the park. Employees dress in their favorite Halloween costumes. The more gore the better is the overall park theme. After dark,



children under the age of 10 are not recommended because of the risky scare factor.



Each year Jimmy "The Adventurer" Johnson personally designs a unique *House of Screams* attraction which is intended to scare even the most pessimistic guest out of their mind. This attraction has a special sign at the entrance which states: "Caution, this *House of Screams* is our ultimate extreme attraction designed to scare the wits out of you. Children under the age of 10, pregnant women, and individuals with heart ailments are not encouraged to attend." The only problem is that the sign is posted at the attraction's entrance and because of the popularity, there is, on average, a two hour wait before guests even see the sign. Many guests decide after the wait to just go in and see what the fuss is all about.

Foodservice operations represent approximately 30% of total net revenues with approximately 50% coming from the in-park restaurants and 50% from the Food Kiosks strategically located throughout the park. Guests may not bring in food or drink from outside the park. Thus, AC has a captive audience for food and drink sales.

Cancún, Mexico



The Cancún location operates differently from the U.S. operation because it is on a much smaller scale, targets a specific audience, and is operated year-round. Purchased as a run-down amusement park several years ago, this indoor park is mainly used for cruise-ship day adventures from Cancún and nearby Cozumel, MX. The park is 75 acres with only 15 acres designated for parking. Several extreme rides are located throughout the park. Many smaller rides exist for the children, as well as an extended "adults-only" area for entertainment purposes. Mexican food is the specialty, served in one of the two restaurants located in the *Calle Major* (Main Street) section of the park. At the food kiosks located throughout the park, plenty of hot dogs, nachos, popcorn, soft drinks, cerveza, and bottled water are available.

While Mexican tourists are certainly welcome, the pricing schedule does not particularly encourage "locals" to the park. The daily "average" Mexican wage base is approximately 50 MX Pesos. Park operations cater to the docking of cruise ships and other tourists vacationing in Cancún. Park hours are from 8:00 am until 4:00 pm, with an average guest stay of 4 hours in the park. AC provides special tour busses at the dock to shuttle guests to the park and back. A 20% service charge is built into the ticket price and paid directly to the Cruise Line. Cruise passengers love coming to this park because there are much fewer people milling around and in general you don't have to wait more than 15 minutes to get on a ride. Also, because the park is under a roof, weather is not a factor. Reporting the financial results for this park has been troublesome. Cruise-line and general tourist related revenues are transacted in \$U.S. currency. Guest spending within the park is accepted in either U.S. or Mexican currency, and Admission Fee for Mexican citizens is transacted in Pesos.

Mexican safety laws are not as extensive as those found in the United States. In order to turn a profit, Joseph Holiday thinks it is fine to just meet the minimum Mexican safety standards and not upgrade this facility to meet U.S. standards. As a result, the incident rate of injured guests at the park runs about 3 times higher as compared to other park operations. Joseph thinks this is fine, after all "When in Rome..." However, other board members are concerned about the faltering safety



rate and its effect on the company's reputation.

An additional challenge at this location is finding employees who are fluent in English for their clientele. As a special "hiring bonus" each new employee is given a special *Family Pass* which admits up to 8 family members into the park for the calendar year. The only requirement is for the park employee to be with their family members in the park and vouch at the entrance that the individuals are indeed family members. The Park Manager has noted a marked increase in "locals" at the park and is questioning whether these free passes are allowing too many non-tourist guests into the park. This park also has a higher petty crime incidence rate than other comparable parks

Strategic

AC prides itself on delivering a superior customer experience in each of its parks. The roller coasters and other thriller rides are the main draw. The company's Mission Statement reflects their desire to provide affordable entertainment in a safe and fun manner. From the company's perspective, the term "*amusement*" in its corporate name pretty much sums up the company's objective.

The company competes for discretionary spending with all phases of the recreation industry within its primary market areas, including movies, sports events, restaurants and vacation travel. The economic slowdown and tightened credit environment that began a few years ago continues to the present, as consumers curtailed discretionary spending in response to the worsening recession. Despite the challenges of the ongoing recession, AC continued investing in, and even accelerated, certain strategic growth initiatives with regard to infrastructure and park rides. AC's philosophy is to invest in new equipment now so that the parks are ready to go when the economy recovers and customers resume visiting amusement parks.

While the Holiday family runs the company, each individual Park Manager has autonomy in managing day-to-day park operations. Maintaining franchise consistency between the parks remains a key area of concern. The Mexico operation in particular is managed as an independent location and very little has been done to integrate that park into the overall corporate structure.

Financial

Market Risk

Market risk is the potential economic loss that may result from adverse changes in the fair value of financial instruments. Amusement Central is exposed to market risk from changes in both foreign currency exchange rates and interest rates. Amusement Central monitors its exposure to these risks and attempts to manage the underlying economic exposures through the use of derivative financial instruments. Amusement Central does not intentionally use derivative instruments for speculative or trading purposes.

Currency/Foreign Exchange Risk

Amusement Central has international operations and is subject to certain risks inherent with foreign operations that include currency fluctuations and restrictions on movement of funds. Foreign exchange risk exists to the extent that Amusement Central has payment obligations

or receipts denominated in currencies other than the functional currency. To manage these exposures, Amusement Central identifies naturally offsetting positions and then purchases hedging instruments to protect the residual net exposures.

Interest Rate Risk

Amusement Central's interest rate risk management policies are designed to reduce the potential volatility of earnings that could arise from changes in interest rates. Through the use of interest rate swaps, Amusement Central aims to stabilize funding costs by managing the exposure created by the differing maturities and interest rate structures of Amusement Central's assets and liabilities.

AC manages interest rate risk through the use of a combination of fixed-rate long-term debt, interest rate swaps, which fix a portion of the variable-rate long-term debt, and variable-rate borrowing under their revolving credit facility. AC mitigates a portion of their foreign currency exposure from the Mexican peso through the use of foreign-currency denominated debt. Hedging of the U.S. dollar denominated debt, used to fund a substantial portion of investment in the Mexican operations, is accomplished through the use of cross-currency swaps. Any gain or loss on the effective hedging instrument mainly offsets the gain or loss on the underlying debt. Translation exposures with regard to the Mexican operations are not hedged.

Credit Risk

Credit risk is the possibility of loss from a customer's failure to make payments according to contract terms. Prior to granting credit, each customer is evaluated, taking into consideration the borrower's financial condition, collateral, debt-servicing capacity, past payment experience, credit bureau information, and other financial and qualitative factors that may affect the borrower's ability to repay.

Unfavorable general economic conditions, such as higher unemployment rates, a constrained credit market, housing-related pressures, and higher prices for consumer goods may hinder the ability of those with which AC does business, including vendors, concessionaires and customers, to satisfy their obligations to AC. Exposure to credit losses depend on the financial condition of vendors, concessionaires and customers and other factors beyond AC's control, such as deteriorating conditions in the world economy or in the theme park industry. The current levels of disruption and volatility in the credit and financial markets have increased AC's possible exposure to vendor, concessionaires and customer credit risk because it has made it harder for them to access sufficient capital to meet their liquidity needs. This market turmoil generally increases AC's risks related to the company's status as an unsecured creditor of most of their vendors and concessionaires. Credit losses, if significant, would have a material adverse effect on business, financial condition and results of operations. Moreover, these issues could also increase the credit risk inherent in the business.

Working Capital and Capital Expenditures

During the operating season, AC carries significant receivables and inventories of food and merchandise, as well as payables and payroll-related accruals. Amounts are substantially reduced in non-operating periods. Seasonal working capital needs are funded with revolving credit facilities, which are established at levels sufficient to accommodate the AC's peak borrowing requirements in April and May as the seasonal parks complete preparations for opening. Revolving credit borrowings are reduced daily with AC's strong positive cash flow during the seasonal operating period. The company believes that annual park attendance is

influenced to a large extent by the investment in new attractions from year to year. Capital expenditures are planned on a seasonal basis with the majority of such capital expenditures made in the period from October through May, prior to the beginning of the peak operating season. Capital expenditures made in a calendar year may differ materially from amounts identified with a particular operating season because of timing considerations such as weather conditions, site preparation requirements and availability of ride components, which may result in accelerated or delayed expenditures around calendar year-end.

Specific Debt Agreements

Three years ago Amusement Central was faced with potential bankruptcy given their highly leveraged financial situation and the decline in gate receipts. Consequently, the company had to renegotiate key debt agreements at less than favorable terms. These debt agreements contain restrictions that could limit the company's flexibility in business operations. The credit agreement includes restrictive covenants that could impose significant operating and financial restrictions including:

- Limitations on incurring additional debt or issuing preferred equity;
- Selling certain assets;
- Creating liens on certain assets to secure debt;
- Consolidating, merging, selling or otherwise disposing of all or substantially all assets;

The credit agreement also requires AC to meet certain maximum leverage ratios. Failure to comply may constitute default under the credit agreement.

Litigation

One key issue for the company's outside board of directors is to be able to assist with the management of the company and not just "rubber stamp" the Holiday family decisions. In particular, the continuance of employment for Sarah Holiday Bridges as Assistant CEO is seen by outside board members as blatant favoritism and unreasonable given her background. When the board tried to force Sarah's ouster and replacement, they were effectively shut down by the Holiday Family. In response, Phillip Cage filed suit on behalf of the unitholders against the company alleging that the MLP has blocked the right of the unitholders to nominate board candidates, or to solicit proxies in support of new candidates, for election to the board of directors. This litigation is ongoing.

Hazard

Restaurants/Kiosks

Amusement Central is able to provide the freshest produce to each of its U.S. locations through an exclusive deal with Produce Distributors (PD). PD gets its produce from a variety of small farms located primarily throughout the south. In order to keep costs down, PD delivers produce directly to Austin, TX (greater Houston) park and also to the Charleston, SC park. The Charleston facility serves as a clearing-house for the Columbus, OH and Paramus, NJ locations. Once delivered in Charleston, produce is immediately transferred to refrigerator trucks and park employee volunteers drive throughout the night to distribute the produce to the two northern locations. Produce Distributors is currently on the Department of Agriculture's *high alert* list for a suspected E. Coli breakout this past summer. While AC is a bit concerned about this issue, they are not currently planning any changes in operations because to their

knowledge no park guest has complained about getting sick on produce. For the Cancún location, AC obtains produce directly from local Mexican suppliers.

Last year AC imported \$100 million in seafood from China and Taiwan. In an effort to save money, rather than deal with local wholesalers AC deals exclusively with Chinese Checker Distributors (CCD) who contracts directly with local fishermen for the freshest seafood available. About 35% of the seafood items come directly from farms along the Long River in Fuqing China. Payment is made in the Chinese Yuan, and the terms of the shipment are *Free on Board (FOB)* Shanghai, China. AC does not know how CCD obtains their Taiwanese seafood, but feels it is not their problem. The seafood is delivered directly to the Port of Charleston and then divided up for further transport. Often, the seafood shipments are combined with the produce shipments for distribution to Paramus and Columbus. This past year AC has noticed that an increasing percentage of seafood is arriving as "spoiled". AC's spoilage rate was 10% as compared to previous years' 5%. To ship seafood to Texas, AC contracts directly with Federal Express.

AC's contract with Chinese Checker Distributors states, in part, that:

"Amusement Central agrees to indemnify and hold harmless Chinese Checker Distributors and its officers from and against all liabilities, damages, losses, costs, and expenses for property damage, bodily injury or death of any officer, agent, employee, or customer of Amusement Central, arising out of or in connection with products and services to be provided under this agreement."

In another effort to keep costs down, Carl Conrad has been able to use his connections in the wholesale industry to negotiate special deals on meat. While Carl is certain that his suppliers will continue to honor the agreements for some time, there are no written contracts in place. Every night between the hours of 11:00 pm and midnight, AC sends its drivers in company owned refrigeration trucks to the wholesaler's warehouse. Deeply discounted meat is loaded onto the truck and driven between 150 and 200 miles back to the AC facilities. This is a cash only transaction, so drivers usually have \$10,000 in the truck on their way to the wholesaler. Employees driving the trucks are under a special incentive plan to have the meat unloaded at the AC parks by the time the kitchen staff reports the next morning at 6:00 am. Failure to do so means an automatic pay reduction of \$100 and possible termination. The drivers are grateful for their radar detectors in order to help them make their delivery on time.

To help keep the drivers awake, each is provided with a cell phone and instructed to talk to whomever they want as long as it keeps them awake. The employees from Mexico especially like this benefit. Lately, the cellular phone bills have been very high. AC's owners do not mind. They figure the high cell phone bills are still less than the cost of an accident related to a worker falling asleep at the wheel.

The restaurant servers are generally college kids hired from the local area. However, AC has found that some of its most loyal chefs have come from Mexico. It is a big joke among the employees that if you want to know what is going on in the kitchen, then you better speak Spanish. Current employees often recommend friends and family to work in the kitchen. No background checks are performed. Recently, Janice Petty was concerned that several of the workers had not supplied social security numbers on their employment forms. The workers, all

from Mexico, say that they have lost the cards and will get the information to her soon. In some cases, they have been saying that for several years.

Amusement Rides

Of paramount importance is to keep the rides operating at all times. All rides are run and inspected daily by both the company's maintenance and ride operations personnel before being put into operation. Additionally, all parks are subject to state or county ride-safety inspectors where mandated under state/local law.



Because rides are the parks' main attraction, AC spends considerable time working through the logistics of getting as many guests on rides as possible in any given day. AC recently purchased a specialty computer program from a vendor, Ajay Aiswara, of Line Management, that Jimmy Johnson met outside the annual Amusement Park Conference and Exhibit. While Ajay's business card was printed by *Vista Print*[®], Jimmy was very impressed with Ajay's mastery of the English language and his Harvard education. The program has recently been installed on the company's only mainframe computer which is located at the Charleston headquarters. It is designed to track each specific guest's entry onto the rides and times the guest's experience throughout the park. Each ride-based employee is given a hand-held scanner who scans the park ticket before the guest enters the ride. The scanned bar code also includes specific guest information, including credit card numbers, for those who did not pay in cash. Jimmy hopes that this new program will help manage and cut down wait times associated with the rides. Carl Conrad is currently lobbying for the scanning capabilities to be expanded to track food service operations throughout each park.

In order to keep rides operational and the guest lines flowing, each of the main attraction rides are staffed with special employees whose job it is to "unstick" any overweight or otherwise immobile guest from the ride's seating area. Park employees view this particular responsibility as one of the least desirable because park guests usually complain about the methods employed to forcibly remove a stuck guest. Litigation has been threatened against the company from allegations of improper touching of personal areas to wanton discrimination against the obese. Park employees complain that these individuals are insensitive to the park's ride constraints because usually a guest who has needed assistance in being removed from a ride typically goes on their way to ride more rides. The company record for "unsticking" a single guest is 8 times in one day!

A park policy is to allow handicapped guests and their families to go to the head of the line for each ride. While handicapped patrons love this particular perk, Bobby Holiday has noticed that wheelchair rentals have increased by 50% over the past year. Bobby suspects that families are renting a wheelchair to show *handicapped status* and cut to the front of the line.

Bobby has also noticed an increased incidence of employees turning a "blind eye" to the posted height requirements. Generally a child must be 48" or taller in order to ride one of the extreme thrillers. However, many employees feel that as long as an adult is with the child to supervise them then it is ok to get on the ride. The Director of Safety has reported 14 incidents of children practically falling out of their seat belt/harness on the roller coaster rides. Thankfully no child has completely fallen out during a ride.



Staff management has also noticed an increased incidence of employees letting their friends jump to the front of a particular ride. On several occasions other guests have protested, and in one particular case a fist-fight erupted when a

guest felt the practice was unreasonable. The protesting guest suffered a broken nose and was given 2 complimentary day passes for their next visit. They left the park satisfied, and no incident report was filed.

Crime/Security

Amusement Central is particularly committed toward the safety of their guests. Security cameras are strategically located every 25 yards in the park. Additionally, cameras are posted at each cash register within the park. This includes the Food Kiosks, Restaurants, Gift Shops, and the Entrance. Park managers have recently installed cameras in each restroom, hoping to cut down on the number of "alleged" slips and falls in the area. For the parking area, cameras are installed every 50 yards and covers about 80% of all parked vehicles. The security system is 15 years old, on average. Tapes from the cameras run on a 72 hour loop. Thus, any incident more than 3 days old is erased with new feed. One security guard is housed in a special unlocked room at the back of the first-aid station to monitor the extensive set of security cameras.

Nighttime security is left up to the individual park managers. The Charleston and Columbus locations employ retired police personnel who police the grounds during the park season. These guards are armed. Austin and Paramus locations are a bit more conservative. Rather than having armed guards, park managers each house 10 guard dogs specifically trained to maim when an intruder is on the premises. At the Cancún location, the park manager has opted for an electronic security fence to be installed to keep the locals out of the park. The internal grounds are monitored with one security guard who drives a golf cart around the interior.

Company policy dictates that a maximum of \$1,000 in cash can be held in the register at any given time. Once the limit is reached, employees must log out of their register and prepare a deposit slip. Employees then call on a basic walkie-talkie system for a security guard to pick up the deposit. Deposits are to be picked up within 15 minutes of the call. However, in practice it generally takes 45-60 minutes for security to arrive. Armed security personnel arrive in a beefed-up metal golf cart to receive the deposits and deliver them to the park safe, located in the first-aid station. The park manager is instructed to make nightly deposits to the local bank. It is not unusual for \$150,000 in cash to be deposited on peak park days. Some park managers assume that there is no need to get the deposit to the bank right away; as long as it gets there before morning. On one occasion (Paramus, NJ) the manager reported \$55,000 in cash stolen from his pick-up truck's glove compartment while parked at his home. In this particular incident, the manager had a special party to attend after his shift and forgot to make the deposit before his party.

Each location receives, on average, 3 reports of petty theft within the park each week. Usually it involves a purse, handbag, backpack, or stolen wallet. Park security is trained to spot these incidents and feels that the incident rate is below-average for their type of operation (Note: Mexico's incident rate is 9 reports weekly). However, security is trained to look out for these types of incidents. Company policy is to give the affected guest 2 complimentary regular admission passes for a future visit to the park. Because one cannot verify the amount of cash stolen, no offer for reimbursement of cash is tendered.

With respect to the gift shops, security is usually on heightened alert. Security personnel have been known to take suspected shoplifters into a back room and work them over for 1-2 hours in hopes of obtaining a confession. While security cameras are trained on the cash registers, they

are not posted throughout the shop. Thus security is afforded the opportunity to use their discretion in interviewing suspected shop-lifters.

As CFO, Anita Holliday is responsible for the books and reconciling accounts. However, she dislikes working with figures and leaves the accounting issues to her trusty bookkeeper, Adrian, who has been with the company for 15 years. With the exception of facility improvements such as ordering and maintaining the amusement rides, Adrian has full authority to sign all checks and approve orders for supplies and equipment at all 5 locations.

Computer operations are tied into one mainframe server housed at the company's headquarters. Park managers are instructed to back-up their financial information on a daily basis. However, in practice, this is performed only weekly, along with the master data transfer to the mainframe.

Customer credit card information is also stored on the mainframe. However, the company typically uses the old carbon-backed manual system for credit card purchases at the gate. These carbons are placed in the trash for regular disposal. On a weekly basis an employee manually enters information from the carbons/receipts into the database.

As a means of procuring additional revenue, Anita Holiday is considering the sale of AC's master mailing list to select vendors. When park patrons purchase annual passes, critical information such as the customer's name, mailing address and credit card numbers are stored on the mainframe. Selling this information can potentially net the company an additional \$200,000 in annual revenues. Six months ago Anita noticed a possible hack into the main computer. Since she is not sure that the hacker actually stole critical information, she decided to ignore her suspicions and did not notify the authorities of the supposed impropriety.

Since September 11, 2001, Homeland Security has been on heightened alert. Three years ago Chief Legal Counsel, Peter Dingel, attended a 2-week training session on additional security measures for public venues and training to spot suspicious visitors. Peter was enamored with the training he received. However, since neither of the 4 parks has ever had a suspicious incident, he has largely ignored their advice. Park security officers have not received any specific additional training on possible terrorist activities.

Automobile/Transportation

AC has a corporate policy of keeping their vehicular transportation exposures to a minimum. At the Charleston corporate headquarters, each family member is given a leased Toyota Land Cruiser valued at \$65,000. The Chief Legal Counsel and the three Vice Presidents are given leased Toyota 4Runners valued at \$38,000. Elsewhere, the park managers are each supplied with leased GMC Sierras 2500HD valued at \$25,000. Because these vehicles are leased, Danny Dearborn assumes that the leasing company is responsible for any damage resulting from operating the vehicles. Thus the cars are not covered under the master insurance program.

Because of the family-run style of operations, there is no company policy regarding allowing other family members to operate these vehicles. Last spring Anita Holiday received quite a scare as she allowed her 17 year old son Luke to drive the Land Cruiser to his prom. Returning home that evening, Luke lost control of the vehicle, slid off the road and into a tree. When Anita got there, she realized that Luke had been drinking. She opted to pay for the \$3,500 in damages from petty cash, and did not file a police report. Luke's date for the evening suffered minor injuries but has been complaining about neck pain ever since the two quit dating.

For meat, produce and seafood deliveries, four of the five parks own two International Refrigerator Trucks valued on average at \$50,000 each. The Charleston location owns four refrigerator trucks. These vehicles are 24' long, and 85" high. Because of the required night driving, the trucks are equipped with GPS systems, radar detectors and cell phones. Drivers are typically hired by placing ads in local newspapers. The company also uses word of mouth for good prospects.



There is no policy on checking driving records or employment histories. Janice Petty does ask the new drivers to check a box on the employment form indicating that they possess a Commercial Drivers License (CDL), but she does not personally verify it. For meat pick-ups at the wholesaler's, drivers are expected to drive up to 400 miles each evening between the hours of 11:00 pm and 6:00 am. Longer runs are necessary for produce and seafood deliveries from the Charleston clearinghouse to Columbus, OH and Paramus, NJ. Drivers are encouraged to drive up to 12 hours straight in order to get the trucks back to Charleston as quickly as possible.

In order to cut down on transportation costs, each facility has its own gas pump located at the back of the park. These pumps are used for the refrigerator trucks as well as the golf carts and trams. Employees with a company supplied vehicle are also permitted to use the pump. Recently the Director of Safety has noticed an increased frequency in filling up the storage tanks at the Cancún and Paramus locations. While he suspects that employees are pilfering from the pumps during their shift, he cannot rule out the possibility that one or both locations have a leaking storage tank. For the Paramus location he is considering calling the EPA and asking them how to check for leaks.

Other transportation issues include the tram system which involves a series of 4 trams at each U.S. Park that shuttle guests to/from their cars. These trams are valued at \$50,000 each ACV and \$60,000 each for RC. Local high school students are typically hired as drivers. At the Austin location, three guests were recently injured when two of the workers decided it would be fun to "drag race" their respective trams. Thankfully the worst of the injuries was a broken leg. Each U.S. Park also owns a series of 10 gas powered modified golf carts valued at \$8,000 each. These carts are principally used by personnel to transport injured or ill guests to the first-aid station. During the evening hours, security personnel also use the carts during their rounds.

In Mexico, only one tram is used to shuttle visitors to the entrance. However, their main exposure rests with shuttling cruise passengers to/from their ships. Park Manager Juan Gonzales uses his brother Pablo to contract with local bus companies for this service. The procedure is for Pablo to go to a pre-arranged meeting place each morning at 5:00 am and "contract" with interested bus companies for that day's service. The cost varies greatly, depending upon local demand.

AC needs on average 100 busses each day shuttling passengers back and forth every ½ hour. Since cruise guests prefer to stay indoors on rainy days rather than opt for other offered cruise excursions, AC needs at least 200 busses. AC does not have a contract in place for these busses, as the service provider(s) vary each day. AC believes it is the bus company's responsibility to get all cruise guests back to their ship on time. However, they do utilize an extensive PA system to announce final departures to specific cruise ships. In only one instance has a bus broken down on the highway leaving 50 guests stranded in Cancún as their ships set sail.

Buildings and Property

Each building in the U.S. is sprinklered, while the Mexican facility is not. U.S building codes require that any building suffering damage of 25 percent or more be rebuilt to current codes. Each facility has a series of outdoor signs valued at \$100,000 per location.

Amusement Central has estimated that the maximum shut-down time for any facility is six months; that is, it would take six months for the facility to resume normal operations after a total loss. The company's main exposure is loss from a natural catastrophe such as a hurricane or tornado. The company has not assessed their exposure to the earthquake peril. Management has put very little thought into what would happen to their customer base (especially annual season ticket-holders) in the event of a total shut-down.

In Mexico, AC was able to purchase a very run-down indoor park from the government after a severe natural catastrophe. AC has a 50 year lease of the land, but owns outright the building and all associated fixtures/rides. AC spent over \$40 million to refurbish this park.

Workers Compensation and Employment Practices

For the U.S. locations, AC employs 560 full-time and 8,500 part time employees. The work is highly seasonal, and AC relies on local high school and college kids for a majority of their workforce. Peak revenue times are the June – August window, where average monthly revenue is up 20% as compared to the remainder of the season. Parks are closed during the months of November – April. While Janice Petty, VP of Human Resources, would like to do more regarding the screening of employees, the volume of turnover is high. Thus it is up to the local park managers to oversee hiring decisions.

Each park manager typically uses an assistant to oversee the seasonal hiring. There is no formal HR manual which covers hiring guidelines and issues. At some parks, it is alleged that minors have been hired without proper documentation. Also, some parks seem to have a high percentage of Hispanic employees and documentation may be an issue. Background checks are not routinely employed.

The typical training period for new hires is two days. During this period of time, the employee is put under the supervision of a more “seasoned” employee to be shown the ropes. While safety is of paramount importance, the extent to which a seasonal employee is trained is entirely dependent upon their trainer. New hires that can evidence CPR training are started out at an additional \$0.50/hour wage. Otherwise, there is no formal CPR training provided.

AC does not believe in providing overtime pay for their seasonal employees. In lieu of overtime pay, each park remains open an additional hour after closing so that employees can have unlimited access to ride the key thriller rides. Many of the employees are roller coaster buffs, so they like this particular benefit. The employee lounge is stocked with beer and sodas for use exclusively during the after-hour rides.

The “entertainment crew” is local as well. Using the dance program at regional colleges, AC typically hires a professor to manage the local entertainment venues. They do the auditions for entertainment staff and manage the productions. While in the past there have been allegations of favoritism among the staff for certain “key parts”, no one has filed a formal complaint.

The safety and maintenance crew are always full-time employees. In-season their main responsibility is to perform safety checks each morning before the park opens. They also do some emergency repairs during the day if a ride shows signs of malfunctioning. On the off-

season, these employees are charged with refurbishing the park, which includes re-painting all of the rides. At the Charleston facility, maintenance staff has been known to deposit unused paint in the local stream which runs through the back of the property. This stream is usually a dry-bed except for the April rainy season.

For full-time employees there currently is a health insurance plan in place, but not a 401(K) program. Janice Petty is considering implementing such a program for the 560 permanent full-time U.S. employees and would like input in this regard. The company believes that the recently enacted healthcare mandate could adversely affect labor costs, particularly for seasonal employees.

The risk manager, Danny Dearborn, has noticed an increase in worker injuries over the past few years. There is no formal return to work program, but this hasn't been a particular problem since the part-time employees usually just go away and they are replaced with new hires. The current Workers Compensation program is a mess. Each of the 4 states has their own insurance program which has been put in place by local agents and controlled by the Park Managers. Danny would like to centralize this particular insurance/risk function. However, one of the states is considered an "Opt Out" or non-subscription state, one is "Monopolistic," and the remaining two states are "Competitive."

The Mexico operations are totally independent. Even with the passage of the North American Free Trade Agreement [NAFTA] in 1992 (and implementation in 1994), increased use of Mexican labor by U.S. companies has not helped their labor situation. For the most part the country continues to ignore many human rights issues with respect to the workers' ability to form a union, equal pay, and sex discrimination. Workers' compensation/reimbursement for on-the-job injuries is at the discretion of the employer. For AC, they have encouraged the Park Manager to compensate employees who are injured while working. However, they have largely turned a blind eye to his actual practices.

Miscellaneous/Additional Information

Amusement Central currently projects its annual growth rate for the next three years to be 2% per year (conservative estimate). The company's discount rate is 5.75%. The annual inflation rate for the area in which the company is located is 5%, while the income tax rate is 37%.

Payroll: AC has 8,500 part-time and 560 permanent full-time employees. For the previous year, payroll was \$88,400,000 for part-time and \$36,771,000 for full-time personnel.

Attachment A – Standard Lease Terms

WITNESSETH:

Upon the terms and conditions hereinafter set forth, the Landlord leases to Tenant and Tenant leases from Landlord property referred to as the Premises, all as follows:

1. **PREMISES.** *The property hereby leased to Tenant, located at XXXX [each of the leased location addresses are entered here], together with such common spaces in the building and on the lot where the building is allocated as are hereinafter specified (but one another), which leased property is herein referred to as the Premises.*
2. **TERM.** *This lease shall commence on the earlier of the date that the Tenant takes possession of any part of the Premises or [appropriate date inserted here], and shall terminate (unless extended as herein provided) at midnight on [appropriate date inserted here]. Provided that Tenant not be in default under any of the provisions hereof, and provided further that Tenant give Landlord one hundred and eighty (180) days advance written notice of intent to do so, Tenant shall have the right to extend this lease for an additional period of six months.*
3. **USE.** *Tenant may use the Premises for manufacturing/distribution space, but for no other use without Landlord's prior written consent. In no event shall Tenant make any use of the property which is in violation of any government laws, rules, or regulations insofar as they might relate to Tenant's use and occupancy of the premises, nor may Tenant make any use of the premises not permitted by any restrictive covenants which apply to the Premises, or which is or might constitute a nuisance, or which increases the fire insurance premiums (or makes such insurance unavailable to Landlord) on the building. The tenant is responsible for the payment of the taxes and insurance.*
4. **RENT.** *All rent payable by Tenant shall be without previous demand therefore by Landlord, and without setoff or deduction. The Minimum Rent for the term shall be at the rate of \$75,000 per month, which rent shall be payable on or before the first of every calendar month during the term of this lease, unless the term commences other than on the first day of the month, in which event rent at the above rate until the end of that month shall be due and payable on the commencement date. In addition to such remedies as may be provided under the Default provisions of the lease, Landlord shall be entitled to a late charge of five percent (5%) of the amount of the monthly rent if not received when due, and a charge of five percent (5%) of the rent for any check given by Tenant not paid when first presented by Landlord.*
5. **TENANT'S ACCEPTANCE AND MAINTENANCE OF PREMISES.** *Tenant or occupant of the Premises represents to the Landlord that it has examined and inspected the same, finds them to be as represented by the Landlord and satisfactory for Tenant's intended use, and evidence Tenant's acceptance "as is". Landlord makes no representation or warranty as to the condition of said Premises. Tenant shall maintain (and so deliver at the end of the Lease) each and every part of the Premises in good repair and condition, and shall make at Tenant's sole cost and expense such replacements, restorations, renewals, or repairs in quality equivalent or better than the original work replaced, as may be required to so maintain in the same, ordinary wear and tear only excepted.*
6. **TENANT'S BETTERMENTS AND IMPROVEMENTS.** *Tenant shall make no structural or interior alterations of the Premises without Landlord's prior written consent, and any work performed by Tenant shall be done in a good and workmanlike manner, and so as not to disturb or inconvenience other Tenants in the building. Tenant shall not at any time permit any work to be performed on the Premises except by duly licensed contractors or artisans, each of whom must carry general public liability insurance certificates, of which copies shall be furnished to the Landlord.*

7. **RENT SHALL ABATE.** If, during the continuance of this lease, said premises shall be so damaged by fire or other casualty as to be rendered untenantable, then, in case said premises shall not be repaired within 30 days thereafter, this lease may be canceled at the option of either party, and rent shall be payable only to the date of such fire or other casualty. If the premises are damaged, but not rendered wholly untenantable by such casualty, rental shall abate in proportion as the premises have been damaged, and the lessor shall restore as speedily as practicable, whereupon, full rent shall recommence.

8. **TENANT'S COMPLIANCE--PROPERTY.** Tenant shall comply with all applicable laws, ordinances and regulations affecting the Premises, including general rules for Tenants as may be developed from time to time by Landlord and delivered to Tenant or posted on the premises, and shall hold Landlord harmless from loss, cost, or expense resulting from or occasioned by Tenant's use of the Premises, whether caused by Tenant or by its agents, servants, employees, independent contractors or licensees. Tenant shall maintain and care for its personal property on the premises, insure the same to such extent as it deems appropriate, and shall neither have nor make any claim against Landlord for any loss or damage to the same, regardless of the cause thereof. Tenant is further responsible for insuring building. Tenant shall maintain through the term of this lease general public liability insurance in amounts acceptable to Landlord and naming Landlord as an insured party, and shall furnish Landlord copies of such policies and evidence of payment for premiums prior to the date such policies would be in default for nonpayment.

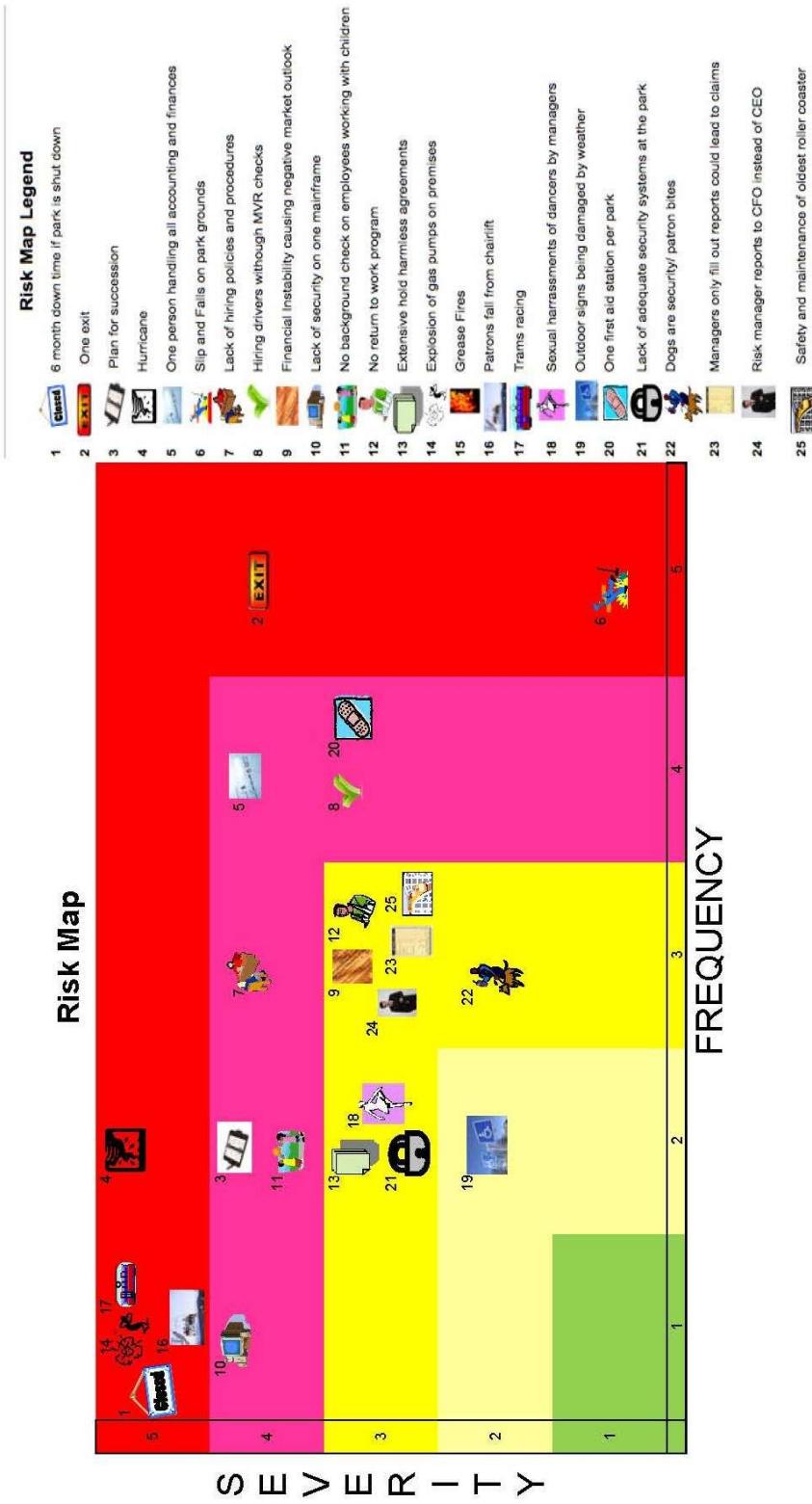
9. **REPAIR OF PREMISES.** Lessee shall repair partitions, all glass and plate glass, elevators, electric and plumbing fixtures, and all machinery whatever in leased premises. Lessee shall be liable for and shall hold Lessor harmless in respect of: damage or injury to Lessor, premises, and property or persons of Lessor's other tenants, or anyone else, if due to act or neglect of Lessee, or anyone in his control or employment. Lessee shall at once report in writing to lessor any defective condition known to him which Lessor is required to repair, and failure to do so shall make Lessee responsible for damages resulting from such defective condition.

10. **RISKS OF INJURY.** The Landlord shall not be responsible for any injury which shall be sustained by the Tenant or any employee, customer, or other person who may be upon the Premises or in the said building or the entrances or appurtenances thereto. All risks of any such injury being assumed by the Tenant, who shall hold the landlord harmless and indemnified therefrom.

Sample Workbook: Risk Identification – Amusement Central Top Risks

ID	Priority	Risk Identification	Frequency					Severity					Risk Management Method
			1	2	3	4	5	1	2	3	4	5	
BI	1	Six month down time if park is shut down	✓					✓					Retain
GL	2	One Exit		✓				✓					Retain
BC/B/IRR	3	No succession plan of adventurous CEO	✓					✓					Loss Control & Transfer
CE/BBP/BI	4	Hurricane exposures	✓					✓					Loss Control
CM/FIN	5	One person handling all accounting finances		✓				✓					Loss Control
GL/WC	6	Slip and fall on park grounds		✓					✓				Loss Control & Transfer
EP	7	Lack of hiring policies and procedures		✓					✓				Loss Control
EP/AU	8	Hiring drivers without MVR checks		✓				✓					Retain
FIN	9	Financial Instability Causing Negative Market Outlook		✓					✓				Loss Control & Transfer
CR/BI	10	Lack of security on one mainframe	✓					✓					Loss Control
EP/GL	11	No background checks of employees working w/ children	✓					✓					Loss Control & Retain
EP/WC	12	No return to work program		✓					✓				Loss Control
CL	13	Extensive hold harmless agreements	✓					✓					Loss Control & Transfer
BBP/ER/BI/ GL	14	Explosion of gas pump on premises	✓						✓				Transfer
BBP/GL/BI	15	Grease Fires	✓						✓				Avoid
GL	16	Patrons fall from chair lift	✓						✓				Avoid
GL	17	Trams racing	✓						✓				Loss Control
EP	18	Sexual harassment of dancers by managers	✓					✓					Loss Control & Transfer
BBP	19	Outdoor signs being damaged by weather	✓						✓				Avoid
GL/RR	20	One first-aid station per park		✓					✓				Transfer
CM	21	Lack of adequate security systems at parks	✓						✓				Loss Control
GL	22	Dog acts as security exposing patrons/licensees to bites		✓					✓				Loss Control
WC/EP	23	Managers only fill out reports that might lead to claims		✓					✓				Avoid
BC/EP	24	Risk Manager reports to CFO instead of CEO		✓					✓				Loss Control
GL	25	Safety maintenance of oldest roller coaster in SC		✓					✓				Transfer

Sample Workbook: Risk Map – Amusement Central Top Risks



CASE INSTRUCTIONS TO STUDENTS

The case includes a detailed set of instructions for the students. The project is divided into three phases with corresponding due dates. The first phase involves the students dividing into groups with four or five in each group. The group determines a group name and logo for use throughout the project. A group captain is selected and a list of expectations for the group members is developed. The expectations include issues such as meeting times, meeting frequency, initial responsibilities/division of labor, and how performance of group members will be evaluated. Each group member is required to evaluate the other members' contributions. The peer evaluation is a component of the project grade. Group members are also expected to communicate with each other and work out any problems within the group. If the group has a problem that affects the members' ability to successfully complete the project, the professor will meet with the group and create a solution agreement. Violation of the solution agreement is grounds for a student to be removed from the group and that student must complete the entirety of the project on their own.

Phase One involves the completion of Excel workbooks that accompany the case. Students work together in their groups to complete these assignments. There is a workbook for each of the following areas:

- Claims Analysis
- Financial Statements/Ratios
- Insurance Program
- Loss Forecasting
- Property Valuation
- Risk Map

Phase Two involves a group presentation to a panel of faculty members and insurance professionals. Each group presents a summary of their overall risk management analysis and recommendations. The presentations should last about 20 minutes, with an additional 5 minutes reserved for a question/answer period. Each group member must present and these are board room type presentations with proper business dress.

Phase Three concludes the project with each student turning in an independently written analysis of the case. Students are allowed to partner with one other classmate to write the analysis report. However, the paper must be seamless and will require substantial coordination and effort on behalf of both team members. Many students choose to write the paper by themselves. Students are not under any obligation to use the decisions that their group came up with. The final report is based on the student's own professional opinions, and written using proper business language and form.

CONCLUSION

This case study project is designed for a capstone risk management course. The project requires students to use information that they have acquired from a wide range of Risk Management & Insurance and College of Business courses. Students' analyses follow the basic risk management process, yet contemplate risk from an enterprise perspective. The case is easily adaptable for use in finance, human resources, or international management courses.

The essence of this project is for students to act as risk consultants to provide advice to senior management of the business in this case. Successfully completing this case study requires

students to work effectively with a group of people. Students have the opportunity to enhance their computer skills (i.e., Excel and PowerPoint) helping them to possess more than a rudimentary understanding of Excel and PowerPoint as they prepare to enter the workforce. Students also benefit from delivering boardroom presentations to a somewhat intimidating audience. The authors have found that involving industry professionals in the presentations allows students to showcase their abilities and wins recognition for the university's academic program.