

**STONE MOUNTAIN MEMORIAL ASSOCIATION
JOINT MEETING OF THE
DEVELOPMENT COMMITTEE
AND
FINANCE COMMITTEE
EVERGREEN CONFERENCE CENTER AND RESORT
HOLLY MEETING ROOM
September 25, 2006
11:00 a.m.**

A meeting of the Development and Finance Committees of the Stone Mountain Memorial Association was held at 11:00 a.m. on Monday, September 25, 2006, at Evergreen Conference Center.

FINANCE COMMITTEE MEMBERS PRESENT

Bill Chappell, Chairman

Greer Johnson

Mike Pentecost (by telephone)

DEVELOPMENT COMMITTEE MEMBERS PRESENT

Mark Baxter, Chairman

Ray S. Smith III

Joan Thomas

ABSENT

Brent Brown

Noel Holcomb

OTHERS PRESENT

Tom Gilliland, Chairman SMMA

Gerald Rakestraw, VP General Manager, HFEC

Sonny Horton, VP Marketing, HFEC

Anthony Esparza, VP Guest Experience, Design & Development, HFEC

Curtis Branscome, C.E.O.

Bob Cowhig, Director of Planning and Construction

Gail Durham, Director of Finance and Secretary

Jerry Spicer, Director of Administration & Public Safety

Call to Order

The meeting was called to order and Mr. Branscome introduced Gerald Rakestraw of HFEC.

HFEC Presentation of Proposed Christmas Program and Five-year Plan

Mr. Rakestraw thanked the Board for the opportunity to come before the joint committees and present HFEC plans for expanding the Christmas program. Mr. Rakestraw introduced the VP of Marketing, Sonny Horton and Corporate VP of Design and Guest Experience, Anthony Esparza. The focus is on creating a guest experience and memories that stay in the minds and hearts of each visitor.

Mr. Esparza shared a concept for a Christmas master plan that would grow over a five year period. Christmas is about having families come together and the goal for this plan is to create the most heartwarming Christmas experience in America. HFEC has done a lot of work in other parts of the country using food and music to create these experiences.

The plan for the first year is called "Winter Wonderland." The target year is 2007 to begin this program. A temporary set-up to create snow for a time duration from November through January is planned for Memorial lawn. This "Snow Mountain" would be close to Crossroads and would provide a new and different activity during the typical slow season at Stone Mountain Park. Snow can be created using a new technology where the snow is made in a machine and blown through a tube. Temporary structures would be erected and families could play in the snow on inner tubes. Various areas would be created for different types of snow and winter activities.

In year two the focus will be on Santa. The North Pole will be featured at Memorial Lawn complete with a gingerbread house, and candy cane poles. Coca-Cola will join in this celebration and their popular polar bears will also be featured. Rudolph the Red-Nosed Reindeer will also have a place at this event. Rudolph will be a Muppet type character and will interact with children.

The Christmas tree will be the major focus in year three. This tree will be programmed to music and will provide a stage for live entertainment. The ornaments are as large as an average sized man. Hallmark has shown interest as a participant in this phase of the plan. An ice skating rink will be below the tree.

In year four the theme is "I'll be Home for Christmas." Transportation will be featured including horse drawn carriage sleigh rides. A tethered balloon ride and the North Pole Express train will be available for guests. Music and caroling on the train ride along with a special visit from Santa creates an unforgettable guest experience.

A "Joy to the World" feature is planned for year five. A Christmas craft festival, comparable to the current Yellow Daisy Festival is envisioned. Giant music boxes surround the giant Christmas tree. Each music box will have a live actor for entertainment.

Ms. Esparza stated that HFEC is also looking at upgrading the current Water Park and adding an outdoor experience area.

Ms. Johnson asked what the cost to a visitor would be for the proposed Christmas program. Mr. Rakestraw stated that Snow Mountain would be included in the current cost as it now exists. A guest would be able to participate in all events with the cost of an attraction wristband.

Mr. Gilliland inquired about other HFEC locations where the artificial snow is now being used. Mr. Esparza stated that Stone Mountain would be the first location. Ms. Johnson wanted to know if there was any location where this was being done. Mr. Esparza said that it was being done in Japan and Dubai. He said the basic premise in producing the snow is being able to stay ahead of the melt rate and the manufacturers have been able to achieve this.

Ms. Thomas wanted to know how Memorial Hall would figure into this plan and if it would be used as part of the Christmas plan. Mr. Esparza said not in the first year. But, in the second year with the introduction of Santa's Palace, Memorial Hall would be used.

Mr. Gilliland wanted to know how many square feet the plan would encompass. Mr. Esparza stated that the snow area would be about the size of a football field.

The committees expressed enthusiasm for the plan and thanked Mr. Rakestraw and his associates for their presentation.

Mr. Branscome stated that even though this was not a permanent structure it would be considered as a development in the Park. The scope of this project would require SMMA Board approval for the concept to move forward. HFEC is seeking SMMA approval on this during November if possible. Meeting dates for SMMA were discussed and it was uncertain as to whether approval could take place in November. Mr. Branscome said he would advise HFEC that SMMA is excited about the concept. Mr. Baxter said that SMMA needs to approve the details as with any development project to insure the quality of implementation. Ms. Johnson stated that because of her experience in visiting some of the other HFEC parks, she thinks the result will be first class. Ms. Thomas stated that the Crossroads development is very impressive.

The committee stated that it was nice to see HFEC present something fresh and exciting for Christmas. Several Board members said they have attended the program each year and a new element would be welcome and this is a fresh concept. The committees concurred that the first year of operating will prove whether this concept will be viable for HFEC. Ms. Johnson said that the nature of temporary structures would require that the Christmas program be erected and torn down each year and provisions would need to be made for storage.

Review of 2006 Year-to-Date Financial Statements

Ms. Durham said that for the eight months ended August 31, 2006 total revenues were about \$7.3 million year to date compared to the budget of \$6.8 million. This is a favorable variance to budget resulting primarily from higher than expected interest rates on investment balances.

Operating expenses year to date are about \$3.7 million compared to a budget of \$3.9 million. This is a \$200,000 favorable variance on expenses.

Net operating profit before depreciation is \$3.6 million and the budget is \$3.0 million. After depreciation the net profit year to date is about \$900,000.

The Statement of Cash Flows indicates that \$3.4 million has been generated from operating activities and about \$2.7 million has been invested in capital projects. Excess cash generated year to date is about \$760,000 leaving a cash and investment balance of \$23.5 million.

Mr. Gilliland asked what expenses are included in "outside services." Ms. Durham said that this term is unique to SMMA. This term refers to services that are not provided by SMMA personnel or staff. Landscaping by an outside vendor or an outside contractor would be one example.

Discussion of Possible SMMA Financing of Evergreen Ballroom Addition

Mr. Branscome presented a drawing depicting the orientation and footprint for the proposed ballroom addition at Evergreen. Pre-function, storage and pantry areas are included with this plan. With construction, design, and FF&E costs this project is estimated at \$6 million. SMMA has shown a return on the two investment accounts with the State of Georgia for the last five years of 2-3%. This is low, but interest rates have been low.

We have proposed that HFEC continue to pay rent on the Park and that this facility is projected to generate an additional \$2.5-3 million in its first year of operation. At \$3 million the 5% earnings potential for SMMA is \$150,000. HFEC has informally agreed that over the remaining life of the lease, they will pay to the Association an additional rent payment equal to the LIBOR rate minus 50 basis points based on the 12 month rate adjusted annually.

Mr. Gilliland said this would be a better return on investment than our current holdings are earning. Mr.

Baxter stated that SMMA could not have better security because the facility will be an asset and it will also generate the additional rent payment.

Ms. Thomas asked if HFEC was asking to reduce the current rent payment again. Mr. Branscome said that all they were asking for in terms of rent abatement is a continuation of the current arrangement. No additional rent reduction is being requested.

Mr. Smith asked if the impervious surface of the proposed parking lot presented in this layout would generate public concern. Mr. Branscome stated that the long-range plan for SMMA called for a parking deck on the hillside in the woods near that end of the facility. This would have resulted in a loss of about five acres of trees. This plan will have less impact than SMMA's previous plans.

Mr. Baxter wanted to know how guests would be transported from the lower lot up to the facility. Mr. Branscome said this was yet to be determined. Mr. Spicer stated there is a service entrance that would connect this lot and that this area is currently being used for overflow parking.

Discussion of Proposed Lease with Stone Mountain Sports Authority

Mr. Branscome stated that base annual rent is proposed at \$6,000 per field plus 5% of gross income. The lease is proposed at 20 years with two five-year renewal options. SMMA would make no investment in the construction or operation of the facility. Insurance requirements have been approved by the Attorney General's office and agreed to by the lessee.

If SMMA is still amenable to allowing a private developer build upscale soccer fields on the old airport property, then staff is prepared to proceed with this agreement. Mr. Gilliland asked about controlling signage for this property. Mr. Gilliland stated that some fields of this nature allow a lot of signage and that we should exercise some control in this area. Mr. Branscome stated that this should be added as a condition to the agreement and that SMMA will control any signage to maintain a pleasant appearance. Mr. Smith said that types of advertising should be controlled as well. After further discussion, the committees decided the lease should be re-drafted and that the current format did not meet the needs of SMMA.

Meeting adjourned at 12:00 p.m.

Notes taken by

Gail Durham, Secretary