

STONE MOUNTAIN MEMORIAL ASSOCIATION
DEVELOPMENT AND FINANCE COMMITTEES MEETING
August 2, 2010

A joint meeting of the Development and Finance Committees of the Stone Mountain Memorial Association was held at 11:00 a.m. on Monday, August 2, 2010, at the Plantation, Stone Mountain Park.

FINANCE COMMITTEE MEMBERS PRESENT

Bill Chappell, Chairman Finance Committee
Brent Brown
Greer Johnson, Vice Chairman
Mike Pentecost

DEVELOPMENT COMMITTEE MEMBERS PRESENT

Mark Baxter, SMMA Chairman
Ray S. Smith III, Chairman Development Committee (by telephone)
Joan Thomas

MEMBERS ABSENT

Chris Clark
Carolyn Meadows

OTHERS PRESENT

Curtis Branscome, C.E.O.
Bob Cowhig, Director of Planning and Construction
Gail Durham, Director of Finance and Secretary
Gerald Rakestraw, Vice President/General Manager HFEC
Mark Terlep, HFEC Director of Attractions Development

Call to Order

The meeting was called to order.

Discussion of Stone Mountain Railroad Options

Mr. Rakestraw said Mark Terlep has completed additional research on the options to the Stone Mountain Railroad and was present to share his findings with SMMA. Mr. Terlep distributed materials related to his research.

The rough order of magnitude cost for changing the Stone Mountain Railroad to narrow gauge track would be \$2.74 million. This would include changing out 12 switches and the entire track. Narrow gauge steam equipment is very difficult to locate. This includes new and used equipment. Standard gauge is much easier to obtain. There is one company out of England that does make narrow gauge steam trains. Their locomotive is not powerful enough to pull the amount of passenger cars required at Stone Mountain. Currently two sets of four passenger cars are used. The hourly capacity for the railroad is 760 passengers riding in a total of eight cars. One trip around the mountain with four cars can service about 380 passengers.

Mr. Brown asked if there was an additional charge for the train ride. Mr. Rakestraw said there was not. Mr. Brown asked why capacity would make a difference in return on investment if the train ride was included in the all attraction pass. Mr. Rakestraw said that the train is the most highly visited attraction and is very important in that it keeps bodies moving and entertains a high volume of people when the Park is crowded. It also provides an attraction during times when rain and wind prevent the Skyride from operating.

The narrow gauge railway is not approved by the Federal Railroad Administration (FRA). Currently, the Park is not required to operate under FRA standards, but if this scenario changed it would present a problem.

Mr. Terlep reviewed the additional research that had been completed related to diesel rebuilds and others trains operated at various Herschend Family Entertainment operations.

Mr. Brown asked Mr. Rakestraw if SMMA made a sizeable investment in the train attraction, what would HFEC do to complement this investment or make the attraction a more enhanced experience for the guests. Mr. Rakestraw stated that if some of the current operational issues with the train were resolved with investment in equipment, repairs, and upgrades, he would envision that HFEC could invest in some sort of show on the train ride. He could not say to what magnitude that would be. Mr. Brown said he would like to see the whole game plan on how this attraction could be stepped up to the next level.

Mr. Branscome said that he does not think we have enough resources to develop a steam train attraction with historical significance related to the Civil War. Mr. Branscome said that a lot of steam train facilities and museums have volunteers that help to maintain these engines and he does not think that will happen at Stone Mountain Park in a commercial environment. Mr. Branscome said that the train is an attraction and there is no requirement by SMMA for HFEC to operate it as steam train if there is no economic advantage for our private partner. The question is, "Can SMMA provide funds to operate a dressed up version of a diesel operation that looks like a steam operation?"

Ms. Johnson stated that \$3.3 million is the cost for a diesel rebuild operation, but that would not include the work necessary to make the engine look like a steam locomotive. Mr. Smith inquired if there are any estimates on the steam facade. These estimates have not been provided yet. Mr. Branscome said there is a lot of research work left to be done before we have these numbers.

Mr. Baxter said if you look at the numbers they are all in the same range given that we have two steam locomotives already as an asset. The shop would require some additional investment, but we are in close proximity with respect to cost. From a purely dollar and sense point of view it would cost more for special operators and maintenance but that is hard to quantify. Mr. Baxter said that while he would prefer to have steam he does not think it is of critical importance. He does think it is important to have a traditional looking locomotive. Mr. Baxter said he saw an old diesel locomotive in Jacksonville, Florida recently that was operational and had the look of a steam locomotive. Mr. Baxter said there may be some old equipment out there and if we could acquire it and enhance it we could eliminate the problem of special operators. The down side to that is that we have two steam locomotives in the Park that are not functioning. Mr. Branscome said that several operations, one in Texas specifically, have approached SMMA about acquiring our non-functioning equipment.

Mr. Chappell said that he agrees with a longer range approach and asked about the current condition of the steam equipment that we own. Mr. Rakestraw said the Yonah needs a lot of work. One option would be to clean it up and put it on display under a covered shelter where guests could photograph it. Mr. Rakestraw said one of their goals is

to dispose of surplus equipment that is non-usable. Mr. Baxter asked if we know the value of the current steam engines. This information is not available. Mr. Baxter said perhaps we could surplus this equipment.

Mr. Rakestraw said this is a large investment in the operation whether it is \$2.5 million or \$5.5 million and the equipment will be running for the next 40-50 years. He wants to take enough time to do all the research and present options that provide a solution for the long run. He said the operation is fine with short term fixes and repairs. He does not want to rush the decision.

Ms. Thomas said she would like to see a commitment from HFEC to participate in the railroad investment. Mr. Rakestraw said he could not answer definitively, but his instincts tell him that while he could make an investment in show product he would have a hard time garnering support in his organization for investment in the train. It is an existing attraction and it would be more compelling to spend \$2.5 million on a new attraction. Ms. Thomas said that while she could understand that position, that if HFEC was contributing it would make SMMA feel better. Mr. Branscome said that as we go forward and put together a package for railroad equipment that HFEC's contribution, if any, should become a discussion between him and Joel Manby. Ms. Thomas concurred that this would be the correct approach.

Mr. Brown asked the Chair if it was prudent to narrow the discussion and rule out steam engines as an option. Mr. Baxter said it might be. After reviewing the current equipment it appears that we have no credible steam or diesel engines. All the equipment is old and worn out. Mr. Baxter said that the operation should focus on getting rid of all the old equipment and concentrate on looking to acquire some much better equipment in the immediate future. This old equipment is a continual drain on resources. Mr. Brown added that he does not think the current equipment puts forth the image that SMMA or HFEC is trying to present. Mr. Baxter said we need to acquire some good quality, first rate engines. These could be diesel, diesel that looks like steam, or steam. Mr. Smith asked if that would include a rebuilt engine. Mr. Baxter said yes as long as the equipment is high quality.

Mr. Baxter said that he agrees with Mr. Chappell. The solution for the train operation should provide for the long term. Mr. Baxter said that in reviewing the costs previously presented that any good solution will cost about \$3 million and we should get good equipment if we are going to spend that kind of money. The old equipment should be scrapped and hauled off.

Mr. Branscome asked if the Board is comfortable with a real steam operation no longer being an option. Mr. Baxter stated that while it is attractive it seems totally impractical. Mr. Brown said he would like to keep the two steam engines and feature them at the train operation as displays.

Meeting adjourned at 12:00 p.m.

Notes taken by
Gail Durham, Secretary