

STONE MOUNTAIN MEMORIAL ASSOCIATION
DEVELOPMENT AND FINANCE COMMITTEES MEETING
June 20, 2011

A joint meeting of the Development and Finance Committees of the Stone Mountain Memorial Association was held at 11:00 a.m. on Monday, June 20, 2011, at Evergreen Conference Center, Stone Mountain Park.

FINANCE COMMITTEE MEMBERS PRESENT

Brent Brown, Chairman Finance Committee

Greer Johnson, SMMA Vice Chairman

Mike Pentecost

Becky Kelley representing Mark Williams, Commissioner Department of Natural Resources

DEVELOPMENT COMMITTEE MEMBERS PRESENT

Mark Baxter, SMMA Chairman

Carolyn Meadows

Ray S. Smith III, Chairman Development Committee

Joan Thomas

OTHERS PRESENT

Curtis Branscome, C.E.O.

Bill Stephens, Director of Administration

Bob Cowhig, Director of Planning and Construction

Gail Durham, Director of Finance and Secretary

Call to Order

The meeting was called to order.

Review of Proposed Consulting Agreement with CEO

Mr. Branscome said the Personnel Committee met earlier and agreed to recommend a continuing relationship and the approval of the proposed consulting agreement to the SMMA Board.

Five-year Capital Budget

Mr. Branscome said that the 2011 capital budget items are already scheduled or in progress. The 2012-2015 items are planned, but should be revisited each year after the annual audit has confirmed operating results and the amount of cash generated for investment. Mr. Branscome said that HFEC is looking to break even and generate a positive cash flow. They have requested continued support from SMMA and some projects for the resort properties and "legacy attractions" have been included in this five-year capital plan. Legacy attractions are ones that were on Park property when the lease was executed and include the Plantation and the Laser Lawn. Mr. Branscome said he would be reluctant to give monetary support for repair and maintenance of attractions built by HFEC.

The attraction and retail business is generating profit, but the resort side of the business is not performing as anticipated. Amendment Seven states that SMMA will contribute the 5% reserve funding for the resort properties for 2010 and 2011 to the extent that these properties have negative cash flow. If the properties generate cash flow, then SMMA's reserve contribution is reduced by the amount of positive cash flow. Incrementally, if and when the resort business recovers, SMMA will share in the improved bottom line through additional rent payments that are defined in the amendment.

Mr. Branscome reviewed the list of SMMA and HFEC proposed projects for 2011-2015. The list includes the reserve account funding for the hotels. The projects were reviewed and questions answered concerning project details. The total amount of projects for 2011 is \$4.7 million, 2012 is \$3.05 million, 2013 is \$2.8 million, 2014 is \$3.75 million and 2015 is \$5.05 million.

Mr. Branscome said the next question to consider is whether SMMA is prepared to extend Amendment 7 and fund the resort reserve account as long as they are generating negative cash flow. There are seventeen years remaining on the original thirty year lease and there are four five-year renewal options. Mr. Branscome said he is getting clear communication from HFEC that they need the long-term commitment from SMMA to continue their operations in the Park. Mr. Brown expressed concern about on-going financial assistance to HFEC. Mr. Branscome said that HFEC has cut their operating costs and reduced their staff to about 99 employees for the attractions side of the business. All indicators point to the fact that they are profitable with the attractions. The up side to extending Amendment 7 is that SMMA's obligation is limited if the resort end of the business rebounds, and SMMA stands to participate in the profits. HFEC entered the lease with about a 20% expected profit. They have lowered that expectation and now only want to generate a positive cash flow and breakeven. As long as they are achieving on the attractions side of the business and can generate breakeven on the resort side, HFEC will remain a willing partner at Stone Mountain Park. Mr. Smith stated that during these tough budgetary times, the State of Georgia would not want to commit to operating the Park. Ms. Kelley said that the Parks, Recreation and Historic sites are down about 50% and have cut about 400 employees over the last three years.

A discussion about the term of the continued commitment for Amendment 7 was discussed. Mr. Baxter said that this is a very serious matter and that the committee should give a lot of thought before extending this amendment for any length of time. He said it is obvious that something needs to be done, but that we should delay any decision until the potential benefits for SMMA are well defined. Mr. Baxter stated that an example would be if the resort properties are profitable two out of three years, does SMMA still contribute to the reserve account in the "off" years. Mr. Smith stated that "trigger" clauses could be built into the amendment so that SMMA could benefit from the profitable years.

Mr. Branscome said that he is only recommending approval of the five year capital plan at this time. Extension of the amendment is presented today for discussion only in terms of a longer term commitment. A safety device that is already incorporated in Amendment 7 is that at the point where the cash flow is positive enough to fund the 5% reserve account then there is positive cash flow, and SMMA is paid back on a formula. A three month LIBOR rate (with a minimum of 4%) is applied to all the money from 2010 that SMMA has contributed to the reserve. Mr. Branscome will work on language for extending the amendment that protects SMMA.

Review of Year-to-Date Financial Statements

Ms. Durham reviewed the year-to-date financial statements for SMMA for the period ending April 30, 2011. Total revenues year-to-date were \$3.4 million. Total operating expenses were \$1.9 million compared to the budget of \$2.2 million. Net operating profit before interest and depreciation was \$1.46 million compared to the budget of \$1.1 million. After interest and depreciation the net loss through April 30 is \$124,000 compared to the budgeted loss of \$312,000.

The balance sheet reflects \$7.4 million in cash and investments at the end of April. There are about \$6 million of capital projects in progress and about \$2 million has been spent to date on these projects.

Meeting adjourned at 12:00 p.m.

Notes taken by
Gail Durham, Secretary