

STONE MOUNTAIN MEMORIAL ASSOCIATION
DEVELOPMENT AND FINANCE COMMITTEES MEETING
May 16, 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, May 16, 2011, at Evergreen Conference Center, Stone Mountain Park.

FINANCE COMMITTEE MEMBERS PRESENT

Greer Johnson, SMMA Vice Chairman
Becky Kelley representing Mark Williams, Commissioner Department of Natural Resources
(by telephone)

DEVELOPMENT COMMITTEE MEMBERS PRESENT

Mark Baxter, SMMA Chairman
Carolyn Meadows
Ray S. Smith III, Chairman Development Committee
Joan Thomas

MEMBERS ABSENT

Brent Brown, Chairman Finance Committee
Mike Pentecost

OTHERS PRESENT

Curtis Branscome, C.E.O.
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 Year-to-Date Financial Statements

Ms. Durham reviewed the year-to-date financial statements for SMMA for the period ending March 31, 2011. Total revenues for the first three months of 2011 were about \$2.6 million compared to the budget of \$2.5 million. Operating expenses were approximately \$1.4 million compared to the budget of \$1.7 million. Interest income was about \$25,000 compared to the budget of \$12,000. Net operating profit before depreciation was \$1.3 million. The excess of revenue over expense after depreciation was about \$50,000 or about \$250,000 better than the budget.

Mr. Baxter asked about the occupancy rate at the hotels. Mr. Branscome said he did not have exact numbers, but they were not good. He stated they will improve somewhat during the summer months, but the projection from management is that positive cash flow will not occur until 2016. The payment to HFEC from Marriott is calculated on net profit. In 2009 the payment was about \$6 million, and in 2010 it was \$4 million. The meeting and resort conference business used to be a large contribution to the bottom line. That situation has reversed. The attractions side of the business is going well now.

Discussion of Future Capital Projects

Mr. Branscome distributed a list of projects that he and Mr. Cowhig have been working on for several months. He stated that if HFEC remained as the private partner then SMMA would continue to generate between \$3 - \$4 million in cash each year. Mr. Branscome discussed each project which included:

2011 SMMA

- 1) Indian Island – erosion control and upgrades
- 2) Howell Lake – (damaged from the 2009 storm) dam stabilization and tree removal
- 3) Pipe Project – drain pipe near golf course and old training center

2011 HFEC

- 1) Plantation – repair and maintenance
- 2) Campground – road improvements
- 3) Golf Courses – irrigation system
- 4) Laser Bunker/Fountain – improvements

Other long-term projects were discussed and included Old Hugh Howell Streetscape, paving roadways, Yellow Daisy parking lot, and communication system upgrade. These projects will be predicated on cash flow and higher priority projects in partnership with HFEC. The poor performance of the resort properties dictate that SMMA will have to participate with upgrades and repair and maintenance. To what extent that participation might be has yet to be determined. When SMMA agreed to fund the 5% reserve account, the commitment was for 2010 and 2011. This agreement can be extended by mutual consent.

Mr. Branscome said that over the next several months the Board should consider the economic and philosophical question of, “Do we want to keep the lessee here?” “Do we want to continue to fund the reserve account?” If SMMA withdraws funding the lessee will probably be forced out of the Park. Mr. Branscome said he wanted to go ahead and pose the questions so that the Board could be giving some thought to the issues at hand. Ms. Thomas said that it had become clear that HFEC was going to require assistance from SMMA. Mr. Branscome said that at the staff level we were going to start digging into numbers of the Marriott properties and getting comfortable with the necessary level of support required.

Mr. Cowhig confirmed that this project list is fluid and that the projects listed are proposed, but the timing can be adjusted. The Park is getting older and certain repair and maintenance concerns can no longer be ignored, whether in the public or the leased areas.

Mr. Smith stated that he thought SMMA would have a difficult time finding another partner to operate the property. Ms. Johnson asked if HFEC has disclosed how much loss they are willing to absorb before they break the lease. Mr. Branscome said that this is a real issue. If HFEC breaks the lease, they are required to write SMMA a check for about \$10 million and to give a 12 month notice that they intend to leave. It is his opinion that HFEC will remain if they can get to even a small amount of positive cash flow but they will not stay if they have a few more years of negative cash flow.

Mr. Baxter said that SMMA could in such case take over the management of the Park. Mr. Branscome stated that SMMA would keep a management company such as Marriott over the resort property and could go out for proposals for the operations of attractions and retail. This would create more headaches because the Association would have more contracts to manage and the master lease document would cease to provide the comfort of a dependable lease revenue stream. Mr. Baxter said it would appear that HFEC at some point, without increased financial participation from SMMA that we may not be prepared to give, would write their check and leave the Park.

Mr. Branscome said he is not advocating that we retain HFEC at any and all cost. SMMA will evaluate each and every detail of any financial participation from SMMA to determine its merit and economic soundness. There is a point somewhere, economically, where it does not make sense for SMMA to provide further financial assistance. SMMA will do what is feasible and reasonable to make sure the Park is maintained and fulfilling its mission. Mr. Baxter stated that all the operational options need to be evaluated.

Meeting adjourned at 12:00 p.m.

Notes taken by
Gail Durham, Secretary