

STONE MOUNTAIN MEMORIAL ASSOCIATION
December 3, 2007
Teleconference

A teleconference meeting of the Stone Mountain Memorial Association was held at 3:00 p.m. on Monday, December 3, 2007, at Confederate Hall in the office of the C.E.O., Stone Mountain Park, Stone Mountain, Georgia.

ASSOCIATION MEMBERS PRESENT

Tom Gilliland, Chairman
Greer Johnson, Vice Chair
Brent Brown
Bill Chappell
Noel Holcomb
Mike Pentecost
Ray Smith III
Joan Thomas

MEMBERS ABSENT

Mark Baxter

OTHERS PRESENT

Curtis Branscome, C.E.O.
Gail Durham, Director of Finance

CALL TO ORDER

Chairman Tom Gilliland called the meeting to order. A quorum was present.

APPROVAL OF MINUTES

A motion was made by Joan Thomas, seconded by Greer Johnson, and unanimously approved to waive the reading of the minutes of the October 15, 2007 meeting and to adopt the minutes as printed. A draft copy of the minutes was sent to each Board Member prior to the meeting.

PUBLIC COMMENT

None.

APPROVAL OF 2008 BUDGET

Mr. Branscome reviewed the 2008 proposed budget. Interest income is projected to increase by about \$120,000. A significant expense is labor costs which will increase about \$143,000 or about 5%. This is composed of two elements. One is an allowance for a mid-year salary adjustment of up to 4%. The other is that SMMA employees are compensated on a bi-weekly schedule and there will be one extra pay period in 2008. This occurs every fourteen years or so. Employee benefits will increase 8% or about \$80,000. Advertising and promotion expense includes \$100,000 in support of the Resaca Civil War project. Outside service expense or contractor expense is projected to decrease \$100,000. Some of the major engineering studies are now completed. Operating supplies will increase because of rising fuel and transportation costs. Utilities will increase due to rate increases. Liability insurance premiums will rise based on Georgia's experience as a whole. We are insured through the Department of Administrative Services for this coverage.

Operating profit before depreciation is forecasted at about \$4.6 million and a net profit after depreciation of about \$800,000. Operating expenses are about 5% higher than the prior year.

Mr. Chappell asked if Mr. Branscome and Ms. Durham were comfortable with the budget presented for 2008. Each replied that this was a reasonable and obtainable budget.

Mr. Gilliland asked who the health carrier was for SMMA. Ms. Durham replied that Aetna is the health carrier and Sun Life will be the dental provider for 2008. The cost for employees to insure their families is about \$340 per month and the total premium for family coverage is \$1,798. The employee pays about 20% of the premium.

Mr. Chappell made a motion to approve the 2008 budget. Mr. Pentecost seconded the motion and the budget was unanimously approved.

AD HOC COMMITTEE REPORT

Mr. Branscome stated that Chairman Tom Gilliland had formed an Ad Hoc Committee to review a request made by Herschend Family Entertainment Corporation. The committee's report was mailed to each board member prior to the meeting. HFEC requested that SMMA agree that the cancellation of the Coca Cola Snow Mountain attraction was a "major event" under Section 4.6 of the Lease and that the abatement of one month's rent (\$713,648) was an appropriate remedy.

The committee, consisting of Tom Gilliland, Noel Holcomb, and Mark Baxter, concluded based on all the facts and the opinion of legal counsel, that there was no basis for this being considered a "major event" under the terms of the Lease. The Committee determined that there was no legal basis for SMMA to provide any rent abatement to HFEC.

Mr. Branscome stated that this is being reported to the Board and asked if anyone has questions about this issue. Ms. Johnson inquired if SMMA could provide the abatement even though the Board was not legally bound to do so. Mr. Holcomb stated that even if the Board was so inclined to provide some remedy it becomes an issue of granting a gratuity which is prohibited by the State Constitution. Mr. Branscome stated that Mr. Baxter had studied this clause very carefully and was very firm in his opinion that this did not qualify under that definition as a major event. If you can not find that this is a major event then you

can not give them any relief. Mr. Smith stated that he concurred with Mr. Baxter's opinion based on his experience with leasing litigation.

Mr. Brown asked Mr. Branscome if HFEC stated how much they wanted or if they requested a general reduction in rent. Mr. Branscome stated that in the initial discussions they thought it was appropriate to request a two month rent abatement or about \$1.4 million. Mr. Branscome stated that they presented non-recoverable expenditures from the start of the Snow Mountain project of about \$700,000. When they met with the Ad Hoc committee they presented a request for a one month rent abatement or \$713,648. Mr. Brown asked for a general view of how the whole relationship with HFEC management was going and how they might view this partnership at this time. He stated that he knew with the latest negative effects of the Georgia drought situation on the Snow Mountain project as well as the Water Park project that there may be some business concerns. Mr. Branscome stated that he could only present his opinion, but that Joel Manby the C.E.O., had provided feedback that the HFEC Board was very pleased that SMMA was reinvesting in the Park. They were impressed that SMMA was completing projects like the pedestrian tunnel to improve traffic flow, paving streets, and improving infrastructure with water and sewer upgrades. Since SMMA did the rent abatement in 2003, they have been able to meet minimum expectations in terms of profitability. This year HFEC will have no profitability on their Stone Mountain operation. They will not come close to achieving the 8-10% cash return on cash they have experienced in the last several years. Mr. Brown asked if this was due to the failed Snow Mountain project or lower attendance in general for 2007. Mr. Branscome stated that not being on the inside of their operation this was difficult to judge. The Marriott lodging operation has been profitable, but the various components of attractions, retail, and special events made it difficult to identify all the causes for their lack of profit in 2007. The \$700,000 out of pocket costs for Snow Mountain certainly impacts their bottom line. If SMMA gave them this additional money it would bring them back to zero profitability. Joel Manby is concerned about justifying the Stone Mountain Park operation to his Board in terms of profitability.

Ms. Johnson asked if the delay of the Water Park project has impacted the operation. Mr. Branscome replied that they were trying to open in Water Park in May of 2008. The slides and some equipment were ordered and they had started working on some of the utilities without having a civil site plan. They began development and were trying to put water slides on top of water and sewer lines and did not have a good plan to work with. The project was halted prior to the Snow Mountain fiasco. Mr. Holcomb stated that Mr. Manby stated at the beginning of his presentation to the committee that HFEC did not want to risk the relationship by asking for a rent abatement. Mr. Branscome stated that Mr. Manby was assured that this was a business relationship and that SMMA would not be affronted by a request for abatement in situations such as this. Mr. Branscome stated that the relationship at the staff level between Gerald Rakestraw, Joel Manby and himself was a good and positive one. The problems develop when Joel Manby has to justify lack of profitability to the HFEC Board. Mr. Brown stated that he was seeking Mr. Branscome's viewpoint on the overall relationship since there were so many current obstacles. Mr. Branscome said that he thought if they had several continuous non-profitable years the partnership would be in jeopardy. Joel Manby, Gerald Rakestraw, and Mr. Branscome have agreed to put together a major campaign for Stone Mountain Park to be the poster child for water conservation. We would like to demonstrate that Snow Mountain can be opened without using any additional domestic water. The Water Park can also be achieved without additional overall water usage.

Ms. Johnson asked if there would be any impact to the lake if water is pulled from there to operate the water slides or Snow Mountain. Mr. Branscome stated that Stone

Mountain Lake remains full due to the 14 square miles of watershed that include creeks, springs and ground water that feed it. Even with pulling water for the golf greens this year, there is still water going over the spillway. Mr. Chappell stated that he thinks water will be a major issue in the coming year and definitely something the Board will need to focus on. Mr. Branscome stated that there are only two meters in the Park for measuring water usage. SMMA will be putting meters in throughout the Park to monitor usage and detect leaks.

In summary, Mr. Branscome said that if the negative earnings continued for two or three years that HFEC would probably take a look at terminating the partnership, but if some of their new program strategies are successful that the relationship will prosper. Mr. Branscome stated they had a very successful year in 2006 and the HFEC Board was very pleased with the numbers reported. Mr. Holcomb stated that other economic factors such as rising fuel costs could have played a role in determining visitation this year.

Mr. Gilliland stated that the rent concessions in the past were offered in consideration of a positive return for SMMA. Mr. Brown stated that he was not concerned with the conclusion reached by the committee. He just wanted to get a good understanding of how the Park was operating and if the relationship was working well.

Mr. Branscome said that a Board planning session would probably be beneficial some time in the spring. Overall, HFEC's operations are in line with those of SMMA and consistent with our goals and objectives and they do a great job. However, we always need to be prepared for them to leave at any point in time and the Association should be prepared to take back operations should that occur. Mr. Gilliland stated that the last retreat was probably eight years ago and that a planning retreat could be useful to determine the overall strategy for the Association.

OLD BUSINESS

None.

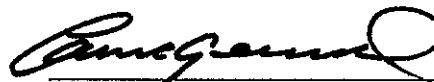
NEW BUSINESS

Mr. Gilliland stated that his term with SMMA expired in May of 2007. He has written the Governor and related that he will step down as Chair of the Stone Mountain Memorial Association effective December 8, 2007. He will also be retiring from the executive management of United Community Bank. He said he had enjoyed his service with the Association over the past eight and a half years.

Mr. Gilliland received thanks from the members at the meeting and also congratulations on his appointment by President Bush to the Tennessee Valley Authority.

ADJOURNMENT

There being no other business, the meeting was adjourned at 4:10 p.m.



Tom Gilliland, Chairman

Submitted by
Gail Durham, Secretary