



## Memorandum

**To:** Warren Hart, Director  
Greene County Department of Economic Development, Tourism & Planning

**From:** John Gerner, Managing Director  
Leisure Business Advisors LLC

**Subject:** Consultant Review of Proposed Great Wolf Lodge in Greene County

**Date:** February 24, 2012

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Leisure Business Advisors LLC (LBA) has been retained by Greene County to conduct an independent consultant audit of the "Market Feasibility Study Report for the Proposed Great Wolf Lodge - New Baltimore Kalkberg Commerce Park." That feasibility study was prepared on August 15, 2011, by Hotel & Leisure Advisors, LLC (H&LA). This memorandum presents our final report.

We specialize in conducting planning studies for new leisure attractions and business valuations of existing attractions. LBA was previously retained by Empire State Development, a public authority of the state of New York, to evaluate the reopening Fallsville Splash Park in Niagara Falls. It was the subject of a New York State Supreme Court case. Our qualifications are discussed at the end of this report in Appendix A.

### Summary of Findings and Analysis

Overall, LBA did not find major mistakes or omissions in the feasibility study. We also conducted a series of financial stress tests on the anticipated payment revenues for the proposed infrastructure bonds. The results of this analysis were positive.

Other findings based on our research and industry experience are summarized below and discussed in more detail later in this report.

- Waterpark Resorts have been a long-term development concept.
- Targeted tourism development often includes new Great Wolf Lodge waterpark resorts.
- This tourism development approach typically involves developer incentives.
- Great Wolf Resorts' financial situation is improving.
- Large-scale Great Wolf Lodge resorts generally outperform the company's smaller resorts.
- Projected performance is within the range achieved by existing Great Wolf Lodge resorts.
- Waterpark resort guests typically patronize nearby attractions and retail centers.
- Waterpark resorts typically do not significantly affect nearby outdoor water parks.
- Nearby retail development should continue to be part of the development strategy.
- The current agreement requires project financing before infrastructure improvements begin.

## Financial Stress Tests on Payment Revenues for Infrastructure Bonds

In order to gauge the impact of major changes in the feasibility study assumptions, LBA conducted a series of preliminary financial stress tests. These tests were specifically aimed at the anticipated payment stream from the Public Improvements Support Fee (PISF). Other potential bond payment sources, such as sales tax revenues, were not included in this analysis. These tests were also based on the current understanding that no public improvements would be made until all financing and licensing commitments are firmly in place to ensure that the proposed Great Wolf Lodge in Greene County would indeed be built. The results of this analysis were positive.

The developer has agreed to pay this special fee for a 30-year period following the opening of the proposed Great Wolf Lodge. The main purpose of this new fee is to assist Greene County in undertaking public improvements and other community benefits that are necessary for the project and the surrounding master planned area.

This fee is based on a percentage of total rooms revenue, and would be required regardless of the resort's profitability level. The revenue percentage escalates over future years using the following schedule:

- Operating Years 1 to 6: 2.0%
- Year 7: 2.5%
- Year 8: 3.0%
- Year 9: 3.5%
- Years 10 to 30: 4.0%

In order to provide a conservative analysis, other potential bond payment sources were not included in this analysis. These other sources include future sales tax revenues from the proposed Great Wolf Lodge and its annual Payment in Lieu of Taxes (PILOT). Therefore, the total economic benefits to Greene County would be more than that presented in the analysis shown on the next page. For example, a new wastewater treatment plant would be part of the proposed infrastructure improvements. It would have excess capacity beyond that needed by the proposed Great Wolf Lodge. This excess capacity would help allow additional development nearby that would in turn pay for this expanded utility service.

Estimated future revenues solely from the specific fee are based on the assumptions in the feasibility study extended over the 30-year period, unless specifically noted. Estimated infrastructure costs and anticipated bond payments are based on information provided by the Greene County Industrial Development Agency and its financial advisor (Veyron Securities). The total amount for the infrastructure improvements is estimated to be approximately \$15.6 million, including financing costs. Based on typical public bond interest rates and payment schedules, the total bond payment amount over 30 years is estimated to be approximately \$24.9 million. An additional \$2 million is estimated during this period for other related expenses. Combined, the 30-year total cost is estimated to be about \$26.9 million.

LBA calculated the debt coverage ratio under various scenarios. Specifically, it is the ratio of fee revenue to debt-related expenses. In general, it is a popular benchmark used in to measure the ability to produce enough cash to cover debt payments. The higher this ratio, the easier it is to obtain a loan or other form of long-term debt. The phrase is often used in commercial banking and may be expressed as a minimum ratio that is acceptable to a lender.

In this case, it is calculated by dividing the total Public Improvements Support Fee (PISF) revenue by the total amount needed for bond payments and related expenses. A ratio of 1.0 means that the two are essentially the same and there is no significant surplus or deficit. This is typically considered the breakeven level. A higher ratio is positive because there is a now a surplus available as a cushion for short-term drops in the revenue stream. The higher the ratio is, the better the situation. The calculated ratios are shown below, and are 1.0 or higher. The results of this analysis therefore are positive. For comparison purposes, many commercial banks require debt service coverage ratio of between 1.15 to 1.35 times to ensure that there would be sufficient cash flow to cover loan payments.

**Exhibit 1: Preliminary Bond Payment Stress Tests for the Proposed Great Wolf Lodge**

Scenario	Estimated 30-Year			Estimated Debt Coverage Ratio
	Public Improvements Support Fee Revenues	Infrastructure Bond Payments and Project Expenses	Surplus	
<b>1) Extension of Feasibility Study projections:</b>				
Average 30-year occupancy rate equals 71.2%, and inflation at 3% beyond 10 years	\$58,600,000	- \$26,900,000	= \$31,700,000	2.18
<b>2) Extension of Worst Great Wolf Lodge Performance:</b>				
Average Daily Rate reduced 10%, average 30-year occupancy rate at 63.9%, and inflation at 3% beyond 10 years	\$47,400,000	- \$26,900,000	= \$20,500,000	1.76
<b>3) With Lower Future Inflation:</b>				
Average Daily Rate reduced 10%, average 30-year occupancy rate at 63.9%, and inflation at 2% beyond 10 years	\$43,800,000	- \$26,900,000	= \$16,900,000	1.63
<b>4) Lowest Occupancy Rate to Achieve Breakeven:</b>				
Average Daily Rate reduced 10%, average 30-year occupancy rate at 40%, and inflation at 2% beyond 10 years	\$26,900,000	- \$26,900,000	= \$0	1.00

Source: Leisure Business Advisors LLC, using bond cost and financing parameters provided by the Greene County Industrial Development Agency and its financial advisor (Veyron Securities).

The calculated debt coverage ratios are for the entire 30-year period. During the initial years, the payment stream from this fee would likely be less than the annual bond debt payment. This is mainly due to the escalating structure of this fee.

In the first scenario, the financial projections in the feasibility study were extended based on anticipated future inflation of 3% annually. Under this scenario, total 30-year revenues from the fee would be more than double (2.18) that needed to pay the estimated bond payments and other project-related expenses.

In the second scenario, both the average annual occupancy rate and average daily rate were reduced to the worse level actually achieved by an average large-scale Great Wolf Lodge resort in the past. That level occurred in 2009 and 2010, during the worst recession since the Great Depression. This performance was extended into the future at a 3% annual inflation rate. The results still remain positive, with total fee revenues exceeding estimated infrastructure expenses by more than \$20 million.

The third scenario takes this situation and assumes lower average inflation of 2% annually. The results remain positive, with the total surplus at \$16.9 million.

The fourth scenario estimated the lowest average occupancy rate needed to generate sufficient fee revenues to make the bond payments and pay related expenses. The "breakeven" level occupancy rate is 40%, much lower than that actually achieved by Great Wolf Lodge resorts in the past. During the latest economic recession, the worst occupancy rate achieved by the average large-scale Great Wolf Lodge resort was 63.9%. This breakeven level is a debt coverage ratio of at least 1.0 and a neutral surplus.

At this very low level of hypothetical performance, it would be likely that the proposed Great Wolf Lodge would be unprofitable and face financial restructuring. Even then, as long as the resort stayed open it would be generating revenue subject to the special fee. Typically, financial restructuring for this type of business allows them to continue operating. As noted earlier, this fee is based on total room revenue, and would be required regardless of the resort's profitability level.

## Key Findings

Overall, LBA did not find major mistakes or omissions in the feasibility study prepared by Hotel & Leisure Advisors, LLC. Other findings based on our research and industry experience are presented below and on the following pages.

### **Waterpark Resorts have been a long-term development concept.**

An example is the concept's pioneer, the Polynesian Water Park Resort in Wisconsin Dells. It originally opened 23 years ago as a stand-alone hotel in 1989.

It became the first "waterpark resort" when it added an indoor water park area in 1994. The resort has since made additional improvements over the years, including a \$20 million renovation that began in 2008. It still remains popular in an area with many newer waterpark resorts. The Chicago Daily Herald recently rated it the best water park hotel for families with kids ages 10 and younger.

The first Great Wolf Lodge opened in Wisconsin Dells in 1997. It completed a \$46 million expansion in 2006, which included a larger indoor water park.

### **Targeted tourism development often includes new Great Wolf Lodge waterpark resorts.**

The Great Wolf Lodge in Grapevine, Texas, was part of this type of tourism growth strategy and is an example of its impact. It opened in 2007.

Three years later, Grapevine City Manager Bruno Rumbelow spoke to a group of municipal officials in 2010 about beefing up tourism to bolster city budgets during tough economic times. Grapevine's property tax rate that year was the fifth-lowest city tax rate among 44 Tarrant County communities, and the city's tourism growth strategy had helped keep this tax rate low.

He pointed out that Grapevine targets "world-class businesses who will come in and make their mark (and a good profit) and tell others about their success." Businesses that increased tourism include those in the historic downtown area, Grapevine Mills, the Gaylord Texan Resort, the Great Wolf Lodge, and Bass Pro Shops.

The November 2010 Fort Worth Star-Telegram article about his speech also reported that:

*"By increasing sales and hotel tax collections, tourism has helped Grapevine keep its property tax rate low while maintaining and growing public services, Rumbelow said. He touted the city's parks and recreational facilities, public safety services and infrastructure... The objective is simple. Tourism 'drives sales and occupancy tax growth,' which 'drive lower taxes and first-rate city services and facilities' Rumbelow said. Efforts to bolster tourism 'translate into spending that benefits the visitor and resident alike.' "*

The Great Wolf Lodge in the Poconos opened in 2005. That same year, Robert Uguccioni, Executive Director of the Pocono Mountains Visitors Bureau, was interviewed by the Northeast Pennsylvania Business Journal. He told the journal that tourist-oriented projects "made a new buzz for the Pocono Mountains. It made people take a look at us, and it's a domino effect."

***This tourism development approach typically involves developer incentives.***

In 2005, Grapevine's city manager was asked by the Fort-Worth Star-Telegram why the city offered developer incentives for its new Great Wolf Lodge. He answered that "it was a matter of Great Wolf being on our list of projects we would like to have. It is the reality of the times."

The H&LA feasibility study presents many examples of existing waterpark resorts that have received significant municipal incentives. These included the Great Wolf Lodge resorts in Concord and Mason. LBA reviewed these examples and provides additional information in the next section of this report. Other examples include the existing Great Wolf Lodge in Grapevine and proposed Great Wolf Lodge resorts elsewhere.

***Great Wolf Resorts' financial situation is improving.***

Although the company has faced substantial financial challenges in the past, current indicators are that Great Wolf Resorts is improving its financial condition. Debt-related leverage is decreasing, and the two Great Wolf Lodge resorts that were previously facing financing scrutiny have not had to restructure loan agreements.

***Large-scale Great Wolf Lodge resorts generally outperform the company's smaller resorts.***

The latest Great Wolf Lodge resorts built have all been "Generation 2" waterpark resorts. These resorts have approximately 400 rooms or more and a wider range of amenities compared to the company's earlier Generation 1 resorts. These amenities typically include a larger indoor water park. For example, the indoor water park at the Great Wolf Lodge in Concord is 84,000 square feet in size. It is the company's most recently developed resort. The proposed Great Wolf Lodge in Greene County would also be a large-scale Generation 2 waterpark resort, so this is a positive situation.

The company's latest 10-K annual report presented average performance for its large-scale Generation 2 resorts compared to its smaller-scale Generation 1 resorts. The average Generation 2 Great Wolf Lodge achieved higher occupancy, average daily rate (ADR), Revenue per Available Room (RevPAR), and total Revenue per Occupied Room (RevPOR).

***Projected performance is within the range achieved by existing Great Wolf Lodge resorts.***

The H&LA feasibility study forecasts an annual occupancy rate of 72.1% during a stabilized year of operation for the proposed Great Wolf Lodge in Greene County. This is within the range achieved by individual large-scale Great Wolf Lodge resorts. For example, Source Strategies estimated in its Hotel Brand Report that the Great Wolf Lodge in Grapevine achieved an average annual occupancy rate of 72.2% in 2008. H&LA estimates in its feasibility study that the occupancy rate for the Great Wolf Lodge in the Poconos is between 70% and 75%.

The average daily rate (ADR) projected in the feasibility study is \$330 during the assumed first year of operation in 2014. H&LA estimated in its feasibility study that the 2010 average daily rate for the Great Wolf Lodge in the Poconos is between \$300 and \$350. Another source confirms

this level. Economics Research Associates estimated that the Great Wolf Lodge in the Poconos achieved an average daily room rate of \$311 in 2008, according to the Waterpark Resorts Today trade journal. This estimated amount would be about \$336 in today's dollars, after adjusting for inflation since 2008. The projected first year average daily rate amount (\$330) is below this inflation-adjustment amount, and therefore within the range estimated for existing Great Wolf Lodge resorts.

**Waterpark resort guests typically patronize nearby attractions and retail centers.**

Existing Great Wolf's large-scale Generation 2 waterpark resorts have been built near tourist attractions or tourist-oriented retail centers. Great Wolf Lodge resorts in the Poconos, Concord, and Grapevine are near tourist-oriented retail centers. The Williamsburg and Mason resorts are near theme parks. The Grand Mound and Niagara Falls resorts are near casinos.

The proposed Great Wolf Lodge near Lake Lanier, Georgia would be near other types of tourist attractions. It is a regional recreational destination that offers public beaches, marinas, resorts, and an outdoor water park.

**Waterpark resorts typically do not significantly affect nearby outdoor water parks.**

LBA's research did not find any examples where a new waterpark resort decreased attendance to nearby outdoor water parks. To the contrary, many waterpark resorts have been developed by companies that also owned nearby outdoor water parks. Examples include the Six Flags Great Escape Lodge and Cedar Fair's Castaway Bay.

The Great Wolf Lodge in Williamsburg opened in March 2005, before the summer season began. Later that same year, annual attendance at nearby Water Country USA increased 9% over the previous year. Attendance rose again the following year, according to the industry-wide 2006 attendance report prepared by the Themed Entertainment Association (TEA) and Economics Research Associates. This report also noted that the "new Great Wolf waterpark hotel added focus to Williamsburg as water destination."

**Nearby retail development should continue to be part of the development strategy.**

The H&LA feasibility study assumed that nearby retail components would be available one year after the proposed Great Wolf Lodge opens. LBA contacted René VanSchaack, the IDA's Interim Executive Director, for a description of the current situation. He responded that the IDA has temporarily suspended discussions concerning potential secondary development near the proposed Great Wolf Lodge until the IDA is able to show real progress at the site. The IDA anticipates that upcoming county legislature consideration of infrastructure improvements and other approvals would help provide the needed positive sign that progress is indeed being made.

**The current agreement requires project financing before infrastructure improvements begin.**

The current agreement is the executed business term sheet between MAR Holdings LLC, the Greene County Industrial Development Agency (GCIDA), and Greene County. A draft version was provided in the feasibility study. The executed version is presented as Appendix B of this report. It states that:

*"It is a condition precedent that MAR have in place commitments for the required equity capital and taxable private bond financing prior to the issuance of Greene County public infrastructure bonds."*

GCIDA explains this requirement and others in its latest online response to Frequently Asked Questions on the [greenewaterpark.com](http://greenewaterpark.com) website:

*"While the County is requested to approve a bond resolution in the first quarter of 2012, the vote is conditioned on several items that must be met prior to the issuance of County bonds. The project sponsor must demonstrate that they have secured the required project financing, performance guarantees, and an acceptable operating agreement with Great Wolf to the County's satisfaction. If these conditions are not met, the bonding resolution is rescinded and the project does not move forward."*

The company's latest public statement concerning the proposed Great Wolf Lodge in Greene County is from a news article in The Business Review on April 15, 2011:

*"While we certainly consider this to be an attractive location, we have not signed any letters of intent, or other contracts associated with this perspective project," said Steve Shattuck, spokesman for Great Wolf. "Our business development team continues to have productive and positive discussions with everyone involved," Shattuck said.*

There may be other aspects that delay this development. No new Great Wolf Lodge resort has yet begun construction since the 2008 financial crisis. This is due to the lingering effects of the recent national economic recession, difficult real estate market, and challenging capital markets.

Because of this current uncertainty, LBA recommends that Greene County and the GCIDA continue the current requirements described above. Other safeguards could be also considered in the future. An example would be to require the owner of the new Great Wolf Lodge to pay the Public Improvement Support Fee (PISF) as-incurred on an ongoing basis into a special escrow account accessible only by the County. This additional safeguard would help ensure that PISF revenue would only be used for its intended purpose.

Based on LBA's research of comparable waterpark resort development elsewhere, there are typically multiple opportunities for public input and review before final financial commitments are made. For example, the local government review process for the proposed Great Wolf Lodge in Garden Grove has involved numerous public hearings. That example is discussed in more detail later in this report.

## Case Studies of Selected Past and Proposed Great Wolf Lodge Resorts

The following pages present case studies involving the development of new Great Wolf Lodge resorts. All of the actual and proposed resorts discussed in this section involve large-scale "Generation 2" waterpark resorts. These case studies focus on the public review process, and are presented in chronological order based on the time the project first became publicly known.

### **Great Wolf Lodge (Poconos, Pennsylvania)**

A November 1998 Associated Press article reported that:

*"For decades, the Poconos and Catskills have competed for the same tourists and the same dollars from New York, New Jersey, Philadelphia and beyond. But today, the tale of two vacation destinations has changed. After hard times hit both the Pennsylvania and New York regions in the early 1980s as vacationers found other destinations more appealing, the Poconos was the only one to survive its gamble with death... By the end of the 1980s, the Pocono Mountains Vacation Bureau realized that daytrippers were the key to a successful future, bringing in hugely successful shopping magnets, such as the Crossings Factory Stores in Tannersville, and refurbishing ski destinations."*

In August 2000, the Great Wolf Lodge developer placed 100 acres in Scotrun under contract. The following year Robert Uguccioni, Executive Director of the Pocono Mountains Visitors Bureau, was interviewed by the Northeast Pennsylvania Business Journal about the new Great Wolf Lodge. He said "while the area already has enough hotel rooms, this is a destination resort that is family-oriented and a good use for that location." Monroe County Commissioner Mario Scavello called the new Great Wolf Lodge, "a homerun for the county."

Development challenges included a lack of municipal sewer service, so construction was delayed until June 2004. The Great Wolf Lodge opened in October 2005, and was the first new resort to open in the Poconos in 30 years. For local officials, it has been seen as a "major shot in the arm" for its tourism business and part of the revitalization of the Poconos.

### **Great Wolf Lodge (Mason, Ohio)**

Mason's City Council approved a 10-year tax-incentive package for this waterpark resort in 2004, valued to be worth \$8.9 million. These incentives included property tax abatement and a refund of two thirds of the bed tax owed to the city.

The purpose was to persuade the company to build a Great Wolf Lodge in the local area rather than other sites the company had been considering in Kentucky and Indiana. Michele Blair, the city's economic development director at that time said the resort would help stimulate development. The 401-room Great Wolf Lodge opened in December 2006 and became the largest hotel in the county.

By 2009, tourism supported 14% of the jobs in Warren County, where Mason is located. This amount ranked first in Southwest Ohio and outpaced the state average of 8.6%, according to a study by Tourism Economics and the Ohio Tourism Division. During that year, Warren County attracted 7.8 million visits, an increase of 16% from 2008 despite the economic recession.

### **Great Wolf Lodge (Grapevine, Texas)**

In 2005, city officials hired a consultant to help lure new attractions. The consultant identified the Great Wolf Lodge, and Grapevine officials approached the company. Later that year, the city council unanimously approved a two-phase incentive package. This included waiving building and permit fees and a rebate of hotel / motel taxes. For the initial 400-room resort, city officials offered a 1% hotel/motel tax rebate for 10 years and waived other building fees for an estimated total value of \$3.3 million. If Great Wolf officials built an additional 200 rooms, Grapevine officials would expand the tax rebate and fee breaks to include the new rooms, bringing the total incentive package higher to an estimated \$5.3 million.

Grapevine City Council member C. Shane Wilbanks was interviewed by The Dallas Morning News at that time concerning the impact of the new Great Wolf Lodge in the city. He said:

*"It's going to bring more revenues to the city in terms of sales taxes and will generate future development, which will help us maintain our levels of service and the tax base we currently have in place. This is something the citizens of Grapevine will be pleased with and great to have in our city."*

P.W. McCallum, Grapevine Convention & Visitors Bureau executive director told The Fort-Worth Star-Telegram that:

*"Great Wolf now elevates Grapevine to a first-choice option for the leisure market. The critical mass is beginning to really come together."*

One year later, Moody's Investors Service noted in its 2006 rating of city general obligation bonds that:

*"Going forward, commercial development along State Highway 121 will support future tax base expansion. Large commercial projects along this corridor include the Great Wolf Lodge with 400 guest rooms that will likely impact the fiscal 2008 assessed valuation and ongoing development of restaurants and retail outlets."*

Grapevine has also used tax increment financing districts to lure large projects, including the Grapevine Mills mall and the Gaylord Texan Resort. The districts work by diverting property taxes from new development into a special fund to pay for improvements inside the district

### **Great Wolf Lodge (Concord, North Carolina)**

This is the latest Great Wolf Lodge to open, which occurred in 2009. Great Wolf Resorts reported that it began making inquiries into the local area during mid-2005. A year later, in June 2006, the company publicly confirmed that it was considering sites in Concord. The Charlotte Observer reported on June 4<sup>th</sup> that:

*"We are definitely interested in that location," said Erin Ruppenthal, spokeswoman for Great Wolf Resorts Inc. "We think it's a wonderful area." Ruppenthal cautioned that the company has not yet committed to a specific site, and there is no time frame to decide whether Great Wolf will build in Concord."*

The company publicly changed its position three months later. The Charlotte Observer reported on September 17, 2006, that:

*"Jennifer Beranek, spokeswoman for the Madison, Wis., company, said last week, 'We're not actively pursuing the site in Concord.' Great Wolf tends to build a couple of sites a year, and it regularly looks at a couple of dozen locations as potential homes. Beranek said she did not know what, if anything, knocked Concord off their list."*

Eight months later, in May 2007, Great Wolf Resorts filed concept plans with the City of Concord for a 465,597 square-foot waterpark resort with 409 rooms and an 81,000-square-foot water park that would be open only to hotel guests. This action officially began the review process. Afterwards, the actual number of rooms slightly declined to 402 rooms and the actual size of the indoor water park is slightly larger at 84,000 square feet.

At that time, the company said it was still several months away from finalizing a location but that it was committed to building in the region. Great Wolf had looked at a site near the Carowinds theme park in Fort Mill, a source familiar with the plans said, although nothing was filed with the township or county. Both Fort Mill and Concord are in the Charlotte area.

After Great Wolf Resorts filed concept plans with the City of Concord, the Cabarrus Economic Development Corporation (the lead economic development agency for the county) recommended incentives that would be considered at the next county commissioners meeting in June 2007. The EDC proposed a five-year incentive deal for Great Wolf, with a rebate of 85% of its county property taxes. County taxes would total an estimated \$3.15 million over that period. At that time, this incentive deal was estimated to be worth nearly \$2.7 million. This five-year incentive package was approved by Cabarrus County commissioners at that meeting.

During that same month, the city planning and zoning board approved Great Wolf's concept plans. Three months later, the Concord City Council unanimously voted for a \$1.5 million incentive at its September 2007 meeting. These incentives would pay for road and traffic signal improvements. Traffic concerns helped scare away furniture giant Ikea, which had once looked at the property Great Wolf was considering, one local developer familiar with Ikea said.

At this time, the estimated development cost for this 402-room Great Wolf Lodge was approximately \$140 million. The estimated eligible fixed asset valuation was originally \$100 million. Construction began in November 2007, and the waterpark resort opened in March 2009.

The City of Concord's Finance Department noted in its Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2011, that:

*"Concord has also evolved into a major tourist destination in North Carolina. Concord Mills has the highest number of visitors of any attraction in North Carolina. Lowe's Motor Speedway, the ZMax Dragway and NASCAR team race shops bring in hundreds of thousands of people that use lodging and restaurants and shop. This has also led to the development of other facilities such as the Embassy Suites Resort/Concord Convention Center, the Great Wolf Lodge and many other limited service hotels."*

### ***Proposed Great Wolf Lodge at Mall of America (Bloomington, Minnesota)***

In July 2007, Mall of America, located in Bloomington, Minnesota and the nation's largest retail and entertainment complex, announced that it has signed a letter of intent with Great Wolf Resorts to incorporate a Great Wolf Lodge resort as part of the mall's Phase II expansion. The construction of this resort was contingent upon the finalization and approval of Phase II plans, including state approval for infrastructure funding,

A January 2009 Star Tribune article reported that Great Wolf would be responsible for financing its waterpark resort. Later, difficulties in acquiring financing were noted in an April 2011 article in The Capital Times & Wisconsin State Journal. The company's letter of intent has now expired.

### ***Proposed Great Wolf Lodge Near Lake Lanier (Cumming, Georgia)***

Mary Alice Park is located along the shore of Lake Lanier, approximately fifty miles north of Hartsfield-Jackson Atlanta International Airport. In December 2006, PKF Consulting prepared a preliminary review of the market area for Great Wolf Resorts. It concluded that the site at Mary Alice Park possessed the necessary attributes to potentially support a full-service lodging operation typified by Great Wolf Resorts. During 2006 and 2007, business and community leaders in Cumming quietly negotiated with Great Wolf Resorts to build a resort at the park. In September 2007, the Atlanta Journal - Constitution reported that the company set a hard deadline on being awarded incentives before it commits to the \$130 million project on 20 acres at Mary Alice Park

That same month, the Forsyth County Board of Commissioners passed a motion to send a letter of commitment that the County would designate up to \$5.1 million of its upcoming SPLOST VI funding to widen Mary Alice Park Road to three (3) lanes and that this expenditure would be a category one (high priority) SPLOST expenditure. The special purpose local option sales tax (SPLOST) voter referendum occurred in February 2008.

After this vote, the company forwarded a Memorandum of Understanding to the various parties including the City of Cumming and Forsyth County. According to the Atlanta Journal - Constitution and Forsyth County News, the complete incentives package included 10 years of tax breaks, with no taxes in the first year and the tax bill rising to 10% in the second year, 20% in the second year and so on until 90% in Year 10.

The city also committed to make improvements to Mary Alice Park Road. The city would run, at no charge, a 12-inch water line, a sewer pump station and three 10-inch sewer lines to the Great Wolf property. The city vowed to try to convince the Georgia Department of Transportation to build a full or half interchange at Ga. 400 and Mary Alice Park Road. The city would waive impact fees, permit fees and other fees normally required. City incentives were estimated to total \$10 million.

State incentives were estimated to be worth an additional \$6 million. The county's Development Authority would own and lease the resort site to Great Wolf. The agreement included a \$100 million bond issue and a tax abatement schedule, allowing the company to pay

a percentage of the property's fair market value over a decade. The county approved the Memorandum of Understanding in December 2007.

Nine months later, the Forsyth County News reported in September 2008 that:

*"The city of Cumming remains on hold some two years into its efforts to bring a resort and indoor water park to Mary Alice Park... 'We're just waiting,' said City Administrator Gerald Blackburn. 'We've sent everything to them that's been required by either the Army Corps of Engineers or Great Wolf... ' Jennifer Beranek, a spokeswoman for Great Wolf, declined to comment on any specific project, saying only that the company looks nationwide for possible sites to develop... In the meantime, the city has invested millions of dollars in road improvements to improve access. If Great Wolf passes on the site, Blackburn said "surely the road improvements will be a great benefit to all the people that live in the area, as well as to someone else that might be interested in locating there. But we truly expect that Great Wolf will locate at Mary Alice Park."*

More than a year later, the Forsyth County News reported in October 2009 that:

*Spokesman Steve Shattuck said Great Wolf leaders continue to make progress toward opening a resort at Mary Alice Park on Lake Lanier. 'Great Wolf and the city of Cumming are in complete agreement with respect to the current terms of the deal,' said Shattuck, adding there are still a few items to work through. Shattuck said officials 'don't want to get ahead of ourselves' by placing a definitive timeline on a project of this magnitude."*

In April 2011, Great Wolf Resorts reported that its letter of intent for the Lake Lanier development had expired but that the company was still interested in that location. The current status of this project is publicly unknown.

### ***Proposed Great Wolf Lodge Near Foxwoods (Ledyard, Connecticut)***

In September 2007, the Mashantucket Pequot Tribal Nation announced that it had signed a letter of intent with the company to develop a Great Wolf Lodge resort of up to 700 suites on tribal-owned fee land near its southeast Connecticut reservation and Foxwoods Resort Casino. The construction of this resort was contingent upon receiving land use approvals from the local government and other matters.

The tribe declined to disclose the location of the planned development, but said it would be off its reservation in one of the three neighboring towns: Ledyard, Preston or North Stonington. In order to build the water park and hotel, the tribe would have to go through the planning and zoning process in the town it chooses. Mashantucket Pequot officials later approached Ledyard about expanding the town's resort zone. The tribe has extensive holdings in southeastern Connecticut, including along the Route 2 corridor.

The Norwich Bulletin reported in July 2011 that if the proposed Great Wolf Lodge eventually overcomes its financing hurdles, it would become Ledyard's largest taxpayer. The company's letter of intent has now expired for this location.

### ***Proposed Great Wolf Lodge at Pittsburgh Mills (Frazer, Pennsylvania)***

In January 2010, Great Wolf Resorts announced that it had signed a non-binding letter of intent related to the proposed development of a Great Wolf Lodge resort adjacent to The Galleria at Pittsburgh Mills. Under the terms of the letter of intent, the resort will be developed by Zamias Services, Inc., a real estate developer and services provider. This company also owns the Pittsburgh Mills retail center.

Should Great Wolf Resorts enter into definitive agreements with regard to this proposed development, it is expected that the company would receive license fees for use of the Great Wolf Lodge brand name and other intellectual property at the proposed resort. In addition, it would receive management fees to operate the resort on behalf of Zamias as the owner.

Great Wolf would also advise on certain development-related matters. The proposed resort would be owned by a joint venture and Great Wolf expects to own a small ownership percentage in this joint venture.

The company press release making this announcement added that:

*"The resort will provide the area's many residents a distinctive and memorable year-round vacation experience," said Kim Schaefer, chief executive officer. "This deal is representative of the types of opportunities that the company intends to pursue, requiring minimal capital commitment on our behalf while expanding our brand footprint and growing our cash flow..."*

An Associated Press article on January 13, 2010, reported that:

*"The mall has struggled with vacancies since it opened in 2005, though the water park could make the mall a regional attraction. Great Wolf says its resorts, one of which is located in the Wisconsin Dells, typically include a hotel with 300 to 600 rooms connected to an indoor water park and entertainment area, complete with theme restaurants and other attractions. The company didn't say when the resort will open."*

In May, the company was still working with Zamias Services to finalize financing. The Pittsburgh Post-Gazette reported on June 30, 2011, that:

*"Plans to build a Great Wolf Resorts indoor waterpark and hotel at the Galleria at Pittsburgh Mills in Frazer appear to still be on hold. The Frazer zoning office has not received any plans yet, although preliminary discussions with development officials were held more than a year ago."*

Based on recent media news reports, the public review process has not yet begun for this project.

**Proposed Great Wolf Lodge (Garden Grove, California)**

In May 2007, the Garden Grove Agency for Community Development sent out a Request for Proposals for the city's redevelopment area to over forty prospective developers. The agency received four proposals, and chose McWhinney Real Estate Services as the developer of for a part of the city's development area. McWhinney has planned and developed more than 5,000 acres in several master-planned communities and over 3.3 million square feet of commercial and mixed-use properties. Garden Grove MXD is an entity of McWhinney that became the specific developer of water park hotel at the site.

In June 2010, Great Wolf Resorts announced that it had executed license and management agreements related to the development of a new 600-suite Great Wolf Lodge resort in Garden Grove. When and if completed, the new resort would be located less than two miles from Disneyland, near Anaheim and Los Angeles. Great Wolf Resorts would receive license fees for use of the Great Wolf Lodge brand name and other intellectual property at the resort. It would also receive management fees to operate the resort on behalf of the owner.

The company expects that the resort would be owned by a joint venture, with Great Wolf Resorts receiving a minority equity interest for its development-related services. Additionally, the City of Garden Grove would contribute cash and bond proceeds to the resort, as well as establish a financing district to develop an adjacent parking structure.

Under the agreement with the developer, the city's redevelopment agency would pay the developer \$47 million as follows: \$5 Million concurrently with the commencement of construction of the parking structure, and \$42 million no later than 30 days after the date on which the waterpark resort opens for business. The agency had originally agreed to pay the amount over a period of 15 years. However, the developer requested the amount in its totality when the hotel opens to help finance the project.

Prior to the commencement of construction, the agency intends to issue tax allocation bonds in order to finance these payments to the developer. The bonds would be paid by future bed taxes, sales taxes and property taxes from the new Great Wolf Lodge.

Kim Schaefer, Chief Executive Officer of Great Wolf Resorts, made the following comment to analysts during the company's earnings conference call on November 2, 2011:

*"Garden Grove -- we love that market, continues to perform very well. Obviously, Disney has got the new expansion is coming on. That market is as healthy and strong as it's ever been, but it's really the capital markets. I think the owner and the city of Garden Grove have done everything they can to get this project ready to go, so we are just waiting for the capital market to cooperate a little bit. As we said, if any project should get finance with new construction, it really should be this one. It will be just an outstanding project area. So, that's the only hurdle that we have, is just waiting for financing."*

### ***Proposed Great Wolf Lodge Near San Francisco (Manteca, California)***

Great Wolf Resorts and McWhinney, the Colorado firm developing the Garden Grove resort, have been in talks with city officials in Manteca, about 75 miles east of San Francisco. There is "forward motion but no letter of intent yet," according to Great Wolf spokesman Steve Shattuck in an April 2011 article in The Capital Times & Wisconsin State Journal.

### **Certification**

LBA certifies that, to the best of its knowledge and belief:

- The reported analyses, opinions, and conclusions represent our personal, unbiased professional analyses, opinions and conclusions.
- This consultant audit was performed on a basis of non-advocacy; we have no present or contemplated interest in the planned business and have no personal bias with respect to the parties involved.
- Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.

### **General Limiting Conditions**

Every reasonable effort has been made to ensure that the information contained in this report is accurate and timely, and it is believed to be reliable. No responsibility is assumed for inaccuracies from any data source used in preparing this report. This final report is based on information that was current as of February 2012 or as noted, and LBA has not undertaken any update of its research effort since such date.

Achieving potential financial performance may be affected by fluctuating conditions and future events that cannot be assured. Therefore, the actual results achieved during the forecast period may vary significantly from the forecast. No warranty or representation is made by Leisure Business Advisors LLC that any of the potential values or results contained in this report will actually be achieved. LBA has incomplete knowledge of important future development and management actions on which actual results will depend, and is therefore not responsible for the outcome.

Printed copies of this report can be presented to third parties in its entirety. Possession of the report, however, does not carry with it the right of publication thereof in any manner, including on the Internet, without first obtaining the prior written consent of Leisure Business Advisors LLC. This report is also not to be used in conjunction with any public offering of securities without LBA's prior written consent.

This report is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

## **Appendix A**

Qualifications of Leisure Business Advisors LLC

## Experience

Leisure Business Advisors LLC (LBA) has conducted consulting assignments for many leisure attractions worldwide. Selected past projects by LBA and Gerner Consulting (LBA's previous name) are described below.

### **Water Park Development Expert Testimony (Niagara Falls, New York)**

LBA was retained by Empire State Development, a public authority of the state of New York, to evaluate the feasibility of reopening Fallsville Splash Park in Niagara Falls. It was the subject of a New York State Supreme Court case. John Gerner served as an expert witness in water park development in this court case in early 2009. Harris Beach was the attorney for this state authority and the main client contact.

### **Boardwalk at Hersheypark Water Park Area (Hershey, Pennsylvania)**

The Boardwalk at Hersheypark is a waterpark area of the theme park that opened in 2007. It includes a wave pool, lazy river, seven slides, and a children's play area. Gerner Consulting evaluated the market and financial potential of water park activities for Hersheypark management as a subcontractor to Economics Research Associates.

### **Morgan County Aquatic Center (Madison, Georgia)**

The Morgan County Aquatic Center opened in 2009, and is a public facility operated by the Morgan County Parks and Recreation Department. LBA conducted a feasibility study for the aquatic center as a subcontractor to Doran & Karwoski, Inc.

### **Andy Alligator's Fun Park (Norman, Oklahoma)**

Andy Alligator's Fun Park is an eight-acre family entertainment center (FEC) with a variety of activities. These include miniature golf, go-karts, batting cages, and bumper boats. An 11,000 square-foot building provides space for games, food service, and parties. LBA conducted the feasibility study for this FEC. The client was Allison's Fun Incorporated.

### **Andretti Thrill Park (Melbourne, Florida)**

This six-acre family entertainment center features multiple go-kart tracks, miniature golf course, batting cages, paddle boats, train ride, kiddie rides, and a playground. Inside its 17,000 square-foot main building, it provides games, food service and party rooms. LBA conducted a business valuation of this FEC. The client was MTP of Brevard County, Ltd.

### **Pavilion Nostalgia Park (Myrtle Beach, South Carolina)**

Pavilion Nostalgia Park is located within the Broadway at the Beach tourist complex in Myrtle Beach, and opened in 2007. During its planning stage, LBA evaluated Pavilion Nostalgia Park's potential financial performance for Burroughs & Chapin Co, Inc.

### **Fort Monroe Reuse Cultural Business Plan (USA)**

This 570-acre military base contains the largest stone fort ever built in America and more than a 100 historic buildings. LBA prepared the cultural business plan that was part of the interpretive master plan for Fort Monroe's reuse when it closes as an active military base in 2011.

### **Proposed Major Movie Park (China)**

Village Roadshow Limited is an Australian media company with interests in tourist attractions, film production and distribution. It operates many theme parks, including Warner Bros. Movie World in Australia. In early 2011, LBA evaluated the market and financial potential of developing a major movie park in China for Village Roadshow.

# Management

## **John Gerner, Managing Director**

Mr. Gerner has been a leisure industry expert and consultant for more than 20 years. With LBA, he has been involved with leisure projects in North America, Asia, Africa, and the Middle East.

With LBA, he conducted a tourist attraction evaluation for Burroughs & Chapin Company, owner of Broadway at the Beach in Myrtle Beach. He also prepared feasibility studies for the City of Concord (North Carolina) and Andy Alligator's Fun Park. He served as an expert witness on water park feasibility evaluation in a New York State Supreme Court case.

With Gerner Consulting (before it became Leisure Business Advisors), he conducted planning efforts for many attractions. Clients include Canadian Geographic, the National Trust for Historic Preservation, the National Golf Foundation, the Maine Aquarium, and Celebrating Patsy Cline, Inc. He also prepared the business plan for Rhythm & Hues Studios, past recipient of the Academy Award for Best Visual Effects.

As a subcontractor to International Theme Park Services (ITPS) on a project basis, he has prepared market and financial projections for many new and existing attractions in Asia, Europe, Latin America, the Middle East, and North America. This includes Hopi Hari in Brazil, one of the leading theme parks in Latin America. Consulting work for other ITPS clients included Cedar Fair L.P., Wildlife Conservation Society (Bronx Zoo), and Wisconsin State Fair Park.

Previously, John served as President of Berkshire Ridefilm. During this time, the company produced the highly-acclaimed simulation film for Universal Studios' "Back to the Future - The Ride", which was directed by Douglas Trumbull. After entertaining millions of riders, the simulator experience has closed at Universal Studios Hollywood and Universal Studios Orlando.

Berkshire Ridefilm provided concept development for a new attraction at Universal Studios that was presented to management and Steven Spielberg. The company also created the concept for a new themed attraction in Tokyo.

Prior to joining Berkshire Ridefilm, John was a Principal with Economics Research Associates, and managed one of the firm's regional offices. During the years he was with ERA, he evaluated concepts, expansion alternatives, market potential, and financial feasibility for a variety of existing and planned visitor attractions. For the Walt Disney Company, he evaluated potential foreign theme park locations in Latin America. For Marriott Corporation he evaluated market demand for a new restaurant concept. For Cedar Point, he evaluated the impact of various factors, such as expansion, the economy, and weather on annual attendance.

He evaluated expansion alternatives for the National Aquarium in Baltimore and Miami Seaquarium. For Spaceport USA (the visitor center for the Kennedy Space Center), he analyzed crowd flow and determined future facility needs. He studied the feasibility of developing a major tourist attraction in Jeddah, Saudi Arabia.

He determined the economic impact of the Beach Boys' Fourth of July concerts in Washington D.C. He assessed the feasibility of performing arts facilities in Arlington, Virginia and Columbia, Maryland. He prepared a tourism development/promotion plan for Venango County, Pennsylvania. Other clients included the Boston Museum of Science, Dentsu, Ringling Bros., and the Country Music Foundation.

Mr. Gerner continues to have an ongoing relationship with ERA (now AECOM) as a subcontractor on a project basis. With ERA, he conducted the feasibility study for the Nanshan Buddhist Cultural Park themed attraction in China.

Previously he served as a Productivity Improvement Supervisor for a Busch Entertainment Corporation theme park. Before that, he was an Operations Area Supervisor for Busch Gardens, Williamsburg, supervising over 90 ride and area hosts in the Oktoberfest and Italy sections of the park. He worked in park operations from 1975 to 1981 with the Busch Gardens theme parks in Williamsburg and Tampa, Kings Dominion, and Walt Disney World.

He has been a speaker at eight annual conventions for the International Association of Amusement Parks and Attractions (IAAPA). Most recently, he spoke about "Attraction Development: Taking the First Steps." In 2007, he spoke on "Modeling the Visitor Experience." He spoke in 2006 on Attraction Development. In 2005, he spoke on "How Much is Your Attraction Worth? Identifying and Maintaining Value." He has also been a speaker at the World Waterpark Association (WWA) annual convention. He is currently a member of IAAPA's Facility Operations Committee.

He has been interviewed and quoted by the Wall Street Journal, CFO Europe, Canadian Business, USA Today, Hollywood Reporter, Variety, Film and Video, Tour and Travel News, and many local newspapers. He has contributed articles to Amusement Business, Funworld, and World's Fair. He served as the tourism specialist on a Regional/Urban Design Assistance Team (R/UDAT) program jointly sponsored by the American Institute of Architects and the Royal Architectural Institute of Canada. He was a guest lecturer at the University of California in Los Angeles (UCLA) on the subject of developing leisure attractions. He is a graduate of the College of William and Mary in Virginia.

## **Appendix B**

Executed Business Termsheet between  
MAR Holdings LLC, Greene County Industrial  
Development Agency, and Greene County

**DESTINATION HOTEL/WATERPARK DEAL SUMMARY  
BUSINESS TERMSHEET BY AND AMONG MAR HOLDINGS LLC ("MAR"), GREENE COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY ("GIDA") AND THE COUNTY OF GREENE ("GREENE  
COUNTY") (the "TERM SHEET")**

**This Term Sheet does not represent a definitive agreement by and between MAR, GIDA and Greene County and is intended to set forth an outline framework of business points that will become the basis for an option agreement between the GIDA and MAR and a definitive agreement by and between MAR, GIDA and Greene County. Until the execution and delivery of a Definitive Agreement, MAR, GIDA and Greene County understand that there this no binding agreement and/or obligation upon any party to this Term Sheet with the sole exception that the Option Agreement by and between MAR and GIDA will be a valid agreement to the extent provided therein.**

**1.) Project Description and Phasing:** MAR proposes the development of a Great Wolf Lodge on a portion of the property which will be more fully described in an Option Agreement to be executed by and between MAR and GIDA as described below (the "Project"). The proposed build out of the Project is anticipated as follows:

- a) **Phase 1:** This phase is presently anticipated to include, among other things, the development of a minimum of 400 and a maximum of 600 guest rooms, an 80,000 square foot indoor waterpark, two restaurants, and a conference center
- b) **Phase 2:** Subject to the full build out of 600 rooms in Phase 1, this phase is presently anticipated to include up to an additional 200 guest rooms which will expand the minimum of 400 units to a total maximum of 600 rooms, with an anticipated opening within the first four years of operation of Phase 1.

**2.) Land Purchase and Advances Phases 1 and 2:**

- a) **Option Agreement:** the terms and conditions for the purchase of the site for all Phases will be enumerated in an Option Agreement by and between between GIDA and MAR, which will incorporate the terms set forth herein and other terms to be negotiated which will be executed by both parties within five business days of the acceptance of this Term Sheet (the "Option Agreement").
- b) The following are the major business points for the acquisition of the Land to be incorporated into the Option Agreement:
  - i. Initial takedown for Phase 1 of 20 useable acres at \$50,000 per useable acre. The Purchase Price for the Land will be paid in accordance with subsection 2(b)(iii) herein.
  - ii. MAR will make a \$500,000 refundable advance 60 days after the exercise of the option to purchase the initial acres for Phase 1, which will occur the later of (a) July 21, 2011 or (b) the date when the County/GIDA formally approve the provisions of this Term Sheet (the "Commencement Date"). MAR will provide evidence prior to the commencement of the approvals of its ability to fund up to an additional \$200,000 refundable advance nine months after the initial advance of \$500,000 which Second Advance will be placed into escrow with Harris Beach LLP prior to the commencement of the approval work. In the event that MAR does not make the

first Advance on the applicable due date then MAR understands that GIDA will not initiate work on the approvals. GIDA may terminate the Option Agreement and Definitive Agreement upon the occurrence of: (a) the Advance is not made within sixty (60) days of the Commencement Date; or (b) the County does not approve the Term Sheet. The amount of the total refundable advance is determined by a share of the estimated cost of permitting the site, gaining local approvals and designing all mitigation and infrastructure improvements needed for the Project, the final number will be supported by third party estimates and formal responses to “requests for proposals” not to exceed \$700,000. It is understood that the Advance will be used to fund initial public approvals, permitting costs and design of mitigation and infrastructure. No other expenses will be funded.

- iii. The Phase I land purchase price for the 20 acres will be paid upon the later of: (a) Project private taxable bond financing closing or within thirty (30) days after the delivery of all approvals required for the Project's intended use but in no event later than December 31, 2012 (the “Land Purchase Due Date”). In the event that the acquisition of the Phase I Land does not occur within sixty (60) days from the Land Purchase Due Date then GIDA may terminate the Option Agreement.
- iv. As the time frame of this Project is critical to all parties and subject to the extension provisions set forth herein, the GIDA will commit to securing all permits and local approvals needed for the project within 12 months from the later of (i) MAR’s exercise of the option within the Option Agreement or (ii) upon MAR’s full execution of an Operating Agreement with Great Wolf. In the case of unforeseen minor delays, GIDA would have the option of extending this timeframe by three (3) separate thirty (30) day extensions, subject to MAR’s consent, which will not be unreasonably withheld. GIDA is confident that 12 months is achievable. In the event, GIDA cannot deliver required approvals in 15 months from the date of the initial refundable advance as described above through no fault of MAR, it will refund all advances made by MAR. In such an event, MAR will retain the right to continue to seek required approvals in order to advance the Project, with GIDA providing all necessary assistance in which case there will be no refund of the amount advance by MAR until thirty (30) days after MAR has notified GIDA that it is no longer interested in seeking the required approvals. In the event GIDA delivers the required approvals within 15 months from the date of the initial advance or the failure of GIDA to acquire the required approvals within such time period is due to the fault of MAR, in whole or in part, the GIDA shall retain all advances made by MAR and there shall be no obligation to refund any of the Advance made by MAR. A firm and detailed 12 month timeline will be embedded and/or attached to the Definitive Agreement or related documents as approved, which will govern the definitions of progress under this provision.
- v. The Definitive Agreement will establish safeguards for the County and GIDA as a result of: (i) the failure of MAR to complete the construction of the Project on a timely basis; or (ii) the failure of MAR to complete the construction of the Project and thereafter open with the Great Wolf Operator. The safeguards to be negotiated will include without limitation liquidated damage provisions and escrow of funds to secure the performance by MAR of the conditions (i) and (ii) above.
- vi. The Definitive Agreement will establish safeguards for MAR as a result of: (i) the failure of County and GIDA to complete the construction of the public infrastructure on a timely basis; or (ii) the failure of the GIDA to only pursue retail and complimentary development projects for the remaining lands in the Master Plan Area

including the specific exclusion of industrial/warehouse projects; or (iii) the failure to provide MAR a first right of refusal on the development of an outdoor water park in the Master Plan Area to the extent the land is under the control of GIDA; or (iv) the County's imposition of a HOT tax on MAR during the term of the PILOT agreement. The safeguards to be negotiated will include without limitation liquidated damage provisions and escrow of funds to secure the performance by County and GIDA of the conditions (i) and (ii) above. To the extent enforceable, GIDA will not provide "financial assistance" for the development of an outdoor water park in the Towns of New Baltimore and Coxsackie.

- vii. MAR commits to raise the required equity capital and secure the private taxable bond financing simultaneously with the governmental approvals. GIDA may request and MAR will provide detailed information on the status of the raising of the equity capital and the placement of the taxable bonds during the period in which it is seeking the local governmental approvals. It is a condition precedent that MAR have in place commitments for the required equity capital and taxable private bond financing prior to the issuance of Greene County public infrastructure bonds (the Financing Commitments"). If the Financing Commitments are not in place by date of the local approvals, then either GIDA or Greene County may terminate the Definitive Agreement and GIDA will have no obligation to return any funds for the Advance.
- viii. MAR will be responsible, at its sole cost and expense, to provide project design detail including without limitation, required elevations for the site plan preparation and any required additional design detail required for the site approval, in sufficient time for GIDA to obtain the local land use approvals. It is acknowledged and agreed that the site plan approval is dependent upon the compliance with the requirements of GEIS. In the event that MAR does not provide the Design Detail within five (5) business days following any request by GIDA during the approval process, then the delivery date for the delivery of the approvals by GIDA shall be extended on a day for day basis for each day of delay that MAR fails to make a timely delivery of any portion of the design detail required by GIDA following the request of GIDA to MAR. The design detail required to be provided by MAR to GIDA will be consistent with the information sought by the local governmental bodies having jurisdiction over the Project.
- ix. MAR will forfeit all funds advanced as described above in the event that either the Project private bond financing does not close or it is unable to raise the required equity capital. If the Project public bond financings do not close within twelve months from the date of the approval by Greene County of the Definitive Agreement, all advances paid by MAR will be returned within twenty (20) days following such date; provided, however, such failure to close is due to no fault of MAR. The 12 month time frame in this paragraph is subject to the extension provisions as provided in paragraph iv above.

### **3.) Option to Purchase Additional Land:**

- a) MAR will be given an option to acquire (ten) 10 acres of contiguous, useable acres at \$150,000 per acre. The use of the 10 acres of contiguous land that is to subject to the Option shall be subject to a proportional allocation of the total amount of the total development size set forth in the SEQR Findings Statement.
- b) The option must be exercised and the sale concluded no later than six years from the date of the issuance of the first certificate of occupancy, or such later date as mutually agreed to by the parties by a written extension agreement. Prospective uses for the land that is subject to

the option will be limited by the Declaration and the requirements set forth in the GEIS and SEQR Findings Statements and will be allowed to be developed for additional guest rooms and related retail and entertainment uses that are consistent with the uses undertaken at the majority of Great Wolf operated water parks.

**4.) PILOT:** Subject to the completion of the Deviation Process under the Uniform Tax Policy of GIDA, MAR will make an annual Payment in Lieu of Tax (PILOT) payment on the Project to GIDA during each year of Project operations in accordance with the following schedule:

Operating	December 31, 2013:	\$300,000
	December 31, 2014	\$325,000
	December 31, 2015:	\$350,000
	December 31, 2016:	\$375,000
	December 31, 2017:	\$400,000
	December 31, 2018:	\$500,000
	December 31, 2019:	\$550,000
	December 31, 2020:	\$600,000
	December 31, 2021:	\$650,000
	December 31, 2022:	\$700,000
	December 31, 2023:	\$750,000
	December 31 thereafter:	102% of prior year's PILOT amount

**5.) MAR Public Improvements Support Fee (PISF):** MAR agrees to provide a Public Improvement Support Fee (PISF) in lieu of paying any Hotel Occupancy Tax (HOT) through the duration of the PILOT Agreement to assist Greene County in undertaking public improvements and other community benefits that are necessary for the Project and the GIDA master planned area (“Master Plan Area”). MAR's obligation to make PISF payments will terminate upon the termination of the PILOT agreement and related IDA documents. The PISF will be calculated quarterly and paid quarterly in arrears as a percentage of total rooms’ revenue in accordance with the following schedule:

Operating	Years 1-6:	2.0%
	Year 7:	2.5%
	Year 8:	3.0%
	Year 9:	3.5%
	Years 10-30:	4.0%

The obligation to make the payments due to Greene County on account of the PISF will be set forth in the Declaration.

**6.) Hotel Occupancy Tax (HOT Tax):** In consideration of MAR’s PISF payments as outlined above and to the extent legally enforceable, it is the mutual understanding of MAR and Greene County that MAR will not be subject to any duly adopted Hotel Occupancy Tax (HOT) so long as it is making annual PISF payments as described above. In the event that the PILOT Agreement and related IDA Documents are terminated then nothing shall prevent Greene County from imposing a HOT Tax.

**7.) NYS Grants and Financial Assistance:** MAR will receive no credit or otherwise share in the benefit provided to Greene County and/or GIDA on account of grants and other financial support provided to

Greene County or GIDA by New York State or any other governmental body in connection with the public improvements. Similarly, GIDA or Greene County will receive no credit or otherwise directly share in the benefit provided to MAR by grants and other financial support by New York State, with the exception of any funding secured from the Office of Community Renewal. MAR commits to an equal value donation of this grant funding to GIDA Business Park/Community Benefit Projects, subject to the written consent of the grantor.

**8.) Incremental Revenues in Master Plan Area:** MAR shall receive no credit for any incremental new sales tax revenues produced within the Master Plan Area.

**9.) GIDA Fee:**

- a) MAR agrees to pay a Project transaction fee to GIDA in the amount of \$500,000 at the purchase of the Phase I of the Land.
- b) MAR also agrees to reimburse GIDA for capped IDA counsel and financial advisor fees in an amount mutually agreeable to MAR and GIDA, which will be documented in writing prior to Greene County's approval of the provisions of this Term Sheet.

**10.) Remaining Public Approvals; Permitted Uses In Master Plan Area:**

- a) GIDA will be responsible for securing all remaining public approvals and permits required for the Project which GIDA believes are the following: ACOE wetland permits, Project and Master Plan Area signage and site plan approval. The initial Planned Development District (PDD)/site plan approval will include potential phase 2 components including the expansion of the hotel guest rooms and the indoor waterpark. MAR represents and warrants that the height of the building will not exceed the limitations set forth in the GEIS and the SEQR Findings Statement and that the Project will be designed in conformance with the GEIS and the SEQR Findings Statement.
- b) The proposed site plan for the Project, which will be the subject of the Town of New Baltimore's PDD review, must be mutually agreeable to both GIDA and MAR prior to the submission date for the local approvals set forth on a time line to be agreed upon with a day for day extension for any delay in establishing agreement on the site plan by and between GIDA and MAR from that set forth in the agreed upon time line.
- c) GIDA agrees that it will only pursue retail and complimentary development projects for the remaining lands in the Master Plan Area including the specific exclusion of industrial/warehouse projects.

**11.) Signage:** GIDA will use reasonable commercial efforts to assist MAR in achieving appropriate signage within the Master Plan Area which will be consistent with local ordinance and subject to local approvals.

**12.) H&LA Feasibility Study:** MAR will provide a payment towards the proposed H&LA study update in an amount equal to \$15,000 or 1/2 of the agreed upon scope of services and fee, which such total fee is capped at \$30,000. The GIDA will provide the balance of the payment up to a maximum of \$15,000. This payment will be made at the time that this Term Sheet is agreed to and executed in writing by MAR, GIDA and Greene County. In the event the H&LA study is not acceptable to either GIDA, the County or MAR, then either party may terminate the Option Agreement and thereafter neither party shall have any further obligation to the other party.

**13.) Construction Coordination:** Subject to applicable law, MAR and GIDA agree to use their best efforts to achieve potential efficiency and coordination benefits by utilizing a common construction manager under the joint coordination of MAR and a representative of GIDA for both the public improvements and the hotel/waterpark Project.

**14.) Documentation:** GIDA agrees to provide the following documentation prior to the execution of the Definitive Agreement:

- a) Purchase and Sale Agreement with William H Brown, as Trustee of the Regina McGrath Trust, William H. Brown, as Trustee of the James M. Warren Trust, and William H. Brown, as Trustee of the Nancy McOwen Trust dated November 13, 2000 (the “Brown Agreement”).
- b) Copies of engineering estimates for proposed public improvements being advanced by the County upon completion of full design.

**15.) Development Limitations:**

- a) The Declaration will provide a prohibition of any outdoor waterpark facility on the lands that are described in the option agreement with William H Brown, as Trustee of the Regina McGrath Trust, William H. Brown, as Trustee of the James M. Warren Trust, and William H. Brown, as Trustee of the Nancy McOwen Trust dated November 13, 2000 and such restrictions shall be binding upon MAR and any successors and/or assigns of MAR and affiliates of MAR and shall restrict the development of an outdoor water park in the Towns of New Baltimore and Coxsackie. Provided, however, the Definitive Agreement shall contain protections for MAR from an unrelated third party developer developing an outdoor waterpark on the lands owned and/or controlled by GIDA in the Towns of New Baltimore and Coxsackie which obligation shall survive the Closing.
- b) It is permissible for the Project to contain a Great Wolf traditional hotel type pool, which design standards to be provided for inclusion in the final documentation between GIDA and MAR.
- c) The Declaration will provide that day passes at the indoor waterpark will be prohibited with exception of the following conditions from Memorial Day Weekend through Labor Day Weekend.
  - i) Members of families staying at the hotel
  - ii) Two Charity events benefiting Greene County organizations
  - iii) Other than the restricted period defined above, Day Passes including Community Days, all Charity Events and Special Functions will be permissible

**16.) Project Operating Agreement:** This Term Sheet is contingent upon the negotiation of an acceptable Operating Agreement between either: (a) MAR and Great Wolf; or (b) an operator acceptable to GIDA and Greene County (collectively, (a) and (b) are called the “Great Wolf Agreement”). In any event the Great Wolf Agreement must be acceptable to GIDA and Greene County in their sole and absolute discretion, and the Great Wolf Agreement must be in full force and effect prior to the initiation of the public approval process by GIDA. A condition to the public approval process and the public bond issues by Greene County shall be the receipt of an estoppel certificate from the Project Operator which confirms that the Great Wolf Agreement is in full force and effect and such other terms as requested by Greene County with confirmation that a Recognition Agreement by and between the Project Operator, GIDA and Greene County exists and is in place which confirms the obligations of the Project Operator to honor MAR’s obligations under the Definitive Agreement and the Declaration along with such other terms and conditions acceptable to the parties to this Term Sheet. The Parties understand that the terms, covenants and conditions of this Term Sheet shall be subject to adjustment based on the input and discussions with the Project Operator and such changes shall be set forth in the Definitive Agreement.

**17.) Review of Financial Information:** Subject to the Declaration and the consent of the Project Operator to be established in the Great Wolf Agreement and the Recognition Agreement, Greene County and GIDA will be granted appropriate review and audit provisions and access to Project operating

information to confirm the accuracy of room generated revenues and compliance with any use restrictions.

**18.) Destination Marketing:** The Project Operator and Greene County will partner in Destination Marketing, maximizing the Greene/Project Operators message and the use of the on-site Tourism Center. MAR commits to including the marketing of other Greene County based destination properties, restaurants and other amenities as part of their marketing strategy, web site and at the Project site.

**19.) IDA Nonrecourse Clause.** The IDA standard non-recourse clause will be incorporated into the Definitive Agreement and other documents. The passage of the IDA benefits as set forth herein including the sales tax exemption, mortgage tax exemption and PILOT Agreement will be subject to the IDA Public Hearing process and the required deviation processes.

**20.) Timing of Public & Private financing Closings (Simultaneous Closing).** The timing of the public improvement funding shall be such that all funds required for the public improvements are to be on hand in a dedicated Trustee account on the same date on which the private financing funds are closed upon.

**21.) IDA Approval.** On June 16, 2011, the Board of Directors of GIDA approved the execution and delivery by the Chairman of a non-binding Term Sheet.

**22) Definitive Agreement.** The Parties agree that they shall endeavor to negotiate and prepare a definitive agreement to be executed by and between GIDA, MAR and Greene County (the "Definitive Agreement") which Definitive Agreement shall set forth the rights and obligations of GIDA, MAR and Greene County relative to the Project. The intent of the Parties is that the execution of the Definitive Agreement will be brought for consideration by GIDA and Greene County proximate to the delivery of the H&LA Feasibility Report.

**Acknowledged by:**

MAR HOLDINGS LLC

BY: \_\_\_\_\_  
Michael Robinson

Date: \_\_\_\_\_

GREENE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

BY:   
Eric Hoglund, Chairman

Date: 7/29/11