DEVELOPMENT PROPOSAL
for
The Islands Waterpark
North Myrtle Beach, SC
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Introduction

• The Islands WaterPark (TIW) will be situated on a 5 to 7 acre +/- parcel within the new 142 acre North Myrtle Beach Park and Sports Complex owned by the City of North Myrtle Beach. TIW has been designed to bring a high quality family entertainment experience to marketplace residents and visitors alike.

• TIW Development is being led by PGCC Enterprises, LLC, who has assembled a team of experienced Waterpark designers, builders, marketers and operators (refer to original RFP response for backgrounds and experience)

• TIW has been conceived by our team as the most innovative WaterPark on the Grand Strand designed for the expressed purpose of:
  – Stimulating economic development in this area
  – Creating employment
  – Integrating innovative Green Technology throughout the complex
  – Improving the overall quality of life within the area through the creation of a well planned family entertainment destination
  – Increase the value and thus tax base of the surrounding properties
Executive Summary

• Location
  – Access to the site is outstanding and the visibility from Carolina Bays Parkway is excellent
  – The traffic count from Highway 9 to Highway 22 is 21,400 vehicles per day
  – Within a one hour drive of a significant residential market and amidst a substantial tourist market. Both markets will provide extensive support of the TIW
  – Local competition is limited to natural attractions, live theater, mini golf, movies, concerts, and shopping centers
  – The nearest waterpark competition is Myrtle Waves in Myrtle Beach

• Investment
  – TIW will be built on City of North Myrtle Beach owned property that will be leased (not deeded) to TIW
  – The estimated cost of TIW is $25.8 Million and will be financed by private investors/lender(s) who have experience with financing similar kinds of projects
  – There will be stipulation in the TIW/City of North Myrtle Beach agreement, that if the waterpark underperforms and TIW fails, the City will be able to negotiate with lenders to operate the facility until a new operator or owner is determined
  – TIW will open to the public in the summer of 2014
Location
Location
## Estimated Capital Needs

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ -</td>
</tr>
<tr>
<td>Building Construction</td>
<td>$ 3,977,258.04</td>
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<tr>
<td>Attractions</td>
<td>$ 17,440,489.50</td>
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<tr>
<td>Furniture Fixtures and Equipment</td>
<td>$ 941,325.00</td>
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<tr>
<td>Soft Costs (includes a $1MM operating reserve)</td>
<td>$ 3,461,463.60</td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td><strong>$ 25,820,536.14</strong></td>
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</tbody>
</table>
Executive Summary

- Attractions
  - The TIW attractions mix will be designed to provide each member of the family (kids, tweens, young adults and parents) active and passive experiences.
  - Hourly ride/attraction capacity will be 5,000 Guests which will provide 3.25 rides per Guest at projected peak in park Guest attendance of 1,581.
  - The attraction mix includes:
    - Wave Pool
    - Lazy River
    - Kids Pool
    - Kid's Slides
    - Spray Pad
    - Inner Tube Slide
    - Funnel Slide
    - Bowl Slide
    - Family Funnel Slide
    - Interactive Play Structure
  - This mix of attractions varies from the feasibility study recommendations to include more Kids attractions to increase family return visits via the “Nag Factor”. If the kids have a great experience, they will nag the parents to bring them back.
  - The TIW master plan provides room to add attractions within the 5 to 7 acre footprint.
The Nag Factor Realized...
Concept Plan & Attractions Listing

AREA KEY

1. Entrance Water Feature
2. Ticketing
3. Restrooms and F&B
4. Changing Rooms
5. Retail
6. Group Area
7. Play Structure
8. Kid’s Pool
9. Umbrella Shades
10. Restrooms
11. Wave Pool (25,000 sq. ft)
12. Mechanical Room
13. Plunge Pool
14. Family Funnel & Bowl
15. Tube Waterslides
16. Slide Tower
17. VIP Cabanas
18. River Entry Lagoon
19. River (1,000 L. ft)
20. Spray Pad
21. Group Area (Typ. 5)
Executive Summary

- Attendance
  - The projected combined attendance at The Islands is expected to reach a level of approximately 193,822 visitors in the first year and grow 5% per year thereafter with a designed capacity of about 250,000 visitors per year. The breakdown of market attendance is as follows:
    - Core Market (0-20 minutes drive time) – 67,527 people
    - Primary Market (20-30 minutes drive time) – 103,036 people
    - Secondary Market (30 to 60 minutes drive time) – 204,705 people
    - Total Resident Market (0-60 minutes) – 193,706 people
    - The tourist market is estimated at +/- 14,000,000 people based on North Myrtle Beach Chamber reports
    - The total available market population for The Islands Waterpark is estimated at 365,000 persons residing within a one hour drive market envelope

<table>
<thead>
<tr>
<th>Attendance Projections:</th>
<th>Population</th>
<th>Penetration Rate</th>
<th>Projected Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Market Area (0 to 20 Minute Drive)</td>
<td>67,527</td>
<td>57%</td>
<td>38,490</td>
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<tr>
<td>Primary Market Area (20 to 30 Minute Drive)</td>
<td>103,036</td>
<td>13%</td>
<td>13,395</td>
</tr>
<tr>
<td>Secondary Market Area (30 to 60 Minute Drive)</td>
<td>193,706</td>
<td>1%</td>
<td>1,937</td>
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<tr>
<td>Tourist Market</td>
<td>14,000,000</td>
<td>1%</td>
<td>140,000</td>
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<tr>
<td>Total First Year Attendance</td>
<td>14,364,269</td>
<td></td>
<td>193,822</td>
</tr>
</tbody>
</table>
Executive Summary

• Marketing
• The goal of the Marketing Plan will be to create a compelling message that establishes our brand, drives awareness, fosters buy in, drives initial and repeat visits. This will be accomplished through:
  – Creation of an authentic branding strategy that offers measurable results through market analytics
  – Creation of a unique name and image for the park that clearly communicates the Guest experience. Consideration will be given to names suggested in the feasibility study
  – The immediate launch of the PR campaign with the City making announcements on everything from the groundbreaking to naming of the park to the revealing of the attractions to the soft opening of the park etc.
  – The immediate launch of the key media campaign using traditional media outlets but with a heavy focus on driving eyes to our website
Executive Summary

• Financial Performance
  – The project is expected to produce Earnings before Interest Taxes Depreciation and Amortization (EBITDA) of approximately $1,848,400 in year 1 and up to $2,395,567 in year 5.

• Pro Forma
  – For the purpose of this forecast, it is assumed that:
    • Land will be leased from the City of North Myrtle Beach for 5% of gross revenue and that all profit centers are owned and operated by TIW.
    • Per the recommendations of the feasibility study the projected per capita visitor spending in the water park is estimated at $30.82 for the first year. That number includes admissions, food and beverage, merchandise, and rentals
    • Per the recommendations of the feasibility study marketing spending will be 7% of forecasted revenue
    • The operating reserve will be maintained at a minimum of $1MM through the end of year two to get the park established. After the park is established a portion of the reserve will be used for capital improvements and park expansion
Executive Summary

•TIW Pro Forma Summary

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
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<tbody>
<tr>
<td>Gross Revenue</td>
<td>$6,223,598</td>
<td>$6,338,011</td>
<td>$6,651,535</td>
<td>$6,980,796</td>
<td>$7,326,589</td>
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<tr>
<td>Cost of Sales</td>
<td>$417,202</td>
<td>$376,499</td>
<td>$395,324</td>
<td>$415,091</td>
<td>$435,845</td>
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<tr>
<td>Gross Margins</td>
<td>$5,806,396</td>
<td>$5,961,511</td>
<td>$6,256,210</td>
<td>$6,565,705</td>
<td>$6,890,744</td>
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<tr>
<td>Fixed Expenses</td>
<td>$535,017</td>
<td>$553,272</td>
<td>$572,184</td>
<td>$591,779</td>
<td>$612,084</td>
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<tr>
<td>Variable Expenses</td>
<td>$2,800,619</td>
<td>$2,661,964</td>
<td>$2,727,129</td>
<td>$2,931,934</td>
<td>$3,150,433</td>
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<tr>
<td>Total Expenses</td>
<td>$4,064,018</td>
<td>$3,908,636</td>
<td>$4,027,215</td>
<td>$4,287,844</td>
<td>$4,564,692</td>
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<tr>
<td>Net Operating Income</td>
<td>$2,159,580</td>
<td>$2,429,375</td>
<td>$2,624,320</td>
<td>$2,692,952</td>
<td>$2,761,897</td>
</tr>
<tr>
<td>Less Lease Payment</td>
<td>($311,180)</td>
<td>($316,901)</td>
<td>($332,577)</td>
<td>($349,040)</td>
<td>($366,329)</td>
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<tr>
<td>EBITDA</td>
<td>$1,848,400</td>
<td>$2,112,474</td>
<td>$2,291,744</td>
<td>$2,343,912</td>
<td>$2,395,567</td>
</tr>
</tbody>
</table>
Executive Summary

• Conclusion
  – The City of North Myrtle Beach, Chamber of Commerce and future Sports Tourism guests will be well served by the additional excitement and interest that TIW will generate as the result of the following positive attributes:
    • Waterpark attractions are cost effective to build and operate in a market such as the Grand Strand and they are a proven draw
    • The age of competing waterpark properties
    • A location contiguous to the new Park and Sports Complex, served by Carolina Bay Parkway
    • The project team’s proven success in developing and marketing similar attractions
    • The project team’s conservative and financially sound business plan