



**Magic Partnership, LLC**

**Business Plan**

**June 2009**

- I Executive Summary
  
- II Magic Mountain Resort Overview
  - A. History of JLS Magic, LLC
  - B. Potential
  
- III Marketing and Positioning
  - A. Industry Advantages
  - B. Pricing
  
- IV Operations Plan
  - A. Snowmaking
  - B. Grooming
  - C. Lifts
  - D. Terrain Enhancements
  - E. Ski and Learning Experience
  - F. Lodge
  - G. Food and Beverage
  - H. Off Season Opportunities
  
- V Financial Plan and Investment
  - A. Capital Expenditures
  - B. Financial Projections and Budget
  
- VI Conclusion
  
- VII Appendix
  - A. Consolidated Financial Statements

## **I - Executive Summary**

The following Business Plan has been developed to raise \$3 million by issuing 1000 shares priced at \$3000 in order to establish a new LLC which owns the mountain and in which the new shareholders have a 60% equity position. The remaining 40% will be held by the current majority ownership and JLS Magic LLC (Jim Sullivan). The time frame over which we hope to raise the new capital is as follows: at least \$900,000 (300 shares) within 90 days of the offering, \$450,000 throughout the remainder of the first year, and an additional \$1.65 million over the next three years. The goal is to preserve and improve Magic Mountain so that it can be a viable ski/snowboard area for many years to come. Magic is a classic Vermont ski area, and the new entity will keep the style and spirit of the area in tact while improving the infrastructure in order to insure consistent snow which will lead to increased skier visits and in turn create economic sustainability.

Of the \$900,000 in capital raised by the first 300 co-op share sales, the first payments (a maximum of \$300,000) will go toward clearing title and past debt on the property (including outstanding property taxes) and enable current ownership to transfer title to the new LLC. The Nelson family, rather than requiring additional cash or holding a mortgage at closing, has agreed to accept an equity position in the new entity. Likewise, JLS Magic has also agreed to hold an equity position in lieu of contractually required reimbursement for payments made toward purchase thus far and investment in capital improvements. This will enable the new LLC to place money raised into improvements and operations rather than using those funds for purchase of the mountain.

After transfer of title, at least \$600,000 will remain, and of that \$121,000 will be dedicated to projects in the summer and fall of 2009 in the following areas: snowmaking system (pipe repair/replacement, hydrants and valves), lift preparation for the upcoming year, and groomer maintenance/repair. We will then set aside \$200,000 for operating capital with an emphasis on early season snowmaking. The financial plan is structured to absorb a loss for two seasons and a small profit by the end of the third season followed by sustained and increasing profitability. During the fall and throughout the first year, share sales efforts need to yield an additional \$450,000 so as to fund year two of the snow making revision/expansion plan, and thereafter the plan calls for raising an additional \$1.65 million over the next four years which will also be put toward improvements. Needless to say, if we can exceed our fund raising goals and sell more shares earlier, we will have the opportunity to accelerate the improvements to the mountain and ultimately drive increased skier visits at a greater rate and attain economic sustainability sooner.

The five year plan outlined below calls for annual improvements to the mountain with a focus on the snow making system together with yearly increases in the amount of snow made, and a commitment from year one to open in early December without interruption through early April. Over the five years of implementing the mountain improvements, we hope to increase the skier visits to 35,000. In implementing the improvements, we will take care to honor tradition and maintain what makes Magic different and special. The Magic brand will focus on challenging terrain and interesting slopes for all abilities in a relaxed family friendly atmosphere catering to skiing and snowboarding enthusiasts.

We will seize upon these strengths and emphasize that the improvements will not change a great mountain; they just make it more reliable.

## **II – Magic Mountain Overview**

### **A. History of JLS Magic, LLC**

In September, 2006 JLS Magic, LLC commenced leasing the mountain after Magic suffered its worst season ever (less than 5000 skiers). Since the 2006-07 season Magic has begun to re-establish its following as evidenced by the increase in skier visits to 16,000 and the increase in the season pass base from 225 to 375. JLS has invested in capital improvements and in so doing has stabilized the lift and snowmaking systems to a degree. However, there is much work to be done in order for Magic to have a snowmaking system which will enable it to offer a consistent product in a reasonably competitive time frame. There is also additional work to be done on the lifts, and in particular the Black lift, in order to assure its reliability.

From September 2006 to the present the mountain has operated with an \$850,000 deficit. Approximately \$550,000 of that figure is attributable to capital expenditures and major repairs on the lifts, the snow making system, and the lodge. For example, we have invested in a number of high efficiency snow guns and a VFD drive for the lake pump, made substantial repairs/renovations to the electrical and mechanical systems on the lifts, and re-done the rest rooms and painted the lodge. The remaining \$300,000 represents operational losses, many of which result from off season costs such as maintenance and the associated payroll. In the past two winters due to operation cost cutting the mountain has fared much better during the ski season (Dec. through March), and this year realized a small profit during that time frame.

### **B. Magic's Potential**

The mountain is a beautiful and much loved natural facility, and the terrain is unmatched in southern Vermont. Its Achilles heel has always been the reliability of the snow and lifts. In order to achieve economic stability, Magic must incrementally upgrade and modernize the infrastructure so that it can offer a reliable product. Increasing the reliability of the snow, the most important element in the whole equation, will create an opportunity for Magic to legitimately compete with surrounding areas for skier visits. Magic will contrast the surrounding mega resorts, as well as other neighboring areas, by offering better and more challenging terrain featuring old-style slopes and woods/glade skiing in a low-key, less crowded, and family friendly setting.

Magic maintains a core of faithful skiers as evidenced by the increase in season passes and ticket sales since JLS began operating the mountain in 2006. In the past three seasons Magic has begun to grow its base of supporters and regulars. Nonetheless, many skiers still do not even know the mountain is open as the memory of its closure in 1991 has yet to be erased. Our financial models show that Magic can be self sustaining by

drawing 25,000 skiers annually. The four surrounding southern Vermont areas have a combined 1.6 million skier days. Drawing a mere 1% of skier days away from these areas would add an additional 16,000 skier days effectively doubling Magic's current total and put Magic Mountain on a stable economic footing with annual profits. This will not occur within the first year, but gradual increases over the first five years which are outlined in the attached budgets will result in approximately 35,000 skier visits.

An April, 2008 survey with over 200 respondents confirmed what is important to both Magic skiers as well as those who do not make Magic their primary destination. Two things that rang clear were that Magic's terrain is regarded as among the best in the East, and certainly in Southern Vermont, and there is an incredible desire for the mountain to remain open and viable. Without exception, all respondents emphasized that reliable and consistent snowmaking is an essential element in attracting and retaining visitors.

Negligible marketing dollars have been spent in the decade since Magic Mountain re-opened in 1998 to inform skiers/boarders that Magic is alive and moving forward. As such, it is mandatory that a properly financed marketing plan be implemented. Without such an effort, the growth projected in the budgets will not occur. We fully understand that the marketing budget must be reasonable and not disproportionately large, but also understand that a concerted effort in marketing and sales must be made in conjunction with the operational/snow making improvements. Again, the key is having reliable snow on the hill in order to provide a quality product to market.

### **III – Marketing and Positioning**

The southern Vermont ski market is dominated by crowded slopes at expensive, high capacity ski areas which evoke an impersonal, corporate experience. The plan is to differentiate Magic from neighboring mountains by offering a "Classic Vermont Experience" featuring uncrowded winding trails, more challenging expert terrain, interesting and well groomed intermediate and beginner slopes, short lift lines, and a superior learning program in an atmosphere that is pure Vermont. The goal is to attract families and individuals who appreciate the unique qualities of the mountain and who desire to experience and then become part of a skiers' community. In order to achieve this goal Magic must invest in substantial infrastructure improvements to the snowmaking and lifts in order to provide a consistent and thereby competitive skiing and riding experience. This unique experience then must be promoted and marketed in a widespread yet cost effective fashion. With an emphasis on cost effective marketing, Magic will not only tap the markets in CT, NY (both Metro and the Capital District), NJ, and MA but also intends to draw visitors looking for a lower cost ski opportunity within a one hour driving radius. Magic can and should do better in the immediate area and efforts need to be made to grow the local following.

Magic intends to attract skiers by offering an equally reliable yet different experience than the other southern Vermont mountains. There is an opportunity to capitalize on a perceived backlash against mega resorts by offering a traditional, more interesting,

challenging, high quality, yet low key skiing experience. While neighboring areas provide wide, frequently crowded, boulevard style slopes, Magic will stay true to its roots and provide a less crowded more natural ski experience which represents an unfulfilled niche in the southern Vermont market. Magic's slope capacity (not to mention its extensive unmarked woods skiing) relative to its uphill capacity, guarantees an experience of solitude, peace, and peace of mind. It enables individuals and families seeking to escape the hustle and bustle of suburban/urban life the ability to actually do so – an important distinguishing factor when comparing Magic to its neighboring resorts. A doubling of Magic's visits would still result in Magic's slopes being three times less crowded than the typical southern Vermont area.

### **A. Industry Advantages**

While there is no doubt that the skiing and riding industry is facing its own growth challenges in very difficult financial times, there are some key areas that Magic is poised to take advantage of. For the years 1997-2008, the national growth in active skiers and snowboarders has been 1.2%. In addition, National Ski Area Association statistics reflect increased frequency in participation from the core group of enthusiast skiers as well as gains in the return of former skiers and snowboarders. In practical terms this equates to more frequent visits from experienced skiers and snowboarders (intermediates and above). Magic Mountain can take advantage of this trend by virtue of its terrain which is well suited to the frequent and experienced skier and snowboarder. These skiers will seek out an area that offers interesting and varied intermediate and expert terrain which Magic can readily provide. Another trend evidenced by NSAA research which Magic can seek to capitalize on in today's challenging industry is the ever increasing number of multi-generational families who use skiing and riding as a medium to come together as a family. Magic Mountain is well suited to take advantage of this trend because it offers exciting trails for all abilities levels from beginner to the true expert all of which lead to a common base area. Magic's less crowded, community atmosphere gives families a place in Vermont to call home which they will never outgrow, and as such creates the perfect place around which multi-generational families can get together.

### **B. Pricing**

Magic intends to continue to be an affordable alternative for skiers and riders in the southern Vermont market. While many areas have raised prices to levels unaffordable to the average skier, Magic will continue to offer classic Vermont skiing on the best terrain in southern Vermont at an affordable rate. Currently Magic's day ticket prices are anywhere from 10-30% below the neighboring areas, and we intend to maintain that disparity. Season passes offer even greater value as they are priced 35-60% lower than the neighboring resorts. We expect to see an incremental increase in season pass rates as we build our snow making efficiency and offer a longer (early December through early April) and more consistent season. Even so, while season pass prices could climb to approximately \$500 for an adult unrestricted pass over the next 5 years, this will likely still be 35-60% lower than our competition. As our unrestricted pass price grows we also intend to enter the discounted and limited season pass market with such options as

midweek and value/restricted season passes at a substantial discount. These new products will be another attractive, low cost option for potential members of the Magic skiing and riding family. We will also continue to offer competitive rates priced below our competition on other resort services such as learning center programs, rentals and racing/season long program fees.

### **III – Operations Plan**

#### **A. Snowmaking**

Magic currently has functioning water and air piping to cover about one third of the mountain and with additional repairs and pipe replacement, the coverage could be expanded to 75%. Water is drawn from the pond on the access road which, when expanded, will hold 8.5-10 million usable gallons. At present, the usable capacity is approximately 1.8 million gallons. Due to its location at the base of the mountain, the pond has a high rate of the natural replenishment. Additionally, withdrawing water from the nearby Thompsonburg River is another source of pond replenishment. A snowmaking plan is being created in conjunction with snow making consultants and engineers, and the plan focuses on incrementally upgrading pipes, pumps, compressors, and snow guns and re-establishing the 10 million gallon capacity of the pond. The plan calls for replacement/repair of a substantial amount of the snow making piping and hydrants and adding more high efficiency snow guns over the next three years. Re-engineering and revision of the pumping system which propels the water up the hill is another important component of revamping the snow making system as it will provide an increase in the water flow to the top of the mountain thereby enabling us to make more snow quickly on the top half of the mountain and on the west side.

In order to increase the snow making capacity, investment in the pond to restore it to its original design consisting of a 10 million gallon capacity is an essential step. Repair is required because of damage caused by a flood which occurred a number of years ago. JLS Magic commenced this project by breaching the dam and removing the illegal outflow pipe in accord with a State mandate. The next step is rebuilding the dam and raising the outflow pipe 4.5 feet which will result in having four times greater water capacity than any time since the mountain re-opened in 1998. Applications for all permits necessary to complete the project have been filed, and when funded this project is ready to proceed.

The planned snowmaking repairs and upgrades for the summer of 2009 will get the current system functioning at its optimum level. The goal is to be increasingly competitive with other southern Vermont areas in terms of quality and quantity of snow on the core snowmaking trails and assure that Magic will open by mid-December and have the ability to recover quickly from thaws. In year one, management will structure its budget to assure that at a minimum there will be 1/3 of the terrain competitively covered, and if budget and weather permit we will expand the covered acreage. Year one snowmaking trails will include; Upper and Lower Magic Carpet, Trick, Medium, Wand,

Show Off, Hocus Pocus, Upper and Lower Wizard and Talisman. The goal, weather permitting, will be to have the majority of the East Side trails open by mid-December and the West Side open by Christmas week. After year one, we will continue to commit capital expenditures to snowmaking upgrades with a goal of having 75% of the mountain competitively covered with man made snow by year five. Additional trails include but are not limited to; Sorcerer, Witch, Black Line, Vertigo and Mystery as well as the new beginner area.

## **B. Grooming**

The mountain currently has one groomer operating well but which needs the recommended 5 year maintenance overhaul. There is a second groomer on site in need of repair, and there is some question as to whether it is prudent to invest money into this machine. A minimum of two groomers are needed by Magic Mountain in order to groom efficiently and up to current industry standards. Purchase or lease of another groomer is necessary. The cost for a good used machine would be approximately \$100,000, but there are creative lease to buy programs whereby the cost could be spread over three winters. A tiller which specializes in re-surfacing icy conditions should also be purchased so the mountain can recover from an ice event immediately. This is particularly important for the beginner and intermediate trails.

In addition to the mechanical components of grooming, management will also budget for increased operating costs associated with hiring skilled groomer operators who will spend more time on the mountain than in the past which will result in a more consistent and reliable experience for all skiing levels. At the same time, we will not forget those who thrive on natural snow and ungroomed challenges and will be sure to leave them sufficient options.

## **C. Lifts**

The main top-to-bottom lift, the Red Chair, is in good working order. Routine maintenance is required and will be completed annually to maintain the chair's reliability. Spare parts must be purchased as a precautionary measure in case of a mid-season problem. Otherwise, if parts need to be ordered on an emergency basis, the lift could be rendered unusable for a number of weeks.

The Black Chair is adequate to handle overflow during the weekends if necessary and will be maintained to do so. In its current state there are some significant repairs and upgrades which need to be made as mandated by the State lift inspector. The short term plan calls for investing the time and money necessary to assure that the Black Chair will pass all safety inspections and eventually operate as a triple chair. The long term plan calls for replacing the Black Chair with a newer lift or designing a new lift layout servicing mainly the West Side.

Construction re-commenced on the new mid-mountain lift two years ago. This lift services intermediate trails and the racing trail and when the skier visits increase will



provide additional uphill capacity and eliminate heavy reliance upon the Black Lift. It will give advanced beginners and intermediates an alternative to going to the top which in turn could enable us to focus the snowmaking on the top of the mountain on more advanced terrain. Finishing it could also enable Magic to open earlier in the season, as the acreage of coverage required to open would be substantially reduced. At this stage, however, the plan calls for refraining from finishing this lift until the snow making revision is substantially completed especially since the lift is not necessary from an uphill capacity standpoint. The price for completely finishing, testing, and inspecting this chair is in the range of \$250,000.

The former beginner area which has not been used since the mountain re-opened in 1998 currently has no lift. A new 400' Magic Carpet is proposed for this area. Magic carpets have become the lift of choice for beginners and will help to build confidence in the learning program. The installation of the Magic Carpet is critical in re-establishing Magic as a "learn to ski" area. Additionally, one of the handle tows now used in the current beginner area may be moved to the new beginner area above the Magic Carpet in order to expand the amount of terrain for novices. The cost of purchasing and installing a 400' Magic Carpet is approximately \$150,000 new, but a second hand carpet may be available.

#### **D. Terrain Enhancements**

Magic is known for its challenging classic Vermont terrain, and we intend to commit to maintaining this feature. The current trail system is laid out very well and provides fantastic options for all ability levels. Although we are not averse to expansion of the trail network, the immediate plan does not call for any additions to the trail system. However, to augment the skiing/riding experience for those who love the woods, we will expand the gladed terrain and off-piste opportunities for all skiing and riding abilities, with a focus on intermediate and beginner gladed areas on the East Side. As part of our summer and fall operations we will commit resources to mowing and cutting the entire mountain multiple times per year in order to minimize the amount of snow required to open the trails. We will also gradually begin to reclaim the sides of the trails mountain wide by trimming the encroaching growth. Additionally, in order to accommodate the snow boarding and freestyle skiing crowd, we will develop a terrain park as well as look at the option of creating natural terrain features in the woods. A Terrain park is a necessary enhancement that will enable Magic to compete for a wider spectrum of the skiing and riding audience and provide another fun option for all members of the Magic family.

#### **E. Ski and Learning Experience**

Magic needs to develop and differentiate itself with outstanding personalized learning programs for all levels of skiers and boarders. This will help stabilize skier visits, will increase the base of season pass holders, and will ensure that Magic gains a reputation as a true family mountain. Winter learning at the mountain will focus on season long

children's programs, beginners and racers. Instruction should also be available in specialized techniques such as telemark, woods and steep skiing techniques, and moguls.

At present, Magic Mountain has a limited beginner skier program due to the less than optimum beginner area currently employed. The former beginner area (not open since 1998) has the perfect 6 percent grade, and is isolated. We need to re-establish this beginner area by reconnecting snowmaking and installing a Magic Carpet. The beginners will then have an exclusive area which is longer and less crowded than those at surrounding areas. The strategic lay out of the revitalized beginner area will enable parents to ski the mountain and still periodically check on their children in a secure environment.

Racing and season long programs for youths are an additional focus of the Magic Mountain learning experience. Currently, Magic Mountain has a racing team which practices and competes with racers from other mountains. The goal of Magic Mountain is to grow its program and establish it as an outstanding developmental learning experience for beginning racers and a highly competitive, champion experience for the more advanced. The best way to accomplish this task is to grow the development program for young skiers and boarders in order to establish a solid technical base and introduce competition which in turn logically leads to participation in the race program.

#### **F. Lodge**

A study of the lodge was conducted in 2007 by the SE Group, one of the most respected ski area planning and architecture groups in the nation. They have recommended aesthetic and service upgrades as well as some longer term projects involving physical reconfiguration of services in order to streamline the flow of guests engaged in ticket and lesson purchases and ski/snowboard rentals. Simple aesthetic changes involving carpentry, painting and decorating will make the lodge more visually pleasing. In addition to these renovations, modern amenities such as free Wifi access, flat screen TVs in the upstairs bar area, and a lodge sound system could be added in order to create a better lodge experience. Again, however, the focus of the initial capital raised will be in improving the reliability of the snow and the lifts, and lodge improvements will be made as excess capital becomes available.

#### **G. Food and Beverage**

Food and beverage is an important part of any mountain's economic engine and is essential to the success of Magic. This is an area where revenues could be increased, as Magic's current food and beverage revenues are far below industry standards. Since it re-opened, Magic Mountain has contracted out the food and beverage concession. The plan calls for Magic Mountain to take back control of food and beverage in year two in order to take full advantage of the potential revenues.

The food and beverage offerings need to be an integral part of the Magic experience. The menu, while providing the typical "ski lodge" options, might be oriented towards

including locally grown and produced fare in order to emphasize the Vermont experience at Magic. There could also be a stronger emphasis on organic and healthy selections and home-made specials which are unique to Magic.

The upstairs bar represents another opportunity to increase revenues and is important in establishing the correct atmosphere at the mountain. The bar is large, has a majestic view of the mountain, and features a variety of Vermont beers. Currently no food is served in the bar area. A varied après ski menu including children's selections could create additional revenue as well as extend the hours of patronage. The après ski experience will be supplemented by quality live music on weekends and holidays.

### **H. Off Season Opportunities**

During the off season months, Magic Mountain will focus on improving the ski operations but should also look to attract off season outdoor enthusiasts. A wide range of outstanding trails currently exist and can be transformed into nature hikes for the warm weather months. We have explored mountain biking in the past, and that might be an option worth pursuing if it can turn a profit. Other opportunities include weddings, farmers markets, music events, and camps.

## **V – Financial Plan and Investment**

In order to raise the necessary capital, 1000 shares will be made available to individuals for \$3000 each. Although technically not a co-op in the legal sense of the term due to the capital structure of the new entity, our intent is to run the mountain in the same manner and spirit as a co-op. Shares will entitle the holder to an equity position in the mountain and therefore a voice as to the planning for and operation of the mountain. The mountain will be run by a five member Board. The shareholders will elect three of the five seats on a Board and the remaining two seats will be filled by the remaining equity holders (Jim Sullivan and a member of the Nelson family). There will be an annual shareholder meeting at which shareholders will be given access to all financials and can vote on major issues such as decisions on capital improvements and overall mountain direction.

In addition to an equity position in the mountain and majority voting rights on the Board, shareholders will be entitled to the following:

- 20% discount on a season pass for adult shareholders (Must be purchased by October 1<sup>st</sup> each year to receive discount)
- 50% discount on a season pass for junior shareholders (ages 7-12, Must be purchased by October 1<sup>st</sup> each year to receive discount)
- five coupons for discounted lift tickets which they can share with friends and family
- A free Magic Card entitling the holder to discounts on day tickets throughout the season for shareholders opting not to purchase a season pass.
- Right of first refusal on new area amenities such as seasonal lockers
- Direct access to management by way of a customized web page.
- Opportunity to serve on specialized committees established by the Board

- For every paid adult pass, shareholders can purchase a 12 and under Junior pass (ages 7-12) for immediate family members at a 50% discount
- 15% discount on resort services
- Holders of 4 or more shares receive a free season pass

On a final note in regard to shareholder benefits, the framework of the new LLC does allow for dividend payments out of mountain profits. A dividend payout would need to be approved by the Board and would only be considered after the mountain is on stable financial footing and all necessary projects are properly financed. The intent of the plan for at least the next 5-7 years calls for all share sale proceeds as well as any operating profits to be reinvested in the mountain.

The plan for Magic to become profitable and maintain economic sustainability is premised on doubling the current number of skier visits within five years, but it is important to note that 35,000 skier visits represents a small percentage of the southern Vermont market and remains a relatively low and therefore attainable figure. In the last two years Magic has attracted approximately 16,000 skier visits per year with unreliable and under funded snow making and lifts and negligible marketing. Our models show that Magic can break even with approximately 25,000 skier visits and should be able to reach the 35,000 level by year five which is well within both its uphill skier capacity and desired skier density. If per chance Magic is not able to reach the 35,000 skier level, or perhaps cannot do so on a consistent basis, 25,000 skiers will enable the mountain to continue operations, but the capital expenditures may need to be curtailed.

### **A. Capital Expenditures**

In addition to providing a substantial commitment to snow making in the operating budget, following is an outline of capital expenditures which are not necessarily listed in order of priority. The capital expenditures will be prioritized by the Board and the shareholders and funded as capital becomes available by way of share sales or profits. For a detailed plan outlining capital expenditures please reference the Capital Expenditure Projections within the consolidated financial statements.

Pond and Dam Rebuild	\$150,000
Snowmaking Upgrades	\$1,270,000
Lift Completion	\$250,000
Spare Lift Parts	\$25,000
New Beginner Lift (Magic Carpet)	\$150,000
Relocating existing beginner lift	\$20,000
Lodge Modifications	\$100,000
Groomer purchase	\$95,000
Other	<u>\$63,500</u>
Total Capital Expenditures	<b>\$2,123,500</b>

The capital expenditures outlined above will be funded by share sales and profits. As such, it is important to sell as many shares as possible (up to 1000) in order for the full

vision outlined herein to be realized. However, even if share sales do not meet the established goals, the operation and capital expenditures budgets have contingencies in place in order to sustain mountain operations for several years.

## **B. Financial Projections and Budget**

Following is a five year financial projection and budget which outlines the future incremental growth of skier visits and the associated costs and revenues. More reliable snow making and lifts and dedicating resources to marketing are the keys to realizing this growth. As such, in order to achieve the desired increase in skier visits, we first must commit to an increase in operational costs which will likely result in the projected losses in the first two years. The operational cost increases will primarily flow from spending associated with a commitment to making snow, investment in skilled and ambitious personnel, and furthering our reach via strategic marketing. If these investments are made, the projected growth and stability is attainable. The operating costs outlined below are conservative in that they are probably on the high side, and it is possible that the expenditures in the first two years will be lower. But, in order to grow and become sustainable, additional operational costs are a necessity, and in the budgets we wanted to fully account for the possible increases. At the same time, we pride ourselves in running the mountain as efficiently as possible without fluff, and we will continue to follow that creed throughout the course of our tenure. We fully understand that in a seasonal business with tight margins frugality should rule the day.

Financial Projection Based On 35,000 Skier Visits Year 5

Consolidated Financial Statements

Income Statement Projections

Magic Mountain Ski Area

	<u>Y1</u>	<u>Y2</u>	<u>Y3</u>	<u>Y4</u>	<u>Y5</u>
<b>Skier Visits</b>	18910	20959	24801	29495	35240
	<b>Totals</b>	<b>Totals</b>	<b>Totals</b>	<b>Totals</b>	<b>Totals</b>
<b>Revenue</b>					
Season Passes	122,500	154,000	179,988	209,633	230,596
Ticket Sales	416,425	524,881	671,656	859,014	1,098,071
Lessons	53,235	74,095	88,504	106,104	127,652
Racing	18,000	19,800	21,780	23,958	26,354
Tube Park	49,971	62,986	80,599	85,901	87,846
Rentals	23,892	29,865	37,331	48,220	62,219
Food and Beverage*	21,401	23,055	27,281	32,444	38,765
Store**	1,120	1,680	2,100	2,712	3,500
<b>Total Revenues</b>	706,544	890,362	1,109,239	1,367,986	1,675,001
<b>Expenses</b>					
Personnel/payroll Taxes	404,782	476,864	491,169	537,713	590,586
Snowmaking/grooming	188,100	206,268	226,895	290,013	426,770
Marketing	66,455	69,778	76,756	84,431	92,874
Energy Costs (non SM)	52,301	54,916	60,408	66,448	73,093
Insurance	102,000	105,060	108,212	119,033	130,936
G&A	28,840	29,705	31,190	32,750	34,387
Sales and use Tax	36,767	46,304	58,174	72,166	88,724
<b>Total Expenses</b>	879,246	988,895	1,052,804	1,202,554	1,437,371

<b>EBITDA</b>	-172,702	-98,533	56,435	165,431	237,630
Property Tax	17,000	17,000	17,000	17,000	17,000
<b>Net Income</b>	-189,702	-115,533	39,435	148,431	220,630

\* F&B based on current concession agreement

\*\* Store based on current concession agreement

## **VI – Conclusion**

This effort is focused on maintaining, improving, and perpetuating a legendary ski area. The dedication and the growth of the Magic faithful will be the centerpiece of the success of this mission. The devotion and enthusiasm of the people who ski here is something that distinguishes Magic and it is encouraging to see that the ranks have grown in the past few years. There are still many more people who would share the passion for this special place once exposed. Our sole and perhaps dogmatic mission is to keep this mountain alive by making it a place on which skiers and boarders can rely while maintaining its traditional atmosphere. Thereafter, the mountain's classic terrain and skier community ambiance will largely sell themselves. We are at a turning point in Magic's history, as it is imperative to make it an economically viable entity. This offering and business plan seek to bring Magic to a level of stability and growth to insure its existence for many years to come. We intend to preserve everyone's ability to enjoy the great outdoors on the slopes of Magic Mountain and in so doing maintain an experience of skiing/boarding which is unique in its authenticity. We thank all of you who have shown interest and support and invite you all to participate in the revival of Magic by becoming an owner and part of a special community.