



CONFERENCE: Nov. 15-18, 2021
TRADE SHOW: Nov. 16-19, 2021

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FEC: Real Estate and Financing Solutions for Your Entertainment Property

Jerry Merola, Amusement Entertainment Management

R.J. Mohindra, FEC Real Estate

Ralph Willis, EFA Partners



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Jerry Merola, AEM

Managing Partner
Amusement Entertainment Management, LLC

- FEC Landscape



R.J. Mohindra, FEC Real Estate

Real Estate Alternatives

Securing a New Real Estate Location



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Brick and Mortar Retail

POTENTIAL CLOSURES

- 80,000 retail stores (2025)
- 25% of malls (3-5 years)

UBS (April 2021)



Online Retail



Online Grocery Market*
CAGR – 9.4% (next 7 years)



46% of apparel shopping**
is now being made online

*VMI (October 2021)

**Digital Commerce (June 2021)

Retail Sector

Vacancy =
12.3%
(all time high)

Effective rents
\$18.59/SF
(fall an additional 6.8%)

Moody's Analytics (May 2021)



Real Estate Transaction

1. Business Plan
2. Site Selection
3. Tour Checklist
4. Negotiations
5. Execution

Site Evaluation

- Location
- Building size
- Pricing
- Tenant Improvement Allowance (TI)
- Demographic Benchmarks
- Restrictions
- Parking Ratio

Real Estate Transaction

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“Inside and Outside”

- HVAC
- Restrooms
- Clear height
- Flooring
- Exterior of Building
- Parking Lot
- Signage

Interior Air Quality

Landlord investment in air filtration systems

MERV 15A or 16A filters
(highest capacity)

Restroom exhaust fans

Outside air (use of fans)

Facility Cleanliness and Sanitization

GERMICIDAL ULTRAVIOLET
LIGHTING (GUV)

“Need aisles wider”

Exterior of Building

Patio

- Cornhole, Bocce, etc.
- City and Landlord Approval
- Landlord construction

Drive-in movies

Real Estate Transaction

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Better DEALS



Personal
Guarantee (PG)
Burn-offs



Longer Construction
Periods (CO)



Larger TI



Smaller Security
Deposits



Construction
Escrow

Better DEALS



Restriction
approvals



Build to Suits
(BTS)



Early
Terminations



Investment in
FF&E

- Other tenants are a business driver
- Opportunity for a solid deal

If at anytime, 80% of Anchor (to be further defined in Lease) tenants or a number of tenants that occupy space greater than 20% of the Building vacate or are not operating at its premises for more than 45 days and Tenant's Gross Sales decrease by more than 15% from the amount of Gross Sales for the same period in the previous year, then Tenant's base rent will be reduced by 40%.

Tenant shall resume paying the originally agreed upon rent when the aforementioned conditions cease to exist. If within 3 months Comparable Replacements (to be further defined in the Lease) do not occupy the vacated premises, then Tenant has the right to terminate its Lease.

Cotenancy

Abandonment and Continuous Use

A stipulation to not abandon or vacate the premises during the term.

Force Majeure

Unforeseeable
circumstances that
prevent fulfillment of
a contract.

Purchases

Pricing

Longer
feasibility

Less
Earnest
Money

Lower
closing
costs

Ralph Willis, EFA Partners

Financing Alternatives

EFA Partners

- 12+ years focused on arranging financing and M&A for leisure companies
- Founders have 75+ years of experience in leisure finance
- Offices in New York and Atlanta
- \$1.4+ billion of closed financings and M&A transactions
- Focus on FECs, amusement parks/water parks, movie theaters, casinos, concert venues, and others



Targeted Sectors

Focused on Leisure Sectors

- FECs
- Theme Parks
- Water Parks
- Casinos
- Sports
- Hospitality
- Movie Theatres
- In-Theater Dining
- Concert Venues
- Observation Wheels
- Ski Resorts
- Restaurants

Select Closed Transactions



Adventure Park



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Typical Clients

- **Individuals Entering the Leisure Industry (Start-ups)**
 - Seeking start-up financing for new venue
 - May be leased property or owned property
- **Existing Leisure Companies**
 - Could be seeking financing to grow their business and/or refinance existing debt
 - Certain companies seeking to sell their business or acquire another business

Banks

- **Overview**

- Lower interest rates
- Personal guarantees typically required
- Offer SBA loans for construction loans or early stage companies

- **Recent Developments**

- Many not active in the leisure sector due to issues of past year
- Longer due diligence and approval processes
- Seeking strong collateral coverage and certain banks will not review loans without real estate

Specialty Lenders

- **Overview**

- Higher interest rates than banks but lower loan amortization than banks
- More flexible terms than banks and often with no or limited loan covenants
- Will provide funding to refinance existing debt and also for growth projects

- **Recent Developments**

- Not currently interested in construction loans for early stage companies
- Many are actively seeking opportunities with mature leisure companies
- Certain ones that weren't previously interested in leisure companies are now showing interest

Equipment Financiers

- **Overview**

- Typically higher interest rates than banks with shorter loan terms
- Personal guarantees typically required
- Will review equipment financing for new construction projects or early stage companies

- **Recent Developments**

- Significant collateral coverage is key in the current market
- Some new equipment financiers have entered the leisure market
- Vendor programs continue to be available from equipment manufacturers and distributors

REITs

- **Overview**

- Typical structure is sale/leaseback of properties and buildings
- Personal guarantees often required
- Will consider construction financing for start-up companies with sites in favorable locations

- **Recent Developments**

- May require a rent reserve be put in place
- Some may offer options to repurchase real estate and building at a set time in the future
- New REITs have been formed over the past few years

Private Equity Funds

- **Overview**

- Typically seeking to invest in mature, profitable companies
- Most seek to invest majority interests but some will consider minority investments
- Typically not interested in construction financing unless it is a new site for an existing company

- **Recent Developments**

- Certain funds have leisure companies in their portfolio and are seeking to add sites
- Others are still concerned about the future of the industry so have not been investing
- Could be a different view next year given the strong performance of leisure companies this year

Be Prepared

- Certain lenders may not currently be interested in the leisure sector
- Often need to approach 40+ lenders to find interested ones
- Personal guarantees typically required
- If a start-up company, may need a 3rd party feasibility study with projections
- If existing business, lenders may look at 2019 results as a “normal” year; however, they will also review 2020 and 2021 results
- The approval process is currently taking longer, especially if the SBA is involved, since it has been busy with PPP loans and other government initiatives

Be Prepared (continued)

- Equity needs to be sufficient for contemplated transaction plus working capital and other business items that may be needed post loan closing
- Lenders are seeking more collateral coverage so the inclusion of real estate is a plus since many projects don't have sufficient collateral just based on FF&E
- If a construction project, lenders are often requiring full project designs with finalized construction bids before they will go for final credit approval

Questions?

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