

# The RoK Update “BUILDING BLOCKS”

By Liko Smith



The picture above illustrates one simple concept: That there are “No Small Moments in Life” especially because it’s only headed in one direction, the graveyard. Even if you live to be 80, then you’re only going to live a mere 29,000 days, every beautiful day is very valuable, trust me, being dead sucks –I know some dead people...and they’re still dead. We’re alive, let’s act that way. Time is our most precious commodity; we take it for granted until it’s too late. Not today.

The time that Sugar Loaf has been closed has spanned an entire generation, about 4,750 days!- Children that were 8 to 13 years of age the year Sugar Loaf closed are now married or finishing college. What did they miss? What could’ve been? What should’ve been? How can we revive what has been closed so long that it’s hardly a memory? This update will hopefully shed some light onto those questions. Everything you’re about to read is the unadulterated truth about the fate of Sugar Loaf and the new RoK at Sugar Loaf. The good news is, we have a basic plan.

Top 3 FACTS to remember before you start reading:

1. I have acquired Sugar Loaf, and I am 100% responsible for its future. The buck stops here.
2. Sugar Loaf has been closed for 13 years. This is the last chance to open it.
3. The Resort and Mountain will become The RoK, “The Worlds First Snowboarders Mecca”.

I’m not the brightest (I’ve got the quintessential 1,000 yard stare when people are talking to me) so I kept this update simple.

I’ve formatted this report to cover how we plan to open The RoK at Sugar Loaf with 5 “Easy to Read” BLOCKs of information (2 pages each). The report is separated into Environmental, Structural, Mountain, and How to Get Involved.

So let’s get started.

- BLOCK 1 – Environmental
- BLOCK 2 – Structural
- BLOCK 3 – Mountain
- BLOCK 4 – On Branding
- BLOCK 5- How To Get Involved



Standing outside the launch of a 10,000 ft. drop onto a mountain side and glacier crevice in the Swiss Alps, I love Snow Resorts!!

## BLOCK 1- ENVIRONMENTAL

We've spoken with Tim Cypher, Zoning Administrator of Centerville Township, and Tim Stine Zoning Supervisor at Cleveland Township. Centerville and Cleveland are the two Townships overlapped by Sugar Loaf property. The zoning of Sugar Loaf is a blanket zoning of "recreational area" (in both townships) which allows for many uses such as camping, resort, restaurant, golf course, town-homes, recreational areas, etc. Which is great for a developer, but plays real hell in environmental analysis of the property. This alone is enough to slow down the process.

The Sugar Loaf resort has been closed for 13 years. The last time a company took a full tour of the resort was 3 years ago; an environmental company had walked the property and submitted Phase 1 and partial Phase 2 report. They cited all of the contamination issues with Sugar Loaf. However, it was what we in the industry call a "dig and dump" proposal. They dig stuff up, dump it, and then consider it gone. This is one way to do it- but this is also quite costly (to the tune of 1.5M plus) and more importantly, it's often unnecessary as a wholesale strategy. For ex: If nobody is allowed to dig a water well in the area, do we take the steps to situate the property to avoid oil from getting into a water well?

Basically, there are 3 types of land uses: Recreational, Residential or Commercial; and within each use, Environmental Laws differ. As to recreational land type (Which is Sugar Loaf). Well, those laws have not been clarified because of such aried uses, so it becomes a scalpel approach, or a wholesale approach, for all 560 acres. Both Mad expensive. So what's The RoK's approach?

We will draw out a master plan, and in doing so, cauterize the uses on the parcels in order to have a sensible environmental analysis. The environmental actions taken will be within the line of the lands anticipated use. This not only saves time, but it also saves a large amount of money.

Luckily, the State of Michigan Department Of Environmental Quality has a TIF (Tax Increment Financing) Program that is accessed through a Brownfield Development Plan. WTF does that mean? It means that a Brownfield Plan (A Plan submitted to the FEDS for TIF Programs), outlines all of the "Facilities" ( a location on the site that has COC's (Chemicals Of Concern)) that need to be cleaned up through a CAP (Corrective Action Plan). When these Facilities are

identified, the new owner (Me) is relieved of liability for these environmental COC's, but what's more attractive is that the "cost" of remediating and cleaning up these COC's are paid back to The RoK in a TIF Program. The total cost of correcting the environmental issues is sent to The RoK as a rebate "after the resort is open". I "pay" the taxes from being open, I get them back.

This has been a major selling point, but also the kiss of death. It explains why so many buyers have walked the property, and felt 100% they could get it financed. The problem has always been the "after the resort is open" part of the program. They would be \$6M into the purchase, \$2M into the environmental, and then \$5M into the project, and 3 years down the road to open. Add the carrying costs of an additional \$500k, and you've got a \$13.5M debt before you sell 1 lift ticket. Not incredibly expensive, but now add in the fact that you can a Ritz Carlton generating \$15M for \$7.5M, or a 150 Room All Suite Hotel across from the Hard Rock hotel in Las Vegas for \$8M or 3 Gas Stations, generating 20k per month net, for \$10M and now you see how "relativism" kills the deal completely. Sugar Loaf is a pipe dream in this economy unless the passion is there, luckily in my case it is. Regardless, I can't deny the math, I can only work within it. Add the Michigan Economy, and it's an even bigger challenge, not insurmountable but real. The key is speed, thoughtfulness and raw muscle, with a purpose. No time for lolligagging.

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| <ol style="list-style-type: none"><li>1. Cleanup the Environmental Issues quickly/efficiently, in 3 phases/4 years, spread the cost.</li><li>2. Isolate, yet create, a distinct Mountain Snow Experience that is able to open in 12 months.</li><li>3. Create an amazing hotel out of what is already there. Fix, clean and refurbish, within 12 months.</li></ol> |
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How are we going to do all of this? You write a master plan, and phase the environmental cleanup in line with the timetable of uses, and phase out your expenditure. I could care less about the TIF Program (though I greatly appreciate it Uncle Sam), but it doesn't direct my way of thinking, other than to make the place safe for Snowboarders in time for the "1<sup>st</sup> Year" of opening. So as the TIF Rebates come back to us from the Government, we can spend another 1M into the operation as we plan for Summer and Winter 2015 and then repeat the process as phase are unveiled and monetized.

You have to go in understanding of course, that the RoK will not see its full potential until it's "5<sup>th</sup> Year" of operation. By that time we'll have all lifts open, a huge summertime program in full swing, and 4 years of nationwide marketing under our belt (The Show plus). Also by that time, The RoK at Sugar Loaf will have completed all of its environmental cleanups, collected all of its environmental funds, maximized it's revenue sources, secured a position in the resort world, and have an adequate summer program to match its winter program. Until then, my partners and I must open up the revenue sources, direct smart marketing and reinvest back into the operation of The RoK as much as possible so we can sustain the first critical 5 years.

The environmental rebates are an asset as long as they do NOT starve out the investment (use valuable cash) needed for the mountain and resort to be opened within 12 months. I think we've found a winning formula at The RoK. 1. Clean up and refurbish, 2. Open in 1 year 3. Create demand. I am awaiting a costs estimate from our environmental analysis thus far.

## BLOCK 2: THE RESORT

This week we had my version of the “The 3 Wise Men” tour the resort, it was raining cats and dogs that day. A resort that, even when I saw it up close and personal over 3 years ago (without the rain), even “Nasty” would say “this shit is nasty”.

We know it to be a fact that the property is loaded with dark mold (enough penicillin to kill Herpes), feces filled sewer pipes (from as far back as the winners of the 89 Sugar Loaf “Snurfing” competition), 40 kinds of asbestos (that would make an Alien check into a hotel room), oil spills, contamination, rotten and rotting wood, and every type of spider, ant, and roach on the food chain (enough to host the 2013 Insect Olympics). So let’s just say they were wearing breathing masks (at least one of them).

Why did these guys spend hours and hours walking through all of this grimy, smelly, muck? Because, like you, Dear Reader, they care about the future of Sugar Loaf, and this is probably our last chance to save it. If there was a tip of the spear at The RoK, these 3 guys are just that.

The 3 Wise Men were:

1. Dave Drews – Blue Water Construction and Development Consulting
2. Arlen Rust – SMI, Snow Makers International
3. Chris Grobbel Phd., Grobbel Worldwide Environmental Consultant

If you see them in TC or Cedar- buy them a beer...they’ve earned it. (Including their engineers)



Dave Drews, Arlen Rust and Chris Grobbel, Phd.



The Top Of The Loaf Bar and Restaurant

Every member of the team was given a specific area of focus. It’s like “running point,” in the Infantry, in a very dense jungle environment. If you’re doing it right you have a splitting headache; because if you miss something, (let’s just say you really only get to miss it once in the Infantry) you don’t get a 2<sup>nd</sup> bite at the apple, especially when the inspection is to set the tone for everything else. I expect that every member of this team was downing Advil afterwards.

My Asian-Norwegian hottie and Personal Assistant, Jennifer, also gave them a 60 point memo of consideration so the “3 Wise Men” could focus even more (Jennifer analyzed land for Oil Companies for 8 years, she’s on top of her game as my project manager). At the end of the day,

until we get out of the “Crawl” Phase, we can’t miss any part of the analysis of the resort, but even more important was the prelim plan of action that came as a result.

The key to the Crawl Stage is to get to “BedRock” on what is required. The Definition of Bedrock? Solid Rock, underlying loose deposits; in other words, how far down the rabbit hole can we dig until we hit something solid, that requires no fixing? Then all we’re left holding is “what needs to be fixed”. We realize that’s a Pandora’s Box but it’s also a major starting point. It leads to what will soon become a “Use Of Funds” outline. This use of funds tells us exactly what we’re spending, and how we’re spending it, to get the property in a “suitable” condition for renovation. Whatever the amount, we know we are required to spend it, or Sugar Loaf will not be saved. It’s that simple.

My hat is off to the team, the reports were completed in a few days and preliminarily, we saw very little that would present any problem to a November 27, 2014 Opening. Let me clarify what they saw 1. A ton of work that needs to be done 2. Some modifications to the existing building as far as layout to benefit the first year of operation 3. Some cauterization of areas that may not be needed the first year; and in that time, prep for a summer opening. Costs are still under review.

However, the after action review of the first real walk through in 3 years revealed that not only is it feasible that the resort can be repaired and re-opened, but it is likely; given the resources, and the same pragmatic approach we’ve taken on the environmental side of the equation.

1. Repair the leaking roofs, dry out the interior.
2. Remove all of the environmental issues from the interior (Mold, Asbestos, Lighting, etc)
3. Clean out all unnecessary debris and material, prep the interior for remodeling, and refurbishment.

There are areas of the hotel that we’re assessing for structural integrity, and the key is to be able to modify such areas so that they’re 100% sound for modification. We do NOT want to tear anything down, building is never as easy as it sounds, it is never a straight line, and is also incredibly expensive and once the math gets thrown off (overloaded in debt), the resort can enter a panic mode to offset said expenses (which is the mother of all mistakes). Ladies and Gents, we will not be speculating on this puppy. Any existing part of the resort that generates happiness for our guests is an increased experience, and leads to long term revenues that can be put back into the operation is vital. Luckily, the major parts of The Sugar Loaf Resort are able to be re-invigorated rather simply (Keep in mind, I did not say easily).

Overall, the walk through of the Resort was a sigh of relief, and it confirmed my belief that among all the muck, mold, and asbestos that there’s hope for the Resort to be prepped for recovery. With a simple recovery strategy, a strong willed team, and a lot of hammers, nails, sponges, mops, soap and water we’ll be ready to rumble. A problem fully understood is half solved. We understand now.

## BLOCK 3: THE MOUNTAIN

The most critical factor is the mountain itself. This is the most important part because snow is the most “experiential” factor of the entire operation, or more explicitly: the main reason Sugar Loaf exists in the first place (like me with my son). It’s also a great generator of valuable information, based on the existing layout; what part of the mountain should be opened? What features can be placed on the mountain? What access routes are best for snowboarders and in what sections would which features be laid out?, What capacity will the lifts deliver? Once sorted out, this would tell us approximately how many are expected to come through the mountain every day beginning on November 27, 2014.

Furthermore, what is the expected price per lift ticket? Based on that, we have baseline mountain revenue. After that is determined, we will determine what percentage will stay in the rooms, and at what price (and also add in daily walk ins), which immediately gives us the baseline expected hotel revenue and occupancy. This leads to our expected RevPar (Revenue Per Available Room). Also, what percentage of the hotel customers will use the restaurants and bars? At what projected price, RevPac (Revenue per Available Cover)? Then after 11 more long acronyms of “accounting-ese,” we come to the single most important metric: The ReVPac (Revenue per average customer). Once we can identify this (our most conservative assumption) we will know exactly what’s required to make this mountain what we promised: the best damn snowboarders mountain in the United States. It’s simple math. What will we get for what we’re spending.

We always assess in worst case scenario, that way nothing kicks us in our accounting ass when we open. If break-even is best we can do in the lab, then we find other alternatives to increase that number, or we just live with it (I’m not the “just live with it” kind of guy though).

I do plan to tie all of the assets of “Sugar Loaf” into a tourist driven economy, like it used to be. The RoK will plant the marketing seeds, develop the social media campaign, and advertise the site nationally and globally; but it will take the entire community working together to truly create a RoK experience, and a successful venture for the entire community. Collaboration is not just necessary, it’s critical. That includes:

1. The Town Of Cedar, Michigan
2. The Town-homes
3. The Golf Course
4. The Adjacent Homes and Communities
5. The Sewer Facility
6. All Action Sports Vendors
7. ALL people of influence in Leelanau County

## Now- let's talk Mountain

I'm beginning to think that after all of this time, that the whole reason that I ever got involved in resorts or got started with THE BLOCKs, was simply to bring Sugar Loaf Mountain back to life. Everything else seems so unimportant, and so miniscule when weighed against what would be the resurgence of this beautiful treasure in Leelanau County. I think that over time this mountain has not gotten less valuable, instead it has gotten more valuable,..it is more appreciated now.

I CAN HEAR YOU SAY: How the Fuck do you know Liko? You're just some dumb-ass from Vegas/LA that rolled in here 3 years ago, pissed off a ton of people (made a few friends too), and then hauled ass from the dinner table like a Tyrannosaurus Rex with the runs!! You're really pissing us off!!

Well...calm down now....

It's not ME- it's about the people that work on the project. Straight up. I see and hear the passion of what used to be "Sugar Loafers" from the intensity of the people that are working on The RoK. Aside from my own passion for the snowboarding industry, and my 100% commitment to create "The World's First Snowboarders Mecca", the passion that I hear, see, and feel when I deal with my consultants is nothing short of inspiring. All my skills, resources, brains, and brawn will be brought to bear so that The RoK at Sugar Loaf will open on November 27<sup>th</sup> 2014. I need this mountain to be a success, the people of LC need this mountain period.

Preliminarily, here's what we found:

- The snowmaking equipment all needs to be replaced.
- The Snowmaking Pond needs to be expanded or relocated.
- The pipes need to be doubled in size.
- We found that #2 seems to be a repairable lift/
- #2 should be moved to where #1 is now..
- #3 should be replaced First Priority.
- #6 should be replaced Second Priority.
- The exterior tennis courts need to be removed.
- We're reached a preliminary plan for the mountain.

The costs are being assessed and finalized as we speak . It's incredible that within 3 weeks we've come this far in the crawl phase, and what was once mystery, is now optimism. A nutless monkey with muscles and a crew can open Sugar Loaf based on our findings. But what about the brand? No offense to banana breath and his friends but this investment needs to be returned. We have a responsibility to get the brand right if we're going to succeed. Why? Read on...

## BLOCK 4 – THE RoK BRAND

What would make a snowboarder want to come here? What value proposition must be presented to make it an easy choice against all other options? Once here, how do we get him/her to return? What does the world “Snowboarders Mecca” mean to our snowboarder? How will he/she explain it to his/her friends? This isn’t as much focus group discussions as much as it is internal discussions among other snowboarders. THE BLOCK was created the same exact way, by having discussions with other snowboarders. In doing so, we created a well-positioned, worldwide brand within 2 years on much, much less than a Snowboarders Mecca to work with. Now that I have one, I feel like the luckiest man in the world.

I know what you’re thinking: “Liko hates Skiers.” You’re wrong, I only hate the lazy. It’s much, much deeper than that. Two things need to be at play if Sugar Loaf is going to blow up marketing wise, and become something unique to the world. See 1 and 2 below.

# 1) *I need to do what I know that I’ve DONE.* The CEO only has one question when he wakes up in the am. What is one thing that ONLY I can do, that if I do well enough, will benefit my employees, community, and customers the most? Well, I know THE BLOCK from scratch, I built that motherfucker from a Presswood Hotel, catering to geriatrics at \$29 a night called the Lampliter Inn. They seriously “walkered” themselves right out the door when they heard the first track on MFM’s iPod. I even called my friend, Chip Conley (CEO of JDV Hotels), to come help me while I was stuck running the hotel. I fired every snowboarder that worked there the night before (because of stealing), except for the board waxer (he was never inside the hotel). I was at my wits end. When Chip arrived at THE BLOCK it was a half completed hotel; with a sign, a cool lobby, paint cans, and open rooms everywhere because we were painting the interiors during a snowstorm. And who could forget the sweet, pungent scent that could only be described the smell of a rotting, dead cat (There actually was a “dead cat” under the building). It took a week to get the smell out of my nose, after myself and the pest control guy pulled an infantry move, and crawled between the foundation beams and bear hugged his fat ass. He had gotten caught to one jagged piece of steel, poor dude, his guts fell all over my chest as I pulled him off. We buried him correctly with “rites and all.” (I’m a closet animal lover). I also love Chip Conley, my Giants games buddy in San Francisco. I knew him when I was a “high falootin” corporate hotel genius. As he looked around the half completed mess, he looked straight at me and said with a wry smile “Liko, this reminds me of “The Phoenix” (read Chips Book, “Rebel Rules”). “The Phoenix” was a hooker infested hotel he was tricked into buying by a dubious seller, and instead of losing it all, Chip brought in his artist friends to paint for free, and his crew started chasing music bands like groupies to save his investment. It is now one of the coolest hotels in San Francisco and he became the largest independent hotel owner in CA. (He is now CEO of Air BNB) He and I started brainstorming on everything. It was great, except Chip got to leave eventually. I stood there afterwards next to my one man hotel staff, Richard Kostas, and said, “Well, let’s do it man.” The rest is history. THE BLOCK went on for 6 raging years; with rooms that made the W look plain, a lobby that was better than most nightclubs, and parties that made Mardi Gras look like Church Bingo (and licensing requests from around the world). That’s a brand! The RoK will be a huge credit to the community because there will be nothing like it in the snow world.



2) *BRANDS generate profit*. Profits mean the cash received is greater than the cost of production. There are basically two types of businesses: a) Commodity OR b) Brand. A commodity is always based on basic consumer demand, and the price is based on the market availability of said commodity. For example: If you're buying apples and it was a great harvest, the 25¢ apple you're buying from a supplier is everywhere; so you price it at 30¢, and hope that enough people in your location want to buy your apple vs. other apple seller's. It's based on position, barriers to entry, availability, and a perishability factor. For ex: You can be at the Swap Meet, and have apples at 9am for 30¢, but at 5pm when they get a little mushy, you try to move them at 26¢ with a big "SALE" sign so that you make some money, and hope that they don't have any more apple sellers around (you get my point, it's all based on market conditions). Now say you have the "ARMANI" apple, grown only in Napa, never been yelled at, kicked by a farmer, sneezed on, or damaged in any way, lovingly transported via air conditioned Mercedes Bus (in a baby seat of course) to be sold exclusively in Starbucks, for \$3 an Apple. That's a brand; less pressure on volume, more demand, yet higher costs of production, and requires specialization. Evian cost more per ounce than Budweiser, and Starbucks is more per ounce than Evian. That's The RoK at Sugar Loaf. Most importantly, the CEO of "ARMANI" Apples father was an Apple farmer, who died leaving him only a bag of apples that he cared for like kittens. He's passionate about caring for apples, it's all he knows and makes him happy.

All that explains The RoK at Sugar Loaf, and the story of Liko Smith's life. When I first drove up to Sugar Loaf I knew it could be a special brand. I have a vision of what it could be, after having been at many resorts around the US and the world. This is the dream of my life.

Why a reality show? A National Reality show is like a national franchise campaign without the corny commercials, and it's good for our sponsors (The sponsors always pitch in to give our employees a great many o' swag). THE BLOCK's Show had a huge impact on visitation, but THE BLOCK was way too small to capitalize. When you effectively have 106 rooms and 4,000 visitors at your door (no BS), you have to send your snowboarders everywhere else through partnerships. You not only lose revenue, but you also control of the experience. Luckily, Harrahs (President/CEO) knew me from Las Vegas, he and I were both homeboys in the Casino business. We ran Hotel Sales Departments in the 90's, so he got behind THE BLOCK right away. He switched his club wall videos from rap to snowboarding, and gave us carte blanche; anytime I walked into his nightclub "Altitude", hundreds of snowboarders followed. We would've been better off owning our own club, casino, etc. I offered to buy Bills Casino with some partners for 18M to create a BLOCK Casino but he declined and then tried to do it himself. He then came to me after it failed, but I was already over it by then. I'm back now.

When The RoK Reality Show Airs thousands of Snowboarders per weekend will arrive at The RoK at Sugar Loaf. We will be able, ready, and waiting to accommodate, so should all of the businesses in Cedar, Traverse City and the corridor of businesses from Detroit.

We are creating the RoK at Sugar Loaf, the newest and most exciting brand in the World of Snow Resorts- for the future of Leelanau County- feel good about it.

BLOCK 5: Getting Involved.

Become an Employee: Go to Boot Camp: go to [www.therokatsugarloaf.com](http://www.therokatsugarloaf.com).

Become a Volunteer: email to Jennifer at [therok2014@gmail.com](mailto:therok2014@gmail.com).

Talk to you again later: Mid January, 2014.