



**FEASIBILITY STUDY
LONG ISLAND SURF PARK**

**LONG ISLAND SURF PARK LLC
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SHIRLEY, NEW YORK 11967**

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1. EXECUTIVE SUMMARY

Long Island Surf Park will be the first facility of its kind delivered by the Surf Park Technologies Co. The facility in Shirley will deliver a year-round surfing experience in Shirley, New York. Through patented technology, the Long Island Surf Park will allow the surfers of the Tristate area the opportunity to access a world class surfing destination without the hassle and inconsistencies of surf travel. Through this patented technology all levels and styles of surfers will be able to access the Long Island Surf Park. As the first movers in the New York Tristate market, hundreds of thousands of surfers are primed to become customers of Long Island Surf Park. The Tristate area currently is considered one of the largest surfing markets in the world with a population of roughly one million surfers. Although the surf park industry is still developing, recent projects across the country, specifically in landlocked locations with little to no native surfing populations, have seen great success. The surf park industry is rapidly growing and Long Island Surf Park will deliver the best surfing experience to date in Shirley. Through the utilization of improved technologies, industry best practices, aggressive marketing campaigns, and general knowhow of local surfing culture, the Long Island Surf Park is positioned to successfully serve the untapped market that is the New York Tristate area. The facility is expected to not only help drive “locals” to the park and surrounding area, but also to cultivate domestic and international tourist looking for an alternative to the generic surf trip. It is anticipated that the non-surfing community and tourist will also be drawn to the park to partake in the fun, watch friends and family, and attend competitions and events.



2. DESCRIPTION OF PRODUCTS AND SERVICES

Long Island Surf Park will be delivering one of the first surf parks on the East Coast. Due to consistently unfavorable and unpredictable ocean surfing conditions, and a large market size, the New York Tristate area is an extremely attractive area for one if not multiple surf park facilities. Surf Parks have been in development for over 100 years, however, over the past twenty years surfing in surf pools has only now become a feasible opportunity. With the development of new and more efficient technologies that often offer larger and higher quality surf than the ocean, surf parks are now becoming the more desirable option for surfers all over the world. Not to mention the ability to have a controlled environment in a sport so deeply controlled by nature is allowing beginners and pros alike to progress at an unprecedented rate.

The Long Island Surf Park will feature a 52,500 square foot surf pool specifically engineered to produce surf-able waves for all levels and ages. The waves will be able to scale from two feet to over seven feet with the touch of a button allowing for the most consistent and predictable surf break on Long Island. The surf pool will also have a clubhouse in which customers will have access to locker rooms, a café, a surf shop, and a surf school, ultimately bringing everything the average surf enthusiast needs under one roof. The surf sessions will run on an hourly basis and will vary between ten and twenty surfers per session allowing for ten to twenty waves per surfer. Currently it takes the average surfer up to three hours to catch twenty waves that are typically not nearly as high of quality as those produced in the surf pool. The overall experience will not only provide surf enthusiast with consistent and high quality waves, but will also serve as a significant aerobic exercise. Part of the culture of the Long Island Surf Park will be to promote healthy lifestyles and customers can expect the entire experience from the food to the surfing to reflect that.

The park will operate utilizing a variety of revenue streams providing surfers a variety of ways to access and enjoy the facility. Yearly memberships, pay per hour sessions, group events, and lessons will be the most prominent ways to enjoy the facility. Given the flexibility of the business model, the overall product produced by the surf park technology, the location, and the year round operation schedule, the Long Island Surf Park will be sufficiently equipped to adapt to and cater to customers' needs without facing major capital intensive upgrades or pivots.

Lastly, the Long Island Surf Park will host a variety of events throughout the year ranging from surf competitions to non-profit events. The park is anticipating to hold competitions sponsored by local organizations such as the Eastern Surfing Association as well as possible competitions put on by large, international organization such as, World Surf League, International Surfing Association, and International Olympic Committee. The Long Island Surf Park will also be actively seeking partnership opportunities with 501c organizations that promote surfing as a form of therapy for developmentally, intellectually, and other disabled persons. Examples of these organization include A Walk on Water and Surf 4 All who currently host events both in surf parks. It is anticipated that these organizations would have access to the facility on a regular basis. Other events such as corporate outings, private parties, and photo shoots are also expected to take place at the park.

3. TECHNOLOGY CONSIDERATIONS

The Surf Park industry and art of creating waves in normally flat bodies of water have been around for over a century. Currently there are six major players in the surf park technology industry. Of the six only three were originally thought of as potential technology partners for the Long Island Surf Park due to footprint requirements, costs, and associated wave making technologies. However, upon further review which included a deep dive into the engineering of the individual technologies, site visits to existing surf pools, and meetings with management and engineering teams, it was decided that these potential technology partners would not be a good fit with Long Island Surf Park. This decision was mainly driven by the resounding consensus that the third party engineering teams would not be capable of supplying the Long Island facility with the technology suitable for the project. Shortfalls included but were not limited to, a general lack of understanding of the physics required to generate world class waves, the inability to satisfy footprint requirements while also meeting desired wave size, shape, quality, and ride length standards, as well as considerably high startup costs, recurring costs, and operational costs/efficiencies. As a result the decision was made by the Long Island Surf Park team to pursue the engineering and development of an adequate surf pool technology internally.

This decision was aided by the Team's relationship with a world class Naval Engineer whom one of the founders had known since an early age. In late 2017 the Naval Engineer was brought on as the Chief Technology Officer for the Long Island Surf Park. Prior to his work with the Long Island Surf Park team, he received his B.S. in Naval Architecture and later M.S. in Offshore Engineering with a concentration in Numerical Hydrodynamics. Some of his past achievements include over 40 years' experience working as a contractor for the US Navy as well as a 4x participant as an engineer for various America's Cup racing teams. Since 2017, Long Island Surf Park has designed and tested over two dozen surf pools recently patenting a final design for the Shirley location that will meet or exceed the original design specifications set fourth in the onset of the project.



4. PRODUCT/SERVICE MARKETPLACE

The surf industry as a whole is projected to be a \$9.5 billion-dollar industry by 2022. The overall popularity of surfing as a recreational sport has gained momentum in many coastal and inland areas around the world over the past three decades. Recently, the development of surf parks as well as lake boats specifically designed to be surfed behind have helped inspire the growth in participants. Many companies have also helped spur the growth of the sport through mainstream advertisements that now include surfing. The International Surfing Association, the internationally recognized governing body of professional surfing, has over 100 member countries and in the Tokyo 2020 Olympic games surfing made its inaugural debut. It is estimated that there are 35 million surfers globally (Obrien & Eddie, 2013) growing at a rate twelve to fifteen percent per year (Buckley, 2002) and spending between \$1,350 and \$3,750 each annually. In 2020 the COVID-19 Pandemic sparked a shift to outdoor activities such as surfing. Although official growth rates have not yet been revealed, it has been estimated that the general surfing population grew somewhere between twenty and thirty percent. The International surfing market is dominated and dependent on natural sea waves, which are used for training by professional, competition and enthusiast surfers. The global surf industry, inclusive of surf tourism, has been estimated to be US\$130Bn annually. Surf tourism takes place in at least 162 countries and includes all level of luxury & services. The major countries include USA, Australia, New Zealand, Brazil, Japan, UK, Portugal, Spain and France. A study showed that 91% of surfers had taken an international surf trip in the last 5 years. Of those, 82.1% had taken over 2 surf trips; 40% had taken over 10 Surf trips and ~20% had taken over 21 surf trips despite the global economic slow-down in past years. Now the development of surf parks in countries like the United Kingdom, South Korea, Australia, and the United States have resulted in a new form of domestic surf travel as a direct result of the COVID-19 Pandemic.

In 2015, the Long Island Surf Park team invested in market research through the aid of a third party organization. It was found that in the New York Tristate area alone there are 81,000 people who either surf or are interested in surfing and make over \$250,000 annually and additionally a total of over 400,000 surf enthusiast lived in the New York Tristate area and make over \$100,000 annually. The total addressable market was estimated to be roughly 500,000 surf enthusiast. At the time this made the New York Tristate area one of the most populated and richest surfing demographics in the country which was more than sufficient for the Long Island Surf Park team to pursue the Shirley project. However, in recent years as a direct result of the rising popularity of the sport as well as the growth burst inspired by the pandemic, it is now estimated that the total addressable market in the New York Tristate area is well over 1 million surf enthusiast. It is projected that with the directly available market size and wealth, the Long Island Surf Park would be financially viable if less than 1% of the surf enthusiast in the area utilized the park each year.

5. TARGET MARKET

Through continued market research various customer segments have emerged for the Long Island Surf Park facility in Shirley. The main target segment will consist of the following demographic of people:

- Men and Women
- Average age of 40-55+
- Yearly HHI greater than or equal to \$100,000
- Management, ownership, or elevated on the organizational structure of their employer
- Primary household within 60 miles of Shirley facility
- Currently surfs or has surfed before
- Typically takes 1 surf focused trip per year
- Lead a healthy lifestyle
- Typically married with children

Through market research it has been determined that this is the largest customer segment in the New York market. However, as a direct result a secondary customer segment was identified consisting of the following demographics:

- Boys and Girls
- Average age of 12-18
- Parents are either directly identified by the above customer segment or meet at least 4 of the characterizations
- Already surf or want to learn how to surf

Lastly, a third customer segment, the millennial generation, was identified as one that can provide significant value to the feasibility of the Long Island Surf Park accounting for nearly twenty-five percent of the New York State population. The millennial demographic is attractive due to their position to become the wealthiest generation in America. The millennial demographic is also highly focused on the experience of a product or service which dictates where and when many spend their money. Due to the unique experience and lack of competition, the Long Island Surf Park can benefit drastically from this customer segment.

Although three strong customer segments have been identified and targeted, it is anticipated that more will emerge, some of which may provide to be more lucrative and larger than the ones above. For example, it is highly anticipated that the Surf Park will attract much more than just the “surfing” community. Other parks around the world have seen a significant volume of spectators at their parks ranging from family members of those surfing to interested tourist whom just want to witness the action. In a 2017 report it was concluded that high quality surfing locations were responsible for a global \$50 billion in direct economic impact for surrounding cities and towns from traveling tourist (McGregor and Wills, 2017). In California at a globally known surf spot, Trestles, tourist visiting the break have been

estimated to provide between \$8 and \$13 million per year in economic impact to the city of San Clemente (beachapedia.org/Surfonomics).

Economic Impact of surfing at Trestles:

The waves at Trestles attract surfers from throughout Southern California who contribute to San Clemente's local economy by spending money in town when they visit. They buy gas, eat at local restaurants, and shop in local stores. We know that 83 percent of the surfers who visit Trestles come from outside the city of San Clemente. By measuring these spending habits we can estimate the economic impact that Trestles has to the City of San Clemente.

Spending per each individual visit: \$25-\$40
 Visitors: 330,000/ year
 Total economic impact: \$8-\$13 million/ year

ECONOMIC IMPACT SURF TOURISM (estimate)

\$58.98 PER SURF VISIT DAY – AVG 3.06 SURF VISITS MONTH
 KELLY (2008) PROXY ANALYSIS – 9,500 YEARLY SURF TOURISTS
 SURF TOURISTS AVERAGE ABOUT 37 SURF VISIT DAYS PER YEAR
 BACK OF THE ENVELOPE - \$60 PER SURF VISIT DAY X 350,000 DAYS
= \$21 MILLION OF EXPENDITURE IN BREVARD COUNTY
PRÆCIPIO EFS; data Kelly (2008)

This picture shows the economic impact of tourism to Brevard County Florida which has decent quality surfing conditions but no surf park. (Kelly, 2008)

The Mavericks region of Half Moon Bay, California is famous for surf, whale watching, boating, and other recreational and ecotourism activities. This is the first study to quantify the benefits of visitors enjoying the natural amenities of the region, and the first study to evaluate the economic welfare that accrues to individuals associated with the sport of surfing. We develop an individual travel cost model to estimate the economic benefit for visiting the Mavericks surf area in Half Moon Bay, California. Results indicate that the average visitor to the area receives a benefit of \$56.7 per trip. This amounts to a total annual economic benefit from the Mavericks region of \$23.8 million.

The summary of a 2009 report showing the economic impact of tourist who visit the world renowned big wave spot, Mavericks, in Half Moon Bay, California

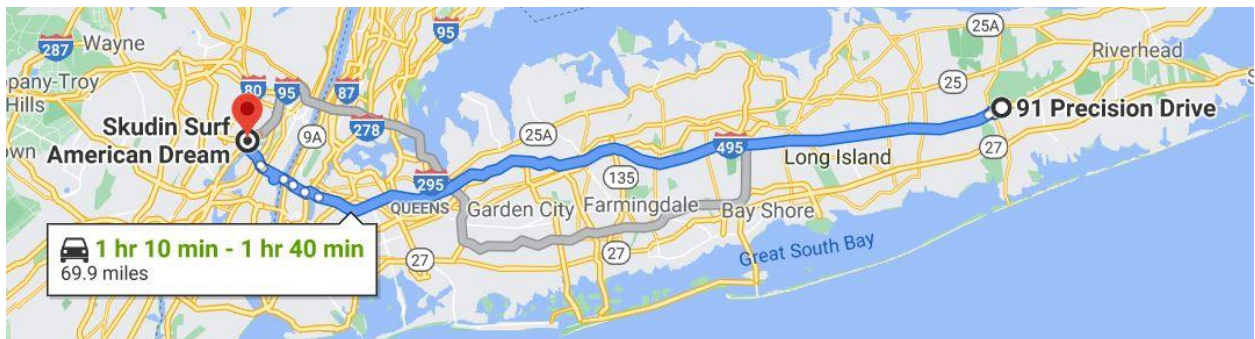
Long Island Surf Park has also recently retained the services of Kinlab, an Australian consultant specializing in global lifestyles design. Kinlab will be providing their own market analysis in conjunction with this feasibility study to help their staff better understand the available customer segments and deliver a world class surfing experience in Shirley attracting tourist to the region from both the immediate region and afar.

6. COMPETITIVE ANALYSIS

At this time there are no operating competitors within a sixty mile radius of the Shirley location. However, in 2004 the American Dream Mall located in East Rutherford, New Jersey began a fifteen year construction project which has recently resulted in the public opening of the facility. Included in that facility is a 8.5 acre, indoor, DreamWorks Water Park which includes a one acre wave pool. The pool is capable of producing surfable waves which are approximately 1/3 the size of the Long Island Surf Park projections with ride lengths of roughly 1/4 those projected in Shirley. The wave variety is also limited and the pool is only available to surf in early in the morning and later in the evenings when the pool is not be utilized by the general public as a water park. Although this is technically a competitor of the Long Island Surf Park, factors such as wave quality, accessibility, and overall perceived value of the experience result in a surfing experience that falls well short of what will be delivered in Shirley. However, it is important to note that the surf sessions have been extremely successful and were even extended from the original allocated time slots as they have proven to be a viable revenue source for the facility and its operators.

Currently there are no public plans for a competing surf park in the New York Tristate area. In Calverton the twenty year Island Water Park project will be installing standing wave machines called FlowRiders which produce a thin sheet of water over a shallow bottom and allow riders to stand up, kneel on, and lay on FlowBoards simulating skimboarding more so than surfing. It is not anticipated that the FlowRider installations in Calverton will negatively impact the success of the Long Island Surf Park in Shirley as the clientele is significantly different than those who will visit Island Water Park.

Due to the continued growth of the surfing market and the technological advances in the Surf Park industry, it is reasonable to predict that the New York Tristate area can support multiple full scale surf park operations. However, due to the cost associated with these projects, strict local rules and regulations, and the general quality of the experience that will be demanded by the market, it will be extremely difficult for competitors to enter the market with a competing facility.



7. MARKETING STRATEGY

In order to be successful, Long Island Surf Park must create an atmosphere and product that cannot be duplicated at other potential competitor's surf parks. To do this, Long Island Surf Park will utilize its knowledge of wave making machinery to feature the best possible surf pool. This coupled with five star resort like service and amenities will allow Long Island Surf Park to build a reputation associated with excellence. Current surf parks in the world do not provide the services or the quality of services intended to be delivered in Shirley. This is mainly driven by inferior surf pool engineering and customer demographics. Customers will have the ability to have a personalized and hassle free experience each and every time they visit Long Island Surf Park.

Long Island Surf Park already has continued to grow its email list filled with potential customers which will be used to provide updates, promotions, and all other relevant information. Additionally, Long Island Surf Park will maintain a customer database in order to better understand its target customer groups and geographical regions as well as to track how advertisements are being seen and used. This will help to create the most impactful advertisements as well as allocate funds to the most effective sources. Long Island Surf Park currently participates in online advertising via Facebook, Instagram, and Google. Ads have the potential to reach over two million potential customers within the Tristate area.

A local approach has been rooted in the development of the Shirley facility since its inception. The commitment to local staff and contractors has helped to develop a local culture which is highly respected by the immediate market. Local professional surfers such as the Engstrom family of Montauk, New York have also been brought on as ambassadors to help with local outreach and to expand the brand recognition of the Long Island Surf Park.

Over the past several years it has been observed that influencers have become a viable marketing strategy for Surf Parks around the globe. As a result the Long Island Surf Park will be engaging influencers both locally and internationally to help grow the Shirley facility's following. These will also be complimented by the invitation to local surfers, nonprofits, and others who may not be able to access a facility like this as regularly as the average person.

8. ORGANIZATION AND STAFFING

Long Island Surf Park is anticipating to hire roughly 40 new employees throughout the development and opening of the park. All positions will be full time and will include management, lifeguards, engineers, cleaning staff, restaurant help, retail help, front desk personnel, and surf instructors. Staffing will be taking a local first approach in an effort to employ as many people from the general vicinity as possible rather than transplants from other states and regions.

9. DEVELOPMENT SCHEDULE

The development of Long Island Surf Park has been a six year project with expectations to be completed in as many as ten years. To date the team has accomplished and passed significant milestones in development of the Shirley facility. Construction is expected to take as long as 24 months and the Surf Park is expected to open sometime in 2023. The following is a high level schedule of some significant milestones for this initiative:

- February, 2019 – Property Acquired
- June, 2019 - Site Plan/Special Use Permits Approved
- July, 2019 – Preliminary Suffolk County Dept. of Health Approval
- December, 2020 - Revised Site Plan/Special use Permits Approved
- February, 2021 - Building Permit Submission
- August, 2021 – Receive Town of Brookhaven Fire Prevention Permit Approvals
- September, 2021 – Receive Suffolk County Dept. of Health Approval
- September, 2021- Receive Building Permit Approvals
- October, 2021 - Begin Construction
- 2023 – Opening Day Long Island Surf Park

10.FINANCIAL PROJECTIONS

The financial projections for the Long Island Surf Park are highlighted in the table below. These figures account for all costs and revenues over a ten year period.

The assumptions for these projections are as follows:

- Maximum of 750 yearly members
- Over 30,000 public session surfers per year

Revenues	1	2	3	4	5	6	7	8	9	10
Membership Yearly Revenues	\$ 1,750,000	\$ 4,038,750	\$ 6,692,500	\$ 9,197,500	\$ 10,825,000	\$ 10,825,000	\$ 10,825,000	\$ 10,825,000	\$ 10,825,000	\$ 10,825,000
Surf Pool Revenues	\$ 3,181,000	\$ 4,135,300	\$ 4,771,500	\$ 6,362,000	\$ 6,362,000	\$ 6,362,000	\$ 6,362,000	\$ 6,362,000	\$ 6,362,000	\$ 6,362,000
Rent Revenues	\$ 165,000	\$ 165,000	\$ 165,000	\$ 195,000	\$ 195,000	\$ 217,500	\$ 247,500	\$ 247,500	\$ 247,500	\$ 247,500
Advertising Revenues	\$ 150,000	\$ 180,000	\$ 216,000	\$ 259,200	\$ 311,040	\$ 373,248	\$ 447,898	\$ 537,477	\$ 644,973	\$ 773,967
Member Guests Revenues	\$ 28,125	\$ 45,000	\$ 67,500	\$ 90,000	\$ 95,625	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Event Revenues	\$ 75,000	\$ 150,000	\$ 150,000	\$ 225,000	\$ 225,000	\$ 300,000	\$ 450,000	\$ 675,000	\$ 900,000	\$ 900,000
Surf Shop Revenues	\$ 50,000	\$ 60,000	\$ 72,000	\$ 86,400	\$ 103,680	\$ 124,416	\$ 149,299	\$ 179,159	\$ 214,991	\$ 257,989
Bar/Restaurant Revenues	\$ 256,250	\$ 525,000	\$ 828,125	\$ 1,115,156	\$ 1,309,570	\$ 1,340,088	\$ 1,378,235	\$ 1,425,919	\$ 1,485,523	\$ 1,560,029
Member Lesson Revenues	\$ 58,500	\$ 133,650	\$ 219,600	\$ 303,750	\$ 360,000	\$ 360,000	\$ 360,000	\$ 360,000	\$ 360,000	\$ 360,000
Miscellaneous Revenues	\$ 167,050	\$ 217,165	\$ 250,575	\$ 334,100	\$ 350,805	\$ 368,345	\$ 386,763	\$ 406,101	\$ 426,406	\$ 447,726
Total Revenues	\$ 5,880,925	\$ 9,649,865	\$ 13,432,800	\$ 18,168,106	\$ 20,137,720	\$ 20,570,597	\$ 20,906,694	\$ 21,318,155	\$ 21,766,392	\$ 22,034,211
Expenses	1	2	3	4	5	6	7	8	9	10
Utilities	\$ (2,764,153)	\$ (2,833,257)	\$ (2,904,088)	\$ (2,976,690)	\$ (3,051,108)	\$ (3,127,385)	\$ (3,205,570)	\$ (3,285,709)	\$ (3,367,852)	\$ (3,452,048)
Payroll	\$ (713,825)	\$ (813,825)	\$ (813,825)	\$ (828,102)	\$ (842,664)	\$ (860,017)	\$ (877,730)	\$ (895,810)	\$ (914,264)	\$ (933,101)
Pool Maintenance	\$ (876,639)	\$ (889,788)	\$ (903,135)	\$ (916,682)	\$ (930,432)	\$ (944,389)	\$ (958,555)	\$ (972,933)	\$ (987,527)	\$ (1,002,340)
Insurance	\$ (230,000)	\$ (233,450)	\$ (236,952)	\$ (240,506)	\$ (244,114)	\$ (247,775)	\$ (251,492)	\$ (255,264)	\$ (259,093)	\$ (262,980)
Marketing	\$ (50,000)	\$ (50,750)	\$ (51,511)	\$ (52,284)	\$ (53,068)	\$ (53,864)	\$ (54,672)	\$ (55,492)	\$ (56,325)	\$ (57,169)
Real Estate Tax	\$ (13,800)	\$ (14,007)	\$ (14,217)	\$ (14,430)	\$ (14,647)	\$ (14,867)	\$ (15,090)	\$ (15,316)	\$ (15,546)	\$ (15,779)
Miscellaneous	\$ (468,856)	\$ (856,679)	\$ (1,270,349)	\$ (1,673,264)	\$ (1,892,233)	\$ (1,869,966)	\$ (1,881,375)	\$ (1,894,809)	\$ (1,910,666)	\$ (1,929,425)
Expenses	\$ (5,117,273)	\$ (5,691,756)	\$ (6,194,077)	\$ (6,701,958)	\$ (7,028,265)	\$ (7,118,263)	\$ (7,244,483)	\$ (7,375,334)	\$ (7,511,273)	\$ (7,652,843)
Projected EBITDA	1	2	3	4	5	6	7	8	9	10
	\$ 763,652	\$ 3,958,109	\$ 7,238,723	\$ 11,466,148	\$ 13,109,455	\$ 13,452,335	\$ 13,662,211	\$ 13,942,822	\$ 14,255,119	\$ 14,381,368

11.FINDINGS AND RECOMMENDATIONS

Based on the information presented in this updated feasibility study, it is recommended that Long Island Surf Park continues the development of the their planned facility in Shirley, New York. The findings of this feasibility study show that this initiative will be highly beneficial to the organization and has a high probability of success. The park will not only be financially successful, however, the immediate surrounding area will benefit from an increase in tourist and non-Shirley residents spending money and time in local business. There are three contributing factors to the expected success of the Long Island Surf Park:

1. First Mover Advantage:
 - a. The intuition and determination of the development team to begin this project in 2015 has drastically impacted the feasibility of the Long Island Surf Park. Although, the New York Tristate market can withstand multiple surf park operations, the ability to be the first movers will allow for a higher rate of saturation into the targeted market segments as well as the ability to be financially successful due to the lack of competition.
2. Location:
 - a. The New York Tristate area has developed into one of the most attractive markets for a surf park location. The overall size, wealth, lack of quality surf conditions, and general development of infrastructure make Shirley, New York a centralized and easily accessible location for the majority of the overall market.
3. Technology:
 - a. The Long Island Surf Park team's decision to shift engineering internally will allow for a superior surf park both in experience and wave quality. The ability to design and develop a surf park customized to fit the needs and desires of the developers and the demanding New York market while driving down startup and recurring costs will positively impact the feasibility of the Long Island Surf Park. The proprietary technology not only is helpful in attracting investors to the park but will also help provide a unique surfing experience that will only be available in Shirley promoting both local, domestic, and international surf tourism.