

Memo Report**ATTENDANCE POTENTIALS, PLANNING FACTORS AND FINANCIAL POTENTIALS
FOR THE PROPOSED ROCKLIN QUARRY ADVENTURES PARK****INTRODUCTION**

In June of 2016, Economic Consulting Services (ECS) was retained by the City of Rocklin, CA to conduct a preliminary market, attendance, and financial analysis for a proposed development in town. The proposed development is a hybrid adventure park to be located within the city's Quarry Park. It is to be developed and operated by Legacy Family Entertainment LLC and will be funded through the City of Rocklin pension fund. In this regard, this report provides the client with an overview of the markets available to support this development, an assessment of the level of attendance that may be generated by this project, and a financial overview based on the attendance potential and market spending patterns in the local area. This analysis is considered as being essential to provide enough information as to the amount and type of entertainment space that should be included in the mix as well as a general determination of the financial return of this project, so that the client group can make internal decisions as to the viability and profitability of the project.

As part of the planning process, Economic Consulting Services (ECS) has been retained to (1) give an independent assessment of the project; (2) determine the markets available to support the subject attraction; (3) review the concept development that best fits the available land, that takes optimum advantage of the available economic opportunity, and that will create a critical mass of facilities to attract the required patronage; (4) assess the general development potentials for this attraction, including attendance and financial potentials and (5) determine the project's warranted investment.

Our (ECS) analysis of an attraction on the site begins by reviewing the project concept, the site location and the markets available to support the project. This is followed by a review of comparable attractions nationally and competitive attractions in the local market. Based on this we present an analysis defining the level of attendance which can be expected at the proposed attraction, along with an analysis of the planning factors associated with this volume of attendance.

The latter part of the report contains our (ECS) analysis regarding the financial performance of the proposed Rocklin Quarry Adventures. The analysis includes estimates for per capita expenditures, operating revenues, expenses, and profit over the first five years of operations. Also included are estimates of the park's development budget. The section concludes with a pro forma financial analysis showing the net cash flow for the subject project for the first five operating years.

GENERAL CONCEPT

The proposed attraction is envisioned as providing family entertainment for both tourists and the local resident market with a mix of rock climbing and adventure related offerings augmented by a quality food service and a small retail store. It will take advantage of the growing popularity of the extreme sports and rock climbing industries as well as the fitness and outdoor adventure culture that exists in the region.

The developer is planning to make use of a large, abandoned quarry to provide vertical walls for the rock climbing and bungee jumping adventures and to use the height variances for a spectacular zip line experience. An adjacent lake will provide access for kayaking and paddle boats. The attraction is envisioned as offering guests up to a five hour experience. It is also located adjacent to the city's recently opened amphitheater, which can be used for meetings and presentations and can be cross marketed with the proposed attraction's food service. See Figure 1 for a view of the quarry in its current condition (Rocklin Civic Center is in the background).

Figure 1

QUARRY PHOTO

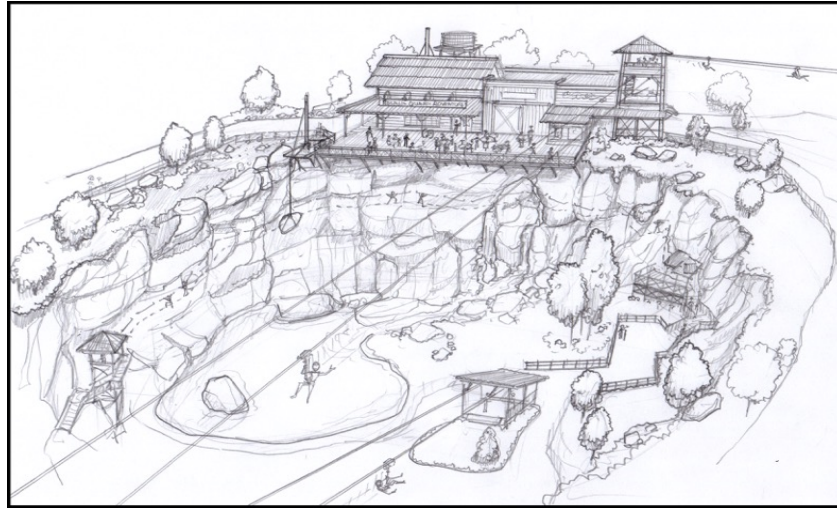


Source: City of Rocklin

The subject attraction is planned to offer a variety of adventures targeted at beginners as well as seasoned climbers. They can be enjoyed separately or visitors can purchase combination tickets allowing access multiple adventures at a significant discount. The offering will include the following inventory of attractions:

QUARRY ADVENTURE ZONE
Via Ferrata
Rock Climbing
Wall Net Climb
Rappelling
Free Fall
Zip Line
Swinging Bridge
QUARRY PERIMETER ZONE
Decks, walkways and water canons
WILD WOODS ADVENTURE ZONE
Zip Tour
Ropes Course
History/Nature
KIDS KINGDOM ZONE
Kids Challenge Course
Hand Cars
Kid Zips
Tree House with Slide
QUINN LAKE ZONE
Paddle Boats
Kayak
Remote Control Boats

This mix of attractions will be strategically organized in a park-like setting that will be heavily landscaped and themed. Also planned is a large themed facility housing storage, restrooms, ticketing and a restaurant. The mix of adventures and park amenities is planned to carefully fit the available markets. See Figure 2 for a rendering of the proposed restaurant building and quarry amenities.

Figure 2**RESTAURANT RENDERING**

Source: R & R Creative

CITY OF ROCKLIN

The city of Rocklin is located in Placer County, CA, 22 miles northeast of Sacramento and about 100 miles from the Napa Valley, San Francisco and Lake Tahoe. It is intersected by Interstate Highway 80 and California State Highway 65. Regional, statewide and interstate rail access is provided by an Amtrak line that runs east-west and has a station in Rocklin. With a 2015 population of about 60,000 it is one of the fastest growing cities in California.

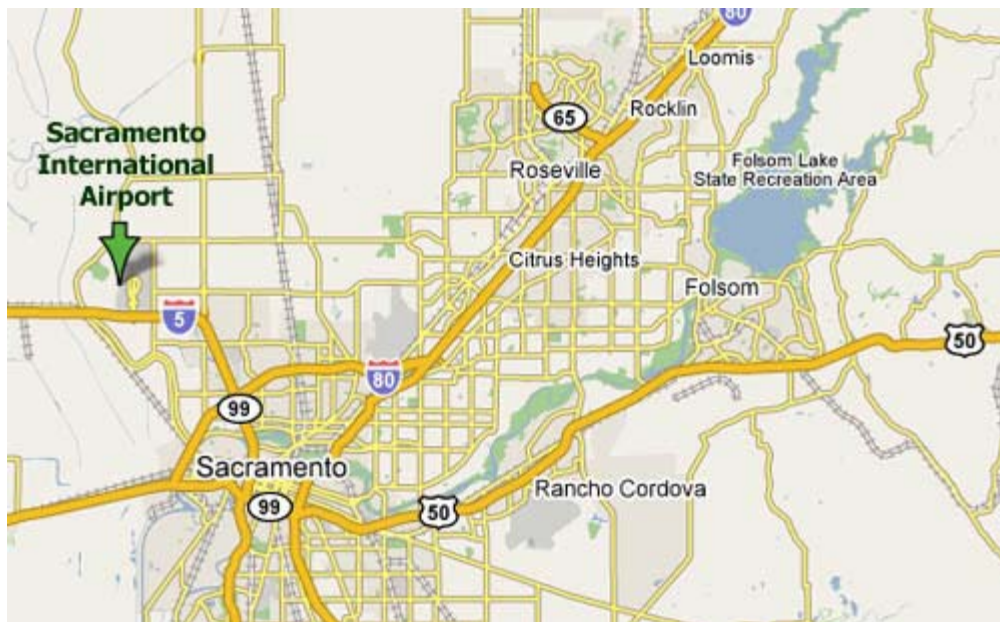
The City of Rocklin has a long history, but the majority of growth has occurred in the last 30 years. It was first recognized regional economic center in 1864, at time granite mining began. Rocklin was incorporated in 1893 and by 1910, 22 quarries operated in town. It has the distinction of being the source for much of the granite used to build the state capitol building and many buildings in San Francisco. In fact the quarry being used for the subject adventure park is reported to have provided material for the state Capitol. Beginning in the 1980s, the benefits of a lower cost of living and inexpensive land attracted hi-tech firms and other industries to the region. This resulted in a significant expansion of commercial and residential development. As Rocklin has evolved, the City saved many of the original granite bridges and has designed parks to include these bridges. As it

has developed most of the available land Rocklin is now nearing the end of this growth phase. Therefore City leaders are shifting their focus from one of growth to tourism development. This shift in focus has created the opportunity for projects of this type to be possible.

The City of Rocklin is located in Placer County which is included in the Sacramento-Roseville-Arden-Arcade MSA. It stretches from its border with Sacramento County to the west into California's Gold Country and Lake Tahoe in the Sierra Nevada Mountains. See below for the location of Rocklin within this area.

Figure 3

MARKET AREA



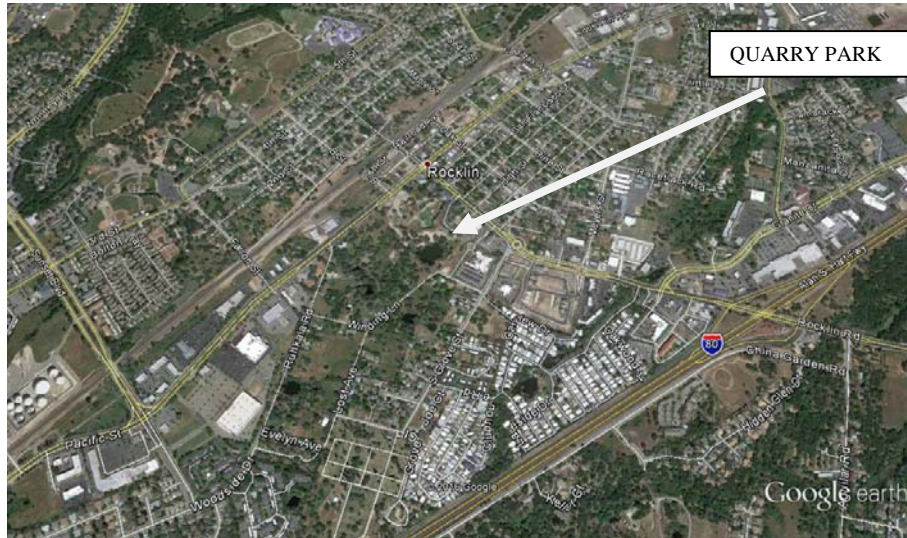
Source: www.maps.com

Placer Valley is home to many of Sacramento's affluent suburbs and is developing an active sports tourism infrastructure. It continues to attract club, tournament and league events in a variety of sports at both indoor and outdoor facilities, both regionally and nationally. While the Valley is the most developed part of the county, the foothills and High Sierra Mountains, in its eastern reaches, have become a thriving magnet for the many activities that make up the adventure sports industry. These include white water rafting, mountain biking, skiing and snowboarding, rock climbing, trekking, hiking and camping. Proponents of these activities are driving tourism and hotel occupancies in the county.

SITE REVIEW

As previously discussed, the client currently owns Quarry Park, a 16-acre city park, adjacent to city hall. Quarry Park is one of the city's largest public parks, but it is largely undeveloped. Currently there are about 10 acres of overgrown forest and old quarries, and unpaved parking lot in addition to the existing but fenced off quarry. The city has recently developed a very nice outdoor amphitheater with seating for up to 2,000 and has significantly improved the adjacent Quinn Lake. This entire parcel will be used to develop the subject adventure park, to develop an adjacent parking lot and for future expansion of the attraction.

The city of Rocklin is well known in the greater regional market and the site is located next to Rocklin's civic center. The site is not only considered as having a dominant identity, but is also afforded excellent access, visibility, and market proximity. As a result of these site attributes, the operation is seen as becoming a popular and successful attraction in Rocklin. Figure 4 shows an ariel view of the subject site.

Figure 4**SITE LOCATION**

Source: Google Earth

SOURCES OF MARKET SUPPORT

Based on the experience of comparable attractions, the markets available to support the proposed attractions are considered to be those residents living within a 45 minute drive-time from the subject site and overnight tourists to Rocklin. For purposes of this analysis, the resident market boundaries are subdivided as follows: (1) the primary market area is composed of residents that live within 0 to 15-minute drive time from the subject site, (2) the secondary market area that includes those residents that live within a 16 to 30 minute drive time from the site and (3) the tertiary market area that includes those residents that live within a 31 to 45 minute drive time from the site. These residents were selected as being reasonably available to the subject facility and close enough to consider a trip to the site as easily accessible. Analysis of numerous visitor attractions' attendance patterns indicates that drawing power typically is strongest near the site and diminishes as travel time becomes greater. Based on these market segmentation criteria, we (ECS) obtained population and demographic data by zip codes for the primary, secondary and tertiary markets from ESRI, a firm that compiles detailed demographic market data.

Resident Market Population and Households

Selected demographic data for primary, secondary and tertiary resident markets are contained in Table 1. A review of these data shows a primary resident market population of 281,800 residents in 2010. This market is projected to experience an increase in population of about 0.6 percent per year or to 291,000 residents by 2015. In the secondary market, the 2010 resident market is estimated at 891,900 residents. By 2015, the secondary resident market is projected to increase at a rate of 0.6 percent per year or to some 918,315 residents. In the tertiary market, the 2010 resident market is estimated at 838,810 and is projected to increase to some 865,620 residents by 2015. Altogether, the current resident market is estimated to total 2.0 million (2010) and is projected to increase to 2.1 million by 2015.

Table 1 also includes information regarding the number of households within the resident markets. As the table indicates, in 2010 there were 105,070 households in the primary market 343,245 households in the secondary market and 286,690 in the tertiary resident market. By 2015, these households are estimated at 114,125, 347,220 and 295,325, respectively, or a total of 756,700 households. Overall, the current household size includes about 2.74 people. As shown, the overall market is projected to increase at a slightly lower rate than the 1.4 percent national average; but it is still a large and growing market which can be strategically targeted as part of the subject facility's marketing efforts.

Age and Income Demographics

Two of the most important demographic factors associated with patronage at visitor attractions are age and income. In general, parents with children are the group most likely to visit the type of attractions proposed for the subject project and will be strategically targeted. Furthermore, in terms of income demographics, above average income usually is required to provide the discretionary income needed for participation in the kind of activities to be offered. This being the case, general data on age and income distribution for the primary and secondary resident markets for 2015 (the most current year) is presented in Tables 2 and 3, respectively.

Table 2 shows the population of the resident market by age group. For the 2015 population within the 45-minute drive time resident market (primary, secondary and tertiary markets), a review of the breakdown of population by group reveals that children and teens (between 0 to 14 years of age) make up 20 percent of the overall population or about 395,000 individuals. Based on the proposed concept, this age group (and their parents) is considered a key market for the combined attractions. The age range which makes up young adults and young families (15 to 34 years and 35 to 44 years) includes some 40.6 percent of the total market, or some 818,000 residents. These groups are also considered key target markets for the subject facility as they will largely be the primary target market. The estimated median age in the market is 35.0 years. Comparatively, the current year median age for the United States is 36.8 years. Consequently, the resident market is considered to be younger than the U.S. overall average. This overall breakdown is seen as representing a strong and more affluent family market mix.

Table 3 shows household income data for the resident market. A review of this table indicates that about 58 percent of market area households are making over \$50,000. For purposes of comparison, the median household income for the Placer County market was estimated to be \$57,800 in 2015 while median household income for the United States was estimated to be \$53,660 that year. The target market for the subject attraction is those residents in households with incomes of \$50,000 per year and above. As Table 3 also indicates, within the resident market there are some 439,665 households within this market segmentation category, or over one half of all households in the resident market. Overall, household income statistics for the subject project's resident market are above U.S. standards; and Placer County represents population of people who are willing to spend discretionary income on their families. As such, the local area resident market is seen as being strong enough financially to support the subject attractions.

OVERNIGHT TOURISM

Based on information provided by the Placer Valley Tourism, Placer County is a popular tourist destination with most visitors staying in Placer Valley accommodations and venturing out to other destinations around the county. There are a variety of cultural and historical attractions in the county, several casinos, several wineries with tours and a year-round slate of special events

(including the Tevis Cup and the Lake Tahoe Concourse d Elegance) which attract visitors from all over the world. While many of these visitors are only in the area for a short time there are a significant number of families who are available to support the subject adventure park attraction. In 2010 Placer Valley had an inventory of nearly 2,300 hotel rooms in various hotels, motels, bed & breakfasts and resort properties.

As shown in Table 4, assuming an average annual occupancy of 70%, 2.0 people per room and a 2.0 day length of stay, there are approximately 875,000 overnight visitors staying locally on an annual basis. Placer Valley Tourism provides data which indicates that over 60 percent of visitors come from the May to September season. As a result they are actively focusing resources to the lower occupancy fall and winter seasons by creating a vibrant sports tourism infrastructure. These resources target the large regional sports tournaments that are typically held in the late fall and winter months. The success of this effort will drive tourism and occupancy during this normally slow period, thus evening out the visitor distribution patterns.

MARKET SUMMARY

Table 5 contains a summary of the various markets available to support the proposed project. As shown in 2015 we estimate that there are 875,000 identifiable visitors to the area and nearly 2.1 million people living within a 45 minute drive of the site or a total of 3.0 million people available to support the proposed development. Based on growth rates projected by various sources this is estimated to increase to about 3.1 million by 2020.

LOCAL AND REGIONAL COMPARABLE ATTRACTIONS ANALYSIS

As a starting point for our analysis of the development potentials for an adventure park operation at the subject site, we provide a review of other visitor attractions in the Rocklin market as well as a review of the operating experience of similar types of attractions both regionally and nationally.

ROCKLIN ATTRACTIONS

As previously stated Rocklin has a variety of cultural, historical and adventure oriented attractions. While these attract a variety of domestic and international tourists they are not really considered to be similar to the experience to be offered at the adventure park attraction. We have however identified six local attractions that would be considered potentially competitive in terms of the size, scope, pricing and entertainment offering. An inventory of these facilities is provided in Table 6. As shown, all fall into the “active entertainment” category with most offering a one to three hour experience. Golfland/SunSplash is probably the most comparable in terms of length of stay and price points but all offer some level of active to extreme participation. Guests have a wide variety of entertainment options with prices ranging from \$5.00 to over \$100. Length of stay at these facilities is likely 2 to 3 hours with visitors spending an estimated \$5.00 to \$25.00 per hour in the Rocklin market. It should also be noted that the Rocklin market contains no adventure park attractions at this time.

CRAGS

Table 7 contains general operating information for a local activist group that is dedicated to rock climbing in the greater Sacramento area. Climbing Recourse Advocates for Greater Sacramento (CRAGS) was founded in 2008 to advocate for the opening, maintenance and preservation of regional rock climbing resources. They are an all-volunteer group that identifies local rock climbing areas that have been closed, restricted or degraded and works with the various jurisdictions to open and maintain them. In addition to their work in helping to restore and maintain these sites they are politically active and hold a variety of fundraising and special events.

Table 7 also shows the local resources and climbing sites that they are currently supporting, the most pertinent being the bouldering site in Rocklin. This is located at Deer Creek Park, adjacent to the subject site. They are actively working with the City to preserve and maintain this area. Because of their connections and advocacy in the climbing community CRAGS would make an excellent partner with the subject adventure park management team.

SACRAMENTO AREA CLIMBING GYMS

Rock climbing is an activity in which participants climb up, down or across natural rock formations or artificial rock walls. The goal is typically to reach the summit of a formation or the end of a predetermined route. It is physically and mentally demanding and has become a very popular recreational activity. Because it is potentially dangerous and suitable rock formations require trips to sometimes distant mountainous artificial formations and portable climbing walls have increased in popularity. These are mainly indoors in industrial space and offer training for beginners up to challenging courses for experienced climbers who want to practice their skills. They are also popular with millennials who use them as their main form of exercise.

General operating data for three climbing gyms in the Sacramento area can be seen in Table 8. As shown, prices are about \$20 for adults and \$15 for children with a \$6.00 rental fee for required gear. All are open year round and offer memberships and special events opportunities in addition to the hourly rates. This provides a good reference point for the subject analysis as the proposed adventure park will be offering this type of experience as one of the proposed activities.

ADVENTURE PARK EXPERIENCE

An adventure park is an attraction which typically contains a wide variety of outdoor adventure experiences including: ropes courses, zip lines, obstacle courses and climbing opportunities. Ropes courses, zip lining and obstacle courses have been used for years for military training purposes as these are the types of skills that soldiers require. In the 1960's ropes courses became a standard component in corporate retreats and training seminars. These elements have been added to amusement and theme parks in order to increase active participation and entertainment capacity. In recent years, specifically recreation-oriented Adventure Parks have been developed especially in

the European market. It is reported that there are over 200 adventure parks operating globally, however, most of these contain only a few of the elements proposed for inclusion at the subject Rocklin Quarry Adventure Park.

There are many types of adventure parks and they can be found in a variety of locations. Canopy parks utilize existing forests where participants climb from tree to tree using ropes and platforms; some use sophisticated tower and zip line technologies while others will create elaborate ropes courses high above the ground. At any facility of this type safety is a paramount concern; consequently a variety of harnesses, belay systems and locking mechanisms must be used.

Recreation-oriented adventure parks are typically designed to handle large volumes of visitors. In Europe, most adventure parks attract 20,000 to over 100,000 visits annually. The attendance distribution follows the typical outdoor attraction variation pattern of peaking in the summer and on weekends when people are available for recreational activities. In order to ensure sustainable operations parks must create a culture of risk management, flexibility and detailed training and supervision of staff.

SELECTED US ADVENTURE PARKS

Tables 9 and 10 show general operating data for two adventure parks located in the United States. They again offer only some of the attractions planned for the subject Rocklin Quarry Adventure Park but their success and experience shows that this is a large and growing industry that is experiencing universal appeal.

The GRANLIBAKKEN Treetop Adventure Park is located just up the hill from Rocklin on the North Shore of Lake Tahoe. It offers mainly a canopy/ropes experience in a dense forest environment. Approximately 50,000 people pay \$40 - \$50 for a two and a half hour experience, climbing through the trees. The park offers experiences for beginners through experts using over 65 tree platforms, bridges and zip lines. In addition to the individual experiences GRANLIBAKKEN also offers a variety of team building and educational adventures. This is shown in Table 9.

Table 10 shows similar data for the Glenwood Caverns Adventure Park on the front-range in Colorado. This park is larger and more varied than GRANLIBAKKEN as it is accessed by an ariel tram and is centered around a cave/cavern tour. In addition to this they offer a variety of recreation attractions more commonly found at a typical theme park, but do have a climbing wall and a serious zip-line. Prices range from \$15 (adult)/\$10 (child) for the tram only to \$50 (adult)/\$45 (child) for the tram/cave/attractions experience. It is reported to attract about 150,000 visitors annually.

EXPENSE RATIOS FOR FAMILY ENTERTAINMENT CENTERS

Table 11 shows expense ratios for family entertainment centers sorted by levels of attendance as reported in an IAAPA survey of international FEC's. As shown, as attendance and therefore revenues increase profit levels increase as well. This is primarily due to the fact that about 50 percent of expenses are fixed and 50 percent are variable at this type of attraction and as revenues increase so does the percentage profit level. As shown in the table at facilities with attendance of between 50,000 and 200,000 operating profit averages 20 – 30 percent of gross revenue. This has also been the experience of the proposed developer/operator at their other facilities and will be used as the guideline for the subject analysis.

PROJECTED ECONOMIC PERFORMANCE – ROCKLIN QUARRY ADVENTURE

Because facilities of the size and scope planned for the subject project and their moderate to average length of stay, they tend to draw market support mainly from the nearby resident market, and proximate tourists. Based on the size and density of Rocklin; a favorable distribution of incomes; a relatively high proportion of families with young children; and the experience of comparable attractions, the resident market considered available to support the subject facility is assumed to be those residents living within about a 45-minute drive to the subject site. For 2015 some 2.1 million primary market residents are projected as being available to support the proposed adventure park. The second pillar of support is those overnight visitors staying in Placer Valley accommodations, market which is projected to account for an additional 900,000 people in 2015. This market is seen as being a potential base of support because of the size of the market and because the size and scope of the attraction's unique, non-competitive offering will allow for

penetration into this market. The total market support for a high quality adventure park at this site is estimated at over 3.0 million in 2015. As a result, Rocklin and the surrounding communities clearly have a sufficiently large market to support a high quality facility at this location.

ATTENDANCE POTENTIAL

Attendance estimates for the subject adventure park are arrived at by applying market capture rates to the various market segments. To develop realistic attendance estimates, we applied low, probable and high market capture rates to each market. The remainder of this section will analyze the probable scenario figures. As shown in Table 12, for the primary resident market we have chosen market capture rates that range from 10 percent at the low end, a probable level of 12 percent, to a high of 14 percent. The market capture rates in the secondary resident market ranges from 3.33 percent in the low scenario, 4 percent in the probable scenario and 4.67 percent in the high scenario. For the tertiary resident market we have chosen market capture rates that range from 1.67 percent at the low end, a probable level of 2 percent, to a high of 2.33 percent. In the tourist market the overnight visitors in Placer Valley are seen as being captured at rates that range from a low of 1.5 percent, a probable rate of 2 percent, and a high of 2.5 percent.

As depicted in Table 12, applying these ranges of market capture rates to the available markets yields a first attendance estimated of about 89,000 annual visitors in the low scenario, some 108,500 visitors in the probable scenario, and nearly 129,000 in the high scenario. Effectively, the resident market is seen as the main source of market support from which the proposed facility will experience significant market penetration, or about 83.0 percent of the total attendance. However, about 60 percent of those visitors are projected to come from outside of the tri-city area

Table 13 presents a five-year projection of annual attendance for the proposed adventure park, using the probable case scenario. As the table shows, attendance is projected to increase from 108,500 in the first year (2017) to 113,230 by the fifth year (2021) of operations. The annual rate of attendance increase over this five year period is estimated at 1.1 percent. This is based on the market capture experience of comparable attractions adjusted for local market conditions. It is to be noted here that the increase in attendance to the subject attraction is due to the forecast increases in the overall population of the resident and tourist markets coupled with a steady level of market capture, even though the project matures. ECS has taken all these considerations into account in choosing these penetration rates.

Distribution Within The Market

In order to test these capture rates, we (ECS) developed a matrix that analyzes average usage required in different age group categories within the resident market (see Table 14). For the purposes of this analysis, markets are broken down into: those children 5 to 9 (target for the treehouse and rides offering); youths ages 10 to 24 (who are available after school and on weekends) and active adults ages 25 to 54. Children aged 0 – 4 and adults over the age of 54 are not considered to be likely adventure park patrons. As shown, of the 296,444 residents in the primary market, 18,600 are estimated to be between the ages of 5 and 9. This analysis assumes that, on average, each of these children will participate in the attraction 0.35 times per year (effectively a 35% capture rate). This, in turn will generate an annual attendance of some 6,510. In the secondary market, young children are assumed to support the center 0.12 times or some 7,000 annual visits. Tertiary market children are projected at 0.05 times per year and tourist children at 0.04 times annually. In total, this segment of the market is estimated to support the attraction with 19,000 visits annually.

A similar analysis is used to determine support from the young adult and active adult segments of the market. Average annual usage in the young adult market is seen as being similar to that in the child market with the active adults projected at about one third of those rates. This analysis projects about 56,000 visits from the young adult market and 34,265 from the active adult market. This brings projected visitation to nearly 109,000 annual visits or about that projected in Table 13. This analysis again is just a test of the reasonability of the overall market capture rates. The fact that no group needs to patronize the facility more than 0.35 times per year, on average, indicates that capture rates at these levels are indeed both reasonable and attainable.

The Seasonal Distribution of Patronage

A recommended, operating schedule is shown in Table 15, together with the estimated monthly distribution of attendance. As shown, attendance volume is estimated to range from 10 to 16 percent during the spring and summer and to reach 4 or 5 percent throughout the remainder of the year. This pattern of visitation closely matches the actual and estimated experience at similar

attractions. Summer is seen as having a higher volume of visitation than the rest of the year as children and young adults are more available during that time and the weather is better. Closer review shows that May through August are estimated to draw the majority of the facility's attendance; August is assumed to draw the highest percentage of attendance at 16 percent of the year's total.

RECOMMENDED DAY-TO-DAY OPERATIONS

Based on the fact that the subject concept appeals to all segments of the market and includes a food service offering, the proposed schedule of daily operations is depicted in Table 16. As shown, weekday operations starting at noon are suggested; however, on weekends the facility is recommended to open at 10:00 a.m. Monday through Thursday, the facility should remain open until 8:00 p.m.; Friday and Saturday it is envisioned as being open until 9:00 p.m.; with Sunday, until 6:00 p.m. This schedule will result in some 2,136 annual hours of operation. In addition to this an extra hour per day for prep, opening and closing will be required. In terms of employee requirements, it is estimated that weekends and holidays will experience peak attendance; and the weekdays, regardless of school factors, will experience non-peak usage and will therefore require less employees.

It is projected that peak attendance will occur on Friday, Saturday and Sunday, with much of the patronage of each of those days compressed into a period of about five or six hours. Experience at similar facilities indicates that the peak crowd will amount to about 65 percent of the day's total. The attraction must be planned with enough space and an appropriate amount of facilities to entertain its prospective patrons during busy periods.

Based on the considerations outlined above, the annual estimated attendance to the Adventure Play area, projected in Table 17, will result in a maximum crowd of some 800 participants. Using a planning factor of 50 people per acre suggests that a space of some 16 acres will be required to physically handle this volume of patronage. For the food service, the area requirement is estimated at roughly 2,600 square feet, enough to handle some 125 participants during peak periods of patronage.

RESTAURANT ANALYSIS

As Table 18 shows, annual restaurant sales are estimated at some \$776,000. At a facility of 2,600 square feet this level of sales would generate about \$300 per square foot, which is within the industry experience. Table 19 shows the potential number of turns (by day of the week and meal) that the restaurant would have to achieve to generate this level of usage. As shown, snack purchases are projected to see the highest number of turns at 2.5. Lunch usage is projected to range from a high of 1.5 turns on weekends to .5 on weekdays. The general rationale for this analysis was developed through discussions with several restaurant operators and is consistent with a successful operation. At the aforementioned per capita expenditures this results in total sales of about \$776,000.

This assumes that the restaurant will be available to the general public in addition to park patrons and that about 50 percent of its volume will come from that market. In addition to this, the facility is estimated to provide catering services for on-site events, parties and ceremonies. We estimate that the facility will cater about 11,000 meals at an average price of \$12.50 and generate \$130,000 from this revenue center.

ESTIMATED MERCHANDISE SALES

Based on the comparable attraction's experience, approximately 15 percent of attraction patrons spending an average of \$6.50 are considered to be a prudent planning factors. This results in sales volume of some \$106,000 in this category. A central retail area in the main building is planned. The sales areas will total about 300 square feet of space at an estimated sales volume of \$350/sq. ft. These data are shown in Table 20.

SUGGESTED ENTERTAINMENT OFFERING

As previously discussed the subject facility is planned to have a large, variety of extreme sports activities together with a children's play area that will make it the premiere attraction of its kind in the area. The offering is designed to appeal to young children young adults and active adults; it is scheduled to include a variety of rock climbing opportunities, zip lines, climbing nets, suspension

bridges, hiking opportunities, a children's play area and lake boating activities. This offering should appeal to all segments of the market and assure that the subject attraction is the "place to play" in Placer Valley.

PROJECTED USAGE AND REVENUE GENERATION

Table 21 shows the major revenue centers for the subject adventure elements offering, together with estimated rates of participation and projected usage. As shown, this is based on participation by previously estimated attendance of 108,500, annual visits. Each of these revenue centers is associated with a different experience and a different price point. The distribution is based on the use analysis developed in Table 14. As shown, participation rates range from a high of 25 percent for the quarry package to a low of 5 percent for participants in tours or camps. An additional 5,000 people are projected at catered events.

A calculation of annual income from this revenue center is depicted in Table 22. This is calculated by multiplying projected usage by individual user fees. As shown, the charge for use of the various packages ranges from a high of \$40.00 for the all park package to a low of \$15 for the children's play area. Individual attractions are estimated to average about \$7.50 per use. These prices are based on the experience of comparable facilities and on the operator's experience. The entertainment elements are designed to operate together in a large open space. Annual revenues from these elements/activities are estimated to total \$2.8 million.

BIRTHDAY PARTIES

Renting a facility like this for birthday parties has become a popular and growing revenue center. Parents can host up to 10 party goers in a private room or area, have full use of the facility and have the food, drinks and cake catered by the facility for a cost and time expenditure that is comparable to or less than having the party at home. Facilities charge between \$250 and \$500 for parties of this type and are full on most weekend days. A projection of potential birthday party/group use is presented in Table 23. This analysis assumes that the subject adventure park will also take advantage of this significant source of revenue.

We have assumed dedicated areas will be set up to accommodate 20 to 25 guests. With the facility projected at an average of 4 turns on Saturdays, 2 turns on Sundays, and 1 turn on the Friday about 364 parties are projected on an annual basis. At an average of \$325/party, revenue from this source is estimated at some \$125,000 in year one.

PRELIMINARY BUDGET

The preliminary development budget depicted in Table 24 contains cost estimates for all of the elements previously mentioned plus all improvements necessary to develop a self-sustaining, quality attraction. This budget is based on cost estimates common to the industry but is modified to reflect the client group's current and ongoing efforts relative to design, architecture and fabrication of many of the project's elements. A review of this table shows that hard costs for the dining and adventure park elements total approximately \$3.0 million. Of this, the attraction elements and infrastructure are estimated at about \$2.0 million and the building is projected at just over \$1.0 million. Soft costs for the project -- those costs related to pre-opening needs, architect and engineering fees, contingencies, legal fees and interim financing -- are estimated some \$500,000. All told, the overall budget for the project amounts to just over \$3.5 million. While this is at the high end of the industry experience, it is considered to be necessary given the fact that this will be the flagship facility for the clients planned expansion of the brand and allows for a highly marketable location.

OPERATING ASSUMPTIONS

While experienced managers in both the restaurant and adventure park industries will be hired, the subject attraction will be managed by the client. The analysis to follow addresses the basic economic feasibility of the project. Assumptions regarding operating costs are based on the actual experience of comparable facilities and on input from the client group.

Estimated attendance, usage and per capita expenditures as well as projected operating cost assumptions are presented in Table 25. As shown, first year attendance is projected at some 105,600. Attendance is projected to increase to 113,230 by Year Five. First year per capita expenditures for users of the various profit centers are assumed as follows:

Adventure Packages	\$ 26.23
Restaurant	\$ 6.47
Merchandise Sales	\$ 6.50
Birthday Parties (per party)	\$325

Table 25 also contains the assumptions regarding operating expenses. One of the major costs for the attraction will be management and the hourly personnel required to staff the various elements. Tables 26 and 27 show estimates of actual permanent and seasonal staff positions and related pay structures for those positions. As shown, in addition to the five salaried positions, approximately 65 seasonal jobs will be created.

The amounts for utilities, advertising, insurance, communication, maintenance, general & administrative and other expenses are based on the experience at comparable facilities. All reflect a percentage of gross revenues. A management fee allowance of 4.0 percent has been included to cover costs to the client group of managing the development and operations. The final category in the table is the cost of goods. This includes the cost for food and beverage items (30%), and the costs associated with merchandise sales (45%).

PROJECT FINANCING

Financing for the project is assumed to be organized as a general partnership with 100 percent of the money raised by the city of Rocklin. Based on the preliminary development budget developed earlier in this report, it is assumed that about \$3.6 million will be required. Table 28 shows the terms assumed for the financing package along with estimates for interest and principal requirements over the first five years of the project. It assumes that the project will be able to handle a loan at 5 percent interest over a five year term. Based on this the city will receive annual payments of \$823,069 and the initial equity position is assumed to be returned in five years. This is fairly aggressive for a public/private partnership and these terms may be changed over the course of the deal.

It should be noted that even if the park only attracts the low attendance estimate of 88,000, this payment could be maintained. This would create a break even scenario where the city receives the principal and interest payments but the developer would not participate in profits until after the loan is paid off in year five.

FINANCIAL PERFORMANCE

Table 29 contains the financial analysis for the subject Rocklin Quarry Adventure Park for the first five years of operation. A review of these data reveals that after debt service payments, opening year operating profit to the developer is estimated at approximately \$98,000. In the second year operating profit increases to \$160,000 and then rises to \$368,000 by Year Five.

Given these financial results, the subject Rocklin Quarry Adventure Park project is considered to be economically feasible and represents an excellent investment opportunity for Legacy Family Entertainment and the City of Rocklin. This development is seen as being a large catalyst in attracting a family market to the site as well as being an anchor for visibility, marketability and revenue and job creation for the area.