

EXHIBIT A

QUARRY PARK MANAGEMENT & OPERATING AGREEMENT

Key Terms Sheet

A. PARTIES, TERM & TERMINATION

1. Parties – City of Rocklin and a subsidiary of Bonsai Design LLC.
2. Term - Execution date through December 31, 2022.
3. Termination for Convenience - Either party upon 120 days written notice.

B. COMPENSATION & FEES

1. Management Fees
 - i. Year 1 (through December 31, 2019) - \$15,300/month.
 - ii. Years 2-4 – (January 1, 2020 through December 31, 2022) - \$11,760/month.

C. PHASE I - PRE-OPENING PHASE

1. Commences upon City Council approval of Start-Up Budget (See Exhibit I).
2. No Management Fee.
3. City to fund expenses budgeted in Exhibit I, and provide equipment identified in Exhibit II.

D. PHASE II – INITIAL OPERATING PHASE

1. The Initial Operating Phase is the period during which operations are launched until the park's gross revenue exceeds operating expenses, not including management fee.
2. Commencement Date – Date first open to the public (Target date of 4/1/19).
3. 100% of revenue is collected and retained by Bonsai to cover operating expenses.
4. City Shortfall Account
 - i. City to fund shortfall account with \$200,000 by opening day (goal is 4/1/19).
 - ii. City to control account. In the event of operating shortfall, funds may be withdrawn to cover budgeted operating expenses. Upon receipt of properly documented request for shortfall funds, City to issue funds within 2 weeks.
 - iii. Bonsai to reimburse the City Shortfall Account out of their share of net revenue during Phase III.
 - iv. In the event City shortfall account is depleted, Operator is responsible for operating shortfalls.

E. PHASE III – OPERATING PHASE

1. The Operating Phase begins once gross revenue exceeds operating expenses, not including management fee, and after the City shortfall account has been made whole by Bonsai (“Net Revenue”).
2. Commencement of Phase III triggers:
 - i. Revenue Sharing as set forth below.
 - ii. Establishment of Bonsai Shortfall Account.
3. Bonsai Shortfall Account to be established and funded by Bonsai out of their share of Net Revenue until balance equals the amount in City Shortfall Account.
 - i. In the event of a shortfall, funds shall first be withdrawn equally from the City and Bonsai Shortfall accounts to cover the shortfall. In the event Bonsai has not fully funded its shortfall account and depletes its account to address a shortfall, additional funds may be withdrawn as needed from City shortfall account.
 - ii. Bonsai Shortfall accounts shall be replenished by Bonsai from shared net revenue to restore the shortfall account balance.
 - iii. Determine process to address shortfall account establishment, withdrawals, etc. Items within operating cost budget are eligible for shortfall withdrawals.

F. REVENUE SHARING

1. No Revenue Sharing until gross revenue exceeds operating expenses, not including management fee, and City shortfall account has been made whole (“Net Revenue”).
2. At the conclusion of each calendar year, revenue and operating expenses are examined to determine whether Net Revenue was achieved, which triggers revenue sharing.
3. Parties agree to share Net Revenue 50/50

G. FINANCIAL REPORTING

1. Annual Operating Budget for calendar year ending 12/31/2019 to be attached to Operating Agreement as an Exhibit.
2. Effective during Phase I, II and III, Bonsai to provide City with the following regular financial reports:
 - i. Quarterly reports due 45 days after end of each calendar quarter.
 - ii. Annual reports due 45 days after the end of each calendar year, beginning with the end of 2019.

H. OPERATIONS

1. Operating days and hours.
 - i. 7 days/week, excluding Christmas Day, New Year's Day and Thanksgiving Day.
 - ii. November – February: 8 a.m. to 4 p.m.
 - iii. March – May: 8 a.m. to 5 p.m.
 - iv. June – October: 8 a.m. – 6 p.m.
 - v. Exceptions – park may be closed due to rain, severe weather, extreme heat, or other hazardous conditions or emergencies that could endanger participants or staff.
 - vi. Operating hours may be changed by Bonsai after review and consultation with the City Manager.
 - (a) Note - hours of operation shall conform to the Conditional Use Permit for the park, which requires park closure by 10 p.m., with activities to wind down starting at 9 p.m.
2. Tickets and Prices.
 - i. Starting ticket prices will be set forth in an Exhibit to the operating agreement.
 - ii. Ticket pricing may be changed after review and consultation with the City Manager.
 - iii. Operator shall honor season passes tickets, gift cards issued by prior operator, however, if volume of such ticket redemptions exceeds the reasonable expectation of the operator, the parties shall meet and confer to work out an acceptable solution.
 - iv. Operator right to refuse guest participation for good cause.
 - v. Operator to provide City with 50 tickets annually at no cost for purposes of meeting the City's obligations under its Grant Agreement with Placer Valley Tourism dated October 10, 2017.
3. Concessions
 - i. Operator may offer merchandise, pre-packaged snacks and non-alcoholic beverages.
 - ii. City may offer all other Food & Beverages.
4. Inspections and Maintenance.
 - i. Operator obligations – routine maintenance (define) and ICE inspections, including materials; modifications required by annual QSI inspection, or unannounced inspections.
 - ii. Owner obligations – Payment for annual QSI Inspection fees, and any unannounced inspection fees. Owner is obligated for non-routine maintenance expenses.

5. Marketing
 - i. Operator responsible for marketing (included in start-up budget and operating budget). Marketing Plan to be attached to operating agreement as an Exhibit.
 - ii. Customer data ownership to be addressed in operating agreement.
 - iii. Website control and ownership upon termination.
 - (a) City retains ownership of domain, but allows use by Bonsai.
 - iv. City involvement in advertising to ensure content is family friendly.
 - v. Quarry Park Logo – permitted use by Bonsai

6. Security
 - i. City obligations – City is exploring camera systems that provide monitoring options. Purchase of equipment at City’s expense; Monitoring expense to be covered within park operating budget.
 - ii. Operator obligations – Operator responsible for security once Phase II commences.

7. Utilities
 - i. City responsible for – SPMUD (Sewer), PCWA (Water), PG&E (Gas/Electric)
 - ii. Operator responsible for – Wave (Telephone/Internet), Recology (Garbage)

I. INSURANCE AND INDEMNIFICATION

1. Insurance requirements meeting NCCSIF standards.
2. Mutual indemnification and hold harmless language

J. VARIOUS GENERAL TERMS TO BE ADDRESSED IN THE AGREEMENT (Not Exhaustive List)

1. Access rights to premises
2. Access rights to customer data by City
3. Amendments
4. Attendee Release of Liability, mutually agreed upon between the parties.
5. Default provisions
6. Definitions:
 - i. Bonsai Shortfall Account
 - ii. Capital Reserve Fund
 - iii. City Shortfall Account
 - iv. Force Majeure
 - v. Gross Revenue
 - vi. Initial Operating Phase
 - vii. Owner
 - viii. Operating Phase
 - ix. Operator
 - x. Premises (Diagram showing area controlled by Operator and parking available to guests).
 - xi. Pre-Opening Phase
 - xii. Proprietary material
 - xiii. Standard Operating Phase or Operating Phase
 - xiv. Term
7. Dispute Resolution
8. Governing law/venue for dispute
9. Notices
10. Ownership of equipment
11. Park Rules
12. Taxes
13. Warranties

LIST OF EXHIBITS TO OPERATING AGREEMENT:

- Phase I – Pre-Opening/Start-Up Budget
- Phase I – List of Equipment to be provided by City
- Phase II – Initial Operating Budget
- Phase III –Operating Budget
- Financial Report format
- Hours of Operation
- Ticket Prices
- Premises Diagram (areas controlled by City and Operator)
- Park Rules
- Marketing Plan

EXHIBIT I

ROCKLIN STARTUP BUDGET

Pre-Development Services

Insurance

General Liability \$ 75,000.00 Annual rate 2 #pymts during startup

Bonsai Cost:

\$ 12,500.00

Welcome Center

Welcome Ctr/Office Setup & Supplies

Welcome Center & Office FF&E

Computer / IT # 6 Cost \$ 1,500.00 \$ 9,000.00

Office Furniture \$ 1,500.00

Phone Equipment \$ 2,000.00

Retail Furn/Fix/Supplies \$ 5,000.00

Guest Wrist bands \$ 2,000.00

Welcome Center & Office Supplies

Dues & Subscriptions \$ 500.00

Office Supplies/Postage & Misc \$ 1,500.00

IT Consulting & Implementation

IT Consulting & Implementation \$ 1,500.00

Retail Inventory

\$ 5,000.00 Clothing \$ 3,000.00 Go Pro \$ 9,500.00

\$ 1,000.00 Access. \$ 500.00 Food

Software

Misc Software \$ 2,500.00

Reservations Software \$ 6,500.00 Setup \$ 1,200.00 per mo. 2 # mos \$ 8,900.00

Other Infrastructure

Utilities

\$ 600.00 \$ Per Mo 2 # mos \$ 1,200.00

Office Rent

\$ 3,000.00 \$ Per Mo 2 # mos \$ 6,000.00

Staff Expenses

Moving Expense

1 # emp \$ 2,500.00 Cost p/emp \$ 2,500.00

Staff Recruitment/Misc Employee Exp.

\$ 5,000.00 Clothing \$ 10,000.00 Recruitment \$ 15,000.00

Start-Up Payroll

Site Start-Up Payroll

Bonsai Admin \$ 27,390.00

Operations Manager \$ 80,000.00 p/yr 2 # mos \$ 13,333.33

Course Manager \$ 60,000.00 p/yr 1.5 # mos \$ 7,500.00

Marketing Coordinator \$ 50,000.00 p/yr 2 # mos \$ 8,333.33

Sales Manager \$ 50,000.00 p/yr 2 # mos \$ 8,333.33

Park Attendants 20 # emp \$ 15.00 p/hr 2 # weeks \$ 24,000.00

Sales Guide(s) 4 # emp \$ 15.00 p/hr 4 # weeks \$ 9,600.00

Worker's Comp Ins - Overall

18.00% Avg % \$ 12,798.00

Employee Benefits - Overall

9.00% Avg % \$ 3,375.00

Payroll Taxes - Overall

6.60% % \$ 4,692.60

Park Attendant Training # emp 20 Cost per: \$ 700.00 \$ 14,000.00

Sales Guide Training # emp 4 Cost per: \$ 400.00 \$ 1,600.00

Travel (See Worksheet Below)

Airfare/Baggage Fees \$ 7,150.00

Auto Rental \$ 1,200.00

Fuel \$ 80.00

Lodging \$ 6,200.00

Meals \$ 918.00

Marketing Transition:

Advertising

\$ 12,500.00

Marketing Dues & Subscriptions

\$ 1,500.00

Market Research

\$ 1,000.00

Marketing Equipment

\$ 5,000.00

PR & Special Events

\$ 3,000.00 per mo 1 # months \$ 3,000.00

Printing & Collateral Material

\$ 2,500.00

Video/Multimedia

\$ 5,000.00

Website Development & SEO

\$ 32,000.00

Total Startup Cost: \$ 294,103.60

Exhibit II

The following list includes equipment and items the City of Rocklin is to provide the Operator for its use as part of park operations. All items shall be maintained, repaired or replaced by the Operator during the course of operations and returned to the City upon contract expiration or termination. All items are provided "as is" without express or implied warranty or guarantee:

- **Guest Lockers** (108 weather resistant, standard 12" x 12" x 12" lockable)
- **Ground School Relocation**
 - Including installation by Bonsai Design (not to exceed \$20,000 in total)
- **Limited Additional Park Signage** (Hours of Operation, Requirements, Restrictions)
- **Office Furniture**
 - 1 Conference table w/matching bureau
 - 2 Computer desks
 - 6 Modular workstations with panel dividers, work surfaces, upper cabinets or shelves, and lower cabinets
- **Existing Equipment**
 - 13 Surface Pro's
 - 10 Receipt printers (Epson C31CD52062)
 - 10 Cables
 - 10 Cash drawers (MMF-VAL 1313E-04)
 - 10 Scanners (Air Track S2-1012A2006)
 - 3 Ticket printers (Lemur-S Boca)
 - 10 Card swipers (Verifone)
 - 12 Trash cans
 - 10 Radios/Chargers/Clips (Motorola BPR 40)
 - 30 Umbrella's with bases for picnic tables
 - 2 Shade canopies (30 x 30)
 - 22 Foldable tables
 - 2 24" Misting fans
 - 2 Utility carts
 - 2 Water jugs
 - 1 Telescopic pool pole
 - 1 Life hook
 - 60 Life vests
 - 1 Ring buoy
 - 2 Reach assist tubes
 - 1 Deck scrub brush

- 1 Megaphone
 - 1 Pressure washer
 - 1 Adult/Child CPR mask
 - 1 AED
 - 5 Popup tents (10' x 10')
 - 3 Portable generators
 - 1 Safe
 - 1 Digital scales
 - 1 Rescue raft
 - 40 Picnic tables
 - 250 Guest, guide and emergency kits (ie. helmets and harnesses)
- **Retail Inventory**
 - 112 Baseball caps
 - 34 Visors
 - 24 Polo shirts
 - 157 T-shirts
 - 96 Water bottles