

# ATTACHMENT B



## **Term Sheet for Management and Operating Agreement – 2020-2040 Laguna Seca Recreational Area and WeatherTech Raceway Laguna Seca**

The Sports Car Racing Association of the Monterey Peninsula (SCRAMP) proposes the following terms to continue the 60+ years of management and operation of the Laguna Seca Recreation Area and the Laguna Seca Raceway for and on behalf of the County of Monterey (the County). The proposed terms are submitted in furtherance of the public benefits to be derived by the continuation of the public-private partnership.

This Term Sheet sets forth the process and framework by which the parties will negotiate all terms, in good faith, to allow both sides to execute definitive documents and terms adapting approved portions of this Term Sheet. The parties agree to prepare definitive legal documents that contain the basic terms set forth herein, with other agreed terms, which are consistent with this Term Sheet, that are customarily included in similar agreements for the operation of comparable facilities.

The parties intend that the operation of the Laguna Seca Recreation Area, with the exception of the Rifle Range, will be led by SCRAMP which will have final decision-making authority regarding the management, operation, and promotion, subject to County review and the provisions included herein, but that the entire process be a cooperative, mutual endeavor in which the parties actively participate and work together, in good faith and with due diligence—a public-private partnership.

SCRAMP responsibilities, include, but not limited to:

- SCRAMP operates as an Independent management company with consultation from the County
- SCRAMP markets and promotes all Laguna Seca Raceway major race events in accordance with event and sanctioning agreements.
- SCRAMP markets and promotes the Laguna Seca Recreation Area and its Laguna Seca Raceway events and activities
- SCRAMP provides full race event management services and/or support services as required
- SCRAMP provides complete race track management and maintenance services and track day rental support
- SCRAMP manages the messaging of the all marketing and promotions, website and outreach activities
- SCRAMP directs website development and design and directs social media development.
- SCRAMP directs on site Food & Beverage services and concessions for events and track day events and other activities

Monterey County responsibilities, including, but not limited to:

- Monterey County to provide facility improvements
- Monterey County to provide capital improvement projects
- Monterey County to provide infrastructure, health and safety compliance
- Monterey County to pay all required sanctioning organization fees and charges
- Monterey County will coordinate with SCRAMP on any FORA-related matters that may affect or be an impact to Laguna Seca
- Monterey County responsible for ADA, EPA, FCC, BLM, FAA facilities compliance
- Environmental/Conservation requirements – Fish & Wildlife, etc.
- Monterey County to provide maintenance and repairs for ingress/egress roads through Ft. Ord (i.e. South Boundary & Barloy Canyon) where applicable, as well as cooperation with controlling agencies to grant access

	Category	Detail	Notes
1	Contract Term	Twenty (20) years. Agreement to be assessed every five (5) years and any significant Laguna Seca Raceway business activity increase, COLA and other adjustments that maybe mutually deemed appropriate or in the case of emergency situations.	Provides stability in negotiations with sanctioning bodies and sponsors, attract and retain professional staff, long term growth planning
2	Monthly Operating Management Fee	SCRAMP will provide fully staffed management of entire Laguna Seca Recreation Area facility (excluding the Rifle Range).  Operating Management Fee shall include but are not limited to: employee payroll, health and dental insurance, life and short-term disability insurance, workers' compensation, 401(k) match, volunteer training and orientation, volunteer uniforms, event benefits, and other event-related volunteer support.	~\$475,000
3	Operations Expense Fund	County to fund an Operations Fund to support up to \$1.5M in average monthly operating expense payments.	

		<p>Monterey County shall be responsible for all annual operating expenses and routine maintenance and repair expenses.</p> <p>SCRAMP, through the Operations Expense Fund, to pay all event operating, track rental, camping, facility operations and daily maintenance, repairs and refurbishment expenses, including, but not limited to: routine maintenance, routine repairs, insurance, utilities, supplies and equipment, training, contract labor, setup/tear down, Laguna Seca Raceway marketing/promotion, cleaning, telephone, professional services, travel/lodging, taxes/permits/fees.</p>	
4	Financial Controls	<p>SCRAMP shall have exclusive management control of all track and facilities on the grounds of the Laguna Seca Recreation Area, with the exception of the Rifle Range.</p> <p>SCRAMP shall coordinate with office of the Auditor/Controller to develop comprehensive written policies and procedures pertaining to the oversight, monitoring and accounting of operations of the Laguna Seca Recreation Area. This should include allowed deposits and advanced payments to suppliers/vendors etc.</p> <p>SCRAMP shall coordinate with office of the Auditor/Controller to establish an acceptable and robust financial management software system for Laguna Seca Recreation Area that is compatible with County financial reporting.</p>	



		Reconcile with County Audit/Controller office as mutually agreed. Annual financial oversight review to be provided by a qualified third party.	
5	Net Operating Income Definition	<p>Net Operating Income shall be the difference between:</p> <p>(a) all revenues from facilities including but not limited to: track rental, concessions revenue, merchandise revenue, hospitality revenue, naming rights revenue, sponsorship revenue, ticketing and handling fees, all camping fees, etc. and:</p> <p>(b) all regular facility and event expenses relating to the operation of the Laguna Seca Recreation Area (excluding County internal or departmental allocated expenses).</p> <p>County department expenses not allocated to NOI include, but are not limited to, fleet operations, public works operations, ITD operations, purchasing operations, RMA Permitting – of building, health, and fire departments, and services provided by County Sheriff.</p>	
6	Management Incentive Fee	SCRAMP shall earn a management incentive fee of 20% of Annual Net Operating Income.	Annual NOI based upon track and facility operating expenses only (excluding County allocated expenses)
7	Sponsorship	<p>SCRAMP shall have the exclusive rights to sell signage, sponsorship and naming rights. SCRAMP shall coordinate contact for sponsor relations to assure consistency in communications.</p> <p>SCRAMP will provide assessment of existing sponsorship and marketing agreements as well as negotiate sponsorship agreements, new and</p>	SCRAMP to pursue non-endemic (non-automotive sponsorship) in addition to traditional motorsports sponsors

		renewals, for and on behalf of the County.	
8	Naming Rights	Any name proposed to be associated with the Laguna Seca Raceway shall be tasteful and not to be a cause for embarrassment to the County and shall not include any companies primarily known for tobacco products, guns, etc.	
9	Track Rental	SCRAMP shall have exclusive management rights over track rentals. The fee structure for facilities and track rentals to be established with a rolling two years period, in conjunction with the County, with ability to adjust to market rates.	Minimum of two-year calendar planning for future event/track day scheduling
10	Ticketing and Camping	SCRAMP shall provide complete ticketing services including fulfillment, event staffing and access control. SCRAMP shall provide call center services for inbound and outbound calls for events and camping.	
11	Asset Acquisitions	Major asset acquisitions, including but not limited to, structures and equipment to be jointly considered and approved by County & SCRAMP	
12	Vendors	SCRAMP shall be responsible for identifying and entering into third-party vendor contracts for the Laguna Seca Recreation Area. Third-party vendor agreements shall reflect market rate terms, be generally consistent with agreements in comparable facilities, and, subject to parameters defined by Monterey County policy.  SCRAMP shall review all County vendor agreements as related to the Laguna Seca recreational Area	Review costs incurred by existing County engaged third party vendors/suppliers

		and/or Laguna Seca Raceway to determine cost structure for NOI allocation. If current agreements incur a negative financial position with event cost allocation, the loss shall not be attributed to NOI.	
13	Ticket Surcharge	SCRAMP proposes all events held at the Laguna Seca Recreation Area shall be subject to a 5.0% ticket surcharge. The ticket surcharge shall be applied to all paid tickets sold, either individually, through group sales, or sponsorship agreements. All ticket surcharge revenue collected from Laguna Seca Recreation Area shall be disbursed to the County on a monthly basis. The County shall deposit all revenue generated by the ticket surcharge into a Facility Improvement Fund, disbursement determined jointly by the County and SCRAMP.	Creates a Improvement Fund for future development. As an example, from the eight 2019 premier events ticket sales numbers a 5% surcharge would generate \$223,345.
14	M&O Agreement	SCRAMP shall be granted no-fee exclusive permission to use the County assets assigned to and/or available for Laguna Seca Recreation Area for event and operational use for the sole purpose of carrying out the activities authorized by the M&O agreement as long as the M&O agreement is in effect or any future M&O agreement is in effect between SCRAMP and the County.  County shall fund and manage equipment leases (including, but not limited to, forklifts, sweepers, water trucks, ATVs, scooters, etc.).	
15	Laguna Seca Facility Use	SCRAMP shall explore future premier annual or biennial events. Future developed of events directed by SCRAMP with County consultation.	All net revenues for incremental, non-motorsports events to be counted toward NOI.

		<p>All existing and future events to be managed or coordinated by SCRAMP while complying with the terms of the Use Permit. SCRAMP has exclusive management control of all track and facilities (excluding Rifle Range).</p> <p>SCRAMP shall have the exclusive right to organize festivals, sporting events, community-oriented events, and other events at the Laguna Seca Recreation Area with County approval.</p> <p>SCRAMP shall have the flexibility to adjust rate/scope of services, with County consultation as appropriate, for future major events and activities that could benefit the greater Monterey County community.</p> <p>All revenues – events, activities, concessions, camping and lease - from facility shall be attributed to the M&amp;O agreement.</p>	
16	Use Permit	County shall ensure the Laguna Seca Recreation Area Use Permit (as a motorsports and recreational facility) remain in effect for the term of the agreement.	
17	Future Laguna Seca Recreation Area Development	<p>SCRAMP shall be a partner with the County in LTCIP planning, Laguna Seca Recreation Area master plan development, and Laguna Seca Raceway track and safety modifications.</p> <p>County ITD will work in conjunction with SCRAMP on the development and execution of a master plan for the entire Laguna Seca Facility.</p>	

18	Sanctioning Bodies	<p>SCRAMP shall manage communications and relationships with current and any future sanctioning organizations.</p> <p>SCRAMP and County shall jointly ensure that Laguna Seca Raceway maintain a minimum of a FIA Grade 2 and FIM Grade B homologation.</p>	
19	Communications	County and SCRAMP shall decide on a mutually-agreeable designated County liaison(s) for consultation and schedule of review meetings.	
20	SCRAMP use of Laguna Seca Recreation Area facilities	SCRAMP shall have the right to independently raise funds to support the volunteer program and where suitable utilize Laguna Seca Recreation Area venues for such purposes at no fee with County approval which will not be unreasonably withheld.	
21	SCRAMP employee sponsor-provided vehicle home retention	SCRAMP shall have sole determination of home retention by SCRAMP employees and volunteers of sponsor-provided vehicles, in accordance with an agreed upon County/SCRAMP home retention policy as well as IRS statues.	
22	Trademarks	<p>SCRAMP shall be provided a no-fee exclusive, all rights use of the Laguna Seca Raceway and designated names and logos and trademarks for the life of the agreement.</p> <p>SCRAMP shall coordinate Brand Management.</p>	
23	Non-Discrimination	SCRAMP agrees to comply with the County's non-discrimination code requirements.	

24	Confidentiality	The County agrees not to disclose, and to cause its affiliates and representatives not to disclose, to any third party any financial information or other confidential information provided to it pursuant to this Term Sheet or the definitive legal documents, to the extent permitted by law.	
25	Competing Parties	<p>For a period of 60 days from submission of this Term Sheet, the County agrees not to solicit proposals from other parties for the operation of the Laguna Seca Recreation Area or any part thereof.</p> <p>The County also agrees to inform SCRAMP in writing in case the County is approached with any sort of proposal for the operation of the Laguna Seca Recreation Area and/or Laguna Seca Raceway.</p>	

## **Achieving and Maintaining Financial Stability at Laguna Seca**

### **Introduction**

The Sports Car Racing Association of the Monterey Peninsula has a long history of operating the Laguna Seca Raceway as a financial benefit to the community. For most of its 63-year history SCRAMP operated the facility in a profitable manner, returned sizeable funds to the County and distributed proceeds to local non-profits. However, the period between 2008 and 2016 presented a significant financial strain on SCRAMP management who were not able to meet the challenge.

### **SCRAMP History of Profitability**

SCRAMP was established as a not-for-profit by business members of the community, now organized as a 501(c)(4) under the Internal Revenue Code, with the intent of distributing the proceeds from events held at the track to local charitable organizations.

In addition to the proceeds distributed to non-profits, SCRAMP generates a tremendous amount of revenue for area businesses, which supports the community through jobs and taxes. The direct spending of spectators attending the five major events at the Raceway was calculated this year at \$84.4 million and presented to the Monterey County Board of Supervisors in February of this year, up by 36% from the 2015 analysis of \$62.1 million.

Recent years had been difficult for SCRAMP, but with a new management team utilizing established, rigorous business practices and proactive, forward thinking approach to manage the facility, 2019 is the year that the Laguna Seca Raceway is again on a course for financial success.

### **SCRAMP History of Stewardship**

SCRAMP negotiated with the US Army for use of the property, raised \$157,000 (\$1.1M adjusted for inflation) for track construction, and has operated the facility for all of its 62 years.

SCRAMP has operated Laguna Seca Raceway through good economic times and hard economic times. It's because of its organizational structure of a volunteer Board of Governors, volunteer Directors and Assistant Directors, and a group of over 1,500 volunteers that allow the facility to continue operations even through tight times.

### **SCRAMP Financial History**

As most of the management at the time is no longer employed at the Raceway, we turn to historical documents to determine where the slip from profitability occurred. There are two documents that provide perspective on the events that occurred.

### **Compliance Audit, Harvey M. Rose Associates, 2016**

Prepared on behalf of the County of Monterey Parks Department prior to the 2016 renewal of SCRAMP's concession agreement, the Rose Audit identified a number of unorthodox financial practices directly attributed to the management of the facility at that time. In addition, there was a revolving door of Parks Department heads, and many agreements between SCRAMP and the Park Departments were verbal and many not continued between County administrators

## Achieving and Maintaining Financial Stability at Laguna Seca

Key among the findings of the Rose Audit were:

SCRAMP operates without written financial policies and procedures, including those related to compliance with the concession agreement

This led to weak internal controls governing its implementation

A concession agreement amended by the Monterey County Parks Department five times, some without approval of the Board of Supervisors

Reallocation of sponsorship revenue from its intended use for capital improvements to operational expenses

### **Compliance Audit, Hayashi and Wayland, 2019**

In addition to the Rose Audit, *the Board of Governors and new SCRAMP management commissioned Hayashi and Wayland* in late 2018 to ascertain whether sound financial policies and procedures had been implemented in the two years since the Rose audit had been presented. In specific, the Hayashi and Wayland determined that new SCRAMP management faced the following issues:

#### **Organizational Culture:**

The Hayashi and Wayland audit highlighted that employees had been “negatively affected through years of uncertainty and serious challenges.” This is the result of three years of a month-to-month contract followed by a single, three-year agreement.

While uncertainty remains until a new long-term operating agreement has been finalized, staff morale has significantly improved. This is the result of two major factors: the trimming of under-productive staff and staff members who were unwilling to accept necessary changes in the organization. Some were released while others resigned.

The core team is focused on the future and operational efficiencies have been improved. The one area that has lacked stability is the financial management department, due largely to limitations imposed upon SCRAMP regarding permanent staff (see ‘Accounting Staff’ below).

The other factor is clear leadership, both from the increased involvement of the Board or Governors in ongoing management issues, as well as leadership that encompasses all areas of business controls, rather than just focused on a singular aspect of the business. The addition of a general manager as part of SCRAMP’s future will further solidify the solid leadership structure, as well as an expanded Board of Governors that includes new members from the business, financial, tourism, and agricultural sectors.

#### **Integrated Business Software System:**

To address this issue the SCRAMP Board of Governors, on-site management (including Accounting) and the Monterey County IT department are all in favor of an integrated business software system. SCRAMP continues to utilize an older, limited version of QuickBooks for its accounting, though it’s significantly lacking in many key areas. This issue was recognized by current management in June of 2018, prior to the Hayashi and Wayland audit.

A software package was proposed including NetSuite (for enterprise resource planning, inventory management, track financials, and e-commerce (CRM) systems), along with Microsoft 365 Dynamics, software for customer relationship management, and QuickBooks Online Advanced for management of accounts payable and receivable.



## **Achieving and Maintaining Financial Stability at Laguna Seca**

This suite of software, all cloud-based, was agreed upon by SCRAMP management and County personnel earlier this year, with SCRAMP making specific requests for assistance. At this time, SCRAMP has not been given approval by County administrator to proceed.

### **Accounting Staff:**

Since the beginning of April 2018, the County administrator has hindered the efficiencies of the Finance Department at WRLS, which has made it challenging, if not impossible, to make meaningful restructuring changes.

As a result, SCRAMP has been unable to hire permanent accounting staff and has instead, in the interim, must rely on temporary staff that inevitably moves on to permanent employment elsewhere as it becomes available. SCRAMP has been unable to offer permanent positions in compliance with the County's Assistant Administrative Officer's directive. Upon approval of a long-term contract between Monterey County and SCRAMP to operate the Laguna Seca facility, SCRAMP's number one priority is to centralize the accounting function and hire permanent accounting staff.

### **Cash Management:**

SCRAMP's cash management practices prior to 2018 were unstructured. Cash on hand (outside of events) has been reduced significantly and now only the CFO has access to the safe. Only the accounting team distributes and collects cash during events, working in pairs instead of the previous policy of using volunteers who moved on foot alone and carried cash in backpacks.

In addition, several steps were initiated by SCRAMP in 2018 to improve cash flow as part of improved business practices. One is that track renters are now required to submit a 20% deposit to lock-in their dates (previously this wasn't required). This both assures the calendar remains full as well smooths out cash flow. Another program implemented was to attack the \$1.2 million in aging, much needed cash payments that previously had not been aggressively pursued.

### **Additional Actions**

Through the 2019 racing season, it has become clear that the current hybrid County-SCRAMP accounting process does not meet the requirement of operating a seasonal-use facility with large swings in expenses and revenue, inherent in operating a race track.

In addition, due to SCRAMP's current contract structure with the County the long-term relationships with outside vendors are at risk. The contract specifies that SCRAMP submits to the County for payment invoices for products and services with all documentation attached. While the County's policy is to pay at 30 days, it's currently taking 45 to 60 days for payments to go out to vendors, despite invoices being provided per County specifications. This delay is causing significant challenges to the relationships between WeatherTech Raceway Laguna Seca and its suppliers. Clear requirements for documentation need to be communicated and remain consistent to achieve effective and timely compliance with internal process.

Our proposal for a new long-term operating agreement would address this based upon our 2019 experience with the County. This limitation has resulted in uneven cash flow for SCRAMP, resulting in vendor being paid from that account having to wait because reimbursed cash is not being deposited into the Operational Account in a reliable basis by the County.

## Achieving and Maintaining Financial Stability at Laguna Seca

### Conclusion

The current SCRAMP management has taken seriously the shortcomings in financial management of the past that were previously present in the organization. The Board of Governors authorized and paid for the accounting firm of Hayashi and Wayland to conduct a thorough audit of the group's accounting practices in order to identify any and all deficiencies in financial processes.

The result was a report that identified several improper processes, some already known to the new management team, a few brought to light by the document. In both cases, SCRAMP leadership acted swiftly and decisively to correct as many of the issues identified as quickly as possible. The most critical remaining area that still needs to be addressed is the issue of financial management software. The solutions have been identified, agreed to by County IT, yet are being withheld without explanation by the County Assistant Administrator. Once the software is fully integrated and the process of funding the Laguna Seca Recreation Area has been revised, SCRAMP can operate with full control of its financial resources and reporting transparency.



**WEATHERTECH  
RACEWAY LAGUNA SECA**



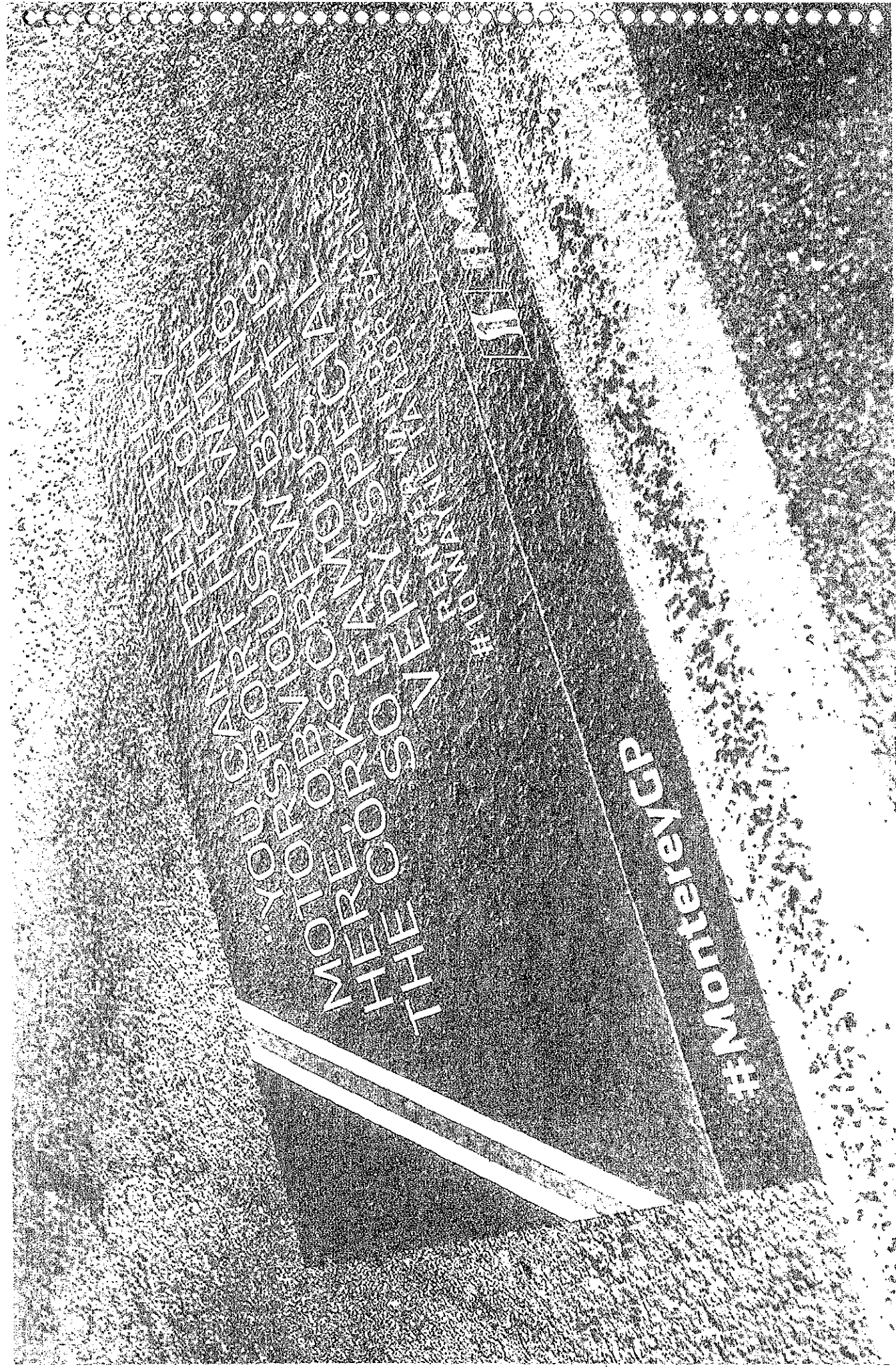
**A WINNING FUTURE**

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...YOU'VE GOT TO BE  
MOTORSPORTS  
HEROES  
THE CORSON  
#101

#MontereyGP



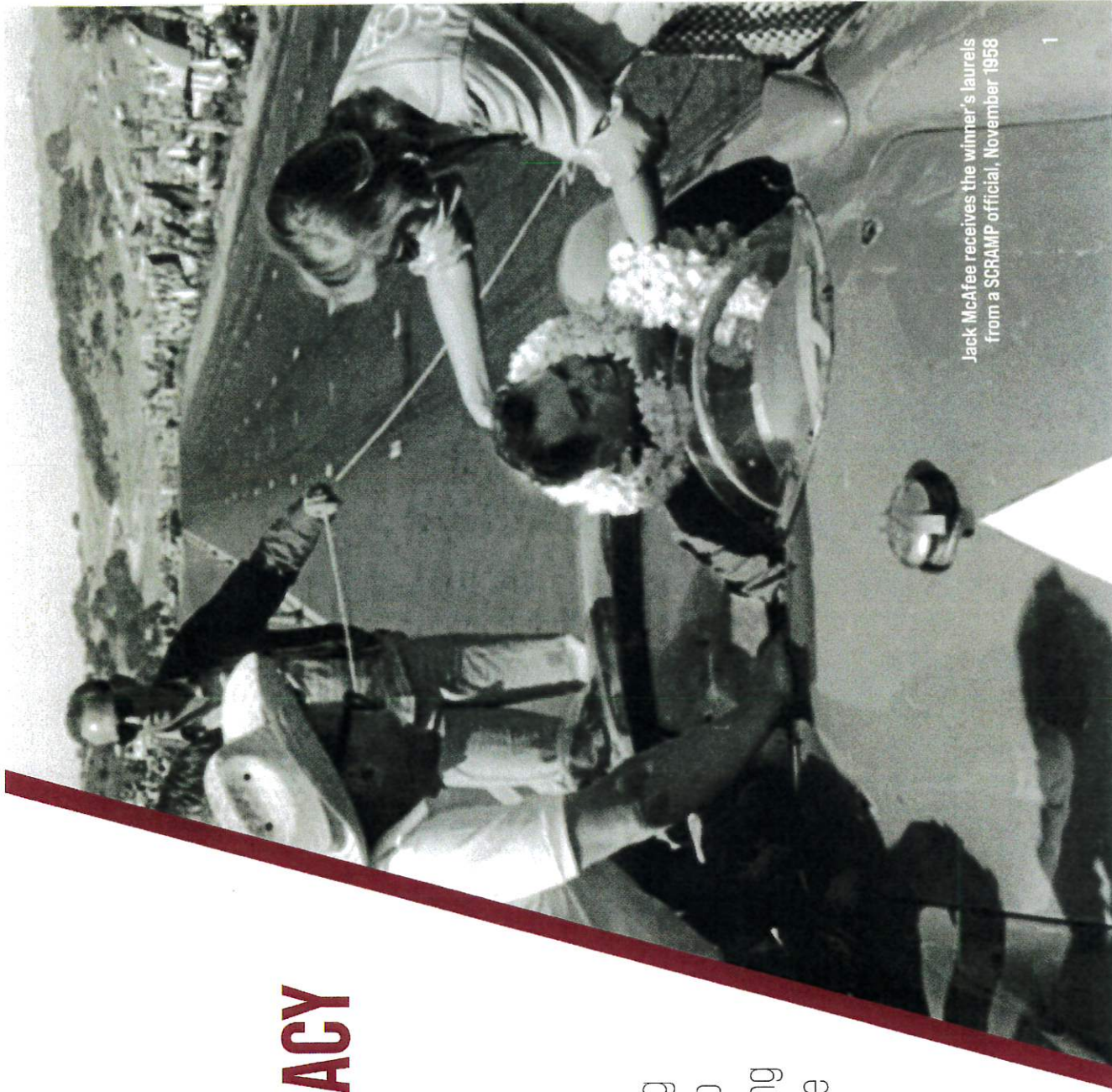


INTRODUCTION

# THE SCRAMP LEGACY + OUR MISSION

We are among the most well-known and highly respected motorsports organizations, with a history of successful events for over 60 years.

SCRAMP is dedicated to continuing to bring world-class racing events to the Monterey Peninsula, benefitting our race fans, sponsors, charitable organizations and our community as a whole.



Jack McAfee receives the winner's laurels from a SCRAMP official, November 1958



ABOUT SCRAMP

# SUCCESSFUL NOT-FOR-PROFIT POISED FOR GROWTH

SCRAMP is a 501 (c)(4) not-for-profit organization comprised of three levels of responsibility: a dynamic, diverse Board of Governors, the Race & Event Board of Directors, and Assistant Directors. The Board of Governors, a group established at the end of 2015, has overall fiduciary responsibility for the organization. The Race & Event Board of Directors consists of 16 committees with extensive event management experience which oversee everything from admissions to concessions to hospitality to medical to vehicle control. The Assistant Directors serve in the different committees under the guidance of the 26 Directors. In addition, volunteers from charitable groups, service organizations and community associations support each major event every year.

OVER A THREE YEAR PERIOD BETWEEN 2015 AND 2018, the economic impact of Laguna Seca Raceway has grown \$22.3 million in direct spending, from \$62.1 million to \$84.4 million, according to studies conducted by the California State University Monterey Bay in conjunction with Fairleigh Dickinson University.



SCRAMP + MONTEREY COUNTY + LAGUNA SECA

# A BOND BEYOND BUSINESS TOGETHER

The best custodian of the assets

SCRAMP and Laguna Seca are strongly bonded at a level beyond business interests, developing new opportunities for the County and its residents. As part of its charter, SCRAMP works to preserve and protect the natural landscape while balancing the need for enhanced race facilities.





**VALUES & PRIORITIES**

# A PROMISE TO ADHERE TO CORE VALUES

**COMMUNITY**

Our priority is exceeding all stakeholder expectations for event quality, racing experience, value and innovation.

**INTEGRITY IN ALL WE DO**

Integrity is the key to building strong relationships with partners, customers, suppliers, sponsors and our communities.

**CONTINUOUS IMPROVEMENT  
IN EVERY ASPECT OF  
OUR BUSINESS**

Implement and sustain safe, lean processes to drive out inefficiencies and improve productivity.

**INNOVATION FOR GROWTH**

Creative ideas developed, tested and implemented with speed assures we maintain a leading position in our category.

**BEST TALENT—ONE TEAM**

Our employees are dedicated, high-performing individuals with motorsports and event management backgrounds who know how to excel as a team.

**CONSTRUCT  
REVENUE-GENERATING  
FACILITIES**



A vision to understand  
which improvements and  
new facilities will generate  
the greatest ROI



VALUES & PRIORITIES

## PRESERVATION OF THE NATURAL SURROUNDINGS

Outside of the race-oriented facilities, the natural landscape shall be maintained by protection, preservation and enhancement



## DUAL OVERALL EVENT GOALS

Increasing corporate investment while keeping events family-friendly











# REVENUE GENERATION

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& EXPENSE REDUCTIONS  
[2020 - 2021]



2020-2021 TARGET

# REVENUE GENERATION & EXPENSE REDUCTIONS



ACTION	FACILITY PROFITABILITY	COUNTY BENEFIT	EXPERIENCE
<p><b>Maximize value</b> of track rental days by promoting access to OEMs and automotive start-ups (including Level 4 and 5 autonomous)</p>	<p>Generate the greatest possible ROI from every track rental day</p>	<p>Increase revenues to the County</p>	<p>Allocate days each quarter to OEMs and start-ups (return to inventory unsold days 30 days out to generate increased revenue opportunities)</p>
<p><b>Replace Dorna World Superbike event</b> with Motorcycle Festival</p>	<p>Reduced sanction fee: <b>-\$840,000</b>                      Increased sponsorship: <b>+\$100,000</b>                      Adjusted ticket sales: <b>-\$250,000</b>  <b>NET CHANGE</b>  <b>+\$690,000 improvement</b></p>		<p>Deliver a broad-based motorcycle event with racing, shows, swap meet to engage motorcycle enthusiasts</p>
<p><b>Shift operation and promotion</b> of Trans-Am Speed Fest and Ferrari Challenge events</p>	<p>Net Change \$130,000 in reduced expenses</p>	<p>Reduce County Raceway expenditure</p>	<p>Offer services such as ticketing and promotion on an à la carte basis</p>



OEMs from Honda to Tesla use the Raceway for testing

2020-2021 TARGET **REVENUE GENERATION & EXPENSE REDUCTIONS**

ACTION	FACILITY PROFITABILITY	COUNTY BENEFIT	EXPERIENCE
<p><b>Engage services</b> of a supplemental sponsorship agency to pursue non-endermic event and facility sponsors</p>	<p>Rolex Monterey Motorsports Reunion Presenting Sponsor +\$150,000</p> <p>IMSA Monterey SportsCar Championship Title Sponsor +\$200,000</p> <p>IndyCar Monterey Grand Prix Presenting Sponsor +\$175,000</p>	<p>Increase revenues to the County</p>	<p>With additional sponsorship, incremental improvements and facility upgrades to fan experiences can be made</p>
<p><b>Net increase in sponsorship revenues +\$525,000</b></p>			
<p><b>Expand partner categories</b> and naming rights opportunities to other areas of the circuit</p>	<p>Example: A new viewing platform at The Corkscrew, new deck outside Turn 9, paid through naming sponsorship</p>	<p>Increase revenues to the County</p>	<p>Provide new and improved viewing opportunities for hospitality</p>
<p><b>Redeployment of some Start/Finish Grandstands</b> which are underutilized in present location</p>	<p>Populate some current Start/Finish Grandstand locations with additional corporate sponsorship venues</p>	<p>Increase revenues to the County</p>	<p>Provide new and different viewing locations for fans and corporate sponsors</p>



More than 60,000 fans attended the return of IndyCar to the track



2020-2021 TARGET REVENUE GENERATION & EXPENSE REDUCTIONS

ACTION	FACILITY PROFITABILITY	COUNTY BENEFIT	EXPERIENCE
<p><b>Expand Ticket Sales Outreach</b></p>	<p>Establish list share and cross-marketing programs with other tracks (Long Beach, Portland, Indianapolis)</p>	<p>Drive more visitors to Monterey County, both during race events and in the off-season</p> <p>Increase revenues to the County</p>	<p>Increase Monterey County resident benefits, including Season pass</p> <p>Work with MCVCB and Monterey Airport to offer flight, hotel and ticket programs to fans of more distant tracks (esp. Midwest)</p>
<p><b>Kart Track Optimization</b></p>	<p>Increase season ticket outreach</p> <p>Establish outbound ticket sales process (in-house or outsourced)</p> <p>Create kart track in Lakebed parking similar to California Speedway to increase utilization, events</p>	<p>Encourage Monterey Bay Karters to relocate some events from Marina Airport to this facility</p> <p>Offer hands-on kart maintenance program for at-risk youths</p> <p>Increase revenues to the County</p>	<p>Offer to groups and conferences a 'real' karting experiences</p> <p>Offer league and Team Enduro events for area residents</p>
<p><b>Partner Marketing</b></p>	<p>Expand program with retail group to support event through their marketing in exchange for Friday tickets (i.e. Detroit Free Grand Prix Day)</p>	<p>Increase event awareness in the key Bay Area market</p> <p>Increase revenues to the County</p>	<p>Expand event awareness in the Bay Area</p>



Karting infrastructure can be used for local league events

2020-2021 TARGET REVENUE GENERATION & EXPENSE REDUCTIONS

ACTION	FACILITY PROFITABILITY	COUNTY BENEFIT	EXPERIENCE
<b>Community Services</b>	Stronger connection to the community	Elementary School Speed to Read program with IndyCar, ATeen Safe Driving Programs, and STEM, Auto Tech Events (all County-wide)  Bus transportation underwritten by SCRAMP	Connect the excitement and dedication present in motorsports to inspire education
<b>Community Outreach</b>	Stronger connection to the community	More events like blood drives (support those activities that benefit County residents)  Attendance and support of local festivals and events (booth, simulator, social media)	Recruit and train a bilingual promotional team who can present the Raceway to County residents at events
<b>On-site Water Treatment</b>	Introduce potable water supply to facility which will expand camping program	Demonstrates the County is water-wise	Can offer expanded hook-ups for RVs, camping, restrooms
<b>Valet Parking Infrastructure</b>	Sold as a premium	Provide essential potable water service to all event and campsite visitors	Offer alternative to far-off parking



High school students tour the IMSA paddock



2020-2021 TARGET REVENUE GENERATION & EXPENSE REDUCTIONS

ACTION	FACILITY PROFITABILITY	COUNTY BENEFIT	EXPERIENCE
<p><b>Non-automotive Events</b></p>	<p>Using Sea Otter as an example, seek events and activities similar, but in different segments, including events that attract a younger demographic, better market facilities to event planners, explore three-day lifestyle (music, culinary) festivals</p>	<p>County residents have access to additional entertainment options Increase revenues to the County</p>	<p>Opportunity to present facilities to a wider range of potential spectators</p>
<p><b>Refurbish and reconfigure existing Pit Row Suites</b></p>	<p>Increased revenue potential with upgrade pricing and expanded group opportunities</p>	<p>Increase revenues to the County</p>	<p>Better experience for corporate customers and their guests</p>
<p><b>Laguna Seca Merchandising</b></p>	<p>Licensing and branding Expand outreach to increase sales Partnership with Cannery Row/Wharf merchants</p>	<p>Increase revenues to the County</p>	<p>Access to area visitors who don't have the ability to (or know they can) visit the track</p>
<p><b>Proactively plan for track repaving</b></p>	<p>Target highest revenue opportunities for limited days</p>	<p>Maintain revenue stream from rentals</p>	<p>Smoothest transition for track users</p>



Sea Otter provides a blueprint for new events





# EXPANSION

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OF REVENUE-GENERATING FACILITIES  
[2022 - 2025]



2022-2025 TARGET

# EXPANSION OF REVENUE-GENERATING FACILITIES



ACTION	FACILITY PROFITABILITY	COUNTY BENEFIT	EXPERIENCE
Expand Existing Garages	<p>Accommodate larger number of series race teams</p> <p>Incremental income on race weekends, incremental income during track rentals</p>	Increase revenues to the County	Access to a greater number of garage spaces
Additional Suites Above	<p>Incremental revenue during race weekend</p> <p>Reduction in the cost of renting portable suites, convert to capital expense</p>	Increase revenues to the County	Meet the growing need for corporate hospitality



Expanded hospitality structure reduces rentals, generates revenue

2022-2025 TARGET EXPANSION OF REVENUE-GENERATING FACILITIES

ACTION	FACILITY PROFITABILITY	COUNTY BENEFIT	EXPERIENCE
<b>Additional Video Resources</b>	Create semi-permanent Jumbotron fixtures at key spectating areas	Increases spectator satisfaction and likelihood of returning	Better spectator experience
<b>Cash-free Technology</b>	Increases sales through onsite merchants. Attract new vendors, better retain existing vendors	Can provide a model for other County sites, uses	Reduce fee to vendors, take a cut of sales instead (creates partnership)
<b>Lakebed Development</b>	Improve underfoot area in vendor village, improve pond area with edging, semi-permanent stage platform	Improved lakebed area will provide for improved vendor and event facilities, increasing revenues	Better experience for spectators and non-automotive event participants
<b>County Welcome Center and parking area in conjunction with Highway 68 entry realignment</b>	Provides easy access on-site ticketing and will call in a permanent facility	<b>Provides a Welcome Center to visitors to Monterey County alongside a key thoroughfare</b>	Better experience for County visitors
<b>Campground development and expansion to better accommodate Class A motorhomes</b>	Incremental revenue during race weekends Greater utilization during non-race periods	Increase revenues to the County	Access to better camping facilities for County residents and premium RV visitors

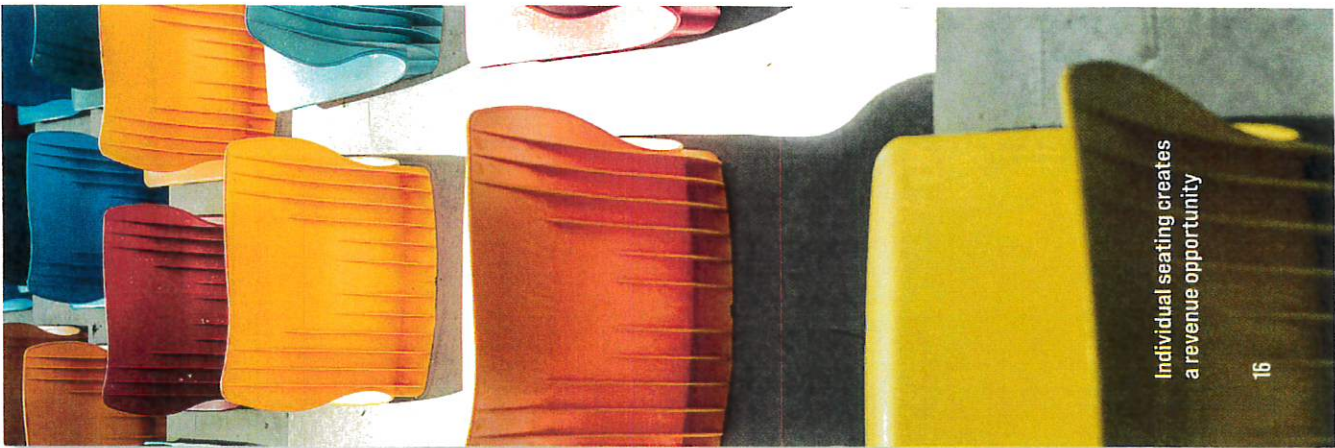
A Welcome Center provides information to County visitors, a park and ride lot for commuters, and an easily accessible location for ticketing and will call





2022-2025 TARGET EXPANSION OF REVENUE-GENERATING FACILITIES

ACTION	FACILITY PROFITABILITY	COUNTY BENEFIT	EXPERIENCE
<p><b>Permanent campground store</b> with showers, restrooms and laundry facilities</p>	<p>Necessary for future facility development</p>	<p>Increase revenues to the County</p>	<p>Create a better camping experience that justifies higher rates</p>
<p><b>Upgrade grandstands</b> with more premium individual seating, shade</p>	<p>Can sell reserved grandstand seating in key areas</p>	<p>Increase revenues to the County</p>	<p>More comfortable seats, better viewing opportunities, assigned seats they can come back to</p>
<p><b>Create a 'trailhead' for cyclists</b> above T9 camping (tie with existing restrooms and parking)</p>	<p>Become a center for recreational biking in the area, with the opportunity to rent the facility to manufacturers conducting private testing and consumer demo days</p>	<p>Expand the use of the facility to the community outside of motorsports</p>	<p>Access to a great trail system from a fully developed trailhead with needed facilities</p>
<p><b>Construct permanent karting facilities</b> to CIK (international) standards</p>	<p>Opens area for ongoing karting operations, major karting events</p>	<p>Increase revenues to the County</p>	<p>Local access to a world-class facility</p>



Individual seating creates a revenue opportunity





# WORLD CLASS

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FACILITIES  
[2022 - 2025]



2022-2025 TARGET

# WORLD-CLASS FACILITIES



ACTION	FACILITY PROFITABILITY	COUNTY BENEFIT	EXPERIENCE
<p><b>Construct new garages</b> across from pits for long-term year-round rental across from pits</p>	<p>Offer as rentals for classic car owners/vintage racers – incremental revenue</p>	<p>Increase revenues to the County</p>	<p>Improved experience for both professional race teams as well as track renters</p>
<p><b>Construct additional hospitality suites</b> above rental garages across from pits</p>	<p>Incremental revenue from both race weekends and rentals</p>	<p>Increase revenues to the County</p>	<p>Meets the growing needs of corporate hospitality</p>
<p><b>Construct Solar Infrastructure</b></p>	<p>Solar panel installation could feed power back into the grid and offset track energy consumption</p>	<p>Significantly reduce operating costs</p>	<p>Ability to power spectator and track-use EVs with green, solar power</p>
<p><b>Laguna Seca &amp; SCRAMP 65th Anniversary</b></p>	<p>Opportunity for incremental events, celebrations and souvenirs</p>	<p>Fan engagement</p>	<p>Milestone anniversary event</p>

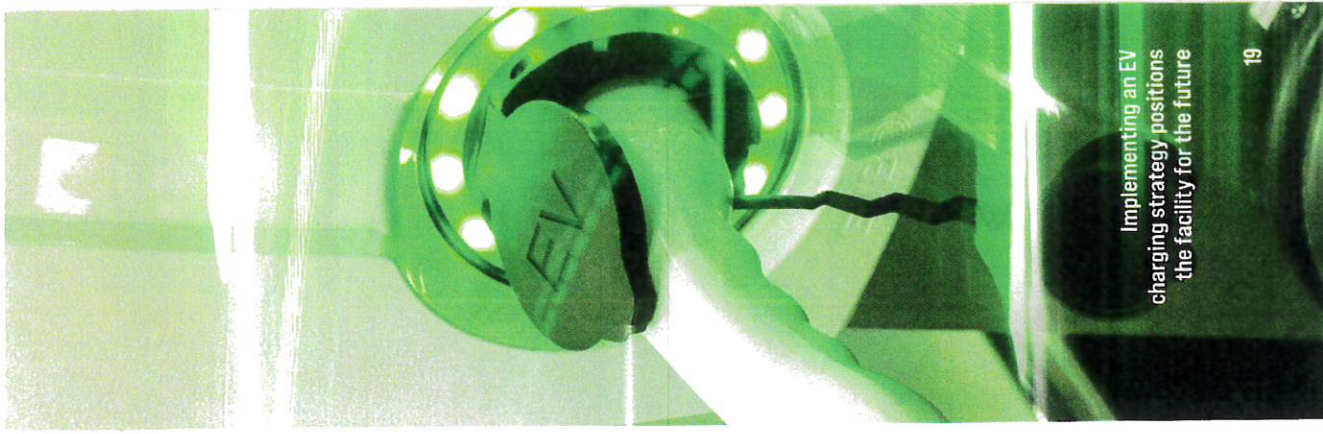


Solar infrastructure could reduce energy costs by \$100,000 or more

2022-2025 TARGET **WORLD-CLASS FACILITIES**

ACTION	FACILITY PROFITABILITY	COUNTY BENEFIT	EXPERIENCE
<p><b>Construct EV support facilities</b> for manufacturer testing and EV racing</p>	<p>Opens the opportunity to provide green power facilities for EV manufacturers and EV racing (eventually spectator events)</p>	<p>Increase revenues to the County</p>	<p>Ability to power EVs with green (solar) power</p>
<p><b>Develop relationships</b> with existing OEM outpost in Silicon Valley as well as start-ups to utilize expanded facilities at LSRA</p>	<p>Increased high-end rentals with little to no noise issues or community impact</p>	<p>Increase revenues to the County, leadership in green transportation technologies</p>	<p>Nearby facility for secure, private testing</p> <p>Ability to showcase technologies to an automotive-savvy audience</p>
<p><b>Construct "Main Street Laguna Seca"</b> complex in Paddock area</p>	<p>New Start/Finish bridge (ADA compliant) and Paddock Building</p> <p>Widen Pit Lane at Start/Finish bridge</p> <p>Welcome Center</p> <p>Meeting Rooms/Suites</p> <p>E-Sports</p> <p>Media Center/Conference facilities</p> <p>Expanded office space</p> <p>Expanded public restrooms</p>	<p>Create flexibility in design so that resources (like meeting rooms) can be reconfigured to revenue generating space</p> <p>Provide conference facilities for County use, rental to outside groups</p>	<p>Improved infrastructure</p>

Implementing an EV charging strategy positions the facility for the future





**2019 SUMMARY**



DATES	July 12-14	August 15-18	September 13-15	September 20-22
ATTENDANCE	67,687	71,191	37,966	67,464
TELEVISION (DOMESTIC)				
TELEVISION (INTERNATIONAL)	   		   	   
GLOBAL BROADCAST AUDIENCE	2,000,000	242,000	515,000	1,007,000

**CASE STUDIES**

**EXPANDING CORPORATE HOSPITALITY:** Understanding the shift in demand among corporations for greater onsite hospitality options, two measures were undertaken. The older hexagonal viewing tower near the start/finish bridge was removed and the television compound was relocated away from the Turn 4 'shelf'. The net result is the expansion of corporate hospitality sales, in the first year alone generating more than four times the cost of removing the tower and relocating the TV compound.

**SUITEONE:** Understanding the need for a higher-level experience for individual ticket buyers with a high personal net worth, SuiteOne was created to provide a super-premium race weekend package that included access unavailable to other ticket pairs. SuiteOne generated twice the revenue over what the suite would have been priced at for a corporate hospitality rental.



## 2020 OBJECTIVES

### KEY OBJECTIVES

**PROFITABILITY:** Through a combination of revenue enhancements using savvy marketing, ticket sales outreach activities, increased sponsorship and greater non-automotive use of the facility, in combination with targeted cost reductions, we believe that we can quickly return Laguna Seca Raceway to consistent profitability.

**EDUCATION:** There are several outreach programs planned, including an elementary school reading challenge, as well as STEM and Auto Tech programs, which we ran as a pilot this past year. We will also underwrite a school bus fund to make certain every school district in the County that wishes to visit the Raceway will have the opportunity to do so.

**RECREATION:** Undertake a rigorous program of continuous improvement to upgrade the facilities for both campers and day-users, including the ability to deliver potable water across the grounds. We will improve access for off-road cyclists to BLM lands by utilizing the existing facilities at the north side of the property.

**COMMUNITY:** We will redouble our efforts to reach out to all the residents of Monterey County, interacting with them at shows and events along with increasing opportunities to spectate at track events. We will continue to support community activities such as a blood drive in conjunction with American Red Cross.

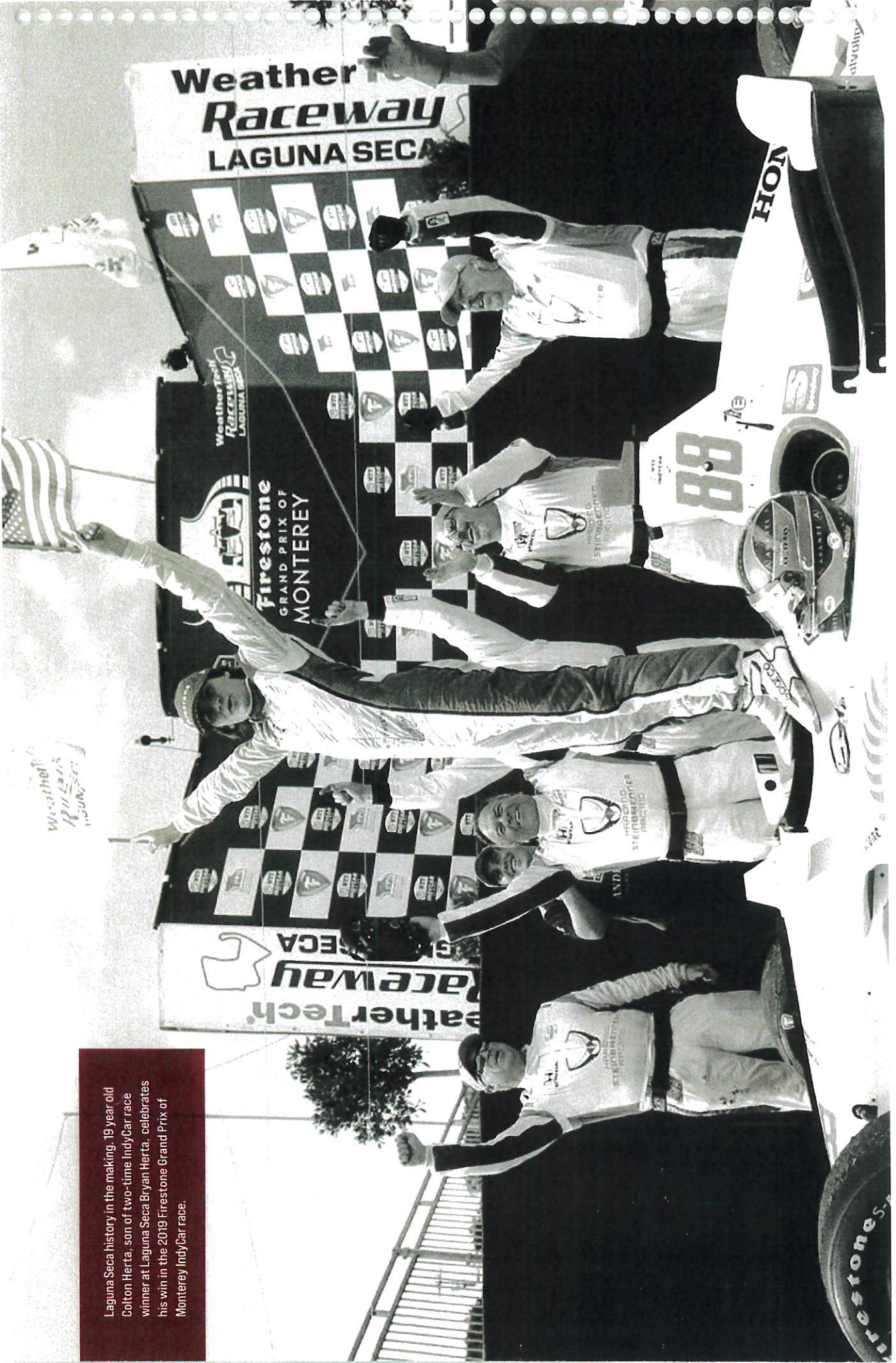
**EXPERIENCE:** Improve the experience of visiting the Laguna Seca Recreation Area for spectators, campers, facility renters, hikers and bicyclists through well-planned and executed improvements over the course of our agreement.

**TECHNOLOGY:** Our goal is to upgrade, in conjunction with the County, the technology infrastructure around the facility. These improvements include EV charging for spectators and site visitors, EV manufacturers using the track for testing, and the expanding EV racing world, as well as solar electrical generation to reduce both our footprint as well as our operating costs.





Laguna Seca history in the making, 19-year-old Colton Herta, son of two-time IndyCar race winner at Laguna Seca Bryan Herta, celebrates his win in the 2019 Firestone Grand Prix of Monterey IndyCar race.



# PROPOSAL

for

Management Contract  
for Laguna Seca Recreational Area and  
Weather Tech Raceway Laguna Seca

Submitted by:  
A&D Narigi Consulting, LLC  
October 29, 2019

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## Executive Summary

The contract for Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca would be between the County of Monterey and A&D Narigi Consulting, LLC. John V. Narigi would be the principle and sole responsible party acting as the General Manager for daily oversight and management of the real estate and all operations. Responsibilities as outlined in the agreement will be properly executed, while working closely with the County Board of Supervisors and County Representative.

Mr. Narigi has over 40 years' experience in the hospitality industry, covering all disciplines of the profession. Most recently, he was the Vice President and General Manager of the Monterey Plaza Hotel & Spa for over twenty-five years. While directing major renovations, operational and brand refreshes, he continually exceeded industry benchmarks relating to service and financial performance. Throughout his career, he has been successful in directing two hotels that achieved the Forbes 4-Star Standard of Excellence accreditation. He is known and respected for his entrepreneurial management style, with a foundation based on years of experience in the hospitality industry and a sound business sense. His ability to attract and retain qualified team members with expertise in the disciplines required for leadership positions is also highly regarded. Mr. Narigi's tenure during his professional career has taken him to Portland, OR, Oakland, CA, Kirkland, WA, and the Monterey Peninsula. His experience throughout his career has been operating privately owned hotels and restaurants.

Since arriving on the Peninsula, Mr. Narigi has served on numerous boards throughout the county supporting civic, hospitality and charitable organizations. He truly respects and appreciates the many volunteers and those who continually serve these organizations within our county. An individual's passion as it relates to community interests or non-profit organizations is critical and needed in our county. Several of the organizations in which he served selected him for a leadership role.

Mr. Narigi is passionate about racing and what Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca could become. Given his successful career in assuming underperforming hotel operations requiring the evaluation of the existing business model, determination of a revised strategy and implementation of such, speaks to his business experience and capabilities. His service to and involvement in the local community compliments the resume of A&D Narigi Consulting for consideration by the county to operate Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca. The success of Laguna Seca Recreational Area will be strengthened, maximizing its real estate while improving the relationship with the racing industry, fans, tourists and Monterey County. TOT and sales tax revenues generated from the events are substantial and will continue to improve, not to mention the positive public relations messaging generated worldwide from key events. In a survey conducted in 2018, 77.6% of the respondents stated that they would visit Monterey County at other times based on their experience while attending a race. The facility, however, must also operate in a professional manner meeting the performance expectations as required by the county.

## Operational Plan

Based on personal research and local conversations within the community, it appears Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca continues to struggle as it relates to being recognized as a sound business operation and meeting the annual performance expectations of the county. Given the beautiful real estate and world renown racing venue, A&D Narigi Consulting has the expertise to manage Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca at the expectations required by the Board of Supervisors and in accordance with the contract.

If awarded the contract, all current management and associates would be re-hired with existing benefits under A&D Narigi Consulting. The firm would be responsible for personnel administration relating to hiring, training, benefits, compensation and insurance pertaining to personnel and employees' activities. The fee is addressed in the term sheet. It is also the intent of A&D Narigi Consulting to work closely with the numerous proud volunteers and service organizations that have been associated with Weather Tech Raceway Laguna Seca, continuing their highly regarded reputation of providing services for races and other events.

Within the first 60 days, a business audit will be completed that will include financials, operational systems, accounting practices, standard operating procedures and personnel policies. Historical financial information as it relates to revenue producing activities, event data and supporting reports will be reviewed, including independent studies, audits and research completed in 2018-2019. A complete recap with findings will be documented. Corrective action to be taken will be noted in the 2020-2021 Business Plan that will be created.

With staff involvement, a mission statement will be developed with core values and goals for 2020, addressing the findings from the business audit. A sense of pride and ownership will be adopted by the team, which will promote a positive and productive business culture that will impact the annual performance results.

A review of the organizational structure and all leadership positions relating to established job descriptions will be completed. Through discussion, a clear understanding will be developed with current personnel regarding their key tasks and responsibilities. Structured weekly meetings with follow-up will be implemented.

The business model that is currently in place will be scrutinized with the intent of evaluating other models that potentially could achieve the annual performance expectations set by the County and A&D Narigi Consulting. This will be a critical exercise and a priority given the historical financial performance of the overall operation. It is evident that the historical business model is no longer conducive and unable to meet the annual expense demand of the recreational area. Revenues and operating expenses are out of balance and thus new and creative models representing additional revenue and potential cost reductions must be considered. The County, being the owner of the asset, will be involved as opportunities are presented. The current use permit will also need to be considered.

A deep dive into revenues and expenses based on 2019 results will be completed to determine areas for improvement relating to races, track rentals, events, the RV park and incremental revenues. The main objective of the above mentioned would be to improve gross revenue, operational margins and NOI annual results while elevating the guest experience.

A&D Narigi Consulting would immediately meet with all managers and staff to review upcoming races and business on the books for 2020. Major and minor sponsors and other potential firms would be evaluated for needed action with personal outreach to those secured. Working closely with the team, determination will be made on what action is required within 30 days to ensure a successful 2020 race and business season.

As stated earlier, volunteers are critical to the operation. A&D Narigi Consulting will meet with SCRAMP volunteer directors and event committee immediately, if awarded the contract. The objective would be to solidify the relationship with clear discussion regarding the roles of each organization (SCRAMP, A&D Narigi Consulting, and the County), promoting the need to work together as a team to provide outstanding service to our guests and clients. The intent would be to continue utilizing the services of SCRAMP volunteers, with potential standards developed in a cooperative manner as it relates to guest services and current responsibilities. Development of new and efficient operational systems that would positively impact the volunteer's responsibilities will also be a goal.

In cooperation with the County Representative, resolve the need for an integrated accounting/software system for all operations associated with Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca. Such an operating system is critical as it relates to establishing proper financial controls and accurate reporting.

In an effort to continue improving the Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca, a process would be implemented with the County Representative to create a capital improvement plan specifying the projects currently approved or previously recommended. The plan would cover a 3-5-year timeframe, allowing for proper planning, design, review and approval. Financial requirements would be determined timely so proper planning and scheduling of the project would not hinder the operation nor be an unexpected financial burden of Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca, nor the County. A robust preventive maintenance program will also be implemented to ensure the recreational area is maintained at the highest standard.

## Financial

The goal is to maintain existing revenue and develop plans to increase annual revenue in the range of \$19.5-\$20.0 million. The yearly race schedule and restrictions required by the permit regarding events will continue to limit the financial results. However, with financial controls implemented and a well-defined strategy to maximize all revenue sources, such as track rentals, RV overnight rentals, evaluation of all races from a business's perspective and a aggressive strategy to pursue additional sponsorships with a motivated passionate staff, the NOI margins should improve to a minimum 7-10%, based on the current business model. The above is not a guarantee, but an objective that will be a priority of the team in 2020. Increasing revenues and improving the NOI will be an annual priority. A business plan and budget will be developed annually.

Independent firms will be pursued and evaluated if their experience represents the ability to professionally provide a service to Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca that has the potential of improving guest or client services and/or annual financial results. In the business world today, several independent firms provide a menu of services that fit a specific need. Frequently, such firms are focused in select disciplines, thus being highly qualified in the services they offer. Given their experience, they normally can do it better and at a lower cost. Tasks such as personnel administration, event management, public relations etc., are just a few examples of what is available to enhance and improve business today. The focus of this effort would be to research what services could be provided by independent firms that would make a positive impact on the business. As mentioned earlier in this proposal, the current model does not appear to be working and thus it is the responsibility of the firm who is awarded the contact to review the operation from strictly a business perspective, without losing sight of its core business mission and evaluate options that potentially could improve the annual business results.

A quarterly report will be provided to the County Representative for review, based on specific topics of interest. The outline of the report will be developed in cooperation with the County Representative prior to finalizing the contract.



## Advisory Board

The Advisory Board would consist of individuals selected by A&D Narigi Consulting with expertise in specific disciplines such as; the race car industry/track operations, strategic planning, finance, construction, legal, and hospitality. Would also request representation from SCRAMP's volunteer board, (1) elected official from the County, (1) elected official from a Peninsula city, and the designated County Representative. The Advisory Board would consist of a total of 9 – 11 members.

## Future Objectives

- Expand track rentals to achieve a 65-70% occupancy level on usage.
- Maintain the number of race events annually as actualized in 2019. Determine additional events that require or would benefit from such a venue. Additional events will be a focus, as the need to increase annual revenue is critical.
- Review the ability to expand the Go-Kart component of the track to interest the youth and young adults as a recreational activity, or a means to attract interest for the racing professional; Potential classes offered for youths and recreational team competition.
- Utilize the venue during races and promote family activities outside of racing that would increase interest with females and children. Need to present a venue that is family-friendly with select activities relating to racing and other contemporary activities that are popular. Engage with independent contractors to provide activities once determined.
- Research available technological applications that allow racing to be viewed in real time, allowing the user the ability to interact with the driver and the excitement of experiencing actual racing. Would be popular with youth and young adults.
- Once the business operation is stabilized, begin to strategically plan an effort to attract the EV car industry i.e., select car manufacturers and Silicon Valley tech companies currently involved in the preliminary stages of developing the EV racing car to replace the combustible engine. Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca is the ideal location to develop a long-term relationship with auto industry leaders that would allow their firms to perform research and have access to onsite testing. The current world-renowned brand of Weather Tech Raceway Laguna Seca would attract capital investors with interested partners given the ideal site. It could become a new revenue stream for the County through potential long-term facility leases, while potentially attracting investors interested in building their research facility onsite.
- Prior to expanding business opportunities at Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca, a proper business pro-forma and analysis will be completed. Any major change in the businesses model or activities would be done in cooperation with Monterey County, up to and including an approval process, if required. Any new endeavors would also be reviewed as it relates to the current County permit.



**TERM SHEET**  
**Laguna Seca Recreational Area and**  
**Weather Tech Raceway Laguna Seca**

Terms: A&D Narigi Consulting LLC (Narigi)  
Laguna Seca Recreational Area/Weather Tech Raceway Laguna Seca  
Monterey County (MC)

**Narigi Employment and Employees**

Number of Employees: 30-35, not including independent contractors or county employees assigned to Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca, however it does include General Manager, John V. Narigi (General Manager).

Responsibility: Narigi responsible for the employment and daily management of employees as noted on the staff position page to be submitted by Narigi, if contract awarded. Direct payroll and overhead expense to be the responsibility of Narigi as noted in Exhibit A of existing contract. Expenses reimbursed by MC monthly, based on agreed amount.

**Office Area and Equipment**

Office space for General Manager and employees of Narigi will be provided by MC. All office, office equipment and related expenses will be the responsibility of MC. All structures and office equipment purchased by MC will be considered the property of MC.

Office equipment currently in use at the Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca site and, as replacement is needed, will be provided by and paid for by MC, utilizing MC approved process as defined.

**MC Employees**

CFO/Controller (CFO): MC will provide Narigi with a CFO/Controller level MC employee, at MC expense. The CFO will have experience in the required areas of accounting necessary to properly handle all specified duties associated with the accounting functions of Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca businesses, while adhering to all MC required reporting guidelines (as specified in the management agreement). Additional accounting personnel will be required but count to TBD.

Information Technology (IT): MC, at its expense, will provide needed IT personnel and support.

It is the understanding that all MC employee positions will be charged back against the monthly Gross Revenue of Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca. Annual salary and total expense of each position to be provided to Narigi during annual budget process for review and agreement between Narigi and MC.

Director of Sponsorship: MC shall hire, with consultation and cooperation from Narigi. The Director of Sponsorship shall be a direct report to Narigi. Narigi shall consult with MC regarding the Director of Sponsorship's duties and activities. The Director of Sponsorship's monthly expenses shall be charged back against Gross Revenue.

### Annual Business Plan

60 days prior to year-end, Narigi to submit to the County Representative annual business plan with budget.

### Accounting and Operational Systems

The MC accounting system for Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca, which is to be used by Narigi, shall be provided by MC.

Any revisions to operational and accounting systems and procedures shall be created by Narigi in cooperation with MC and the CFO. All controls and reporting systems shall follow approved accounting practices as noted in the management agreement.

### Liability Insurance

Narigi shall provide insurance as specified in Exhibit C of management agreement. Liability insurance is to be charged back against Gross Revenue.

### Term of Contract

The term of the contract shall be three (3) years with one three (3)-year option for renewal.

### Termination of Contract

Either party may terminate the management agreement, for cause, upon three months' written notice.



## Economic Terms

### **Start Up Deposit:**

Within three (3) days of commencement of the management agreement, MC shall deposit \$150,000 into Narigi's "Allowed Expense Account". The Allowed Expense Account shall be used for Narigi's Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca operational expenses. MC to review and approve the expenses based on proper documentation and will then deposit replacement funds into the Allowed Expense Account.

### **Management Fee:**

MC shall pay Narigi a monthly management fee of \$286,000 (to be paid in 12 equal monthly installments). The management fee shall pay all payroll and payroll overhead expense. During the term of the management agreement and any extensions, there shall be an annual cost of living increase (CPI) of at least 2.0%. The CPI shall be adjusted based on potential unanticipated increases to benefits and workers compensation insurance. The CPI shall be reviewed for adjustment annually by Narigi and MC.

### **Incentive Fee:**

MC shall pay Narigi an Incentive Fee of 20% based on Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca Net Operating Income (NOI). The Incentive Fee shall be paid at the end of each fiscal year prior to any capital expenditures associated with the facility or overall real estate, or capital projects. Definitive definition and calculation of the NOI amount to be defined in management agreement.

### **Vehicle:**

A vehicle for the General Manager, to be provided by a sponsoring organization for business and personal use, with all expenses covered, shall be allowed by MC.

### **Expenses/Gross Revenues:**

Unless otherwise specified in the term sheet, all expenses associated with the annual operation of Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca will be paid by gross revenues. Gross Revenues shall be all income earned, no matter the source, through the operations at Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca. Gross Revenues shall be calculated through the accounting services provided by MC.

### **Sponsorships:**

If Narigi actively secures a sponsorship, a percentage of the sponsorship payment will be paid to Narigi. Sponsorship procurement procedures shall be created by Narigi and approved by MC. Percentage payment to Narigi will be agreed to by Narigi and MC prior to the commencement of the management agreement.

## Liability and Hold Harmless

Narigi to be held harmless by MC from any loss not caused by Narigi gross negligence.  
Narigi to be held harmless by MC for any financial liabilities associated with the Laguna Seca Recreational Area and Weather Tech Raceway Laguna Seca or past operator's business practices.

## GENERAL MANAGER

*Hands-On Operator Building Value, Reputation for Excellence, and Profitability Across Properties that Beats Competition*

### VALUE OFFERED:

- People activator and open communicator who hires top talent to precisely fit roles while building efficient, high-synergy teams; proponent of strong succession planning and mentoring.
- Drives optimized financial performance by engaging team leaders in participating in budgeting processes and uncovering opportunities for ways to increase RevPAR, cut expenses without compromising quality, and improving operational margins including profit.
- Strategic thinker with ability to envision new ways of building competitive advantages that set properties apart from competition using added value, unparalleled quality, and superior service.

### PROPERTY LEADERSHIP:

Revenue and Profit Growth | Efficiency | Top Performing Teams | Exceptional Guest Service | Cost Containment | Optimum RevPAR and ADRs | Community Leadership | Staff Training | Operations | Marketing | Sales | Food & Beverage | Spa

### NOTABLE ACHIEVEMENTS:

**Monthly Columnist**, "Between the Sheets," *Monterey County Herald* (hospitality feature) (2014–2018)  
**Best Hotel in Monterey County**, Monterey Plaza Hotel and Spa, *Monterey Herald* Readers' Choice Awards (2018)  
**Citizen of the Year**, Monterey Peninsula Chamber of Commerce (2017)  
**Monterey Business Hall of Fame**, Junior Achievement of Northern California (2012)

*"The pace and trajectory of my career accelerated significantly when I started working with John and I would not be where I am today if it wasn't for his leadership, philosophy and mentoring. John Narigi is the best hotel operator that I have ever worked with!"*

- Doug Phillips, General Manager, Monterey Conference Center

## HOSPITALITY LEADERSHIP

### JVNARIGI CONSULTING – MONTEREY, CA

Hospitality Leadership Consultant | 6/2019–current

**Executive Snapshot:** Launched boutique consulting firm providing advice on improving / enhancing hospitality business operational leadership. Landed two hotel contracts with specific emphasis on developing recommendations on building up efficiency and revenue growth.



### MONTEREY PLAZA HOTEL AND SPA – MONTEREY, CA

Vice President and General Manager | 10/1993–5/2019

**Executive Snapshot:** Recruited to 290-room luxury property based on reputation for driving monumental hotel profitability turnarounds. Oversaw \$44 million in annual sales, supervised 31-person management team (with 413 employees), 4 food and beverage outlets, 5 retail tenants (shops), 16,500 s.f. meeting space (interior) and 20,000 s.f. exterior, and 11,000 s.f. full-service European spa at facility encompassing 4 acres and 5 buildings. Handled all daily operations encompassing sales, marketing, catering, food and beverage, maintenance, rooms, housekeeping, meetings, spa, retail, as well as P&L, capital planning, budgeting, business plans, goal setting, customer service, revenue management, reporting to ownership and executives, KPIs / performance management.

**Achieved Mobil / Forbes 4-Star Accreditation**

**Ranked #1 on TripAdvisor in City of Monterey for 10 straight years**

**Rated AAA 4-Diamond Property Distinction**

**Voted "Best Hotel in Monterey County," Monterey Herald Reader's Choice Awards (2019)**

**Voted "Business of the Year," Monterey Peninsula Chamber of Commerce (2017)**

**Winner, Monterey County Hospitality Association "Competition Day" past 10 out of 14 consecutive years**

**Delivered 15% surge in new booked business within Y1** after rebuilding entire management team and organizational chart; added new departments, refined existing divisions, and hired top-performing talent.

- **Doubled property revenues to achieve \$46 million / year;** won exception from California Coastal Commission to hold private hotel events on outdoor plaza which added 15,000 s.f. in exterior oceanside function space.



- **Added \$14.5 million in new food and beverage revenues / year** by transforming floundering lounge into sought-after dining destination promoting sustainable seafood and local farmers and by opening specialty coffee house, and expanding catering and banquets.
- **Broke up labor picket line and unionizing activities by hiring consultants specializing in union activity;** formulated plan that cultivated employee loyalty and built retention by immediately addressing salary or work-related issues.
- **Engineered market reposition for property** by adding 4 new luxury suites generating 55-60% occupancy rate at \$1,200+ / night and building out new Vista Blue Spa which is projected to deliver \$2.3-2.4 million in revenues in 2019.
- **Spearheaded \$80 million in annual capital and major renovation projects** while maintaining consistent high-level product and service standards, leading to property retaining top consumer ratings.
- **Produced positive cash flows to achieve 33% gross operating margins** despite navigating property through 4-year recession; cut costs 30% to scale to meet 20% revenue drop to keep hotel in black.
- **Hit staff attrition goals to include hourly (14.3%), management (20%) with 17.2% property-wide average;** earned 89% staff satisfaction levels by standardizing training, coaching management, and adding staff-driven committees.
- **Earned coveted certified Forbes 4-Star property ranking 9 years running and #1 on TripAdvisor for 10 years** after setting bar with SOPs aimed at empowering and activating employees to have ownership in property success.
- **Positioned property to meet needs of future guests by leading complete rebrand to “Refreshingly Classic”** that has been integrated throughout entire property and all associated marketing materials.

#### **ADDITIONAL BACKGROUND:**

Previous employment as General Manager recruited to Woodmark Hotel at Carillon Point (Kirkland, WA); earned reputation as turnaround expert after leading property transformation from underperforming hotel to high-end boutique destination facility. Won Mobil Four Star accreditation within 1 year. Recalibrated property organizational structure and business plan, which expanded food & beverage division to 40% of property’s annual gross revenue. Added restaurant and expanded catering and conference services to exceed profitability expectations and outperform regional competitors. Upon departure, hotel had achieved highest room rates and occupancy levels within Seattle market.

#### **EDUCATION**

Gonzaga University – Spokane, WA

***Bachelor of Business Administration (B.B.A.) in Personnel and Organizational Management***

#### **Professional Development:**

*“The Power of Moments,”* Chip Heath, (2019)

*“Trends in Labor Law,”* Jeanine Debacker, Attorney (2017–2019)

*“Emergency Preparedness & Safety,”* Uretsky Security (2018–2019)

*“Barriers to Communications in a Hyper Speed World,”* Ed Smith, Consultant (2017)

*“Mindfulness and Its Impact on Stress Reduction, Resilience and Well-Being,”* Wisdom Labs (2017)

*“Marketing Meaningful Connections,”* Mark Scharenbroich (2016)

#### **AFFILIATIONS / INVOLVEMENT**

**Chairman,** Anthony Narigi Memorial Fund – Monterey, CA (current)

**Past Chair / Board Member,** Rancho Cielo Youth Campus – Salinas, CA (current)

**Past Chair, Treasurer,** Monterey County Hospitality Association – Carmel, CA (current)

**Founder, Past Chair,** Coalition of Peninsula Businesses – Carmel, CA (current)

**Co-Chair,** Rancho Cielo Culinary Round-Up – Salinas, CA (current)

**PROPOSAL**  
FOR  
**THE OPERATION & MANAGEMENT**  
OF  
**LAGUNA SECA RECREATION AREA**

**CONTENTS**

- SECTION 1. Transmittal Letter.
- SECTION 2. Resume's and Motor Sports Management Experience.
- SECTION 3. Proposal for The Operation and Management of Laguna Seca Recreational Area.
- SECTION 4. Proposal for Executive Oversight and Forward Planning.

# **LAGUNA SECA MANAGEMENT LLC**

**500, Pacific Coast Highway, Suite 210A**

**Seal Beach, Ca. 90740.**

October 29<sup>th</sup>, 2019

Monterey County Administrative Office  
Attn: Mr. Dewayne Woods  
168, W. Alisal Street – 3<sup>rd</sup>. Floor  
Salinas, Ca.93901

Dear Mr. Woods:

The attached proposals are submitted in response to the Notice published by the County of Monterey on Tuesday, October 15<sup>th</sup>, 2019 seeking “Proposals For Management of Laguna Seca Recreational Area” – LSRA – including WeatherTech Raceway Laguna Seca – WTRLS.

Significant parts of our proposals are based upon certain assumptions primarily gained from the Profit and Loss Statements generated for calendar years 2017 and 2018; such assumptions indicate that there is a lack of a Business Management Plan at WTRLS and, in all probability, a lack of any Short, Medium and Long Term Strategic Plans for both WTRLS and LSRA.

Since WTRLS is an integral part of LSRA, and vice-versa, it is critical to a successful business outcome, both fiscal and operational, that both exercises are completed as quickly and efficiently as possible and hopefully by September 30<sup>th</sup>, 2020 at the latest. In the meantime an Interim Business Management/Protocol Plan would be implemented in order to clearly identify and manage revenues and expenses on the various revenue ‘generators’ – Major Spectator Events, Testing, Camping, Medium and Small Spectator Events, Sponsorships and Souvenirs/Concessions.

Simultaneously with the implementation of the Interim Business Management/Protocol Plan would be the introduction of a standard accounting system/GAAP that would provide for Monthly Profit and Loss Statements and an Audited Year End Statement, all of which would be provided to the County in a formal and informal reporting basis, the details of which would be agreed upon with the County. Additionally of concern to us is the level of disciplined protocols in the actual operation of the racing circuit itself; those will also require careful scrutiny.

Once the Strategic Planning process has been completed and submitted to the County for their approval and/or changes as deemed necessary, a Revised Business Management Plan would be adopted and implemented.

**Laguna Seca Management LLC is a registered California Limited Liability Company.**



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It would be our intent to retain as many of the current SCRAMP staff as possible at the outset of the proposed Agreement covered by these proposals; the objective being to maintain as much continuity and stability as possible while evaluating them and their ability to adopt and accept the interim Business Management Plan/Protocols. Of importance however will be to change the internal 'Management Culture' which currently appears to lack discipline and any sense of urgency to correct apparently known deficiencies.

We would not, however, retain SCRAMP's current CEO and would replace him with Michael A. Nealy, whose resume is attached. Mr. Nealy brings not only a wealth of experience in the event business, but also years of promotional and operational knowledge in the motor sports field; he has also been recognized for his skills in working in and with the Public Sector as well as with local communities.

Mr. Nealy would take up residence in Monterey County and be responsible for the day to day Management and Operations of WTRLS, reporting to the appointed representative of Monterey County and to the Executive Committee of Laguna Seca Management LLC. – LSM.

Should, during the transition from the existing Management Company, SCRAMP, to the new Management Company, LSM LLC, certain key employees decide not to make the transition, LSM LLC wishes to assure the County that it has the ability to replace any key employee either from within LSM LLC itself, or from a pool of experienced 'Consultant Employees' well known to LSM LLC and available for short term hire.

In the event that the County sees fit to accept our proposals and cease its' relationship with SCRAMP, we will make every effort to keep certain 'human assets' of SCRAMP involved with WTRLS. Of particular importance would be the volunteer programs being provided to SCRAMP by various Monterey County non-profit organizations. These we believe to be of value to WTRLS and the County and therefore will be maintained and probably increased. Finally, an orderly transfer of Management from SCRAMP to LSM LLC and the development of an ongoing restructured relationship with SCRAMP would be a priority for LSM LLC.

We would also like to point out to the County that our Proposals not only provide for an experienced COO and Manager for WTRLS, but also an experienced and knowledgeable ongoing Executive Oversight Committee whose responsibility it would be to not only undertake the analysis of the current business activities, but also the research and development of the Interim Business Management/Protocol Plan for WTRLS, as well as the Long Term, Medium Term and Short Term Strategic Plans for both LSRA and WTRLS.

Additionally, and while not a critical piece of the puzzle, we believe it important, while creating a long term Master Strategic Plan, to look at the various non-motor sports recreational opportunities that could be implemented at LSRA for the benefit of all the residents of Monterey County.

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Over the past 20 years, Road Racing Circuits across the United States, that relied upon high profile Professional Motor Sports Events to generate substantial revenues and profits, have realized in many cases that those reliances are no longer possible and changes had to be made. Within our proposal is the undertaking to identify changes necessary to return WTRLS to fiscal and operational viability and identify new or alternative sources of revenue for WTRLS in the event that certain Major Spectator Events are financially underperforming.

Finally, we would like to emphasize to the County how important we believe it is to have a “structured” Business Plan and Protocols for WTRLS as well as a defined Strategic Plan for both LSRA and WTRLS; without a good “Road Map” and internal “Structure”, it is not possible to efficiently maximize the Laguna Seca brand and deliver the anticipated positive results and new revenues to the County of Monterey.

To achieve this, it is going to take an extensive analysis of the past two or three years of operational activities at LSR, as well as taking into consideration, not only the residential changes in the Highway 68 Corridor, but also those changes that the Motor Sports Industry in the United States has undergone over the past 15 years and is continuing to undergo. In addition, there is an imperative need to build a positive working relationship with both the Residential, Business/Hospitality and adjacent Public Sector Communities of the County.

Laguna Seca is a valuable automotive sports and recreational brand, located in the very unique and value added destination of the Monterey Peninsula, all adjacent to one of the most recognized Technology Centers of the World – ‘Silicon Valley’ and the substantial Greater San Francisco Market. All these assets need to be taken into consideration when developing the Strategic Plans that will yield the positive – economic and social - results to Monterey County, **however the first order of priority will be stabilization and disciplined management.**

We THANK YOU for this opportunity to submit our Proposals in response to your request of October 15<sup>th</sup>. 2019.

Very truly yours,

Christopher R. Pook  
Chairman and CEO  
LAGUNA SECA MANAGEMENT LLC.

## **Motor Sports Venue Management:**

### Christopher R. Pook.

As the CEO of the Grand Prix Association of Long Beach, Inc. – (Nasdaq: GPALB) for 26 years, he was responsible for annual operating revenues in excess of \$28 Million; in addition he was responsible for the construction/renovating of two new multi-purpose circuits with construction budgets of \$30 Million and \$16 Million respectively. He managed a full time staff of 40 people, which increased to over 60 as seasonal personnel were added, plus more than 500 volunteers. He negotiated all the Sanction Agreements with all the major motor sports sanctioning bodies.

Through wholly owned subsidiaries of GPALB, he managed consulting agreements with Cities and Motor Sports Venues throughout the United States for event operating services and marketing and promotion services. One of those contracts was with the current Laguna Seca Concessionaire, SCRAMP, where GPALB subsidiary, Creative Promotion Services, was retained in 1992 to write and implement a complete sponsorship solicitation plan, as well as writing a job description for a new CEO. Within 24 months, sponsorship was built from \$385,000.00 annually to \$3.5 Million. A new CEO was recruited and hired and the operations at Laguna Seca were returned to profitability. It is interesting to note that after 2 years, that CEO was hired away by the Penske Organization and today is the CEO of the Sanctioning Body, International Motor Sports Association.

In addition, Mr. Pook's company was hired by the racing series, American Racing Series, a supporting series to the Indy Car Series, to re-position and rebrand the series; sponsorship was taken from \$1.5 million to \$5 million, a new national television contract was negotiated, an ongoing media and public relations program managed and put in place and the series was renamed/rebranded "Indy Lights" and, the Firestone Tire Company was brought back to single seater racing after a 25 year absence! Indy Lights continues to this day as a support series to the Indy Car Championship.

In 1982, GPALB formed another subsidiary, Grand Prix Teleproductions, which produced the 1982 Formula 1 Grand Prix for the NBC Network; in addition and under contract to Toyota Motor Sales USA, the subsidiary produced and placed the television coverage of the annual Toyota Pro-Celebrity race at Long Beach and the 15 race Toyota Atlantic Series, another support series to the Indy Car Championship, on Network Television.

As the CEO of Championship Auto Racing Teams, Inc. – (NYSE:CART) he was responsible for annual operating budgets in excess of \$80 million and 36 full time employees plus a further 150 part time employees. As the CEO of a major Sanctioning Body, his responsibilities included all those of a Public Company's CEO plus the management of 7 Departmental Vice Presidents who ran the day to day business of the Sanctioning Body. Additionally the duties included negotiating Sanction Agreements with 21 different racing venues in the United States, Canada, Australia and Mexico, and representation of the Sanctioning Body at all the motor sports regulatory meetings, domestic and international. For further details of Mr. Pook's motor sports management expertise, please refer to his reume.



Michael A. Nealy:

As the CEO of Global Events Group, he was responsible for the management of a multi-faceted advertising and promotional events company with annual sales over \$20 Million and a full time workforce of 35 employees plus a further 40 seasonal personnel and over 300 volunteers. Mr. Nealy's ability to manage a large motor sports venue is demonstrated by his experience at Portland International Raceway; his ability to manage large venues and crowds is demonstrated by his ability to manage the Reverend Palau's Christian Music Festivals.

An additional strength that Mr. Nealy possesses is his ability to work with volunteers, his ability to work in the Public Sector in a Public/Private Partnership and his demonstrated fund raising ability for the non-profits. The fact that large corporations such as Nike, Freightliner, Rainier Brewing and others, trusted their employee and brand promotional events to Global Events Group clearly speaks to the performance and execution levels to which Mr. Nealy's company operated. For further information on Mr. Nealy's "Relevant Experience", please refer to Mr. Nealy's resume.

## CHRISTOPHER R. POOK

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**Education:**

**Boarding Schools:**

Pre-Preparatory –  
Moyles Court 1947-1950

**Preparatory:**

Durston Court 1950-1954

**Public School:**

Sherborne 1954-1958

**University:**

La Sorbonne – 1958-1961

**Immigration:**

Immigrated to the United  
States – May 7<sup>th</sup>, 1963

Born in England, he is responsible for the creation of the annual Grand Prix of Long Beach, the first modern era "Street Race" in the USA, now in its 42<sup>nd</sup> year. He created "Street Races" Las Vegas, NV, Dallas, TX., Meadowlands, N.J., Denver, CO, Del Mar, CA and St. Petersburg, FL. In addition, he built permanent multi-purpose motor sports facilities in St. Louis, MO and Memphis, TN – at each of his venues, he created Public/Private Partnerships delivering substantial positive economic impacts and publicity to the respective host cities and the region they served.

On the regulatory side of motor sports, he has served on the FIA's (Federation International de L'Automobile) Formula 1 Commission, the ACCUS (Automobile Competition Committee of the United States) and has represented the (Federation International du Motocyclisme) World SuperBike Series.

As a Consultant, he has been retained by numerous cities across the country in their evaluation of motor sports events and venues.

**Employment/Corporate Experience:**

U.S. Government 7/63-9/64

President/CEO Hollywood Tours, Inc. 10/64-7/68

Travel Industry Consultant 9/68-7/73

Founder, President/CEO Grand Prix Association of Long Beach, Inc. (GPALB:Nasdaq) 7/73-12/2001

President/CEO Championship Auto Racing Teams, Inc. (CART:NYSE) 1/02-12/04

Motor Sports Advisor/Consultant 1/05 to present.

**Michael A. Nealy**  
**Chief Operating Officer**  
**Laguna Seca Management, LLC.**

Michael A. Nealy, a native of Michigan, currently living in Portland, comes from the Advertising and Public Relations industry, where he operated a high profile and very successful agency focused on the film and music industry.

In 1984, he established the Global Events Group to focus on event marketing and soon became the single largest independent event marketing group in the Pacific Northwest. One of his first assignments was to bring Indy Car racing to Portland in association with the annual Portland Rose Festival, a relationship that continued for 24 years, at Portland International Raceway, a facility owned and operated by the Parks Department of the City of Portland.

Consistent with his commitment to the City of Portland, he opened up the Pacific Northwest market region to other segments of motor sports; first the Norm Thompson Historic Races, followed by the International Motor Sports Association GT and American Le Mans Series – now IMSA Weathertech series – races. It is interesting to note that for three years Mr. Nealy promoted and operated the IMSA GT Series at Laguna Seca!

In the late eighties, with the motor sports operations still growing, Mr. Nealy's company started to promote and operate various other festivals in the Pacific Northwest – Rainier Brewing Company's "Mt. Freshival" series, the Oregon Summer Jam, Mt. Hood Jazz Festival, Oktoberfest, the Portland Rose Festival Air Show and the Winter Wonderland Holiday Light Show.

By 1995, Mr. Nealy had been contracted by the Reverend Luis Palau to take his Christian Music Festivals nationwide, responsible for every promotional, permitting and operational aspect of the events, that drew crowds from 25,000 to 250,000! All these in addition to numerous corporate and association sponsored events – Nike, Freightliner, Harley Davidson, Multnomah Athletic Club, City of Portland among others.

With the downturn in the economy in 2008, Mr. Nealy downsized his event operating company and returned to his original work in the motion picture industry where he currently presides promoting and placing documentary style productions with the Networks.

Mr. Nealy's motor sports experience, his corporate disciplines and experiences, his work with volunteer organizations and his Public/Private Partnership working relationships in the Pacific Northwest, as well as his personal working knowledge of Laguna Seca, make him an ideal candidate for the position of Chief Operating Officer of Laguna Seca Management, LLC.



## RICHARD J. FOSTER, ESQ.

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**Education**  
Bachelor of Arts  
California State U. at  
Long Beach

Master's Degree in  
Public Administration  
University of Southern  
California

Juris Doctor Degree  
Loyola Law School-Los  
Angeles

**Affiliations**  
American Bar Assoc.

State Bar of California

Board Member-Los  
Angeles Sports Council

Mediation Panel-  
Tribunal Arbitral du  
Sport (Court of  
Arbitration for Sport)

Mr. Foster has over three decades of experience maintaining a litigation and transactional practice representing individuals, sports personalities and business entities in matters involving contracts, licensing, risk management, unfair competition, wrongful termination, sexual harassment, employment discrimination, and commercial real property disputes. Mr. Foster also maintains an active "Sports Law" practice representing Olympic champions such as Mark Spitz, Janet Evans, Amanda Beard, Phil Dalhauser, Dara Torres, Rowdy Gaines, Nastia Liukin, Misty May-Treanor and others.

For fourteen years, Mr. Foster has taught the Sports Law and Ethics class for the Master's program in Sports Management at California State University at Long Beach.

In 2008, Rich wrote and published the biography of Olympic Champion, Mark Spitz, entitled *Mark Spitz: The Incredible Life of an Olympic Champion*. (Santa Monica Press).

Mr. Foster has been a high level volunteer in the aquatic sports for several decades. He is a past Board Member of the United States Olympic Committee and served as the President of USA Water Polo for 12 years. Mr. Foster recently served as the Vice-Chair of the FINA water polo committee, which presided over the men's and women's water polo competitions at the 2011 World Championships in Shanghai and the 2012 Olympic Games in London. He is also a past President of United States Aquatic Sports and was the chair of the 2004 Olympic Swim Trials in Long Beach.

Mr. Foster is currently the Vice President and General Counsel for World Automobile Championships of California. In that position, Mr. Foster has negotiated agreements with municipalities, sports venues and others in contemplation of promoting automobile races in the United States.

## PHIL T. HESTER



### EDUCATION

Bachelor of Arts

North Carolina State  
University

Masters of Parks and  
Recreation  
Administration/Business

University of North  
Carolina

### PROFESSIONAL AFFILIATIONS

National Recreation  
and Parks Association

California Parks and  
Recreation Society

Virginia Parks and  
Recreation Society-  
Life Member

American Academy of  
Park and Recreation  
Administration - Life  
Member

Phil T. Hester recently retired from the City of Long Beach as Director of the Parks, Recreation and Marine Department, with over 40 years of parks and recreation experience and service.

He started his professional career in the City of Danville, Virginia as City Athletic Director. He was promoted to Assistant Director, and ultimately he became the Director of Parks and Recreation for the City. He then took the position of Assistant Director for the Raleigh, North Carolina, Parks and Recreation Department. He became a State Recreation Consultant with the Commonwealth of Virginia and became Chief of the new State Office of Recreation. During his tenure, over 85 new parks and recreation departments were established throughout the state.

Mr. Hester became the first Director of Parks and Recreation for Chesterfield County, Virginia, which was, at the time, the fastest growing County in the nation. While Director, the department was selected as the Best Operated Parks and Recreation Departments in the nation, by the National Association of Parks and Recreation Executives.

In 1986, Mr. Hester accepted a position as Assistant Director of the Los Angeles County Parks and Recreation Department, one of the largest parks and recreation agencies in the nation. In 1988, he became Manager of Parks and Development in Long Beach, California, the second largest city in Los Angeles County. He was promoted to Director of Parks, Recreation and Marine in 1991. During his tenure, the department was recognized as a Gold Medal winner, four (4) different times, by the National Recreation and Park Association, as the best parks and recreation department in the nation. Also during his tenure, the number of parks nearly tripled, from 60 parks to over 185 parks.

He is actively involved in numerous local organizations, including the Conservation Corp of Long Beach (President); Campfire USA (Board member); Run Racing, Inc. (Board member); Ukleja Center for Ethical Leadership at Long Beach State University (Board member); and others.



## Thomas Bussa

Retired Partner, Ernst & Young LLP  
2951 Brimhall Drive, Los Alamitos, CA 90720  
+1.562.338.7447 [Tom2951@me.com](mailto:Tom2951@me.com)

Tom built and led a global risk consulting practice with revenue in excess of \$1 billion. He is a *proven business builder* and *problem solver* focused on getting to the right business decision.

Tom retired from Ernst & Young LLP after 38 years in public accounting, with 20 years of audit and 18 years of consulting experience. Tom served companies registered with the SEC, companies publicly registered in other major global capital markets, and *Business Week* Global 1000 clients. He held regional, Americas, and global service line leadership positions and served as a member of the Assurance and Advisory Business Services Executive Committee at the Americas and global levels. Tom also led and participated in Americas and global special projects related to quality and risk management.

In addition to currently serving on several non-profit Boards, Tom serves as an advisor to the Managing Partner of a venture capital firm, Enauto Ventures, LLC, serving as Venture Partner and a member of the Investment Committee. The firm invests in companies that use data and artificial intelligence to enhance the daily human experience.

**Proven Business Builder** – Tom led the development of Ernst & Young's Business Risk Services global practice, with significant expansion of services and marketshare in the *Fortune* 1000 and *Business Week* Global 1000. Under his leadership, the practice grew from approximately \$100 million to more than \$1 billion in revenue and approximately 50% marketshare in five years. This outstanding growth was accelerated by Tom's collaborative leadership style and problem-solving abilities which allowed for successful achievement of individual and team goals and metrics. Tom built an outstanding global leadership team and together with this team, developed and achieved the Practice's global strategic plan 2 years ahead of schedule, implemented consistent global infrastructure to support sales growth and service quality, and integrated acquired businesses.

**Risk Insights from a Business Achievement Perspective** – Tom is an expert in enterprise risk management and internal audit. He has delivered risk-based services to many *Business Week* Global 1000 and *Russell 1500* companies, including assessing enterprise-level risk functions and developing and implementing risk assessment processes, ERM frameworks, and internal audit plans. Tom developed detailed monitoring and mitigation projects in the areas of information technology, strategic initiatives, operations, compliance, financial and accounting processes and activities, and special projects. These activities included serving as a liaison and reporting to senior management, Audit Committees and Boards of Directors. Tom served on the Institute of Internal Auditors' Internal Audit Standards Board and the Research Foundation Board of Trustees. He is a member of the Institute of Internal Auditors and has a Certification in Risk Management Assurance. Tom has expertise in top-of-mind risk areas including digital, cybersecurity, large project failure, and culture change.

**Financial Expertise** – Tom's experience meets the financial expert criteria of the SEC and major stock exchanges. He is a Certified Public Accountant licensed in California and a Chartered Global Management Accountant. Tom is a member of the America Institute of Certified Public Accountants and California Society of Certified Public Accountants. Tom has a Bachelor of Science degree in accountancy from the University of Illinois.

**Industry Expertise** – Tom has worked in the aerospace and defense, automotive (sales and marketing), consumer products (retail, electronics, and apparel), engineering services, manufacturing (light and heavy), oil and gas, transportation and logistics, waste management, and service-related industries.

**Board Experience Through Social and Civic Involvement** – Tom has an active history of Board experience through non-profit involvement. Leadership and social involvement activities include U.S. Junior Chamber of Commerce, National President (1983-84), United Way SoCal Region Board of Directors, Long Beach Symphony Association Board of Directors, Executive Committee and Audit Committee Chair, Grand Prix Foundation of Long Beach Board of Directors, Casa Youth Shelter Board of Directors, Treasurer, and Finance Committee Chair (current) and the U.S. Jaycees Foundation Board of Directors and Investment Committee Chair (current). Civic and business involvement includes Long Beach Area Chamber of Commerce Board of Directors, Executive Committee and Chair, City of Long Beach, California Economic Development Commission Member and Chair, and City of Long Beach, Naval Shipyard Re-Use Committee Vice Chair.

Current memberships include National Association of Corporate Directors, Forum for Corporate Directors, and Corporate Directors Roundtable of Orange County.



# **PROPOSAL FOR THE OPERATION AND MANAGEMENT OF LAGUNA SECA RECREATION AREA**

## **PREFACE:**

This Proposal is based upon the document entitled 'AGREEMENT for the OPERATION and MANAGEMENT of the LAGUNA SECA RECREATION AREA between THE COUNTY OF MONTEREY and SPORTS CAR ASSOCIATION OF THE MONTEREY PENINSULA dated January 31<sup>st</sup>, 2017'. If the County of Monterey accepts this proposal, then it would be proposed that a similar Agreement is drawn between The County of Monterey and Laguna Seca Management LLC.

## **PROPOSAL:**

**Recitals:** Accepted as is with date and name changes as applicable.

### **Article 1. DEFINITIONS:**

Clauses 1.1 through 1.7 - Accepted as is.

Clause 1.8 To be changed as applicable.

Clauses 1.9 through 1.23 – Accepted as is.

Clause 1.24 – It is requested that clause be clarified in order to specifically state that “Capital Improvements” not be charged against “NOI”.

Clauses 1.25 – Accepted as is.

Clause 1.26 & 1.27 – To be changed as applicable.

Clauses 1.28 through 1.30 – Accepted as is.

Clauses 1.31 – To be changed as applicable and modified pursuant to the request for an ‘Option to Renew’ outlined later in the this Proposal.

Clauses 1.32 & 1.33 – Accepted as is.

**ARTICLE 2. OPERATION MANAGEMENT AND TERM.**

Clause 2.1 – Accepted in principle, however dates and names will need to be changed as applicable.

Clause 2.2 – Accepted as is.

Clause 2.3 – Accepted however in the event the County is unable to obtain such “concurrence”, then the County will reimburse Laguna Seca Management LLC for any and all ‘out of pocket’ expenses incurred as a result of termination.

Clause 2.4 – Accepted as is.

**ARTICLE 3. COMPENSATION.**

Clause 3.1 – Accepted with the modification that, assuming LSM LLC is awarded this Operating and Management Agreement, with a starting date of January 1<sup>st</sup>. 2020, that the first monthly “Management Fee Advance” shall be paid on January 1<sup>st</sup>. 2020 and thereafter on the last day of each month commencing with January 31<sup>st</sup>. 2020. Furthermore it is requested that the Annual Management Fee be adjusted annually by the Monterey County CPI.

Clause 3.2 – Accepted, subject to the clarification and amendment to Clause 1.24

Clause 3.3 – Accepted as is.

**ARTICLE 4. OPERATION AND MAINTENANCE.**

Clause 4.1 – Accepted as is.

Clause 4.2 – It is requested that the term “as implemented by historical practice” be clearly defined.

Clauses 4.3 through 4.7 – Accepted as is with applicable name changes.

Clause 4.8 – Accepted, however the cost of such signs will be reimbursed pursuant to the definition under Clause 1.2

4.9 & 4.10 – Accepted as is, with applicable name changes.

4.11.1 – Accepted with the modification that in 2020, the “Annual Operation Plan” be submitted on or by March 31<sup>st</sup>. 2020 and annually thereafter by December 1<sup>st</sup>.

4.11.2 through 4.15 – Accepted as is.

**ARTICLE 5. MANAGEMENT SERVICES FUNDING.**

5.1 – Accepted as is.

5.2 – Accepted as is however the 45 days is requested to be changed to 15 days.

5.3 – Accepted as is.

**ARTICLE 6. IMPROVEMENT FUNDING.**

6.1 & 6.2 – Accepted as is.

**ARTICLE 7. IMMEDIATE HEALTH AND SAFETY RPARS AND MAINTENANCE.**

7.1 through 7.4 – Accepted as is.

**ARTICLE 8. SHORT TERM CAPITAL IMPROVEMENT.**

8.1 through 8.3 – Accepted as is.

**ARTICLE 9.**

“Reserved” – This term is not understood and therefore no response is offered.

**ARTICLE 10. FINANCIAL OPERATIONS.**

10.1 – Accepted as is.

10.2 – While this Clause is understood, in light of Clause 2.2, further clarification and discussion is requested.

10.3 – Accepted as is



10.4 – This Clause is understood and accepted, HOWEVER, in light of the apparent lack of current GAAP accounting systems in place at WTRLS, in order to comply with this Clause, LSM LLC, might have to invest in further software and additional support staff for which LSM LLC will seek reimbursement under the terms of this proposed Agreement.

10.5.1 through 10.5.3 – Accepted as is.

**ARTICLE 11. ADVERTISING, SPONSORSHIPS AND EVENT SANCTIONING**

Pre-amble – Accepted as is.

11.1 through 11.5 – Accepted as is.

**ARTICLE 12. COUNTY EVENTS.**

12.1 – Accepted subject to further discussion as to the number of events and whether they will be operated by third party promoters, The Sea Otter event being accepted.

**ARTICLE 13. INSURANCE AND INDEMNIFICATION.**

13.1 – Accepted subject to clarification of 12.1 above.

13.2 – Accepted subject to further clarification of Exhibit C and confirmation that Insurance Premiums generated as a result of Exhibit C are reimbursed under “Allowed Expenses”.

**ARTICLE 14. AUDIT RIGHTS.**

Accepted as is.

**ARTICLE 15. PUBLIC ACCESS.**

15.1 & 15.2 – Accepted as is.

**ARTICLE 16. COUNTY OVERSIGHT AND ACCESS.**

16.1 16.2 & 16.3 – Accepted as is.

**ARTICLE 17. TERMINATION.**

17.1 – We would like receive further explanation as to this wording other than recognizing that under the terms of the Army Deed, the United States Government can re-possess the LSRA property under short notice.

17.2 & 17.3 – Accepted as is.

**ARTICLE 18. MISCELLANOU(S) PROVISIONS:**

18.1 through 18.26 – Accepted as is.

**ADDITIONAL REQUESTS:**

**PUBLIC/COMMUNITY RELATIONS:**

LSM LLC believes that, bearing in mind the current and immediate past media coverage of Laguna Seca ‘issues’ together with an apparent lack of communication with the Greater Monterey, Carmel and Salinas Business and Residential Communities as well as the Monterey Peninsula Hospitality Industry, it is critical that an outside Public Relations Consulting Agency be retained. It is noted that in the “LIST OF ALLOWED MANAGEMENT FEE EXPENSES” – Exhibit A – there is a total of \$486.00 budgeted for “PR Agency Fees”! As a part of any new Agreement, LLSM LLC respectfully requests that an adjustment be made to Exhibit A to reflect an amount of \$5,000.00 a month for such services. It is possible that once LSM LLC has been MANAGING WTRLS for 90/120 days, internal budget adjustments can be made in order to absorb such a new monthly fee for Public and Community Relations consulting services.

**OFFICE, MANAGEMENT AND FIELD EMPLOYEES:**

In the event that the County awards LSM LLC with the above Agreement, and in order to secure a smooth transition, it is requested that the County assist with the retention of as many of the current Office, Management and Field Employees as possible. LSM LLC will be bringing in its’ own COO and General Manager who will be immediately instituting correct and proven Management Disciplines to which the current LWTRLS Team will be asked to adjust. During the first ninety days of Management, LSM LLCs COO will be evaluating the current Managers at WTRLS and their ability to, not only adjust to the new Management Protocols, but also to transmit them to the members of their respective department teams, both in the office and the field.

**FURNITURE AND FIXTURES/OFFICE EQUIPMENT:**

Under Clauses 17.3.2 and 18.22 of the current Agreement between the County and SCRAMP, there is language which indicates that the County can acquire certain “personal property assets” owned by SCRAMP. It is presumed that by “personal property assets” are interpreted as Office Equipment and Supplies as well as Circuit Maintenance Equipment and Machinery.

It is requested under this Proposal that 15 days prior to the implementation of any new Agreement between the County and LSM LLC that a complete inventory of such “personal property assets” be provided to LSM LLC in order that, should there be a lack of necessary Furniture, Fixtures and our Equipment, LSM LLC can make the appropriate arrangements for its replacement. It is further requested that as a part of the proposed Agreement, that the County will be financially responsible for all Furniture, Fixtures and Equipment, both Office and Field that is used at WTRLS.

**OPTION TO RENEW:**

While the proposed Agreement is of a three year duration, based upon the Profit and Loss “Statements” provided in support of the Request for Proposals and not having the ability to review current Sanctioning Body Commitments and Costs, nor are there apparently any Business Management or Strategic Plans in place, it is going to take LSM LLC the best part of Year 1 of this proposed new Agreement to understand and resolve the ‘shortcomings’ of the current ‘State of the Business’ at WTRLS. It would then take the best part of the next two years to return the business to basic profitability all the while introducing new revenue sources to the County. Many of those new revenue sources would not come on line until the end of year 3 and thereafter!

Therefore bearing in mind that what is being offered under the terms of this proposed new Agreement is a “Performance Bonus” or a “Management Incentive Fee” as defined in Clause 3.2, LSM LLC requests that subject to certain performance standards to be mutually agreed upon between the County and LSM LLC, that LSM LLC be granted an option to renew this Agreement for a further 3 years.

Should the County for whatever reason decide not to renew the Agreement, or wish to assume the direct Management and Operation of WTRLS themselves, then as compensation for lost anticipated profits/Management Incentive Fee, the County will to pay LSM LLC a severance fee equal to 30% of the last two years of the proposed Agreements’ Audited Profits resulting from Operations at WTRLS.



**JOINT PROPOSAL:**

This Proposal is submitted in conjunction with LSM LLC's accompanying Proposal Entitled "PROPOSAL for EXECUTIVE OVERSIGHT & FORWARD PLANNING" and therefore both Proposals should be interpreted as one overall Proposal.

**ACCEPTANCE:**

In light of the short time frame involved and the presumed intended starting date of 1/1/2020 of a proposed Agreement, this Proposal is open for Acceptance for a period of 15 days from the date of submission. If the starting date for the new proposed Agreement is extended further into January 2020, then the "ACCEPTANCE" date can be equally extended.

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# **PROPOSAL** **FOR** **EXECUTIVE OVERSIGHT & FORWARD PLANNING**

## **PREFACE:**

While the day to day Management of WeatherTech Raceway Laguna Seca (WTRLS) and to some extent Laguna Seca Recreational Area (LSRA) is covered by the accompanying proposal "OPERATIONS AND MANAGEMENT OF THE LAGUNA SECA RECREATIONAL AREA", that Proposal/"Agreement" does not cover or speak to some of the most critical challenges and needs facing the County in its ownership of the LSRA Deed and the operation of WTRLS. Below therefore is outlined the tasks that Laguna Seca Management LLC (LSM LLC) believes that it is in the best interests of the County to have completed if the assets of both WTRLS and LSRA are to be efficiently managed and fully exploited for the benefit of the County of Monterey. The work required and detailed in this Proposal will be conducted primarily by the Executive Committee of Laguna Seca Management LLC with informational help from the COO of WTRLS, and in direct communication with the County's Representatives.

## **ADMINISTRATIVE:**

### **ASSESSMENT/ANALYSIS:**

- 1) Review internal administrative protocols including but not limited to, accounting, cash management, staffing, job descriptions, internal and external communications, personnel conflict management and resolution, customer service, and event ticket/credential management. In addition a complete review of external operations and disciplines – Safety Protocols – pertaining to the operation of the Campgrounds, the Racing Circuit itself and the adjoining Paddock will be conducted.
- 2) Review all WTRLS operations for the past three years as to their financial and operational efficiencies and deficiencies.
- 3) Review the results of the major Spectator Events as to their profitability, value to the Greater Monterey County Community including the Hospitality Community and their impact on the adjacent Residential Community.
- 4) Review all accidents/incidents, both on-circuit and off-circuit, for the past 5 years, assuming records are available, as to their compliance with WTRLS' Risk Management Plan and Protocols.

- 5) Conduct/contract for an anonymous internal 'audit' of the Staff's opinion of WTRLS and suggestions for the improvement of internal working conditions, additional customer friendly services, and potential liability issues.
- 6) Review the communication process and ongoing working relationship between WTRLS and the County of Monterey.

IMPLEMENTATION:

With the information gained from the above process, implement the following in as efficient time frame as possible, with the exception of a GAAP protocol which would be introduced under outside CPA guidelines immediately, even if interim changes had to be made at a later date to accommodate daily business operations.

- 1) Implement a recognized Accounting Practice/GAAP that will produce accurate and informative Profit and Loss Statements on a Monthly basis from which an Annual Audit, and Balance Sheet can be produced.
- 2) Develop and implement an Interim Business Management and Protocol Plan that addresses the Management of, and Responsibility for Revenue Generators/Profit Centers, both Revenue and Expense, and the overall efficiency of operation of WTRLS.
- 3) Implement critical Management Protocols as it pertains to Cash Collections and Management in addition to Ticket and Credential Management and Audits.
- 4) Amend accordingly the current 'Employee Manual' to reflect a need for a change in management culture that will serve the best interest of all employees and their relationship with their Employer.
- 5) Amend and update the Customer Service Policy and Guidelines Manual.
- 6) Following the Assessment/Analysis of all Safety/Security Protocols – On Track, Spectator areas, Paddock, Hospitality, Ingress and Egress, Camping etc. - implement the necessary changes/additions to the existing Risk Management Manual in order to ensure that all disciplines are being met and liability is reduced to an absolute minimum. This exercise would be conducted in concert with WTRLS Insurance carriers.
- 7) Following the Assessment/Analysis of the events/activities that are currently being conducted at LSR, prioritize and implement the necessary changes in order to provide for the most efficient use of WTRLS assets and deliver

profitability and the expected ROIs to the County of Monterey. Such an exercise would include Customer Service and the standards to which it is provided to all WTRLS clients, individual and corporate.

- 8) Following the Assessment/Analysis of the current Major Spectator Events, review each one individually as to profitability or loss; in the instance of profitability, analyze both revenues and costs in order to ensure continued and increased profitability. In the instance of loss, complete a study of potential costs savings including discussions with the Sanctioning Body about a reduction in fees and an increase in sponsorship and/or hospitality support. Should the County believe that in spite of the losses, the event is important to certain sectors of the Monterey County Business Community, then in addition to seeking a reduction in Sanctioning Fees and increases in Hospitality, the LSM LLC Executive Committee will work with the Sanctioning Body to develop other economic benefits to the County – increased County ‘Info-commercials’ for example – in order to help mitigate the loss of profitability..
- 9) Develop and re-state if necessary, a Short/Intermediate Term Business Plan for the operation of WTRLS.
- 10) Review all activities at WTRLS on a monthly basis and provide a monthly activity report including Profit and Loss Statements, Incident Reports and Management activities to the assigned Administrator at Monterey County.
- 11) On an ongoing basis, ensure compliance of the Operation and Management Agreement, including the recommendation of mutually agreeable changes.

DEVELOPMENT/IMPROVEMENT OF THE LSRA ASSETS:

In preparation for the presentation of an updated Business Management Plan and then a Master Strategic Plan for the development of all existing LSRA assets, LSM LLC would conduct a comprehensive review of existing operational and potential new opportunities that could be made available to the County and provide the results in a ‘Master Review’ document..

A: Current Assets:

- 1) Paddock, Infield, Lakebed and Spectator Areas:  
Review the current uses of all four areas to ascertain if their current use is of maximum efficiency; if there is the availability to create additional revenue opportunities, either by increased efficiency of



use or by the introduction of new uses; prepare the appropriate report for inclusion in a 'Master Review' to the County.

2) Camping:

Review the current Campground sites as to their efficiency of operation, adequacy of services offered, occupancy and market competitiveness. Conduct a study as to whether the Campground operations should be an operation managed by WTRLS or whether it would be more efficient if it was outsourced to entity specializing in the "Camping Space".

3) Ingress and Egress:

Review the current Ingress and Egress operations, both during normal day to day activities and during Spectator events; ascertain the opportunities to increase efficiencies on Boundary Road and the potential for the use of Barlow Canyon Road.

4) Rifle & Pistol Range:

While not a part of the Operation and Management Agreement, the opportunity exists to increase the utilization of the Rifle and Pistol Range by the creation of a Semi-Private Club. Such Clubs have become increasingly popular over the past 20 years and have generated substantial returns for their operators.

5) Utilities:

There are currently three stated areas of concern to the existing and potential increased utilization of LSRA Assets; Water, Sewer and Power. In order to create a Master Strategic Plan for the future of LSRA, it is critical that a complete assessment and understanding of the current Utilities is undertaken and the opportunities for improvement/increase are identified.

CONCLUSION:

Following completion of the foregoing, LSM LLC will submit a complete report to the County of Monterey outlining all the positives and all the negatives of the operation of WTRLS. If there is the need and/or opportunity to create new additional revenues for the County, then those opportunities will be identified and the County can make the appropriate decision as they see fit and if necessary a revised Strategic Plan can be adopted. IT SHOULD BE NOTED THAT THE WORK DESCRIBED IN THIS PROPOSAL WILL BE UNDERTAKEN INDEPENDENTLY FROM THE DAY TO MANAGEMENT AND OPERATION OF WTRLS AND CONDUCTED BY THE EXECUTIVE COMMITTEE OF LSM LLC. in communication with the Representative of Monterey County. The timeframe for completion of the work described above and delivery of a complete report would be December 31<sup>st</sup>. 2020.

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- FEES: \$9,000.00 per month, payable monthly on the 30<sup>th</sup>/31<sup>st</sup> day of the month.
- TERM: 36 Months – to run concurrently with the Operation and Management of LSRA Agreement.
- NOTE 1: Compensation for Michael A. Nealy would be included in “Salaries” as detailed in Exhibit A.
- NOTE 2: Without having the ability to review the detail of Exhibit A – List of allowed Management Fee Expenses – of the Operation and Management Agreement, it is possible that following review of that document as it relates to the actual administrative costs of operating WTRLS, the total monthly fee of \$270,000.00 might well have the capacity to absorb the monthly fee for this proposed separate agreement.
- INCLUDED: All fees and expenses, including travel, related to the above. The consulting services of:-  
Christopher R. Pook, Chairman, CEO – Laguna Seca Management LLC.  
Richard J. Foster Esq. Vice President, CLO – Laguna Seca Management LLC  
Phil T. Hester, Vice President – Laguna Seca Management LLC.  
Thomas Bussa CPA, Vice President – Laguna Seca Management LLC.
- NOT INCLUDED: The actual implementation of ‘opportunities’ presented above Under “DEVELOPMENT/IMPROVEMENTS OF THE LSRA ASSETS”, including outside Consultants, the expenses for which would require justification and pre-approval from The County of Monterey.
- JOINT PROPOSAL: This Proposal is submitted in conjunction with LSM LLC’s Accompanying Proposal entitled “PROPOSAL FOR THE OPERATION AND MANAGEMENT OF LAGUNA SECA RECREATION AREA” and therefore both Proposals should be Considered as one overall Proposal.
- ACCEPTANCE: Bearing mind the requested starting date of 1/1/2020, this Proposal is open for acceptance through Friday, November 15<sup>th</sup> 2019. If the starting date for the proposed new Agreement is extended to a later date in January 2020, then the above “ACCEPTANCE” date can be equally extended.