



EXHIBIT B

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Narrative for IMSA agreement 2021-2023

Included in this package is the signed agreement by IMSA and the narrative below. I have evaluated all factors with team members. The team does believe events such as IMSA need to be evaluated on their overall economic impact and other factors that are associated with the event. The impact of IMSA's event provides additional economic benefit to the county over and above the event's financial performance at Laguna Seca. IMSA generates positive monetary impact for businesses and municipalities within the county, while providing national and international exposure for our world-renowned destination attracting future visitors and potential events.

The pandemic and subsequent shutdown of travel and businesses made projecting the 2021 event results difficult, thus a conservative approach was used regarding revenues. Financial results from 2019 were utilized for purposes of evaluating historical performance, but the numbers are questionable. For 2022-2023 the intent is to move the event to the spring. Financials, however, for 2017-2018 are also not available which is the period in which IMSA ran in the spring. In conversations with IMSA and the LS team, the opinion derived was that ticket sales for LS during the spring were positive in the years that the marketing initiatives were actually executed by LS as required in the agreement and if continued for 2022- 2023 the results should challenge those of 2019.

The LS team also believes that IMSA's fan base will continue to grow. Porsche has rejoined the series and support from automakers continues to grow. Virtual racing, i.e., I-racing, which created a strong following in 2020, increased its participant and audience by double digit percentages generating additional interest in the series. In 2020, IMSA WeatherTech Sports Car Championship produced a 21% increase in viewership for 19 races telecast across NBC and NBCSN.

Historical facts:

- Prior to 2019, IMSA was held in the spring consistently with ticket sales that were positive.
- In 2019, IMSA was one week prior to Indy and although ticket sales were up, the overall financial results were not positive. In 2019 ticket pricing was increased by 15-25% over 2018 which had a negative impact on attendance in 2019. For 2021 the schedule remains as it was in 2019, one week prior to Indy due to scheduling requirements based on the lingering restrictions in California due to COVID-19.

- For 2022, the intent of both parties is to schedule IMSA's event in the spring for the term of the agreement to build date equity. The dates for 2022 and 2023 have yet to be selected.
- In 2019 less than \$40,000 was spent on marketing initiatives for the event, though per the agreement the obligation of the promoter was a \$150,000 spend. Per the LS team and IMSA, this had a direct impact on ticket sales. Promotional initiatives effective in the past within local and drive markets were also not activated. Increased ticket pricing, plus lack of both advertising and promotional initiatives all negatively impacted top line revenue in 2018 and 2019. The lingering effect of decreasing attendance numbers also has a negative impact on sponsorship and vendor financial support for any event.
- In 2019, total income achieved \$1,137,820 with operating expenses at \$1,560,797, a loss of \$423,000. NOI after general and non-event allocation, loss of \$985,000. Figures are based on 2019 P&L, but numbers are questionable.
- The team believes that with an event scheduled consistently in the spring, 2022 attendance and sponsorship dollars should increase and surpass revenue results over 2019 and 2021.
- In 2020, IMSA agreed to a reduced fee of 50% due to spectators not being allowed, the fee was \$250,000.

Agreement terms and key points:

- Three-year term, 2021-2023
- Sanctioning fee - \$450,000 (2021), \$500,000 (2022-2023). Fee is below what it was in the expired agreement. In 2020, IMSA agreed to a reduced fee of 50% due to spectators not allowed, the fee was \$250,000.
- 2022-2023 event moved to the spring
- Other minor modifications have been made to the agreement with minimal financial impact. However, language revisions should protect LS and allow additional hospitality sales benefiting LS.
- Event will be shown live on NBC network and affiliated partners providing nationwide and international coverage for the County of Monterey, WeatherTech Raceway and the attributes of the destination.
- Agreement commits LS to \$150,000 for marketing with revised language to allow for digital marketing. Digital marketing is less expensive and allows LS management to execute initiatives into specific new markets and historical ones. It also allows the ROI on each initiative to be measured.

Proformas:

- Proforma attached represents a total revenue of \$1,788,900. The baseline used for the proforma is the approved 21/22 budget. The original and revised proformas were based on the 21/22 budget as submitted and approved.
- For 2020, ticket sales achieved \$181,000 until which time sales were discontinued in 3/20. After refunds in 2020, \$92,000 is currently credited towards the 2021 event. Ticket sales have not begun for 2021 due to not having an executed agreement in place.
- The 2021 revenue for the following categories is based on a 10% increase in attendance over 2019, but a reduction in ticket price (as is the case with all events in 2021) of 15-

25% dependent on the ticket. Ticket categories include admissions, flagroom, camping, VIP parking and individual suites. Capacity limitation has yet to be determined but the future looks promising and given the event is scheduled in September, we are optimistic regarding exceeding the revenue projections. For 2022-2023 the proforma represents increasing ticket sales by 5% currently.

- Concessions, catering commissions and retail sales show an increase of 10% over 2019.
- Motorhome space was increased to \$75,000 all three years based on revenue of \$105,000 in 2019.
- AFS provided revenue numbers for sponsorship, commercial sales and corporate hospitality for 2021. To date, sponsorship for IMSA for 2021 is at \$494,000 with a budget of \$575,000. Commercial space and corporate hospitality sales continue to be aggressively pursued. Title sponsorship is secured with Hyundai at \$240,000.
- Cost of goods sold is set at 30% for beverages, 33% for store.
- The focus of the team is to decrease expenses based on the cost of operating any event in the past by 10-15%.
- Projected 2021 event results represent total revenue \$1,788,900, NOI before allocations \$133,797, NOI after allocations (\$252,744).
- For the term of the agreement, the projected NOI before allocations achieves \$634,800, after allocations (\$560,000).
- The 21/22 approved budget represents a positive NOI of \$1,286,504.

Additional considerations:

- WeatherTech is not only the track's title sponsor but also the title sponsor of IMSA and WeatherTech teams. WeatherTech sponsorship agreement with Laguna Seca is through 2024 at \$1 million per year.
- Lexus is also a sponsor of the IMSA Series and sponsors Lexus' teams. Their annual sponsorship value with Laguna Seca through 2022 is \$327,000.
- NBC network live coverage with affiliates broadcasting internationally is positive press for the county of Monterey and the destination that could not be afforded by LS or the county by other marketing means.
- Total economic spend in the county in 2019 generated by the attendees was \$7.2 million with attendance north of 32,000 in total over event days. The four industries which capitalized on the spend are lodging, food and beverage, transportation and retail.
- The marketing plan is completed for this year's IMSA event with promotional and marketing initiatives that were used prior to the 2018 and 2019 events successfully generating ticket sales. Prior to 2019, the best years were 2015-2016, with the event scheduled in May.