

Since release of the preliminary business plan in August of 2006, the CAMA member boards have raised a number of questions and comments, and CAMA has augmented the business plan to address some of these concerns. The following is a review of the issues raised and the CAMA responses.

Questions and Responses

Question 1: What are the financial obligations of the CAMA member clubs, with respect to the operations and expenses incurred by the new track? What happens if one or more of the member clubs cannot meet their obligations? How is a member club protected from having to commit additional funding in the future should something happen that negatively impacts the new track?

Response: Per the CAMA Operating Agreement, additional capital contributions would be required from the LLC members only upon a unanimous vote of the Class A members. Therefore, no new capital requirements can be assessed without the approval of each Class A member. Alternatively, a majority vote of the Class A members would permit Class A or B members to make a voluntary capital contribution. In either case, a member club *cannot be forced* to make an additional capital contribution. Should the Class A members unanimously approve an additional contribution, the decision would be binding on all the members.

Question 2: How would CAMA manage a short term cash operating deficit?

Response: Since the operating agreement does not allow CAMA to require additional funding from the members without a unanimous vote of the members, a short term reserve will be required to manage a possible operating deficit. The loan structure allows CAMA to accumulate some capital during the first year of operation, but this may not be adequate to cover a first year shortfall. As a result, the CAMA representatives developed and ratified unanimously the following plan:

“In the event of realizing an operating deficit, the CAMA Manager(s) will be required, where practical, to minimize operating expenses and other obligations. To ensure that CAMA will have adequate time to initiate these cost reduction measures, CAMA will maintain a cash reserve and/or available credit line equivalent to one-half of the budgeted cash demands of the following twelve month period. A cash demand is defined as the amount of operating expenses plus the interest and principle payments slated for that time period. This provision may only be modified by unanimous vote of the Class A members and once all debt has been retired.”

Question 3: How would CAMA manage a long term cash operating deficit?

Response: If the shortfall continues beyond the intention of the short term reserve required above, the following are the steps to be followed:

- A) Continue to fund the shortfall from cash reserves, if available.
- B) Make best efforts to identify cause of shortfall and address in a appropriate manner.
- C) Raise rental rates to offset shortfall.
- D) Negotiate with creditors or refinance the project.
- E) Request additional funding evenly from members.
- F) Seek a financial partner. In the event of this extreme, attempts will be made to protect the capital accounts of the members even if a reduction in voting control becomes necessary.

Question 4: How would a catastrophic financial liability incurred by CAMA impact the member clubs?

Response: Per Colorado law for limited liability companies, liability for members of an LLC does not exceed their membership interest in the LLC. Member club assets (other than their financial interest in CAMA) are not affected by CAMA liability.

Question 5: How does CAMA intend to borrow the \$1.4 million required in the financing plan?

Response: CAMA is in the process of forming Colorado Amateur Motorsport Lending Company, LLC (CAMLC), which will be composed of the five CAMA member clubs as Class A (voting) members and the individual lenders as Class B (non-voting) members. CAMA has hired a law firm with Securities & Exchange Commission expertise who is preparing certain documents in connection with a private placement by an affiliated company. While this firm prepares the offering documents, another law firm has been hired to prepare corporate organization, formation and other track construction loan documents. The legal cost is budgeted at \$20,000 and CAMA will make a cash transfer to CAMLC to create the initial investment of \$4,000 for each Class A member. The placement documents will define requirements to qualify as an 'accredited' investor and establish the loan unit values and terms.

Trial marketing indicates that it is feasible to raise the needed debt capital in \$50,000 units from accredited club members and others with a strong interest in race tracks. Current plan designs call for CAMLC to repay the lenders over 10 years, with an effective interest rate of 6.5% or lower, and principal payments based on a 15 year amortization. The first year will be interest free. At the end of 10 years the lenders will receive a balloon payment for the remaining principle. Accordingly, CAMA will have to refinance at the end of 10 years. CAMLC's sole source of income will be payments from

CAMA on a promissory note secured by the East of Eden property. Should CAMA become in default of the loan, the terms will provide the option for the Class B CAMLC members (investors) to take over voting control of CAMLC, which would in essence give the investors direct control over the security.

Question 6: What usage obligations do the member clubs have, and how long will that commitment last?

Response: As described in the sample Consolidated Operating Statement, sufficient revenue would be realized with the member clubs using the East of Eden facility at their Second Creek usage rate, less one event for each of the five member clubs. CAMA member clubs will make a usage commitment based on this model until alternate revenue sources or reduction of debt service requirements allow relaxation of that model. While we can identify potential alternate revenue sources (fuel sales, driving schools, police training use, rentals by non-CAMA clubs, etc.), an accurate projection or timetable for relaxation of the usage commitment is not possible. This decision will ultimately be made by the member clubs through their representatives in "Opco".

Question 7: Were the financial assumptions in the business planned based upon the banner year of 2004 at SCR?

Response: While references are made to the 2004 season at SCR, the revenues for track rentals and test & tune were factored from an average of 2002 through 2004. This average demonstrated the most accurate basis primarily due the timing each year of recording race deposits and the increased participation in 2004 as it was promoted as the final year of the track. The late availability of the permit extension limited the usage of 2005 as many event schedules were already established. The expenses were also based on the SCR averages however were factored for variances in the property size and location.

While many financial models were reviewed with varying assumptions, the 25 weekend limited usage model was selected as the basis for phase 1 of our planning and construction process. CAMA feels that working from this conservative basis will ensure a timelier achievement of phase 1.

Question 8: What happens if actual operation revenue and expense varies from the financial model? How far "off" can the plan be before the debt cannot be serviced?

Response: The limited usage operating statement presented in the business plan is based upon 25 weekends of usage and projects total revenues of \$260,500 for the initial year of operation. The financial model is constrained to a ~1.3 debt coverage ratio, which requires that operating profit exceed debt service payments by approximately 30%, or approximately \$44,000 per year, earmarked as a re-paving reserve and a small operating

profit. In the event that the financial projections are “off”, the debt coverage ratio ensures that the debt level can be serviced within the following variations:

Actual weekend rental revenue at 71% of projected revenue, or
Actual Test & Tune revenue at 55% of projected revenue, or
Actual operating expenses at 162% of projected expense

Furthermore, the projections provide for a caretaker and \$29,765 in payroll expenses. If required during a downturn, we could eliminate the caretaker and generate only the amount necessary to break even on the debt service and remaining expenses. This operating scenario would allow for a revenue decline of ~\$73,000, equivalent to:

Actual weekend rental revenue at 53% of projected revenue, or
Actual Test & Tune revenue at 25% of projected revenue, or
Actual operating expenses at 179% of the remaining projected expense

Question 9: Please provide an outline of how the fund raising donations will proceed. Who will manage the fundraising? What is the schedule and projected time of completion? Define how larger donations will be solicited.

Response: CAMA has enlisted the assistance of a professional fund raising consultant to plan the fund raising program and materials. The consultant and the CAMA reps will design a common package for the solicitation of donations, and each of the five clubs will conduct parallel efforts amongst their respective members. Each club would appoint a fund raising chair to manage the solicitation and collection of donations in his or her club. This will not be an obligation of the Boards of the clubs, nor will there be any total required from any club – only the grand total required overall. The solicitation package is currently in development, and we intend to have that package finalized in conjunction with the completion of the CAMLC documents. Timing and completion of the program is still under consideration.

We hope to augment the contributions of the memberships by soliciting corporate donations direct to CAMA. These donations can be from car dealerships, auto insurance agencies, race-related businesses, larger racing organizations, etc. The CAMA reps will coordinate this to ensure consistency in presentation and programs.

Question 10: How will member clubs be assured that the new track construction expenses will not begin until there is virtual certainty that the track will be completed to a level enabling usage?

Response: The members are in agreement that no construction should be started until funds are secured to substantially complete phase one of the project. Currently the members are debating whether substantially complete is defined as a ‘paved track’ or a

'usable facility'. This debate is stimulated by the desire to allow the track asphalt to have a curing period and the determination of what portion of fundraising and facility construction could be conducted during the curing period. The level of success achieved after starting the fundraising and investor programs will most likely define the variables of the construction schedule. The CAMA member boards should direct their representatives in this aspect.

Question 11: Under what condition will an autocross pad be built as a part of the new track plans?

Response: The current effort accommodates a future autocross facility by securing the permitting and the additional land required, and incorporating the autocross pad in the site layout. Funding for the autocross pad earthwork and asphalt are not included in the Phase 1 estimate. As has been required for the road course, CAMA may need to secure usage commitments from the user groups and additional donations to build that portion of the facility.

Question 12: Who is designing the track?

Response: While the project budget does not allow for the design of a noted track developer, we are in communication with experienced track builders to consult with the design team. We will utilize these consultants as a review before starting any track construction.

Taking the project design lead is Bill Howard (RMVR) and his company Plan West Inc., who are experienced in land planning and landscape architecture. Bill worked closely with Danny Collins for two years on earlier track designs. The balance of the design team consists of talented volunteer club members who have expertise in land engineering and architecture. All are experienced drivers and race workers intimate with the inner workings of our events. Budgets have been made available for necessary soil, water, sound, traffic and environmental studies required for the permitting process and will need to be expanded as construction design is undertaken. CAMA anticipates the hiring of an experienced project manager prior to beginning any construction.

Question 13: What is the status of the permitting process?

Response: In December CAMA met with the County Commissioners who reviewed our request to have amateur motorsport added as a use by special review under the agricultural zoning regulations. The Commissioners were very much in favor of CAMA's usage and the change to the zoning, however they wanted to ensure that the language defining 'amateur motorsport facility' would not allow for any abuse of that intended usage by others. CAMA is assisting the county planning department in the

preparation of this language to gain the protections desired by the Commissioners and to not hinder any future growth of CAMA.

The design team is in the process of preparing the site plan and use permit application. Delays in specifically identifying the borders to the topographical data, just obtained in December, should be completed by the survey crew as this addendum is being prepared. It is anticipated that the design team should be ready for submittal near the end of March which is also when the county completion of the zoning change is anticipated to be completed. Assuming no major questions arise during the permit process, it is anticipated that the application can be processed in five to seven months.

Question 14: Are there any new developments with the land?

Response: The land is partially planted with winter wheat and under several inches of snow. It will be several weeks before the design team can physically layout the track plan to confirm grading requirements.

In September CAMA met with R.E.A.P., Regional Economic Advancement Partnership which led to a meeting in October with the Byers Economic Development Council. The Byers Council has sent a letter to county planning stating their support for our project. Communications since with the land owner and owners of neighboring properties have also been positive.

These conversations with the neighbors have led us to further investigate water availability as opinions seem to differ on the probability of drilling a well that could obtain usable water. We recently obtained easement to bring electrical power one-half mile across a neighbor's property from the main power lines. Preliminary soil testing indicates an excellent surface for paving.

A second escrow payment was made in January bringing the total non refundable escrow to \$10,000. The next scheduled payment of \$5,000 for a four month extension is due May 31, 2007.

Question 15: When will the track open?

Response: At this point, paving before the asphalt batch plants close in the winter of 2007 is still possible but the probability is dependent upon factors which may be difficult to control.

Question 16: What are other CAMA Happenings of note?

Response: Several meetings have been conducted and more are required to prepare a strategic plan for the new track project. Our goal is to establish clear priorities and related timelines.

Club members working with CMC and SCR have been successful in securing a documented shutdown of that facility. They were able to provide an additional rebate of track rentals back to the clubs participating at SCR. As a result CAMA members were able to make additional investments into CAMA this December.

CAMA, at 2006 year end, had cash reserves of \$632,676. Current efforts to answer the questions and concerns of the member boards are anticipated to result in the transfer from the club treasuries of the \$250,000 member investment. This investment will be isolated from the CAMA operating funds and earmarked to not be released until construction commencement requirements have been met.

Kyle Poepjoy was added as the CAMA representative for the Multi Car Alliance. He is making positive strides in strengthening the MCCA partnership and providing valuable input to the new track project.

Since the presentation of the draft business plan the Centrix bankruptcy became official, no new developments regarding the Sutton owned Front Range land have arisen, new ownership of PPIR has come and gone, and the Genoa and Deertrail projects are still being pursued. In summary, the crystal ball depicting the future availability of country club facilities is not any clearer.

The CAMA website www.camplaps.org was revitalized and information on the project is being added.

It is hoped that with the preparation of the site plan utilized for the permit application that we will soon be able to prepare a more detailed construction budget. It is anticipated that this budget will provide the basis to prepare additional financial projections and allow for more addendums of the business plan.