



In the Interest of Full Disclosure

14 August 2007

Topics covered:

- *Merced Sun-Star* newspaper article, Saturday, 4 August 2007, alleging lease alteration by RMP CEO
- *Merced Sun-Star* newspaper article, Tuesday, 7 August 2007, stating County has stopped its efforts on RMP project because of non-payment of reimbursable fees
- *High-Performance Driving* magazine, Summer 2007, reviewing legal challenges made to the Riverside Motorsports Park environmental impact report

4 August 2007 – Merced Sun-Star

What was published. . .

The *Merced Sun-Star* newspaper (Corinne Reilly, reporter) reported that after weeks of investigation, the Company's CEO, John Condren, may have illegally altered a Merced County lease agreement. The article quoted Merced County officials who had been notified of the "issue" by the newspaper following a tip from a former employee who refused to be identified for fear of legal reprisal.

RMP's full disclosure. . .

Riverside Motorsports Park was not made aware of the "issue" or the *Sun-Star* article until Thursday morning, 2 August, when the *Sun-Star* reporter left a voice mail message on an employee's cell phone stating that she "had uncovered evidence" that RMP may have altered a lease contract with Merced County in 2003 for its Castle Airport-based offices and that her deadline for comment was 4:00 p.m. that same day.

RMP's actions and response:

Riverside Motorsports Park's VP of Operations (and Government Liaison) called the Merced Sun-Star, before the newspaper's deadline, reporting to the newspaper that in negotiating the 2003 lease (which expired without incident, claim or issue in December 2006), certain considerations (including the price per square foot, required building upgrades and modifications, and a cancellation clause if a critical vote on the project was not approved) were verbally discussed by both parties. However, as was stated by Merced County-Castle Airport officials, the actual lease would be issued by the Merced County Legal Counsel's office, overseeing all contracts. RMP was advised by airport staff to review the lease agreement when it arrived and to "get back to us." RMP received an e-mail from Castle Airport staff with the lease agreement attached. As it arrived as a Microsoft® Word® file, an editable file format, RMP fully understood this to be to be a draft lease document. RMP received no information that the terms of the contract were non-negotiable.

RMP management reviewed the terms of the document and unanimously determined that changes were deemed necessary to establish a lease that would be in the best interest of the Company. No changes were made regarding the cost or term of the lease, only to property tax and insurance-based liability issues. RMP



management considered each alteration of the draft agreement typical to conventional commercial office leases and a prudent business decision.

The draft agreement was printed and signed, then hand-delivered to County staff. It was noted on delivery that RMP had made changes within the agreement which RMP felt were appropriate for our business. From that point, RMP fully expected to receive some form of response or comment on the proposed changes that were submitted.

Three days later it was learned that the lease had been approved as-is and signed by County officials.

It is apparent that with the delivery of the printed draft document from RMP to Castle Airport officials, which was then delivered to Merced County Public Works officials (overseeing responsibility for airport operations) and then to the Merced County Counsel's office, RMP's statement regarding changes to the draft document was not conveyed. As previously stated, we fully expected that County staff or County Counsel would come back to us with questions or comments on the proposed changes; however, we were quite surprised to learn that the document had been signed by County Counsel and approved by the Supervisors.

No forethought of malice or unscrupulous business practice was considered, implied or executed. No change in the financial obligations that RMP agreed to were made. No term deviations were made. Rather, RMP replied with a counter to the business offer it had been presented.

7 August 2007 – Merced Sun-Star

What was published. . .

The *Merced Sun-Star* reported that Merced County had stopped all work on the Riverside Motorsports Park project, claiming the Company was delinquent in a reimbursement payment of \$150,000 for legal and permitting process fees.

RMP's full disclosure. . .

On Monday, 6 August, the Sun-Star left a voicemail message on an employee's cell phone stating that she was working on a story for Tuesday (7 August) in which the paper would report that Merced County had halted all work on Riverside Motorsports Park because RMP was delinquent in making legal and permit processing payments that appeared to total \$150,000. She advised RMP that her deadline was 5:00 p.m.

RMP's actions and response:

Prior to the newspaper's stated deadline, RMP's Vice President of Operations (as County Liaison) responded to the Sun-Star, reporting that RMP had recently paid the amount it owed to Merced County in-full. RMP's Vice President also reported that the Company had been in discussions with County officials relating to an accounting review of project-related invoices from Merced County for more than six



months, as the invoices that RMP had received failed to detail any expenses claimed. Furthermore, County invoices were surfacing some 8 months late, reportedly due to the County's misplacement of the documents. Without a detail of the charges being submitted, or an explanation as to why new invoices were surfacing, Riverside Motorsports Park challenged the County's accounting records, resulting in a full review of the project's costs.

RMP's Vice President added that the total of \$130,735 was payment in full for all invoices received prior to August 1, and that this amount was a reduction from earlier County claims, based on the accounting review. Upon delivery of payment, RMP management was told by County Counsel and the Planning Department that work on the project was moving forward.

Minutes after this first call, the RMP Vice President called Ms. Reilly with an offer to fax additional documentation to the reporter, but Ms. Corrine Reilly did not answer or return that call. The information offered to the paper included the following chronology and detail of the events related to County invoicing and accounting review:

- ⚡ 20 December 2006 – RMP received project approval and certification of EIR.
- ⚡ 12 January 2007 – RMP's attorney (not the Company) was notified by letter from the Merced County Planning Department that the cost for all County services related to the EIR and project approval was \$79,916. No invoice, accounting or detailed billing was included with invoice.
- ⚡ Payment of \$75,000 was made by RMP on-account to Merced County on 26 January, without benefit of invoice. RMP requested a detailed accounting of the expensed \$79,916 in charges.
- ⚡ On 8 February, RMP received a letter from Merced County stating appreciation for the payment but noting, however, an additional \$73,977 is owed. This letter did not include an invoice and had no detail of the stated expenditures.
- ⚡ 12 February 2007 – RMP requested detailed accounting of all invoices and charges.
- ⚡ On 15 March, Merced County provided RMP with a spreadsheet of accumulated hours of staff labor reported to have been charged to the RMP project; however, no detail was provided.
- ⚡ 18 April 2007 – RMP again wrote a letter to the County Planning Director, identifying a series of errors and questionable events, as well as requesting a detailed accounting of charges by department and staff member, with itemized hours expended on RMP project, including all consulting, legal and peer-review costs.
- ⚡ On 27 April, RMP received a letter from County Planning stating that it had not applied a \$5,000 payment made by RMP to the County and had mis-dated a



\$10,000 deposit paid by RMP to the County. Corrections were made to both payments.

- ⚡ On 30 April, RMP was provided a detailed accounting by the Merced County Planning Department and notified that this accounting included all applicable charges related to contracts between the County and RMP. Total amount due Merced County was revised and reduced to \$68,977.58.
- ⚡ 24 May 2007 – RMP was notified by Merced County Counsel that legal invoices submitted to the County by its legal peer-review consultant were misplaced by the Planning Department and not included in the previous invoice or accounting. Additional charges of \$14,209 were to be included in the total owed.
- ⚡ 19 July 2007 – RMP was again notified by Merced County Counsel that County Planning misplaced \$47,548 of additional legal invoices extending back to 2006. The total of all legal invoices (including those identified on 24 May) was now \$61,757.
- ⚡ 22 July 2007 – The total due and payable to Merced County: \$130,735.53.
- ⚡ On 23 July, RMP was notified by the County Planning Department that the next step in the entitlement process would be the Development Plan and Development Agreement approval, and that the cost for submittal and review of the RMP Development Plan was \$21,600. This was an advanced billing notice, and payment would not be due until the RMP Development Plan has been submitted.
- ⚡ On 1 August, with the understanding that all Planning Department, legal and consulting invoices had been accounted for and provided to RMP, Riverside Motorsports Park's legal counsel submits a letter to Merced County advising them that payment for all currently due invoices would be paid within the next week.
- ⚡ 3 August 2007 – Payment check for the identified and agreed upon \$130,735.53 is drawn and made payable to Merced County. As of that date and per all contracts with Merced County, RMP is paid-in-full and current with all invoices.

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In the article published, the *Merced Sun-Star* reduced the information from RMP to, "We had concerns about how the county came up with their figures, so that took some time to work out." The article also does not reference that per agreements with the County, payment in full had been made.

Ms. Reilly's article goes on to state that non-payment by RMP, "raises questions about whether the company has the quarter-billion dollars it says it will spend building its racing complex. It is the latest blemish on the company's record." Then



she adds, “But in the nine months since the Board of Supervisors approved RMP’s plans, the company has made meager progress toward its groundbreaking. “

RMP management has, over a period of several years, detailed the project’s equity and debt investment strategy to the various reporters with the *Merced Sun-Star*, repeatedly referenced our funding relationship with the pre-eminent California investment banking firm of Stone and Youngberg, LLC, and we are fully aware that at least one RMP investor has provided a tutorial comment to Ms. Reilly during an interview about how development funding is handled. In our opinion, commentary, such as that made in this article, which injects personal opinion in the midst of a news story, mis-leads readers to an unwarranted conclusion and is uncalled-for slanting of the story.

To the issue of project progress: On July 6, Ms. Reilly contacted RMP saying that she had seen the July issue of *The Fast Track*, posted on the RMP Web site, that details the level of progress with Engineering and the preparation of the Development Agreement—all of which have occurred since the County Supervisors’ approval of the project in December. She said that the submittal of the Development Agreement document to the County seemed newsworthy. When RMP returned her call, no questions about the Development Agreement were ever asked.

Summer 2007 – High Performance Driving (magazine)

What was published. . .

High Performance Driving reported that Riverside Motorsports Park “faced a barrage of litigation” that included the Federal Bureau of Prisons, San Joaquin Raptor Rescue Center and poultry provider, Foster Farms.

RMP’s full disclosure. . .

Riverside Motorsports Park wishes to provide a correction regarding litigants against the project for the benefit of all readers: Neither the Bureau of Prisons nor Foster Farms ever filed a lawsuit against Merced County or the Riverside Motorsports Park project. Discussions between Riverside Motorsports Park management and representatives of each entity resolved concerns and settled all issues.

The sole litigation filed after the approval of the project is a joint lawsuit filed against Merced County by the Merced County Farm Bureau and San Joaquin Raptor Rescue Center/Save Our Water. The litigants claim that the 10,800-page environmental impact report and associated 70-year health risk assessment for the Riverside Motorsports Park project, “fail to thoroughly evaluate the risks of the proposed project.” Riverside Motorsports Park has agreed to indemnify the County of Merced for lawsuits filed as a result of the County’s certification of the EIR. Settlement negotiations offered by RMP have been refused by the litigants and the matter seems destined for Court later this year.
