

EXECUTIVE SUMMARY

I. INTRODUCTION

MotorNet™ is currently producing the **McDonald's MotorSports Report™** daily network radio program. (Plus, several associate sponsors are considering to come on board in the near future.)

Objective: To acquire adequate working capital (\$750,000) to bridge the gap from the present to positive cash flow and retire short-term debt. Approximate time: Eighteen months.

The above service is, by far, the most comprehensive ever offered covering the broad spectrum of motorsports with regularly updated information available 6 days per week.

All costs are known and controllable. Projected first-year (18 months) net profits exceed \$3,849,000 with second year net profits projected at over \$5,546,000!

II. MARKET POTENTIAL

The market potential of this motorsports-related business is supported by three major factors:

1. Largest paid attendance of any professional sport - 106 million. Compare this to Major League Baseball - 55 million, NFL - 14 million.

2. Motorsports is divided into many major categories - each having its own group of devoted fans. Each year motorsports is presented in 36,400 events at over 1300 racing venues. Contrast this to MLB with 2268 games in 28 stadiums, and the NFL with but 240 games in 29 stadiums.

3. Because of the size AND diversity of motorsports, the print and electronic media have not and CANNOT provide adequate coverage. And, Internet coverage is scattered and not comprehensive.

III. MOTORSPORTS ENVIRONMENT

1. **Number of tracks:** In the United States alone, there are more than 1300 motorsports venues hosting more than 36,000 events.

2. **Types of tracks (venues):** The "game" of motorsports is played on a wide variety of "fields" including: Oval tracks (1/10 to over 2.5-miles in length, both paved and dirt/clay), dragstrips ($\frac{1}{4}$, 1/8-mile, and other lengths, mostly paved but some sand), road courses (both permanent and temporary "street" circuits), permanent and specially built (stadium) motocross tracks, stadium and real off-road courses, hills (for hillclimbs), public roads (for rallies [which are not races]), lakes, rivers and oceans for powerboat and jet ski racing, and even the sky for airplane races.

3. **Motorsports attendance:** The composite annual attendance for (most) motorsports for in the United States is 106.1 million with some 92.2 million of that at the weekly-operated venues where the average nationwide general admission ticket price is now eight dollars (according to Stew Reamer of *Racing Promotion Monthly*) equating to \$737,600,000 in gate revenues.

4. **Frequency of track attendance:** While there are no accurate national figures available, the typical race "fan" who attends a local track, most experts agree, goes (almost) every week with the average regularly operated venue running a 25-week schedule. (In a survey conducted by *The Checkered Flag Racing News*, which is published in Wisconsin and also covers regional motorsports action in Illinois, Indiana, Michigan, Ohio, Minnesota, North and South Dakota, Montana, Kentucky, Iowa, and Missouri, it was found that 69% of their readership go to between eleven and thirty local short track events annually and that 88% attend up to twenty short track special events each year. But, and not so curiously, their survey also substantiates our premise that motorsports is "upside down." Only 8% of their readership buys tickets for more than five national events each year with 30% attending no nationals at all as compared with just 3% who do not go to short track races.)

5. **Motorsports publications:** Probably no other area of sport has spawned such an abundance (100+) of periodicals covering virtually every facet of motorsports, not to mention automotive and motorcycle-related publications . . . not to mention a countless number of Internet websites. There are simply not enough hours in the day to read and visit them all!

6. **Businesses/Corporations in motorsports:** There are several levels of business involvement in motorsports. In the "big leagues," practically all major events have "title" sponsors with the possible exceptions of the Indianapolis 500 and the Daytona 500 which are said to be "not for sale." Also, most major racing series have the name of a major sponsor attached to

it (i.e. NASCAR Nextel Cup and Busch Series, Grand American Rolex Sports Car Series, NHRA POWERade Drag Racing Series, etc.). One of the main reasons for this is the television exposure of their "signage" at motorsports venues.

Many corporations find that race cars make attractive "moving billboards" and have their names and/or corporate logos displayed prominently on the vehicles. A newsletter, called the *Sponsor's Report*, regularly analyzes and places a dollar value on the amount of free "air time" these companies receive. At one time, these were limited to primarily automotive related products but now there is everything from candy bars to panty hose.

From the biggest superspeedway right on down to the smallest weekly short track or dragstrip, almost every avenue for sponsorship is explored. Locally, the Wall Stadium program book boasts 62 different display advertisers and it is a rare sight to see a car in the pits without the name of at least one local business painted on the fenders.

In addition to all this, a "cottage" industry of aftermarket, speed and safety equipment manufacturers has grown to enormous proportions. In the typical issue of *National Dragster* there are some fifty display advertisers plus 313 "business card" advertisers in their Performance Directory and 21 more display advertisers in the "One-Stop Race Shop" section, all, in the latter two categories, from companies which specialize in a product or service for a specific segment of drag racing. The reader/racer/fan can find everything from manifolds for a small block Chevrolet engine to haulers to tow the race cars around from track to track. There is even an ad for a company that will help racers secure sponsorship!

One can only wonder at the economic impact the whole of motorsports has on the economy but it has to be in the billions of dollars.

7. **Broadcast coverage of motorsports:** In scanning the television listings, it is almost impossible to go through a 24-hour period where some sort of motorsports program is not scheduled. However, except for the handful of live events, most are taped replays of old events. In that most of the competition news happens on the weekends, even *Speed Channel's* motorsports "news" show, *Speed News Saturday*, is made up of "old" news when it airs in the evening and their hour-long Sunday edition attempts to bring current news to viewers but, because of a limited amount of airtime, only covers the big events and a smattering of regional races and it sometimes airs before west coast events have been completed. And, *Speed Channel's* live call-in program, *Wind Tunnel*, is only shown on Sunday evenings for two hours, leaving race fans void of any current motorsports news coverage (except for some NASCAR-only programs) during the week.

Motorsports on the radio is very limited with but a handful of local shows (usually done by a fan) scattered here and there. The *Motor Racing Network* does live "play-by-play" of most of the big Nextel Cup, Busch, and Craftsman Truck Series races, has a daily five-minute NASCAR-only syndicated program, and a once-

weekly one-hour call-in program called "NASCAR Live." MRN is wholly-owned by the International Speedway Corporation (Daytona International Speedway, Talladega Superspeedway, Darlington International Raceway, California Speedway, Watkins Glen International, et al) which in turn is owned by the France family which also owns NASCAR. They have a reasonable number of affiliates in the Southeast but are relatively weak in most other parts of the country. Also, MRN's ownership cannot and will not allow the network to cover events beyond the boundaries of NASCAR which involves approximately 10% of all motorsports. (NOTE: Performance Racing Network, which is owned by Speedway Motorsports, Inc. covers the balance of the top three tier NASCAR events which are blocked by them to MRN.)

MotorNet's McDonald's MotorSports Report™ will (re)grow to some 300 stations by the end of 2007 and will cover 95% of the country by the end of 2009. (Formerly, as the SKOAL MotorSports Report™, it was carried daily by more than 350 stations in 44 states until a federal ban on smokeless-tobacco radio/television advertising went into effect. It is the only motorsports radio project (of the several over the years) to achieve substantial nationwide distribution beyond the highly motor racing conscious southeast.

IV. THE REVENUE/PROFIT POTENTIAL

Larry Weiss, our sales representative, projects MotorNet™'s 2007 net income at \$4,533,000 with (18-month) expenses at \$640,409 yielding a net profit of some \$3.8 million. Even if we only achieve half of our projected revenue, we will still show a profit of approximately \$1.9 million.

Revenue is derived from two primary sources: Time sales on the radio program itself and external inventory provided to the network by our affiliates in return for furnishing them with the program at no cost.

V. THE OPPORTUNITY

Because of the reasons stated above, there is a definite need for MotorNet™'s motorsports services and, with McDonald's Corporation (and other associates) sponsorship and promotion of both, success is assured.

By careful evaluation and calculation, we have determined that MotorNet™ needs approximately \$750,000 to achieve the above stated objectives.

We are prepared to borrow this amount at favorable terms with a relatively short-term payback period or -

We are prepared to accept investment in the company or -

We are prepared to work out a combination of the two.

VI. OVERVIEW

This is a special opportunity for several unique reasons:

1. Motorsports has the largest paid annual attendance of any professional sport in the United States . . . 106 million annually. 87% of this total is at "short" tracks which are not covered adequately by the print or electronic media (Internet coverage is so scattered that there is no single place to go to get it all . . . also another opportunity for us in the future) thereby opening the door for our radio network.

2. **MotorNet** has *in house* the experienced talent and capital equipment (both will be upgraded) needed to manage this opportunity.

3. All costs are known and controllable.

4. **Future Opportunities** - While beyond the scope of this Summary, the equipment and techniques used at MotorNet™ also can be used for a broad spectrum of applications for other niche but substantial markets via both radio and the Internet.

Specific programs can be created for any advertiser, covering such spinoffs as motorcycle racing, drag racing, off roading, recreational vehicles not to mention other sports such as bowling and golf.