



Franchise Income.

SUPER SOCCER LEAGUE

FINANCIAL CONSIDERATIONS

OWNERSHIP and CAPITALIZATION

A. Ownership

1. Individual
2. Sub Chapter "S"
3. Limited Partnership
4. Other

B. Franchise Fee

1. \$50,000 - Total Cost
2. \$25,000 - U.S.S.F. Affiliation Fee

C. Estimated Annual Budget

\$400,000 - \$600,000 for 16 home games and
16 away games

D. Estimated Break-Even Point

\$25,000 per game approximately



INDOOR SOCCER - AS A BUSINESS ENTITY

A. Nature of the Enterprise

Super Soccer is first and foremost a business, a part of the entertainment industry. That industry is characterized by those businesses which compete for discretionary disposable income and time. Soccer is therefore in competition, not only with other spectator sports, but also with other enterprises in the entertainment industry, including the arts and television. The SSL must, therefore operate as a competitive business with a specific objective and strategies for implementing that objective. It cannot be treated merely as a sport, a hobby of the club owners, or a cultural contribution. As a business, it has many, if not all, of the characteristics of other businesses which serve a broad spectrum of the public.



B. Super Soccer is a Joint Venture

The sports business is unusual in that the owners of the equity, while partners on the business side, are competitors on the entertainment side. Furthermore, the long-term success of all of the business partners can be assured only if all the participating members attain a measure of success on the playing side and consequently on the business side. A league in which only one or two members operate at a profit while the remainder sustain heavy losses will not provide the successful franchises with security for their investment. While competitors on the playing field, member franchises are partners in a business where the success or failure of a single member effects the asset value of every other members' investment.

C. Franchise Value

The primary objective of the franchise owners is to build value. The most accurate measure of success for the joint enterprise or League as a whole is the value of each member franchise. While value may vary slightly from market to market, and while individual operations may produce disparate profit and loss results, the main



component of asset value is directly related to the joint activities of the members. The value of a profitable franchise will not improve to any significant degree if the majority of the other franchisees are suffering heavy losses. Similarly, the attainment of revenues or endorsements through League-wide contracts and arrangements (such as TV and licensing) inures to the benefit of each franchise, creating a firm foundation of income upon which to base asset value.

The short-term generation of operating income, while important, is secondary to franchise value. For this reason investors in sports franchises must expect to sustain operating losses for an initial period of 1-5 years in a manner similar to real estate developers who "carry" (pay taxes, interest expense and operating losses, fees and assessments) property with the long-term objective of increasing asset value through the passage of time or future development. An SSL franchise, like real property, is a finite commodity or resource whose value is directly related to and determined by the operation of the League partnership as a whole.



SUPER SOCCER LEAGUE
FRANCHISE OPERATING INCOME
PROJECTED 1978 SEASON

PROJECTED OPERATING INCOME PER TEAM AT FOUR LEVELS OF ATTENDANCE.
FOR COMPARISON TO OTHER MAJOR LEAGUES, PLEASE REFER TO NOTE⁽¹⁾ AT
END OF THIS ANALYSIS.

<u>LEVEL A</u>	(9,000 PER HOME GAME) ⁽²⁾	
INCOME:	TICKET SALES ⁽³⁾	\$ 576,000.00
	SHARE OF VISITING TEAM ⁽⁴⁾	57,600.00
	CONCESSION SALES/TEAM ITEMS ⁽⁵⁾	25,000.00
	PROGRAM: ADVERTISING ⁽⁶⁾	\$25,000.00
	SALES ⁽⁷⁾	<u>36,000.00</u>
		61,000.00
	TELEVISION REVENUE (ESTIMATED)	25,000.00
	RADIO REVENUE (ESTIMATED)	15,000.00
	SUPER SOCCER PROPERTIES, INC. ⁽⁸⁾	<u>25,000.00</u>
GROSS OPERATING INCOME:		784,600.00
	LESS: VISITING TEAM SHARE ⁽⁴⁾	<u>57,600.00</u>
NET OPERATING INCOME:		<u>\$ 727,000.00</u>



SUPER SOCCER LEAGUE
FRANCHISE OPERATING INCOME
PROJECTED 1978 SEASON

LEVEL B (7,000 PER HOME GAME)⁽²⁾

INCOME:	TICKET SALES ⁽³⁾	\$ 448,000.00
	SHARE OF VISITING TEAM ⁽⁴⁾	44,800.00
	CONCESSION SALES/TEAM ITEMS ⁽⁵⁾	25,000.00
	PROGRAM: ADVERTISING ⁽⁶⁾	\$25,000.00
	SALES ⁽⁷⁾	<u>28,000.00</u>
		53,000.00
	TELEVISION REVENUE (ESTIMATED)	25,000.00
	RADIO REVENUE (ESTIMATED)	25,000.00
	SUPER SOCCER PROPERTIES, INC. ⁽⁸⁾	<u>25,000.00</u>
GROSS OPERATING INCOME:		645,800.00
	LESS: VISITING TEAM SHARE ⁽⁴⁾	<u>44,800.00</u>
NET OPERATING INCOME:		<u>\$ 601,000.00</u>



SUPER SOCCER LEAGUE
FRANCHISE OPERATING INCOME
PROJECTED 1978 SEASON

<u>LEVEL C</u>	(5,000 PER HOME GAME) ⁽²⁾	
INCOME:	TICKET SALES ⁽³⁾	\$ 320,000.00
	SHARE OF VISITING TEAM ⁽⁴⁾	32,000.00
	CONCESSION SALES/TEAM ITEMS ⁽⁵⁾	20,000.00
	PROGRAM: ADVERTISING ⁽⁶⁾	\$20,000.00
	SALES ⁽⁷⁾	<u>20,000.00</u>
		40,000.00
	TELEVISION REVENUE (ESTIMATED)	25,000.00
	RADIO REVENUE (ESTIMATED)	15,000.00
	SUPER SOCCER PROPERTIES, INC. ⁽⁸⁾	<u>25,000.00</u>
GROSS OPERATING INCOME:		477,000.00
	LESS: VISITING TEAM SHARE ⁽⁴⁾	<u>32,000.00</u>
NET OPERATING INCOME:		<u>\$ 445,000.00</u>



SUPER SOCCER LEAGUE
FRANCHISE OPERATING INCOME
PROJECTED 1978 SEASON

<u>LEVEL D</u>	(3,000 PER HOME GAME) ⁽²⁾	
INCOME:	TICKET SALES ⁽³⁾	\$ 192,000.00
	SHARE OF VISITING TEAM ⁽⁴⁾	19,200.00
	CONCESSION SALES/TEAM ITEMS ⁽⁵⁾	20,000.00
	PROGRAM: ADVERTISING ⁽⁶⁾	\$20,000
	SALES ⁽⁷⁾	<u>12,000</u>
		32,000.00
	TELEVISION REVENUE (ESTIMATED)	25,000.00
	RADIO REVENUE (ESTIMATED)	15,000.00
	SUPER SOCCER PROPERTIES, INC. ⁽⁸⁾	<u>25,000.00</u>
	GROSS OPERATING INCOME	326,200.00
	LESS: VISITING TEAM SHARE ⁽⁴⁾	<u>19,200.00</u>
	NET OPERATING INCOME:	<u>\$ 307,000.00</u>



NOTES TO OPERATING INCOME

- (1) FOR COMPARISON THESE ARE FIGURES OBTAINED FROM THE NORTH AMERICAN SOCCER LEAGUE (NASL); THE NATIONAL BASKETBALL ASSOCIATION (NBA); AND THE NATIONAL HOCKEY LEAGUE (NHL).

NASL (1977 DATA)

AVERAGE ATTENDANCE PER CLUB	176,278
AVERAGE PER GAME (13 GAMES HOME)	13,560
AVERAGE GROSS RECEIPTS PER GAME	\$34,188.00

NBA (1976/77 DATA)

AVERAGE ATTENDANCE PER CLUB	450,000
AVERAGE PER GAME (41 GAMES HOME)	10,975
AVERAGE GROSS RECEIPTS PER GAME	\$85,920.00

NHL (1976/77 DATA)

AVERAGE ATTENDANCE PER CLUB	500,000
AVERAGE PER GAME (40 GAMES HOME)	12,500
AVERAGE GROSS RECEIPTS PER GAME	\$95,424.00

- (2) INCOME LEVELS WERE DETERMINED BY AVERAGE ATTENDANCE PER GAME.
16 HOME GAMES WILL BE PLAYED IN 1978 AND 20 HOME GAMES IN 1979.

FOR EXAMPLE:

$$144,000 \text{ TOTAL ATTENDANCE} \div 16 \text{ HOME GAMES} = 9,000 \text{ AVERAGE PER GAME}$$

- (3) INCOME FROM TICKET SALES WAS DETERMINED BY AVERAGE PER GAME ATTENDANCE MULTIPLIED BY A \$4.00 AVERAGE TICKET PRICE (WHICH MAY BE HIGHER OR LOWER IN EACH FRANCHISED CITY DEPENDING ON



BUILDING SIZE, LOCATION OF SEATS, OTHER MAJOR LEAGUE TICKET PRICES IN AREA, ETC.)

FOR EXAMPLE:

$$9,000 \text{ AVERAGE} \times 16 \text{ GAMES} \times \$4.00 = \$576,000.00$$

- (4) IN ORDER TO HELP STABILIZE THE LEAGUE, THE HOME TEAM WILL PAY THE VISITING TEAM 10% OF GROSS TICKET SALES PER GAME. YOU ARE PAID THIS AMOUNT WHEN YOU PLAY AWAY: AND YOU PAY THIS AMOUNT WHEN AT HOME. FOR DEMONSTRATION PURPOSES, THIS WAS ADDED TO GROSS OPERATING INCOME AND A SIMILAR AMOUNT DEDUCTED TO CREATE NET OPERATING INCOME. OBVIOUSLY THIS WILL NOT BALANCE OUT EXACTLY BUT IS DESIGNED TO ENCOURAGE EACH TEAM IN THE LEAGUE TO BRING THE STRONGEST POSSIBLE TEAM INTO AWAY GAMES (i.e., THE BETTER DRAWING TEAMS SHARE IN THE POWER OF THEIR DRAW. THIS TECHNIQUE IS USED IN MAJOR LEAGUE BASEBALL, FOOTBALL AND IN THE NORTH AMERICAN SOCCER LEAGUE.)
- (5) SUPER SOCCER PROPERTIES, INC. WILL ARRANGE TO HAVE MANUFACTURED TEAM BALLS, TEAM SHIRTS AND JACKETS, AND NUMEROUS OTHER TEAM ITEMS WHICH THE INDIVIDUAL FRANCHISEES WILL SELL AT THEIR ARENAS OR MARKETING AREA. IT IS ESTIMATED THAT THIS WILL PRODUCE SIGNIFICANT INCOME TO THE FRANCHISE.
- (6) PROGRAM INCOME FROM ADVERTISING. SUPER SOCCER PROPERTIES, INC. WILL PUBLISH A NATIONAL PROGRAM 16 TIMES DURING THE COURSE OF THE SEASON WHICH SHALL BE EXTREMELY COLORFUL AND WILL FEATURE 16 DIFFERENT COVERS TO AID IN SALES. THIS NATIONAL PROGRAM WILL



BE CALLED SUPER SOCCER! AND MAY PRODUCE ENOUGH NATIONAL ADVERTISING INCOME TO PAY FOR ITSELF COMPLETELY - PRINTING AND EDITORIALY. EACH FRANCHISE WILL RECEIVE COPIES AT COST, UNBOUND FROM THE NATIONAL PRINTER, WHICH WILL ALLOW EACH FRANCHISE TO SELL AND INSERT LOCAL ADVERTISING.

- (7) THE NATIONAL AVERAGE FOR ALL SPORTING EVENTS IN THE SALE OF PROGRAMS IS 1 IN EVERY 4 PEOPLE IN ATTENDANCE. THE AVERAGE PRICE IS \$1.00 PER COPY. SUPER SOCCER IS EXPECTED TO MAINTAIN BOTH THE NATIONAL AVERAGE SALES AND PRICE.
- (8) SUPER SOCCER PROPERTIES, INC. WILL BE A LIMITED PARTNERSHIP. IT WILL BE OWNED BY THE LEAGUE MEMBERS (75%) AND THE ORGANIZERS CORPORATION (25%). EACH MEMBER WILL OWN AN INTEREST IN PROPORTION TO THE TOTAL MEMBERS IN THE LEAGUE. NET REVENUES SHALL BE ALL INCOME DERIVED FROM THE PUBLICATION OF THE NATIONAL MAGAZINE; FROM NATIONAL TELEVISION CONTRACTS; FROM ROYALTIES AND LEAGUE ENDORSEMENTS; AND FROM ANY OTHER SOURCES: LESS OPERATING EXPENSES AND FEES PAID TO ADVERTISING AGENCIES AND MARKETING DIRECTORS.
- Estimated revenues from radio and television assumes the successful negotiation of electronic media contracts. None have been negotiated.

