

McDouglas & Smith Golf Facility Management

Cedar Valley Golf Course and Golf in the Round Acquisition

Business Plan
January 2011

Legal Entity: S-Corp

Business Structure: Partnership, Principal Owners, Alex P. McDouglas and Brian J. Smith.

Location: 337 South 500 West, Cedar City, UT 84721

McDouglas & Smith Golf Management Business Plan

Owners Biography

1. Business Overview

- A. Overview
- B. Mission Statement
- C. Values

2. Market Opportunity

3. Products and Services

- A. Driving Range
- B. Golf Course
- C. Retail
- D. Food & Beverage
- E. Lessons / Fittings

4. Competitor Analysis

- A. Direct Competitor
- B. Indirect Competitor
- C. Competitive Advantage

5. Target Market

6. Marketing Strategy

- A. Previous or Lost Customers
- B. Current Customers
- C. New Customers
- D. Grand Opening

7. Milestones / Long Term Plans

- A. Range Improvements
- B. Grand Opening
- C. Building Expansion / New Construction

8. Financials

Alex P. McDouglas, PGA, CEO
Graduate of Professional PGA Golf Management Program

Alex has been working in the golf industry for the last 27 years. He is a Professional Golfers' Association of America (PGA) Class A-1 member. He is the currently the General Manager of Canyon Glen Golf Course and owns and operates Canyon Glen Pro Shop. Since taking ownership in 2005, Canyon Glen has seen increased revenue *every year* as a result of great buying and marketing strategies. For the same period, of 132 PGA facilities in the Utah Section PGA, no other Golf Course has reported a consistent climb in sales¹. In fact many courses lost revenue during that time due to the economy and weather. Alex was also elected to serve his community on the Board of Directors for Cedar City County Chamber of Commerce 2010-11 as Chairman of the Come Together Committee. During that time, he was recognized with the 2011 Chamber of Commerce Customer Service of the Year Award.

Profile and Qualifications:

- On hand training by Mentor, Reid James, one of the most awarded Golf Professionals in the intermountain area
- 27 years experience in private and public golf facilities
- Expertise in personnel management, retail, food & beverage
- Successful implementation of advanced marketing software techniques, generating revenue for Canyon Glen Golf Course and Canyon Glen Pro Shop Inc.

Brian J. Smith, CGCS, COO
B.S. Horticulture, Utah State University, Landscape Construction and Maintenance, Cum Laude
Certified Golf Course Superintendent

Brian is a Golf Course Superintendents Association of America (GCSAA) Class A member and current President of the Intermountain Golf Course Superintendents Association (IGCSA). He is the Superintendent of Canyon Glen Golf Course in Cedar City, UT since 2001. During his tenure at Canyon Glen, Brian has reconstructed multiple greens and overseen various capital improvement projects, all at a tremendous cost savings to the facility. Additional prior course management includes:

- Assistant Superintendent, Sunbrook Golf Course, St. George UT - 1998 to 2001
- Superintendent, Green River Golf Course, Green River UT – 1993 to 1998
- Superintendent, Sherwood Hills Resort, Wellsville UT – 1992 to 1993

Profile and Qualifications:

- 15 years extensive experience in course management and operations
- Expertise in turf management, irrigation design and installation
- Seven years of service on the Intermountain Golf Course Superintendents Association (IGCSA) Board of Directors, Two years as sitting President. (2007, 2012)

¹ Utah Section PGA, Executive Director McDouglas Whitaker

BUSINESS OVERVIEW

Cedar Valley Water Reclamation District is an existing facility that includes a year-round driving range with 30 heated stations, 1.5 ac. of turf hitting area, 9-hole golf course, 7200 sq. ft. putting green, 7800 sq. ft. chipping green, 1200 sq. ft. office space, 1400 sq. ft. enclosed warehouse area, and turf and golf course maintenance equipment (mowers, tractors, trailers, golf cars, etc). The property is currently being operated as two separate business': Cedar Valley Golf Course (a 9-hole golf course) generates 22,000 transactions annually and Golf in the Round, a Driving Range facility generates 77,000 driving range transactions.

Partners Alex McDouglas and Brian Smith plan to acquire a lease for Cedar Valley Golf Course along with the driving range Golf in the Round under the name McDouglas & Smith Golf Management. McDouglas & Smith will consolidate and restructure existing operations, expand services and improve products. Funding will be utilized to purchase existing buildings and equipment as well as buyout the existing lease on the property. Detailed use of funds can be found in the appendix with financials.

Mission Statement:

McDouglas & Smith Golf Management is founded upon the principles of Accountability, Integrity, and Innovation. We are committed to the efficient use of resources throughout all facets of golf operations; to promote the game and values of golf, and to provide a quality facility with a focus on the customers' needs and experience.

*Quality of Service and Product + Efficient Use of Resources + Empowered Staff
= More Customers and More Net Revenue*

Values:

McDouglas & Smith Golf Management believes in community involvement and social responsibility. We want to provide a clean, healthy/exercise, recreation and competition opportunity for all players, and specifically for younger junior players. We will actively promote the health and environmental aspects of having open space in the community. We will be involved in the local Chamber of Commerce and support charitable fundraising and other community events.

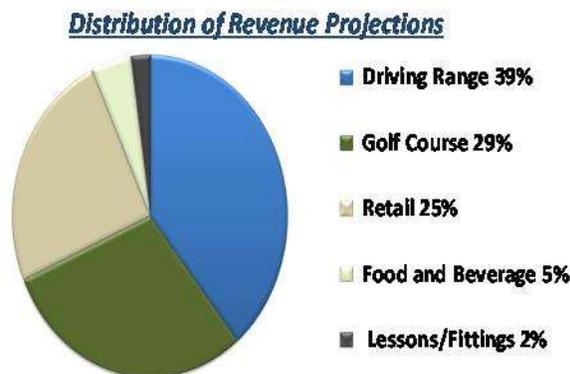
McDouglas & Smith believe employees are a key asset to the organization, and are critical to the success of the company. The attitude and abilities of the employees directly impact customer service, quality of product, and thus the overall profitability of the business. Employees must be empowered to make decisions to effect positive customer service and quality of product. Accountability and integrity are highly valued characteristics. McDouglas & Smith have genuine concern and respect for employees and will seek two-way communication to improve business functions and operations.

Market Opportunity

Golf in the Round Driving Range and Cedar Valley Golf Course are currently operated as two separate yet adjoining facilities. The golf course is in good condition with a steady customer base. The driving range is in poor condition and needs significant improvements. Despite these conditions there is still a large customer base with great potential to grow. The initial lease investment for the driving range/facilities was over \$1 million. The golf course is also valued at over \$2 million. Both the course and the range have trended slightly upward in revenue over the last 8 years, yet by in large revenues are mostly flat at \$250,000 annual sales and \$340,000 annual sales, respectively. We are able to take over management and obtain building, equipment, and control over the property lease at a negotiated price well below market value at \$300,000.

Product/Service

- *Driving Range*
- *Golf Course*
- *Retail*
- *Food and Beverage*
- *Lessons/Fittings*



Driving Range – Currently there are 30 covered and heated stalls that are open year round, providing heat and cover in the winter and shade in the summer. There is additional space that can accommodate up to 70 people at a time. We will improve the range area that will have multiple targets with specific yardage. Customers can buy a bucket of balls for \$5.00 for a half bucket up to \$24.75 for a mega bucket. Range capacity is estimated at annual sales of \$1.5 million.

Golf Course – Existing 9-hole executive course is in good shape, and will need little improvements. It can accommodate 70-80 players per 2 hour period. Cost is \$15 with cart (\$10 walking). Customers will be able to rent clubs for around \$5.00

Retail – Existing building to be remodeled to display and sell all golf related merchandise. Retail sales space will be 700-800 sq/ft. Retail sales will include all golf equipment (drivers, irons, wedges, putters, golf balls, tees, etc) and apparel (hats, pants, shirts, socks, shoes, etc). Additionally, there will be Demo Day activities scheduled throughout the season. Golf club repair will also be a service offered. State average revenue² per guest is \$2.46. The estimated year 1(one) revenue is at a conservative \$1.62 per guest. At the state average, revenue would be \$243,540. If compared to Canyon Glen G.C. (\$7.75) at current guest numbers, revenues would be \$767,250. Increased growth could produce annual sales even higher.

Food and Beverage – Food and Beverage sales will consist of pre-made sandwiches and other pre-packaged food items (chip, candy bars, snacks etc.), as well as bottles drinks/fountain drinks. State average revenue per guest is \$1.43. The estimated year 1 (one) revenue is at a very conservative \$.18 per guest. Long term plan is to add kitchen facility and dining. If compared to state average (\$1.43) and current guest numbers, potential revenues could be \$140,000 annual sales.

Lessons/Fittings – Lessons and club fittings will be available. Fitting /analyzing equipment will be used with the live ball flight to access the players' swing, and to provide equipment and lessons. Lessons Rates are set by individual instructors (\$50-\$60) per hour, with the driving range taking 12%. Club Fitting fees to be determined, will be comparable competition prices.

² PGA Performance Trak

Competitor Analysis

Director Competitors

Competitors	Strengths	Weaknesses
Murphy's 692 W 200 South Driving range with executive golf course. Also offers miniature golf and batting cages. Target market is families.	Quality of facility Strong name recognition Government backed (don't have to make profit) Located in a high income, large residential area Year round Range Facility	High overhead ³ Can't expand beyond their municipal area No incentives to push marketing and sales
Hidden Lakes 1285 W 470 S Driving range with executive golf course. Privately owned. Target market is seniors and women.	Well maintained facility in good condition Strong reputation for Women's programs and teaching	Aging and lower income customer base Located in older neighborhood that hasn't been well kept Lacking PGA certified staff Poor marketing
Forest Dale 235 S 900 E 9 hole regulation golf course owned and operated by Cedar Lake. Target market is seniors and women.	History and reputation Government backed (don't have to make profit)	Lack of Juniors on course Difficult to attract younger players due to location 9 hole facility More expensive course No incentives to push marketing and sales
Morris Park 270 S 700 E 9 hole regulation golf course owned and operated by Cedar Lake. Target market is beginners	Government backed (don't have to make profit) Easy access location Attractive to downtown crowd and fun-goers	Lack of Juniors on course 9 hole facility More expensive course No incentives to push marketing and sales
Overview	Well maintained facilities Established clientele and revenue streams Government backed	9 hole courses Limited merchandise Poor retail Lack of marketing, especially competitive marketing strategies No employee incentives for city and county facilities

Indirect Competitors

Competitors	Strengths	Weaknesses
Uinta Golf 560 E 210 S Locally and privately owned golf equipment retailer. Target market is all local golfers	On hand inventory Selection Reputation Location Computer fitting equipment	No real ball flight Non PGA staff High pressure sales environment Inaccurate information of equipment
Golf Galaxy 614 S State Street (St George) National retail chain. Target market is all golfers	Strong marketing, well funded Low price leader (through rewards and other programs) Good location Computer fitting equipment	No real ball flight Limited PGA staff Inexperienced/young sales staff Inaccurate information of equipment

³ See Murphy's financials in appendix

Competitive Advantage

	Strengths	Weaknesses
Cedar Valley 337 South 500 West Privately owned Driving Range with Executive Golf Course.	Location - easy access, driver by Year Round Facility Knowledge / Experience Marketing Plans and Strategy Service Community Involvement Grow Golf Campaigns - First Tee Quality teaching Staff, Fitting, Live Ball Flight	Location - Non-Residential, Industrial Funding - Not backed by Municipal Current Condition of Range- negative perception of property 9-Hole Course

Target Market

- Market Area
 - Primarily Cedar City
 - Total population – 35,000
 - Target population (by age) –22,000
 - Median Income - \$52,954
 - *Approx Target Market population 10,000*
- **Golf Type⁴ – Driving Range**
 - Successful Business Leaders
 - Golf Enthusiasts
 - Young and Busy Achievers
- Income Level
 - Medium to High Income
- **Golf Type⁵ – Golf Course**
 - Hooked on Value – value conscious golf lovers
 - Time to Play – Mature and frugal golf enthusiasts
 - Juniors, Beginners, Young Adult Price Conscious
 - Fixed Income
- Income Level
 - Low to Medium or Fixed

Marketing Strategy

Signage and Image – Improve curb appeal and create interest in the “new facility”

1. Prominent sign visible from Main Street
2. Entrance signage
3. Branding and image for all publications

^{4,4} PGA Golfer Portraits

Target / Range Improvements

1. Remove old cars, other old equipment
2. Shape new target areas on range
3. Install new irrigation
4. Re-grass entire infield area

Previous or Lost Customers

1. Identify who they are and how to reach them
2. Contact *any* identified golfers who have stopped coming and offer them “come back specials”
3. Procure UGA mailing list and emailing list
 - a. Send out specific, high class, welcome back letter explaining improvements in *Quality* and *Service*

Current Customers

1. Improved facility
 - a. Noticeable to our customers that our quality is better
2. Improve data collection on all existing customers
 - a. Email lists
 - b. Frequency and buying patterns
 - c. Profiles
 - d. Types and interests
3. Implement an Awards Program and Loyalty Cards
4. Improved customer service training
 - a. Consistency, sustainability
 - b. Hiring the “right person” (and letting go if they’re not)
 - c. Employee incentive programming
5. Retention and Defector Campaigns
 - a. Newsletters
 - b. Website
 - c. Come back coupons
 - d. Automated software

New Customers

1. Constant Activities
 - a. Leagues for all ages of players, men and women
 - b. Monthly Demonstration days
 - c. Product Demonstration days by vendor
2. Improved Facility
 - a. Word of Mouth
 - b. Advertising
 - c. Drive-by / Curb appeal
3. Main Entrance Signage
4. Advertising Campaign
 - a. Newspaper
 - b. Radio spots
 - c. Coupon
5. Community Involvement
 - a. Chamber of Commerce
 - b. Corporate Events - Promotions for business and industry
 - c. Fundraising and Fundraising Tournaments
 - d. Leagues and other Golf Activities

Grand Opening

1. New Name and Logo
2. Street Signage / Entrance Landscaping
3. Advertising Campaign
 - a. Newspaper
 - b. Radio Spots
 - c. Fairways Magazine
 - d. Book of Golf
4. Grand Opening Promotion

Milestones / Long Term Plans

1. Completion of Target / Range Improvements
2. Grand Opening
3. Building Expansion / New Construction
 - a. Bring Golf Associations together on one property
 - b. Utah Golf Hall of Fame, Banquet / Meeting Facility
 - c. Piggy-back with South Cedar Lake, Cedar Valley on RDA

Financials

McDouglas & Smith Golf Management (MSGM) will acquire the Golf in the Round driving range, with existing lease, buildings and equipment for a total purchase price of \$300,000. We have an agreement with the current owner to carry \$49,000, and an additional investor to fund \$100,000. MSGM is seeking a SBA loan for the remaining balance needed. We have been in negotiations with Cedar Valley Water Reclamation District (CV) on a new lease agreement and are in the final stages of approval.⁶ The lease payment to CV is revenue based and will be paid quarterly. The lease payment will be 4% of revenues from driving range, green fees, and cart rentals. Estimated yearly payment: \$23,000-\$25000.

Facility changes and improvements include:

1. Remodel of existing operations building to accommodate operation of both driving range and golf course. Additionally computer and software upgrades will be needed.
First 2 months after acquisition. - \$20,000.
2. Upgrade / Improvement of Range. - \$47,500
 - a. Phase I May. Shape new target areas, add minimal upgraded irrigation around targets.
 - b. Phase II August-September. Finish irrigation upgrade installation, seeding and grow-in.
3. New sign and entrance landscaping, Grand Opening, spring 2013. \$25,000 (Landscaping/Signage).
\$15,000 (Grand Opening marketing promotion) \$20,000 (Range Supplies)

MSGM will fund a 1 (one) year Loan Reserve, and will provide for additional capital improvements and equipment replacement program from operation revenues.

⁶ See appendix for lease points