CG

CHESTERFIELD GOLF APPAREL CO.

A Business Plan Prepared by Mario J. Cassel

BADM 655 – Entrepreneurship
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CHESTERFIELD GOLF CO.

A. <u>Executive Summary</u>

The following information is the business plan for Chesterfield Golf Apparel Company created by Mario J. Cassel. This business plan has been created to obtain $220,000 in start-up capital to fund Chesterfield Golf. Mr. Cassel is seeking a $200,000 small business and will fund the additional $20,000 with his own personal savings. This business plan will also serve as the operational guidelines for the business for its first four years of operations. The term of the loan that the business is seeking is over a ten-year period at 5% interest and, for the purpose of pro-forma financial statements, assumed throughout the business plan.

Chesterfield Golf (CG) will be a golf apparel company that specializes in creating classic, comfortable clothes that provide the functionality that today's young golfer. Through the first five years, the company will focus on establishing buyer/retailer relationships while placing the company's product the shelves of small to mid-size golf specialty shops. The goal for CG is to create quality stylish, yet functional apparel that can be worn from the office to the fairway.

The following business plan was created using first and second-hand research data compiled by Mr. Cassel. All research data can be identified by the citations of the source of the data. The research data within this paper is the most up-to-date material available to reflect current industry performance and trends.

CHESTERFIELD GOLF
PROJECTED SALES AND PROFIT

FISCAL YEAR	GROSS SALES	NET INCOME
2009	**$220,349**	**$73,537**
2010	**$504,938**	**$201,861**
2011	**$642,949**	**$270,385**

B. Business Description

1. Chesterfield Golf Overview

The name of the company will be Chesterfield Golf Apparel Company and identified by trademark as CG. Chesterfield Golf Apparel Co. is a Houston, Texas based manufacturer and distributor of quality, moderately priced golf apparel including, but not limited to, hats, shirts, pants and shorts. The mission of the company is to design and sell quality, classically-inspired golf apparel for avid and core golfers between the ages of 18-35 that can be worn from the sand trap to the trappings of the metropolitan city in comfort and style. The functionality of the apparel is a competitive advantage as our target demographics are mostly made of young professionals seeking to balance their work lives with their personal lives.

As already mentioned, CG will be headquartered in Houston, Texas and will focus its retail opportunities there in its first year while working to establishing a presence in surrounding cities Dallas, Austin, and San Antonio in subsequent years. The company's plan is to establish a presence in golf specialty retailers on a local to regional level and build the brand into a national presence. The push for product placement at retail stores will begin in July of 2008 with the intent ~~on~~ of making the products available at retailers in January of 2009 to coincide with the start of the PGA season. August of 2008 will also coincide with the majority of golf-related product expos where buyers can make orders. This will also create enough time to create the product as the business will outsource the manufacture and embroidery of its product and will have a three-month turnaround. In addition to retail stores, CG will establish a company web site that will be e-commerce capable. The website will be created and online by August 2008. The company's products will be available for sale on-line May 12, 2009. A marketing effort will be made to promote its e-store opening with a focus on Father's Day which will be June 21, 2009.

Chesterfield Golf is the brainchild of entrepreneur and avid golfer Mario Cassel. Mr. Cassel's love of golf was inspired by his father Chester Cassel who also taught him a respect for the rules and traditions of the game. As an avid golfer himself, Mr. Cassel was inspired to create an apparel company after finding it difficult to buy golf clothes that matched his own sense of style. Mr. Cassel holds dual bachelor's degrees in Accounting and Management from Dillard University in New Orleans and an MBA from the Jesse H. Jones School of Business at Texas Southern University. Mr. Cassel will serve as the owner and president of Chesterfield Golf Apparel Company.

2. Our Products

While Chesterfield Golf will expand to offer a wide array of apparel including shirts, caps, slacks, shorts and outerwear, the initial inventory will consist of shirts and caps. The logic behind the offering is to lower the start-up costs and to use the continuous sales of shirts and caps to fund the second run of inventory which will include slacks and shorts. The shirt and cap is the essential cornerstone of the golfer's apparel and are usually bought in pairs, especially as gifts.

The initial inventory will consist of the following:

	2009				
Product	Count	Purchase	Cost $	COGS	Sale $
Hats					
Classic Hat	870	880	$ 4,400	$ 4,352	$ 22,621
University Hat	870	880	$ 4,400	$ 4,352	$ 22,621
Visor	435	440	$ 1,980	$ 1,958	$ 11,310
Total	**2,176**	**2,200**	**$ 10,780**	**$ 10,662**	**$ 56,552**
Shirts					
Classic Shirt	514	520	$ 4,420	$ 4,370	$ 23,642
University Shirt	514	520	$ 4,420	$ 4,370	$ 23,642
Pin High Shirt	514	520	$ 4,420	$ 4,370	$ 23,642
Luxe Shirt	362	370	$ 3,885	$ 3,798	$ 18,087
Total	**1,904**	**1,930**	**$ 17,145**	**$ 16,907**	**$ 89,013**
Pants					
Champion Chino	680	690	$ 10,350	$ 10,200	$ 40,792
Champion Short	680	690	$ 8,970	$ 8,840	$ 33,992
Total	**1,360**	**1,380**	**$ 19,320**	**$ 19,039**	**$ 74,784**
Total Inventory	**5,440**	**5,510**	**$ 47,245**	**$ 46,608**	**$ 220,349**

Shirts

The Birdie shirt will be a classic solid tone polo shirt made of cotton with the CG logo on the chest. The Birdie Shirt will be the company's flagship offering and will be in line with the company's mission of offering a classic and timeless look on and off the course. The initial offering will be four classic colors: navy, red, black and white. Our initial inventory will be 200 (50 of each color) ranging in size from Medium to Extra Large.

The University Shirt will be a two-toned, striped shirt with white as the base color. This shirt will be a light, breathable pattern made of cotton and rayon. We predict this to be a popular shirt based on golfer's allegiance to their alma maters. The initial inventory will be three colors: royal blue, burnt orange and maroon. Based in the state of Texas, it is essential to capitalize on the popularity and allegiance to the state's two largest universities: University of Texas and Texas A&M.

The Pin High shirt will be a solid-tone, pattered shirt made of mercerized cotton. The Pin High shirt will be a luxury shirt with the comfort and elegance expected of the discerning customer. These shirts will be offered in three pastel colors: canary yellow, mint green and powder blue.

Caps

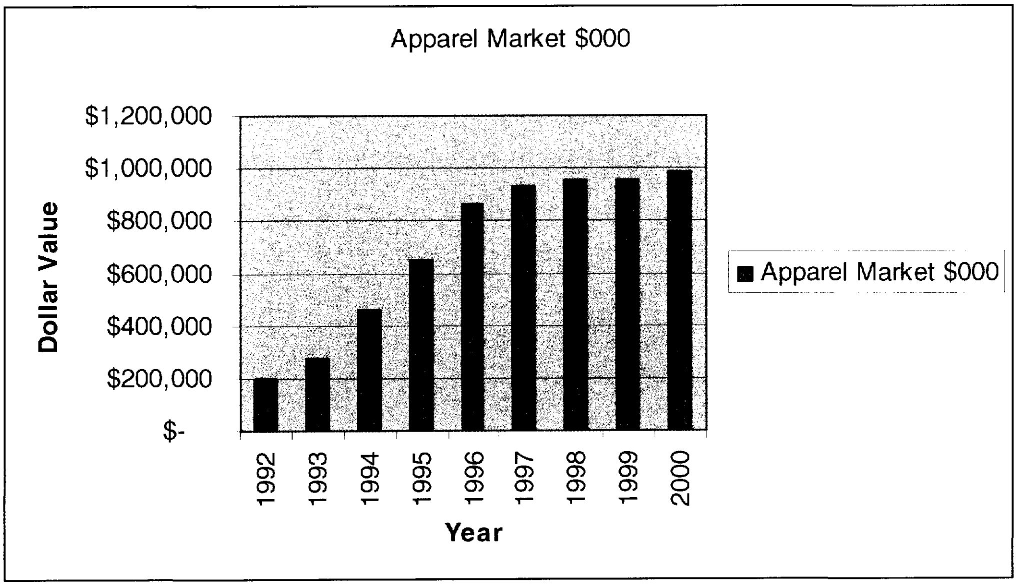
The Classic Cap will be a basic solid tone cap to match the Classic Shirt. It will be offered in three colors: Black, Khaki and White with the CG logo stitched in the front.

The Mesh Cap will be a two-toned mesh trucker style cap with the CG logo on the front and on the back fit tab. The nylon mesh back will be white and the cotton front will be offered in three colors: black, royal blue, burnt orange and maroon. The Mesh Cap is designed to match the two-toned University Shirt and will be offered in matching colors.

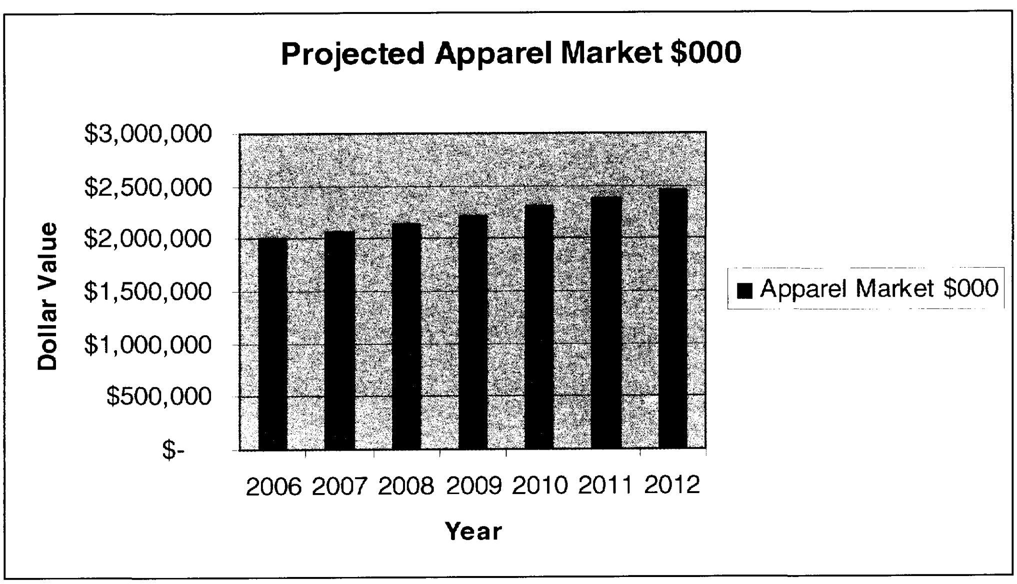
The Pin High Visor offers a departure from the traditional cap and captures the traditional look some golfers prefer. The visor is designed to match the Pin High Shirt and will be offered in three colors: black, white and khaki.

3. Industry Background

According to the National Golf Foundation (NGF) Report on the U.S. Golf Economy, the golf apparel market is currently valued at $2Billion (NGF, 2001) and is projected to grow to $2.4Billion by the year 2010 according to the 2006 US Market for Golf Equipment Packaged Facts Report (www.marketresearch.com, 2006). The industry is characterized by high margins and little price competition. CG was able to conduct a sample of three brands and the average margin was 47% with the highest margin topping 54%. CG was also able to compare the sample margin to other apparel industries using www.bizstats.com which showed the average margin for apparel makers at 38%.



The golf apparel industry has grown by 11% from 1984 – 2002 (Buelow, 2003) and has outpaced the actual growth rate for number of golfers and rounds played. This shows that the growth of the industry in not entirely dependent on the number of golfers and that despite a drop in numbers, apparel sales will still do fairly well. This is mostly due to the conscious effort of manufacturers to design pieces that have functionality and can be worn outside of the tee box. Not only are golfers taking apparel outside of the course, but regular apparel shoppers are also purchasing golf products, although not in spectacular numbers.



Although, the golf apparel industry has shown its ability to grow despite a decline in golfers, it's still primarily driven by the number of people playing. All segments of the golf economy are primarily driven by the number of people playing and being able to seek out new groups to sell the game to an important part of ensuring the growth of the game. The golf world has realized this and the game's governing bodies, namely the PGA, World Golf Foundation, and the USGA have made efforts to seek out those new golfers through the First Tee program. First Tee seeks to develop interest in golf by reducing the financial barriers to playing the game for children and teens by providing them with equipment, instruction and reduced fees. This program and others like it will continue to fuel the growth of the game amongst younger players and will provide companies such as CG with an ever-growing audience to whom we can sell our product.

4. Competitive Advantages

As a moderately-priced designer and seller of quality golf apparel, CG will have an inherent competitive advantage with its price. The game of golf can be an expensive indulgence for an avid golfer especially in the current economy. In order to play one round a golfer will pay for golf clubs, a golf bag, balls, tees, apparel (shirt, pants, hat, and shoes), greens fees, cart fees, not to mention gas to get to the course. Golf courses require lots of space and for that reason are usually built on undeveloped land which is usually located on the outskirts of a city. Due to the large price tag associated with being a golfer, the company believes that customers will appreciate a moderately priced offering. Despite a better price, the company believes that no company can succeed long-term based on pricing. Pricing is not a competitive advantage because other companies can simply drop their prices. Competing on price is not the objective of CG. The true objective is to create the perception of value. Once the perception of value is created, competitors will be hard-pressed to undermine it regardless of whether they drop their prices or not. This is one of the true competitive advantages of CG.

Location is also a competitive advantage for CG. Texas, one of the largest states in the USA, has been a stronghold for a number of golfers and has the highest playing population second only to California, the largest state in the U.S. Besides a strong and growing market of golfers in its own borders, Texas will be a perfect midpoint between the large California market and traditional golf strongholds Georgia and California. CG's geographical placement will be an advantage for the company in the form of a better tailored ad & marketing plan, as well as a cost-advantage for shipment of the product to the golf-rich regions of the U.S. Each state with the largest golf population can be reached within hours through major highways such as I-10.

C. Marketing Segment

1. Marketing Overview

The sport of golf has been tremendously impacted by the emergence of a new crop of players such as Tiger Woods, Vijay Singh, Michelle Wie, K.J. Choi, and Camillo Villegas among others. Their success in the sport has also brought a never-before-seen inclusion and acceptance among what used to be all-white country clubs. This has been the impetus for the sports unprecedented level of popularity and the new players have come out to the links in droves. According the NGF Minority Golf Participation Report, there is an estimated 36.7Million golfers in the U.S. and the mix is becoming more diverse with participation rates as follows:

Golf Participation Rates by Ethnicity, source: NGF Report on Minority Participation

	Participants	% of Golf. Pop	Participation %	CAGR
Whites	31,172	85%	14.5%	1.9%
Blacks	2,330	6%	7.0%	1.2%
Asian-Americans	1,520	4%	13.7%	2.8%
Hispanic-Americans	1,678	5%	5.4%	2.7%
Total	**36,700**	**100%**		

What was once viewed as an all-white, sport for the affluent has now become a melting pot of race, nationality, culture and class. The multicultural country club will be the norm and CG will be positioned as the brand that embodies that culture and lifestyle. As golf's governing bodies work to create growth in minority participation through programs such as First Tee, the industry will benefit from being able to market to all ethnicities and will have an ever-growing pool of participants that need products. The marketing strategy for CG will not be based on exclusivity for minority golfers, but for inclusion of all ethnicities in the time-honored tradition of golf.

Using the total golf population against the total U.S. population, the company has estimated that the participation rate for all golfers is 12.62%. Based on this participation rate against Census estimates for total population and projected population growth, the company was able to estimate the following population estimates for its target states:

Projected Golf Population by Target States (in thousands)

	2009	2010	2011	2015
Texas	3,016	3,063	3,111	3,355
Florida	2,339	2,384	2,430	1,291
Georgia	1,177	1,194	1,210	1,291
California	4,703	4,754	4,804	5,064
Totals	**11,235**	**11,395**	**11,555**	**11,001**

As stated earlier, Texas is the second largest state in regards to golf participation. The state has a large and growing golf population in which CG can start its business. To better understand the market in which it would operate in each target state was broken down into target cities and population data was used to determine each cities' golf population. Using the cities golf population against the U.S. golf population the company was able to estimate a contribution percentage to the overall golf economy. Using the total value of the apparel market, each cities population was used to determine their contribution percentage to the total:

The population figures were used to estimate the total value of the golf economy by state and appear as follows:

Estimated Golf Population and Golf Economy of Target Cities ($ in thousands

		2009			2010		
	Growth %	**Pop.**	**Golf Pop.**	**Market$**	**Pop.**	**Golf Pop.**	**Market $**
Houston	2.40%	5,407	682	$ 40,308	5,536	699	$ 41,735
Dallas-Ft. Worth	2.54%	5,967	753	$ 44,423	6,118	772	$ 45,996
Austin	3.24%	1,499	189	$ 11,085	1,548	195	$ 11,477
San Antonio	2.08%	1,928	243	$ 14,421	1,968	248	$ 14,931
Atlanta	3.16%	5,072	640	$ 37,537	5,233	660	$ 38,866
Orlando	3.52%	2,001	253	$ 14,757	2,071	261	$ 15,279
Miami	1.66%	5,512	696	$ 41,392	5,604	707	$ 42,858
Tampa	2.10%	2,703	341	$ 20,208	2,759	348	$ 20,923
Los Angeles	0.90%	13,039	1,646	$ 98,656	13,157	1,660	$ 102,148
San Diego	0.86%	2,958	373	$ 22,391	2,984	377	$ 23,184
San Francisco	0.14%	4,159	525	$ 31,705	4,165	526	$ 32,827

		2011			2012		
	Growth %	**Pop.**	**Golf Pop.**	**Market $**	**Pop.**	**Golf Pop.**	**Market $**
Houston	2.40%	5,669	715	$ 43,213	5,805	733	$ 44,742
Dallas-Ft. Worth	2.54%	6,274	792	$ 47,624	6,433	812	$ 49,310
Austin	3.24%	1,598	202	$ 11,883	1,650	208	$ 12,304
San Antonio	2.08%	2,009	254	$ 15,460	2,051	259	$ 16,007
Atlanta	3.16%	5,398	681	$ 40,242	5,569	703	$ 41,666
Orlando	3.52%	2,144	271	$ 15,820	2,220	280	$ 16,380
Miami	1.66%	5,697	719	$ 44,375	5,791	731	$ 45,946
Tampa	2.10%	2,817	356	$ 21,664	2,876	363	$ 22,430
Los Angeles	0.90%	13,275	1,675	$ 105,764	13,395	1,690	$ 109,509
San Diego	0.86%	3,009	380	$ 24,004	3,035	383	$ 24,854
San Francisco	0.14%	4,170	526	$ 33,989	4,176	527	$ 35,192

Based on the above figures, the market for apparel in the company's target cities are large and will continue to get larger. With a growing demand and little price competition, the market for golf apparel has hardly matured. There is room for a moderately-priced offering in the industry and CG is the company that will make the fit.

2. Market Niche and Market Share

Based on the company's research, the target market that CG is best fit to serve is the avid golfer market with players ages 18-35. At Chesterfield Golf we believe that a new era of golf has emerged from what was once an exclusive past-time for the rich. Country Clubs across the US are now multicultural melting pots and younger players are taking to the game in unprecedented numbers. We want our pieces to be reflections of that new generation. The World Golf Foundation Report in 2002 on Minority Golf Participation in the US shows that of all ethnicities, the large concentrations of participants were in the 18-29 age group followed by 30-39. On the professional tour, new players are emerging and these young golfers are now in the spotlight. The game of golf is getting younger and we want to be able to capitalize on this new crop of young players.

Golf Participation Table source: NGF Minority Golf Participation Report 2002

	U.S. Total	Afr. Amer.	Asian Am.	Hisp. Amer.
Age 5-11	8%	11%	5%	11%
Age 12-17	9%	11%	8%	8%
Age 18-29	[redacted]	[redacted]	[redacted]	[redacted]
Age 30-39	[redacted]	18%	17%	16%
Age 40-49	18%	19%	24%	21%
Age 50-59	12%	14%	16%	10%
Age 60-64	5%	4%	4%	2%
Age 65+	9%	3%	3%	1%

The new generation of golfers is not represented from a manufacturers standpoint as the old-guard (Cutter and Buck, Fairway and Greene, Ashworth and others) continue to make clothes for the older, more affluent golfer. Apparel giants Nike and adidas market to the younger generation, but produce performance gear that lacks the style that image-conscious golfers would prefer. Newer players such as J. Lindberg, Penguin and Pringle offer designer golf wear, but the luxury pricing could ward off the average golfer. By nature, the game of golf is expensive with the necessary purchase of clubs, equipment, fees, etc., and apparel is the first place where a golfer will try to save. There is an opportunity for a stylish, yet moderately priced golf shirt that has not been tapped on a large scale by any company and that is where Chesterfield Golf fits in. Much in the same way that the GAP was able to reach a young hipster market with classic clothes at a moderate price, CG will work to achieve the same.

The 18-35 demographic gives a large pool of customers and CG wants to narrow that focus to more effectively market the product. That's where avid golfers come in. On an industry level, golfers are broken down into three groups: Occasional Golfers who play 1-7 rounds of golf per year, Core Golfers who play 8-24 rounds per year, and Avid Golfers who play 25 rounds or more per year. This breakdown is important because the psychographics of each group is different, as well as their spending habits.

Breakdown of Golfers by Rounds and Spending source: NGF Golf Economy Report 2001

	Golfers	Spending
1-7 Rounds (Occasional Golfers)	52%	13%
8-24 Rounds (Core Golfers)	25%	[redacted]
25+ Rounds (Avid Golfers)	23%	[redacted]
Total	100%	100%

The chart above shows that Avid Golfers make up the smallest percentage of golfers, but outspend Occasional and Core Golfers by leaps and bounds. Therefore Avid Golfers are by far the most lucrative of all golfers, but they also have a high concentration of golfers 18-35.

Profile of Golfers by rounds source: PGA Golf Attitudes & Behaviors by Customer Type Report 2001

	Age 18-39	Avg Income	B.S. or Grad	Male	Female
1-7 Rounds (Occasional Golfers)	64%	$77,700	60%	65%	35%
8-24 Rounds (Core Golfers)	29%	$79,900	55%	70%	30%
25+ Rounds (Avid Golfers)	[redacted]	$82,800	58%	69%	31%

As the above charts show, not only has CG chosen the most profitable market niche available, but also the most in-line with the product. Young people in this age group are most likely to try a new product and can be influenced by advertising. The company's offering of classically-inspired pieces with a modern twist provide affordable style, as well as the functionality that fits the lifestyle of its young professional customer base. Unlike performance gear offered by Nike and adidas/TaylorMade, CG's pieces can be worn to the office, in the city and on the links.

CG's market share is based on a model of Cutter & Buck (Cutter). Cutter entered the market in 1992 in the same way that CG will enter the market which is from a grass-roots level. Cutter & Buck, without significant capital and advertising entered the market garnering a 2.7% share of the national market and the breakdown of the Cutter model is shown in the following chart.

Cutter and Buck Statement of Consolidated Operations in thousands (source:www.hoovers.com)

	1992	% +/-	1993	% +/-	1994	% +/-	1995
Net Sales	$ 5,405	48.7%	$ 8,036	23.0%	$ 9,882	36.0%	$ 13,435
Cost of Sales	4,086	46.6%	5,991	7.6%	6,444	35.9%	8,760
Gross Profit	**1,319**	**55.0%**	**2,045**	**68.1%**	**3,438**	**36.0%**	**4,675**
Operating Expenses							
Design & Production	385	28.6%	495	3.0%	510	46.5%	747
Selling & Handling	870	30.6%	1,136	56.8%	1,781	37.3%	2,446
General & Admin.	740	5.9%	784	34.3%	1,053	29.5%	1364
Total Operating Exp.	**1,995**	**21.1%**	**2,415**	**38.5%**	**3,344**	**36.3%**	**4,557**
Operating Income (loss)	**(676)**	**45.3%**	**(370)**	**125.4%**	**94**	**25.5%**	**118**
Estimated Company Data							
US Golf Apparel Market	$ 199,630	**37.3%**	$ 274,000	**66.1%**	$ 455,000	**43.1%**	$ 651,000
Cutter Share of Market Sales	2.7%		2.9%		2.2%		2.1%
Cutter Est. Unit Sales (000)	132	**44.9%**	191	**18.7%**	227	**32.6%**	301

Breakdown of Population and Apparel Market for Target Cities, population source: State and Metropolitan Data Book 2006

	Total Pop.	Golf Pop.	Golf Pop. 18+	Cont. %	Cont. % 18+	Apparel Total	Apparel 18+
Houston	5,280	666	476	1.82%	1.30%	$ 36,314	$ 25,924
Dallas-Ft. Worth	5,819	734	524	2.00%	1.43%	$ 40,021	$ 28,571
Austin	1,452	183	131	0.50%	0.36%	$ 9,986	$ 7,129
San Antonio	1,889	238	170	0.65%	0.46%	$ 12,992	$ 9,275
Atlanta	4,917	621	443	1.69%	1.21%	$ 33,817	$ 24,142
Orlando	1,933	244	174	0.66%	0.47%	$ 13,294	$ 9,491
Miami	5,422	684	489	1.86%	1.33%	$ 37,290	$ 26,621
Tampa	2,647	334	238	0.91%	0.65%	$ 18,205	$ 12,996
Los Angeles	12,923	1,631	1,164	4.44%	3.17%	$ 88,879	$ 63,450
San Diego	2,933	370	264	1.01%	0.72%	$ 20,172	$ 14,401
San Francisco	4,153	524	374	1.43%	1.02%	$ 28,563	$ 20,391

CG sales projections are based on the Cutter model who garnered 2.7% of the national market upon entry. Based on the above model, the company believes that CG can capture 2.7% of its target market of Avid Golfers between the ages of 18-35. The following schedule is a sales projection over a three year period. CG's sales projections are based on a 2.7% gain of the target demographic for Houston, and other target markets. In subsequent years CG will began to expand its way through Texas, first with Dallas, then to Austin and finally San Antonio. The following chart will show the total golf markets for each of the company's target cities.

Projected Sales for Chesterfield Golf

	2009	2010	2011	2012
Estimated Size of Apparel Market	$ 2,220,008	$ 2,298,596	$ 2,379,966	$ 2,464,217
Target City Market Value				
Houston	$ 40,308	$ 41,735	$ 43,213	$ 44,742
Dallas		$ 45,996	$ 47,624	$ 49,310
Austin			$ 11,883	$ 12,304
San Antonio				$ 16,007
Demographics				
Avid Golfers				
Houston	$ 25,394	$ 26,293	$ 27,224	$ 28,188
Dallas		$ 28,977	$ 30,003	$ 31,065
Austin			$ 7,487	$ 7,752
San Antonio				$ 10,085
Avid Golfers 18-35				
Houston	$ 12,189	$ 12,621	$ 13,067	$ 13,530
Dallas		$ 13,909	$ 14,401	$ 14,911
Austin			$ 3,594	$ 3,721
San Antonio				$ 4,841
Market Penetration				
Houston	$ 329	$ 379	$ 431	$ 501
Dallas		$ 376	$ 432	$ 492
Austin			$ 97	$ 112
San Antonio				$ 131
TOTAL	$ 329	$ 754	$ 960	$ 1,235
CG Projected Sales in units	**5,440**	**12,466**	**15,873**	**20,413**

3. Competitive Analysis

As mentioned there are a few recognizable names in the golf apparel industry including Nike, adidas/TaylorMade, Izod, to name a few. Those names mentioned are the ones that compete with CG head-to-head for the younger market. The dominant players in this category are Nike and adidas/TaylorMade. Nike's success in golf apparel is due to its association with Tiger Woods. Before Woods, Nike struggled to be taken seriously as a golf company. Unlike other categories, golfers are of a discerning taste and are not keen to supporting outsiders.

Nike – Nike has dominated most sports with its apparel, but initially found breaking into the golf market difficult. Nike has mostly depended on its superstar athletes to push the brand and golf at the time was devoid of a superstar in the mold of a Michael Jordan. That was until Tiger Woods came along. Woods endorsement of the Nike brand brought the credibility that Nike needed to create trust among discerning golfers. Nike's output since then has been performance gear that has a technological edge and pioneered the dry-tech fabric that has become ubiquitous in all offerings. Nike's push for technology directed by Woods' dominance of the tour has earned a large following for the brand. For all players who desire the look and feel of Woods turns to Nike and usually fall into CG's target demographic. The reason that there is room for CG to compete is that not every golfer desires to look exactly like Woods. Most of CG's target demographic are professional and educated and have come into their own personality with their own sense of style. This style is something they wish to have reflected and don't it dictated by Nike and Woods. Also, a good number of players know that performance gear is for professional play and don't want to pay for the technology that wont make a difference in their game. Lastly, this performance gear lacks the versatility of CG and is for golf courses only.

adidas/TaylorMade – Apparel giant adidas made its foray into the lucrative golf apparel market and within a decade has quickly become the industry's largest seller of golf apparel. Adidas did not initially fare well and only had its reputation as a sports wear manufacturer to make an impact. A German brand, adidas did very well in the European market and was very active and popular on the European professional tour. After doing relatively small numbers in the US market, the company created one of the biggest partnerships on the market by licensing the TaylorMade name to create an apparel brand for one of the America's biggest golf brands. TaylorMade has the most endorsements of golf professionals on tour and has made its reputation based on that. Most TaylorMade customers are young and are very loyal to the brand. Adidas has tried to take advantage of that brand and rival Nike, but most of adidas customers purchase adidas apparel with the TaylorMade brand which is mostly hats although shoe sales are adequate. Adidas focuses mostly on performance gear and although they carry a stylish edge, its apparel lacks the functionality that most golfers in this age range prefer.

Izod – Apparel giant Van Heusen has made classically-inspired clothing for some time with its brand Izod and has started to market Izod as a golf brand. Izod has yet to cash in as a golfer's brand mostly due to its company image and lack of effort in retail positioning. Izod apparel has the functionality of CG apparel but is mostly seen as an apparel brand. Golfers have discerning taste and prefer clothes made by golfers for golfers. Lastly, Izod is found in department stores such as Macy's and Dillard's.

Ashworth – Started in the late 80's, Ashworth has become one of the industry's biggest players with over $200Million in revenue. Ashworth is the largest apparel company whose interests started in golf only. Although the company has grown to include The Game and Gekko brands, Ashworth's bread and butter is golf apparel. The company's target market is golfers over the age of 35 and many of their advertisements as well as their website feature older, gray-haired models who represent their audience. Ashworth has developed a strong following and cemented their relationship with older generations by licensing the Callaway brand name. Callaway became a giant in the golf club market by creating the classic metal wood, the Big Bertha. Callaway's early popularity has earned it tremendous respect amongst earlier generations and Ashworth has carried on that popularity through licensing Callaway's name.

Cutter and Buck – Founded in 1991, Cutter and Buck's rise to golf prominence has been meteoric. As a maker of high-end golf apparel, Cutter and Buck can be seen on the shoulders of golf's "country club" participants. Unlike Nike, adidas/TaylorMade and Ashworth, Cutter and Buck products are not found at specialty golf retailers and major sports outlets. This is what makes Cutter and Buck special. A "green grass" product, their product is mostly found in golf pro shops at mostly private clubs and golf resorts, although it can be found in some public course pro shops. Their products are also sold through their e-store, and they enjoy a healthy corporate custom shirt business as well. Cutter and Buck's popularity has earned them a following with older avid golfers much like Ashworth, but players with larger paychecks turn to Cutter. Cutter's success grew even larger by signing a licensing agreement with the PGA to manufacture and sell PGA products.

There are other competitors in the golf apparel market, but the ones mentioned are by far the biggest, while others such as Tommy Bahama, Nicklaus Golf, Penguin and Great White Shark scramble to gain larger market share. Their failure to dominate the market can be largely attributed to their business being about capitalizing on the name of its founders. Although the "namesake" companies have done fairly well, it has become hard to move beyond customers who are/were loyal to the players themselves and not the product. Furthermore, with their playing days behind them, the names behind the namesakes are mostly out of the public spotlight. The products have only done as well as the players. Much of the same example can be seen with Michael Jordan basketball shoes. Although, they still sell fairly well, sales were never higher than when Jordan actually played. As namesake companies come and flatten out, there is room for a company such as CG whose dedication is to the product and not the players themselves, although sponsorship is an important part of the business.

Lastly, from what we have seen in the apparel business, the trend has been licensing from golf equipment companies. The fact that equipment companies Titleist, Cleveland Golf, King Cobra, Adams and Mizuno as some of the larger, more popular brands have not entered into licensing or apparel themselves as of yet, shows that this industry is far from being mature and competition in the industry is not as strong as it looks with as many names as there are.

4. Pricing Policy

Chesterfield Golf's strategy in pricing is not to be a cheap alternative to market leaders, but to earn attention based on its moderate pricing. Our prices will remain slightly under the industry's dominant players. Consumer surveys have shown that a products price has an influence on its perceived quality. Based on this, CG will not be the rock-bottom, bargain bin product. The quality of the apparel should stand on its own.

The average margin in the industry is 47% and the company's intent is to be around that margin anywhere above 40%. The CG pro-forma income statement shows that based on current price, the resultant operating margin weighed against the company's expenses is on the money at 47%. In later years that margin is expected to rise as the company ventures into new markets and then flattens out at 55%.

The following chart is a price list for the company's proposed offerings:

Inventory Production Cost Schedule, source: Terry Leung, Randt, Inc., Houston, TX

	Manuf. $	Embroidery $	Total Cost	CG Sale $
Classic Hat	$ 3.00	$ 2.00	$ 5.00	$ 25.99
University Hat	$ 3.00	$ 2.00	$ 5.00	$ 25.99
Visor	$ 2.50	$ 2.00	$ 4.50	$ 25.99
Classic Shirt	$ 7.00	$ 1.50	$ 8.50	$ 45.99
University Shirt	$ 7.00	$ 1.50	$ 8.50	$ 45.99
Pin High Shirt	$ 7.00	$ 1.50	$ 8.50	$ 45.99
Luxe Shirt	$ 9.00	$ 1.50	$ 10.50	$ 50.00
Champion Chino	$ 12.00	$ 3.00	$ 15.00	$ 59.99
Champion Short	$ 10.00	$ 3.00	$ 13.00	$ 49.99

At a time when the overall cost to play a round continues to grow, customers can appreciate a moderately-priced apparel offering. Of the total cost, apparel is the only non-essential and will be the first place golfers will save if the opportunity presents itself. We believe that giving our customers value is an essential part of the company's marketing effort and shaping the image of the brand.

5. Advertising Plan

As a start-up company, CG's will start its first five years with a modest advertising budget. Great care and consideration will be taken with advertising decisions. The company will work to find the most cost-effective means of advertising, but also the most effective. In making advertising decisions, the following charts outline golfer habits and give great insight as to how company advertising can be most effective.

Media Consumption by category, source: PGA Consumer Golf Attitudes & Behaviors 2001 Report

	TV	Magazine	Newspaper	Internet
Occasional Golfers	97%	85%	92%	68%
Core Golfers	95%	84%	92%	59%
Avid Golfers	[redacted]	85%	92%	50%

Television Shows by Category, source: PGA Consumer Golf Attitudes & Behaviors 2001 Report

	Golf Shows	Gen. Sports	Sitcoms	Movies
Occasional Golfers	44%	69%	55%	78%
Core Golfers	58%	65%	49%	74%
Avid Golfers	74%	70%	40%	74%

What can be seen from the research conducted is that of the four forms of media available, the highest percentage of our target market watch television followed by the newspaper, and then magazines and internet last.

Television - Of television watched, the highest percentages watch golf specific shows and movies most, followed by general sports shows and sitcoms last. What can be concluded is that channels that support golf and general sports are the most effective means of reaching our target market. Channels such as the Golf Channel, ESPN and FOX Sports appear to be the most viable options. It can also be concluded that televised pro golf tournaments are also ways of reaching our target market. There are a number of televised PGA tournaments that appear on network television channels such as CBS, ABC and NBC. In comparison to cable networks such as the Golf Channel, advertising rates appear to be significantly higher. Where national networks reach a national audience, cable advertising can be more geared to a regional audience. Since CG will build to a national brand over a number of years, it would be more feasible for the company to pursue a cable advertising opportunity. Although advertising rates are more favorable, the cost of producing advertisements will remain the same between the two choices. The cost of producing a 15-second advertising spot ranges between $15,000 and $250,000. Although CG would take a bare-bones approach to producing a TV spot, a quality advertisement that would not jeopardize the company's image would be estimated to be roughly in the $50K range. Based on that, it would be in the company's best interest to pursue other cost-effective means of advertising in the start-up period and pursue TV advertising during the expansion period to other states.

Newspaper Sections by Category, source: PGA Consumer Golf Attitudes & Behaviors 2001 Report

	Local News	Art & Entert.	Sports	Business
Occasional Golfers	77%	46%	61%	54%
Core Golfers	78%	49%	69%	54%
Avid Golfers	81%	48%	74%	58%

Newspaper – The second highest percentage of media consumption belongs to newspaper. The advertising rates, shown below are more favorable to CG's advertising budget and are shown to be close in consumption to television. Based on this information, Newspaper would be the most cost-effective means, but highly effective in introducing the CG brand to the Texas golf population. From the newspaper, the most read sections by the target market are the local news followed by the sports section, then the business section. Within the local market, the logical choices for advertising are the Houston Chronicle, The Dallas Morning News, the Austin-American Statesman and the San Antonio Express News. Other options include the Business Journal for each respective city. From the newspaper, placement in the local news section has the highest cost followed by business then sports. can be

Magazines by Category, source: PGA Consumer Golf Attitudes & Behaviors 2001 Report

	Golf Spec.	**Gen. Sports**	**News**	**Business**
Occasional Golfers	24%	34%	41%	26%
Core Golfers	33%	33%	35%	23%
Avid Golfers	51%	28%	36%	26%

Magazine – The third highest percentage of media consumption among the target demographic went to magazines. Of magazines read, golf-specific magazines were the ones most preferred followed by news magazines, with general sports third and business last. This represents somewhat of a shift in what can be seen from previous attitudes. From previous charts of other forms of media, general sports are overwhelmingly consumed over business. The percentage difference is smaller among magazines and the consumption among types is spread much more evenly.

From what can be seen of magazine ad rates, national magazines are not as costly as television, but are considerably more expensive than newspapers. It can be reasonably assumed that this is due to circulation and readership. Because most national magazines are circulated based on subscription, much more information can be determined about its readership. For marketing purposes, advertising in magazines can be much more focused than in television and newspaper. Also, magazines are much more specific by topic, and information about readers and their attitudes can be easily ascertained. This can also help to explain the price difference. Again, CG's marketing budget will not support national magazines in its early years, but there is an opportunity for CG in regional, non-subscription magazines. Regional magazine advertising is significantly cheaper and the company's attempt to reach local and regional consumers will be more effective in these types of publications. CG will place a heavy emphasis on advertising in regional publications such as Texas Golfer's Monthly to reach its target market on a regional level.

Internet Sites by Category, source: PGA Consumer Golf Attitudes & Behaviors 2001 Report

	Golf Spec.	Gen. Sports	News	Search Eng.	Shop/Ret.
Occasional Golfers	10%	24%	30%	45%	30%
Core Golfers	17%	23%	23%	33%	23%
Avid Golfers	21%	18%	19%	25%	16%

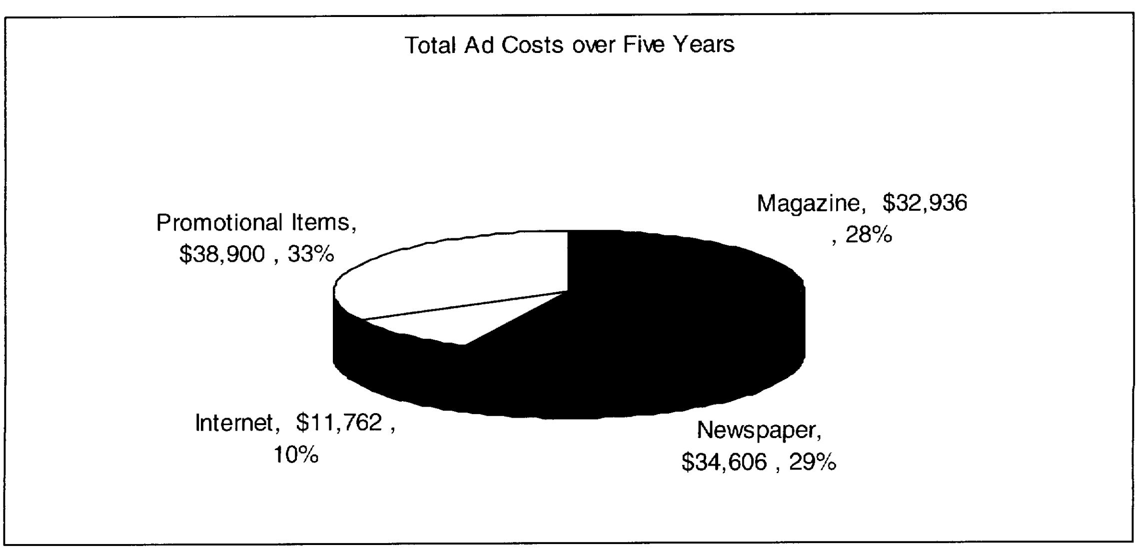
Internet – Following magazines with 50% consumption among target markets is the internet. Unlike previous forms of media among the target demographic, search engines beat out golf-specific sites for most percentage of consumption. Most other categories are consumed evenly between 16-18 percent. It is interesting to note that shopping and retail sites are the least consumed sites among the target demographic. Although the number is discouraging for retail sales, this is not a telling figure as far as information is concerned. It can be reasonably assumed that the reason for displacement for golf-specific interest by search engines is that the internet is not as much a tool for leisure or retail as it is for information. The rates for advertising on the internet are reasonable, and because of its technology can be very effective in reaching its target market. Surfers can be fed advertisements based on the content they are searching. Also, although not as heavily consumed by avid golfers, the age demographic for internet is still very large and the possibility of introducing the brand to a larger audience still has great potential. The internet is the one place among the media sources where the technology and resources available allows even the smallest ventures to be on par with dominant industry players. This plays into the perception of quality of the buyer. Providing information about the product and giving a visualization of the brand image through a sophisticatedly designed website can be effective in putting CG on par with Nike and adidas-TaylorMade among the perceptive mind of avid golfers. For this reason, reasonable emphasis will be placed on marketing the brand through a company website and e-store. Advertising through other websites will be limited.

Promotional Items – Promotional Items are a very effective way to make a direct impact and connection. A good number of organizations in the city of Houston use golf tournaments as a means to raise money. As organizations try to do the best job possible in cutting costs there is an opportunity for CG to provide those organizations with printed golf balls, printed tees, and towels etc. to use in their tournaments. Promotional items are a good means of getting directly to the company's target demographic as the company already knows that tournament golfers are players, but being able to put the company's image in their hands and incorporate it in their "golf space" is just as effective as a television advertisement. In comparison to the other forms of media, promotional items are more cost-effective in that the company can get more for less. Promotional items are also tangible, so they have a longer lasting effect or last as the golfer uses the item(s).

In looking at all forms of media for advertising, CG will place its heaviest emphasis on promotional items as a form of advertising. An effort to advertise in newspapers and regional, non-subscription magazines will be the company's second point of emphasis. An effort will also be placed on creating a technologically-sophisticated and aesthetically pleasing website. Internet advertising will also be pursued through search engine sites such as Yahoo and Google, although on a much smaller scale. Television and magazine advertising will be implemented in later years when the company expands its brand beyond the Texas border.

Estimated Advertising Breakdown by Medium and Year

	2009	2010	2011	2012	2013	TOTALS
Television	$ -	$ -	$ -	$ -	$ -	$ -
Magazine						
Avid Golfer (TX Dist.)	$ 2,729	$ 2,784	$ 2,839	$ 2,896	$ 2,954	$ 14,202
Texas Golfer Monthly (TX Dist.)	$ 2,350	$ 2,397	$ 2,445	$ 2,494	$ 2,544	$ 12,229
Golf Houston (Houston Dist.)	$ 1,250	$ 1,275	$ 1,301	$ 1,327	$ 1,353	$ 6,505
Newspaper						
Houston Chronicle	$ 3,571	$ 1,860	$ 1,897	$ 1,935	$ 1,974	$ 11,237
Dallas Morning News	$ -	$ 3,713	$ 1,934	$ 1,973	$ 2,012	$ 9,632
Austin-American Statesman	$ -	$ -	$ 3,787	$ 1,965	$ 2,004	$ 7,756
San Antonio Express	$ -	$ -	$ -	$ 3,938	$ 2,043	$ 5,981
Internet						
Google adWords	$ 1,088	$ 1,208	$ 1,341	$ 1,488	$ 1,652	$ 6,776
CG email list-serve	$ 850	$ 918	$ 991	$ 1,071	$ 1,156	$ 4,987
Promotional Items						
Balls, Tees, Towels	$ 3,300	$ 6,500	$ 7,800	$ 9,100	$ 12,200	$ 38,900
Grand Totals	$ 15,138	$ 20,654	$ 24,335	$ 28,186	$ 29,892	$118,205



6. Marketing Strategy

The marketing strategy for Chesterfield Golf is based on a handful of core philosophies. Of those core philosophies, the love of the game of golf always comes first. Putting the love of the game in the apparel that the company creates means creating quality clothing that echoes the traditions of the game but also shapes the future of the game is most important. This means marketing an image that is based on tradition that has a bent for a newer generation. CG's image is not raunchy, it's not neo-politically heavy, it's conservatively cool. Because of the target demographic of ______________________,

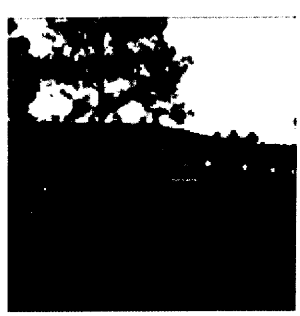
In finding an ideal marketing strategy, the company compared its image of "conservative cool" to current apparel brands outside of golf. One company that fit the ideal mold of what CG wants to accomplish from a marketing standpoint is The GAP. GAP's marketing strategy created a shift in how America viewed conservative clothing. For GAP, it was never about changing the clothing, but changing the way the public saw the clothing through cool, stylish and clever advertising. In the same way, CG wants to change the lens through which young golfers see traditional golf clothing as stuffy, country club fare. Changing that lens will be the focus of CG's marketing strategy.

D. <u>Research, Design and Development Segment</u>

The design of CG apparel will be the responsibility of Mr. Cassel, CG's president and a two-person consultative team. The team will consist of advisors selected by Mr. Cassel at a future date.

E. <u>CG Location Segment</u>

As stated before, Chesterfield Golf Company will be headquartered in Houston, Texas. At inception, the company will occupy retail space in Southeast Houston near the Ship Channel at 15255 Gulf Freeway. The company will lease a space which has approximately 1500 square feet of which includes office space. The approximate cost of the space will be $.75 per square foot per month which totals $1,125 per month and a total lease of $13,500 per year.



As the production of the apparel will be outsourced to a manufacturer in China, the need for production capacity has been eliminated. This factor stresses the importance of being located near the Houston Ship Channel. As one of the biggest ports in the world, it will receive the shipment of our apparel. The close proximity will reduce transportation charges for Chesterfield Golf. The other need for final production of apparel is the embroidery. Embroidery will also be outsourced for the first 2 years. As CG branches into new markets and the apparel inventory increases it will no longer be economically feasible to outsource embroidery. CG will internalize this function and this need is taken into consideration in finding space. The space that CG is considering should be sufficient to house a small staff, inventory space, and space for embroidery equipment.

The company's location provides an advantage for the company as it branches out into key golf strongholds such as Florida, Georgia and California. As a Texas company, the home state provides an excellent midpoint for all key target markets and has access to those markets through interstate highways such as I-10, I-45 that stretch from the West Coast all the way to the East Coast.

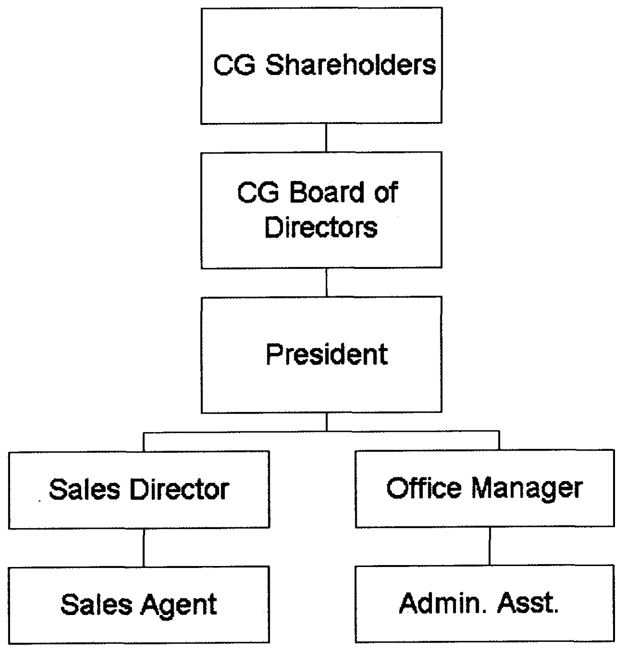
F. Management Segment

1. Business Structure

Chesterfield Golf will be created as an S-Corporation under the jurisdiction of the State of Texas. The structure of the company will allow for greater opportunity to finance the company's operations when the needs arise. At start-up, shares of the company will belong to Mr. Cassel, as it is unprofitable to split the company's modest start-up earnings. As the company grows and looks to expand into its target markets across the country, financing needs will arise to make the transition and the opportunity to sell shares of the company to private investors will be a more feasible option. The formation of an S-Corporation will also provide a better tax benefit than a public corporation as investors will be taxed at an individual rate.

All shareholders of Chesterfield Golf will have the right to elect a Board of Directors of no more than five individuals. Voting rights will be given per ownership shares on a basis of one vote per share. Eligibility for the Board of Directors will not be limited to share ownership. The Board of Directors for Chesterfield Golf will be responsible for setting the strategic vision and the performance objectives of the company.

Chesterfield Golf Organizational Chart



2. Personnel

President – The president of Chesterfield Golf will be responsible for the meeting of the execution of the strategic and operational directives of the ownership of Chesterfield Golf. The president will also be responsible for the management and direction of all job functions listed below. The president of Chesterfield Golf will report directly to the company's board of directors. The president will also be responsible for reporting the company's performance to the board of directors at its semi-annual meeting and at any other point requested. The president of CG will receive a salary of $30,000 during the first few years of operation and will receive increases based on performance as outlined by the board of directors.

Director of Sales – The director of sales will be responsible for setting the sales strategy to achieve the sales objectives of the board of directors. The director of sales will communicate that strategy to sales employees and will be responsible for management of those employees to see that the strategy and objectives are carried out and met. The director of sales will report directly to CG's president. The director of sales will receive a base salary of $25,000 plus a commission of 3% of sales.

Sales Agent – Sales agents will be responsible for establishing and maintaining sales contacts at the targeted retail levels of the company. Sales agents will also work to meet the sales objectives of the company as communicated by the director of sales. Sales agents will report directly to the director of sales. Sales agents will receive a base salary of $20,000 plus a commission of 3% of sales.

Office Manager – The Office Manager will be responsible for the management of all clerical functions of the office which include vendor, customer and sales reception, as well as accounting functions in the company including reporting, billing and bookkeeping. The office manager will report directly to CG's president. The office manager will receive a salary of $25,000 with an annual increase of up to 5% based on performance as determined by CG's president.

Administrative Assistant – The administrative assistant will be responsible for the clerical responsibilities of the office as set forth by the office manager. Those responsibilities will include, but not be limited to, reception, maintaining office files and records, report production and maintenance of vendor, sales and customer queries and contacts. The administrative assistant will report directly to the office manager. The administrative assistant will receive a base salary of $20,000 with an annual increase of up to 5% based on performance as determined by the office manager and CG's president.

Through the start-up period Mr. Cassel will assume the responsibilities of all offices until filled. As the company branches into the Dallas market in its second year, it will be necessary to hire a sales agent to split the company's sales effort. After branching into the Austin and San Antonio market in the fourth year, the company plans to hire a second sales agent and the previous agent will assume the responsibility of director of sales. Also, in the fourth year the company will hire an administrative assistant to support the president and the sales staff. As the company branches into new regions between the fifth and seventh year, the company will hire a second administrative assistant and the previous assistant will assume the responsibilities of the office manager.

G. Critical Risks Segment

1. Inaccurate Sales Projections

As stated earlier, the information provided in this business plan has been thoroughly researched and the company is very confident in the material that it has provided. Despite that confidence the company also understands that projections can heavily rely on "ceterus perebus" or all things being equal. Should something shake customer desire to purchase the company's golf apparel at the rate projected, the company is prepared to take action to avoid critical losses and remain solvent.

The first step that the company can take is to alleviate some of its debt from its marketing budget in order to reduce its margins. The company will could also consider diversifying its advertising avenues to include other media habits of males 18-35 and not just avid golfers. If the functionality of the clothes is one of its best selling points, then there is an opportunity to not sell it as just golfer's clothing, but as everyday wear for the man 18-35. This can broaden the company's target demographic pool.

2. Increased Competition for Target Demographic

CG believes it is in a unique position to serve an underserved market for avid golfers aged 18-35 who have discerning taste. The apparel industry, much like every other industry, is a "copy-cat" industry, but with apparel, copiers can come to market much faster with the same product that CG has. It's also possible that company's may not want to emulate CG, but try to serve the company's demographic with a product that's a little different than what the company is cooking up. The company cannot afford to compete based on price as firms like Nike and adidas/TaylorMade have a significant advantage in terms of scales of economy if the need ever arose for them to drop their price in order to compete with CG's moderate pricing. Therefore, the answer is to strategically

3. Decrease in Golfer Population

For whatever reason that the golfership of the US decline, again CG is prepared to diversify its marketing strategy to include a broader group of men age 18-35.

4. Reduced Consumer Spending Due to Weak Economy

In today's economy, you may hear the term "gas or greens fees?" from someone who is feeling the pinch in his wallet and has to make a choice to spend on golf (non-essential) or gasoline (essential). When individual golfers are less inclined to make the purchase, CG can turn to group and corporate sales to try and find relief. Despite the weakening economy, there are significantly more golf tournaments this year than there was last year. The company's apparel is already moderately priced which is favorable for large groups, but the firm can also offer its promotional items as part of the deal to sell the shirts. A tournament organizer can purchase bulk shirts from CG where the company provides the embroidery, but also provides promotional items as part of a gift bag. Lastly, CG can also leverage a tournament sponsorship to sell its shirts in bulk. The company would take a discount, but then again, the company could also have a warehouse full of product!

5. Manufacturing or Embroidery Delays

Because of the sensitive nature of outsourcing, there are problems that can arise from making such a deal. The production of the apparel could come out wrong based on a misread sketch. The oversight of production is not there because outsourcing went to China in order to get a cheaper production cost. There is a lot that can be lost in translation. These are the types of issues that should be planned for before CG's receives a full shipment from a barge that arrived from China after a two-week boat trip with all of the wrong specifications.

What CG can do to ensure the timely delivery of the product it needs, is to have early lead times. The sketches of CG's designs for spring of 2009 will be finished in spring of 2008. The details of the sketch can be discussed also in spring '08 to early summer '08. CG will negotiate to have product samples by late summer to inspect work and also to exhibit to buyers. The company will also plan two trips to the manufacturing plant that it outsources to in China to ensure the reliability of the product.

Lastly, the company can stagger its order for its apparel. The order for shirts can be placed first since they are the most essential part of the inventory. The hats can be ordered second since they don't require as much production time and don't vary much in design from year-to-year. The order for pants can be placed last, since they are the smallest order. Staggering the order can ensure that at least one part of the inventory will be completed and CG will have at least something to sell should delays arise.

6. Increase in Outsourcing Costs

Inflation ensures that the cost of materials and labor will continuously rise. Outsourcing is one way to battle those rising costs, but there are times when the benefit of outsourcing doesn't outweigh the costs. In some instances, those firms pass on the rising cost of labor and materials to the customer on top of the premium being charged for the convenience of not having to do it yourself. In the instance that the cost outweighs the benefit for CG, the company can begin to appreciate its push to move its embroidery in-house. A significant increase in outsourcing costs would speed up CG's plans to do most of its embroidery in-house with the purchase of a three-head, multi-strand embroidery machine that can handle a significant amount of the embroidery workload, thereby reducing the embroidery outsourcing fee.

H. Financial Segment

1. Proposal

The estimated total start-up capital needed for Chesterfield Golf Company total $225,000. The start-up capital will be used to purchase the company's inventory, office space, furniture and supplies. The start-up period for the venture will be from August 2008 through January 2009. The apparel inventory will be ordered on August 31, 2008 and the first shipment is estimated to arrive in the beginning of December.

Chesterfield Golf will seek $225,000 in start-up capital and proposes to finance the venture and use the funds according to the following chart.

Source of Funds		
Small Business Loan	$	200,000
Owner Contributed Capital	$	25,000
Total Start-Up Capital	**$**	**225,000**
Uses of Funds		
Purchase of Assets	$	56,367
Start-Up Prepaid Expenses	$	40,852
Start-Up Selling & Admin Exp.	$	23,231
Loan Payments	$	25,452
Total Purchases	**$**	**145,902**
Beginning Cash on Hand	**$**	**79,098**

2. Financing Plan

Chesterfield Golf will have $25,000 contributed from the owner, Mr. Cassel and will seek the remaining $200,000 in the form of a small business loan from the Small Business Administration. The repayment of the $200,000 has been calculated based on a 10-year term and an interest rate of 5.2%. The repayment of the loan is broken down as follows:

Bank Loan Payable Principle and Interest

	Total Pmt.	Yearly Pmt.	Monthly Pmt.
Principle	$ 200,000	$ 20,000	1,667
Interest	$ 54,557	$ 5,456	455
Total	**$ 254,557**	**$ 25,456**	**2,121**

Loan Balance by Year through 2012

	2009	**2010**	**2011**	**2012**
Principle	$ 180,000	$ 160,000	$ 140,000	$120,000
Interest	$ 49,101	$ 43,646	$ 38,190	$ 32,734
Total	$ 229,101	$ 203,646	$ 178,190	$152,734

3. Financial Assumptions – Income Statement

Sales – sales are projected, as stated earlier, using the Cutter & Buck model of market entry. Using Cutter's financial statements versus industry estimates of the size of the golf apparel market, the company was able to determine the Cutter's market share upon entry was approximately 2.7%. Based on a 2.7% entry estimate, the company estimated the size of the Houston golf apparel market and determined the first-year sales estimate. The company used the 2.7% entry estimate with its target cities for its subsequent years as well. In subsequent years to market entry, the company has estimated an increase of 11% in the market penetration rate.
Cost of Goods Sold – COGS has been determined as the Beginning Inventory plus any inventory purchases minus the ending inventory for the period. Inventory purchases have been projected and budgeted for each of the first five years.

Gross Profit – this number is the revenue from total sales minus the Cost of Goods Sold for the period.

Operating Costs – all costs that were not associated with the actual production of the apparel were categorized as operating costs. Operating costs for the income statement were broken out into either Selling Expenses or Administrative Expenses.

Selling Expenses – all costs that are associated with the direct selling effort of CG apparel were classified here. Selling expenses would include sales staff salaries, selling equipment such as computers, advertising, etc.

Sales Salaries & Commissions – this line item includes the salaries paid to all sales staff as well as the commissions based on a percentage of sales. The salaries of the sales staff are outlined in the Personnel section of this business plan and the commissions rate for all sales employees is 3%. The company will hire its first sales agent in its second year to become responsible for entrance into the Dallas market. A third agent will be brought in during the fourth year as the company enters into its fourth target city. The combined sales salary during that fourth year has been budgeted at $72,000.

Computers and Peripherals – computer equipment was quoted from Dell Computer at a price of $857 per unit. The company will also make a one-time purchase of a fax/copier/laser printer from Dell at a quoted price of $899. This line item also consists of the cost for the company's ERP QuickBooks Enterprise as quoted by the QuickBooks/Intuit website at a cost of $3,500.

Telecom & Internet Utility – this line item includes the cost of the phone equipment as well as the utility charge from AT&T, and the charge for the internet utility. The total utility for the year was quoted at $2,300.

Office Supplies – This line item consists of items such as pens, pencils, notepads, etc. This line item was too small to project, so the company created an estimated budget of $350.

Computer Supplies – This consists of items such as print paper, toner, cables, etc. as quoted by Dell Computer and Office Depot. The costs were estimated based on unit price by the projected usage to determine how many individual units would need to be ordered throughout the year. The total estimated cost $950 in the first year is based on usage and the increase in subsequent years is based on the addition of new staff and markets.

Office Rent – As outlined in the location section, the company will occupy a retail space in the Gulf Freeway/Ship Channel area. The retail space is located at 15255 I-45 South and is quoted by agent Kimberley Netzchke at a lease price of $.75 per square feet. At 1500 sq. ft, the space will cost $1,125 monthly and $13,500 annually.

Office Furniture – Items such as desks, chairs, printer stands, etc. have been included in this category. The prices for each item needed have been quoted by Office Depot and can be seen in the following Depreciation Schedule:

Depreciation Schedule for CG Long-Term Assets

	Purc. Price	Est. Life	2009	2010	2011	2012
Computer Equipment						
Dell Optiplex 755 Desktop	$ 857.00	6	$ 142.83	$ 142.83	$ 142.83	$ 142.83
Dell Optiplex 755 Desktop	$ 857.00	6		$ 142.83	$ 142.83	$ 142.83
Dell Optiplex 755 Desktop	$ 857.00	6				$ 142.83
Dell Laser 3115cn Printer	$ 899.00	6	$ 149.83	$ 149.83	$ 149.83	$ 149.83
Total Depreciation			**$ 292.67**	**$ 435.50**	**$ 435.50**	**$ 578.33**
Office Equipment						
HON 38000 Series Workstation	$ 432.00	10	$ 43.20	$ 43.20	$ 43.20	$ 43.20
HON 38000 Series Workstation	$ 432.00	10		$ 43.20	$ 43.20	$ 43.20
HON 38000 Series Workstation	$ 432.00	10				$ 43.20
Off. Depot Bexley Chair	$ 115.00	10	$ 11.50	$ 11.50	$ 11.50	$ 11.50
Off. Depot Bexley Chair	$ 115.00	10		$ 11.50	$ 11.50	$ 11.50
Off. Depot Bexley Chair	$ 115.00	10				$ 11.50
Domed Stackable Lobby Chair	$ 225.00	10	$ 22.50	$ 22.50	$ 22.50	$ 22.50
Domed Stackable Lobby Chair	$ 225.00	10				$ 22.50
Safco Metal Printer Stand	$ 160.00	10	$ 16.00	$ 16.00	$ 16.00	$ 16.00
Lasro Madison Coffee Table	$ 189.00	10	$ 18.90	$ 18.90	$ 18.90	$ 18.90
Total Depreciation			**$ 112.10**	**$ 166.80**	**$ 166.80**	**$ 244.00**
GRAND TOTALS			**$(404.77)**	**$(602.30)**	**$(602.30)**	**$(822.33)**

Legal Trademark and Registration – This line item includes the costs for Incorporation, as well as the registration of the company's trademarks and insignias. This information has been quoted by the U.S. Patent and Trademark Office at an estimated cost of $2,000 which includes the expense of retaining legal aid.

Electric and Water Utility – the expense for these utilities have been estimated based on the rates listed on the personal billing statements of Mr. Cassel and the estimated usage in hours and gallons. Usage will increase with the addition of staff. The total estimated cost in the year of inception is $3,600 and $1,440 for electric and water, respectively.

Cellular Utility – the expense for cellular is based on the posted contractual options for T-Mobile business web site and includes the cost of the equipment as well as the cost for usage. The increase in this utility is based on the increase of staff. The quoted annual contract for the initial year is $1,800 which divides into $150 per month.

Insurance Expense – Insurance for a Business Owners Policy (BOP) was quoted by State Farm agent Dan Bocchicio at an annual cost of $18,000. The insurance includes a general liability policy as well as coverage for all business property including the company's inventory and other assets.

Business Stationery – includes the cost for business cards, all letterhead paper and envelopes. The service for stationery will be produced by a New Orleans, LA firm Marchand Printing and Business Services. The owner, Percy Marchand is a personal friend of Mr. Cassel and has offered a discount of 20% from services. The estimated total including the discount for stationery is $400.

Depreciation of Office Furniture - CG will account for the depreciation of each piece of office furniture over its useful life as determined by the MACRS schedule. The company will use the cost of equipment minus the calculated depreciation to determine the market value of its assets. CG will depreciate its assets using the straight-line method of depreciation.

Total Operating Expenses – Represents a total of all expenses incurred as a result of running and operating the business. For CG's Income Statement, Selling and Administrative Expenses were totaled to arrive at Total Operating Expenses. CG's Total Operating Expenses for the start-up year came up to$72,395.

Income from Operations – This figure represents the Total Sales/Revenue minus the Total Operating Expenses. This figure is also known as Earnings Before Interest and Taxes (EBIT). CG's EBIT for its start-up year is $101,345.

Interest on Loan Payable - This figure is the estimated interest of 5.2% on the loan principle of $200,000 that CG expects to borrow from the Small Business Administration. This figure was estimated using a repayment calculator on Bankrate.com. The estimated yearly interest expense is $5,456.

Income Before Taxes - This figure is calculated by subtracting the Interest on Loan Payable from the Income from Operations. The Income Before Taxes for CG in its initial year is $95,890.

Income Taxes – This number is based on an income tax rate of 29% of the Income Before Taxes of $95,890. The calculated figure for CG's initial year for this line item is $27,808.

Net Income for the Year – This figure represents the Net Earnings of CG after all possible liabilities and expenses for the company have been paid. It is calculated by subtracting out the Income Taxes for the year of $27,808 from the Income Before Taxes figure of $95,890.

4. Financial Assumptions – Statement of Cash Flows

Net Income – This figure represents the total sales revenue minus CG's operating costs as shown on the Income Statement.

Operating Expenses – These numbers represent the yearly in/outflow of cash that supports the companies operating activities which include all salaries, utilities, taxes, etc. The calculations for these numbers here are as they were for the Income Statement.

Net Cash from Operating Activities – This numbers represents the sum of all in/outflows that resulted from operating activities. The Net Cash from Operating Activities for the inception year was $82,010.

Cash Flows from Investing Activities – This section represents the in/outflows the company incurred in purchasing the company's start-up assets. These figures include legal trademark services, computers & peripherals and office furniture. The calculations for these numbers here are as they were for the Income Statement.

Net Cash Used in Investing Activities – This number represents the sum of all in/outflows that resulted from Investing Activities. The Net Cash Used in Investing Activities for the inception year was $9,822.

Cash Flows from Financing Activities – This section represents the in/outflows the company incurred in raising capital for the company. These figures include the bank loan CG expects to acquire from the Small Business Administration, the repayment to the SBA for the particular fiscal year, and the Cash Contribution from Mr. Cassel. The calculations for these line items here are as they were in the Source of Funds schedule.

Web Design & E-Commerce – this includes the cost of web design and web hosting as quoted by PepFx at a price of $2,500. The company will also be contracted to design and maintain the company's e-store. Maintenance to the site each year will cost approximately $1,500.

Advertising & Marketing Expenses – CG has projected the costs for its advertising expenses for the first five years consisting of Newspaper, Magazine, Internet and Promotional advertising. A complete breakdown of costs for advertising can be found in the marketing segment of this business plan.

Travel & Expo Fees – In order to introduce the company's apparel to industry and retail buyers it is necessary for the company to become involved in industry trade shows such as the Houston Golf Expo and the PGA Merchandise Show. The registration fees and travel fees associated with them have been budgeted for the first year at a cost $3,000. As the company grows and enters more markets, it will become necessary to enter more shows which accounts for the price increase in subsequent years.

Shipping & Freight Expense – This line item involves the cost of shipping the product to retailers and buyers. This cost was estimated using Cutter's total freight expense as a function of its sales. The company was able to derive a percentage 1.7% and used it against projected sales to arrive at an estimate. As the company will operate in Houston only for the first year, it will make the deliveries eliminating the need for shipping and freight for the first year. For internet sales to other markets, the cost of shipping will be assumed by the buyer. The company will find a local shipping company in subsequent years to provide this service.

Depreciation of Selling Equipment – CG will account for the depreciation of each piece of selling equipment over its useful life as determined by the MACRS schedule. The company will use the cost of equipment minus the calculated depreciation to determine the market value of its assets. CG will depreciate its assets using the straight-line method of depreciation.

Administrative Expenses – This category includes all operating expenses for the company as well as all miscellaneous expenses that do not qualify as selling. This category includes expenses such as rent, utilities, insurance, etc.

Office Salaries – Office salaries consists of salaries paid to all employees that are not sales agents. The cost of each office salary is listed in the Personnel section of this business plan. The company will hire sales agents first four years, until the need arises for office staff in Year 4. The total projected cost for office salaries in the fourth year will be $25,000. The salary expense for each non-sales staff will increase annually by a rate based on performance up to 5%.

Net Cash Provided by Financing Activities – This number represents the sum of all in/outflows that resulted from Financing Activities. The Net Cash Provided by Financing Activities for the inception year was $194,544.

Net Increase/Decrease in Cash – Represents the positive or negative cash flow from the companies activities. This figure is attained by taking the Net Income less the balance from each section of the balance sheet. Net Increase/Decrease in Cash for the inception year was $176,249.

Cash on Hand Jan. 1 – This number represents the cash that was available to the company at the beginning of the fiscal year. CG's Cash On Hand Jan. 1 or Beginning Cash Balance is $0.

Cash on Hand Dec 31 – This number represents the cash that is available to the company at the end of the fiscal year. This number is calculated by adding/subtracting the Net Increase/Decrease in cash for the current period to the Beginning Cash Balance. Cash on Hand Dec 31 for CG was $176,249.

5. Financial Assumptions – Balance Sheet

Current Assets – This section represents the at-cost value of the short-term assets the company has acquired that will either be used or expensed in the period. The assets that are listed in this category are calculated as they are on the Budget.

Cash – This figure is the Cash that is available to the company at any given period. Cash is calculated as shown on the Statement of Cash Flows.

Retail Inventory – This number is the at-cost cash value of the apparel inventory that is available for sale for the company. This number is calculated as shown on the Income Statement for CG.

Long-Term Assets - This section represents the at-cost value of the long-term assets that the company has acquired that has a useful life of more than one year and are less liquid than the company's current assets. The assets that are listed in this category are calculated here as they are on the Budget.

Current Liabilities – This number represents the incurred value of claims against the company's assets that are payable within the period. The company's only current liability in the inception year is its Income Tax Payable which is calculated here as it is on the company's Income Statement.

Long-Term Liabilities – This number represents the incurred value of claims against the company's assets that are payable over more than one period. The company's only Long-Term Liability is its financing obligation to the Small Business Administration for the loan at start-up. The Loan Payable to Bank is calculated here is it is on the company's Source of Funds schedule.

Retained Earnings – This number represents the total net income from the company's income statement. Unless dividends are paid, this number is an accumulating figure over the life of CG.

Shareholder's Equity – This number represents the total value of the company's stock within the period.

I. Harvest Strategy Segment

The harvest or asset reduction strategy for CG would consist of relieving its liabilities and reducing the price of its inventory to move. Since most of the production is outsourced, CG does not have many long-term assets that can be sold. The company can move out of the business and become liquid fairly quickly with the sale of its inventory.

J. Milestone Schedule Segment

MILESTONE SCHEDULE

2008

May	Receive Master's in Business Administration from Jesse H. Jones School of Business Finalize Business Plan Seek out financiers and establish funding for business
June	Complete sketches of designs for apparel for the Spring 2009 season Continue to research industry trends Begin to identify specific retail distribution opportunities Finalize lease on office space Move into office space
July	Order first shipment of inventory Establish advertisement avenues with Local magazines Establish company website and order promotional items for marketing of website
August	Receive first sample of product Introduce sample product to identified distribution channels Order second shipment of inventory

October	Receive first shipment of inventory
November	Receive second shipment of inventory

2009

February	Deliver shipment to finalized distribution channels
April	Begin marketing campaign to push product for Father's Day
May	Open online e-store for business

FUTURE

Make plans to introduce women's line and develop sketches for production

Make plans to introduce junior's line and develop sketches for production

Chesterfield Golf Co.
Annual Expense Budget
Five-Year Projection

	2009	2010	2011	2012
Current Assets				
Retail Inventory	$ 47,245	$ 106,985	$ 136,615	$ 175,255
Office Supplies	$ 350	$ 525	$ 700	$ 875
Computer Supplies	$ 950	$ 1,425	$ 1,900	$ 2,375
Fixed Assets				
Computer & Peripherals	$ 5,256	$ 857	$ -	$ 857
Office Furniture	$ 2,566	$ 547	$ -	$ 657
TOTAL	$ 56,367	$ 110,339	$ 139,215	$ 180,019
Operating expenses				
Administrative Expenses				
Office Salaries	$ -	$ -	$ -	$ 25,000
Office Rent	$ 13,500	$ 13,500	$ 13,500	$ 13,500
Legal (Trademark & Registration)	$ 2,000	$ 1,000	$ 1,000	$ 1,000
Electric Utility	$ 3,600	$ 3,700	$ 3,900	$ 4,100
Water Utility	$ 1,440	$ 1,500	$ 1,550	$ 1,600
Cellular Utility	$ 1,800	$ 3,600	$ 5,400	$ 6,200
Insurance Expense	$ 18,000	$ 18,000	$ 18,000	$ 18,000
Business Stationery	$ 400	$ 700	$ 870	$ 940
Depr. Of Office Furniture	$ 112	$ 167	$ 167	$ 244
TOTAL	$ 40,852	$ 42,167	$ 44,387	$ 70,584
Selling Expenses				
Sales Salaries & Commissions (.3%)	$ -	$ 32,574	$ 34,644	$ 72,050
Telecom & Internet Utility	$ 2,300	$ 2,350	$ 2,550	$ 2,750
Web Design & E-Commerce Exp.	$ 2,500	$ 1,500	$ 1,500	$ 1,500
Ad & Marketing Expenses	$ 15,138	$ 20,654	$ 24,335	$ 29,892
Travel & Conference Fees	$ 3,000	$ 6,000	$ 9,000	$ 12,000
Shipping & Freight Expense	$ -	$ 8,584	$ 10,930	$ 14,057
Deprec. Of Selling Equip.	$ 293	$ 436	$ 436	$ 578
TOTAL	$ 23,231	$ 72,098	$ 83,395	$ 132,827
	$ 120,450	**$ 224,604**	**$ 266,997**	**$ 383,430**

Chesterfield Golf Co.
Income Statement
Five-Year Projection

	2009	2010	2011	2012
Sales Revenue				
Sales	$ 220,349	$ 504,938	$ 642,949	$ 826,874
Less: Returns & Allowances	$ -	$ -	$ -	$ -
Net Sales Revenue	**$ 220,349**	**$ 504,938**	**$ 642,949**	**$ 826,874**
Cost of Goods Sold				
Merchandise Inventory, Jan 1	$ -	$ 637	$ 180	$ 618
Purchases (includes freight & transport)	$ 47,245	$ 106,985	$ 136,615	$ 175,255
Total Merchandise Avail for Sale	$ 47,245	$ 107,622	$ 136,795	$ 175,873
Less: Merchandise Inventory Dec 31	$ 637	$ 180	$ 618	$ 354
Total Cost of Goods Sold	**$ 46,608**	**$ 107,442**	**$ 136,177**	**$ 175,519**
Gross Profit on Sales	**$ 173,740**	**$ 397,497**	**$ 506,772**	**$ 651,355**
Operating Expenses				
Selling Expenses				
Sales Salaries and Commissions (.5%)	$ -	$ 32,574	$ 34,644	$ 72,050
Computers & Peripherals	$ 5,256	$ 857	$ -	$ 857
Telecom & Internet Utility	$ 2,300	$ 2,350	$ 2,550	$ 2,750
Web Design & E-Commerce Exp.	$ 2,500	$ 1,500	$ 1,500	$ 1,500
Ad & Marketing Expenses	$ 15,138	$ 20,654	$ 24,335	$ 29,892
Travel & Conference Fees	$ 3,000	$ 6,000	$ 9,000	$ 12,000
Shipping & Freight Expense	$ -	$ 8,584	$ 10,930	$ 14,057
Deprec. Of Selling Equip.	$ (293)	$ (436)	$ (436)	$ (578)
Total Selling Expense	$ 27,901	$ 72,084	$ 82,524	$ 132,528
Administrative Expenses				
Office Salaries	$ -	$ -	$ -	$ 25,000
Office Supplies	$ 350	$ 525	$ 700	$ 875
Computer Supplies	$ 950	$ 1,425	$ 1,900	$ 2,375
Office Rent	$ 13,500	$ 13,500	$ 13,500	$ 13,500
Office Furniture	$ 2,566	$ 547	$ -	$ 657
Legal (Trademark & Registration)	$ 2,000	$ -	$ -	$ -
Electric Utility	$ 3,600	$ 3,700	$ 3,900	$ 4,100
Water Utility	$ 1,440	$ 1,500	$ 1,550	$ 1,600
Cellular Utility	$ 1,800	$ 3,600	$ 5,400	$ 6,200
Insurance Expense	$ 18,000	$ 18,000	$ 18,000	$ 18,000
Business Stationery	$ 400	$ 700	$ 870	$ 940
Depr. Of Office Furniture	$ (112)	$ (167)	$ (167)	$ (244)
Total Administrative Expense	$ 44,494	$ 43,330	$ 45,653	$ 73,003
Total Operating Expenses	**$ 72,395**	**$ 115,414**	**$ 128,177**	**$ 205,531**
Income from Operations	**$ 101,345**	**$ 282,083**	**$ 378,595**	**$ 445,825**
Other Expenses & Losses				
Interest on Loan Payable	$ 5,456	$ 5,456	$ 5,456	$ 5,456
Income Before Taxes	$ 95,890	$ 276,627	$ 373,139	$ 440,369
Income Taxes	27,808	80,222	108,210	127,707
Net Income for the Year	**$ 73,537**	**$ 201,861**	**$ 270,385**	**$ 318,118**

This should reflect cash sales and acct. receivables not net income.

Chesterfield Golf Co.
Statement of Cash Flows
Five-Year Projection

	2009	2010	2011	2012
Net Income	**$ 73,537**	**$ 201,861**	**$ 270,385**	**$ 318,118**
Cash Flows from Operating Activities				
Operating Expenses				
Retail Inventory	$ (47,245)	$ (107,622)	$ (136,795)	$ (175,873)
Office Salaries	$ -	$ -	$ -	$ (25,000)
Office Supplies	$ (350)	$ (525)	$ (700)	$ (875)
Computer Supplies	$ (950)	$ (1,425)	$ (1,900)	$ (2,375)
Office Rent	$ (13,500)	$ (13,500)	$ (13,500)	$ (13,500)
Electric Utility	$ (3,600)	$ (3,700)	$ (3,900)	$ (4,100)
Water Utility	$ (1,440)	$ (1,500)	$ (1,550)	$ (1,600)
Cellular Utility	$ (1,800)	$ (3,600)	$ (5,400)	$ (6,200)
Telecom & Internet Utility	$ (2,300)	$ (2,350)	$ (2,550)	$ (2,750)
Insurance Expense	$ (18,000)	$ (18,000)	$ (18,000)	$ (18,000)
Business Stationery	$ (400)	$ (700)	$ (870)	$ (940)
Sales Salaries & Commissions (.5%)	$ -	$ (32,574)	$ (34,644)	$ (72,050)
Web Design & E-Commerce Exp.	$ (2,500)	$ (1,500)	$ (1,500)	$ (1,500)
Ad & Marketing Expenses	$ (15,138)	$ (20,654)	$ (24,335)	$ (29,892)
Travel & Conference Fees	$ (3,000)	$ (6,000)	$ (9,000)	$ (12,000)
Shipping & Freight Expense	$ -	$ (8,584)	$ (10,930)	$ (14,057)
Depr. Of Office Furniture	$ 112	$ 167	$ 167	$ 244
Deprec. Of Selling Equip.	$ 293	$ 436	$ 436	$ 578
Income Taxes Payable	$ 27,808	$ 80,222	$ 108,210	$ 127,707
Net Cash Provided by Operating Activities	**$ (82,010)**	**$ (141,410)**	**$ (156,762)**	**$ (252,182)**
Cash Flows from Investing Activities				
Investing Activities				
Legal (Trademark & Registration)	$ (2,000)	$ -	$ -	$ -
Computer & Peripherals	$ (5,256)	$ (857)	$ -	$ (857)
Office Furniture	$ (2,566)	$ (547)	$ -	$ (657)
Net Cash Used in Investing Activities	**$ (9,822)**	**$ (1,404)**	**$ -**	**$ (1,514)**
Cash Flows from Financing Activities				
Bank Loan	$ 200,000	$ -	$ -	$ -
Repayments to Bank Loan	$ (25,456)	$ (25,456)	$ (25,456)	$ (25,456)
Cash Contribution from Owner	$ 20,000	$ -	$ -	$ -
Net Cash Provided by Financing Activities	**$ 194,544**	**$ (25,456)**	**$ (25,456)**	**$ (25,456)**
Net Increase/(Decrease) in Cash	$ 176,249	$ 33,591	$ 88,167	$ 38,966
Cash on hand, Jan, 1	$ -	$ 176,249	$ 209,841	$ 298,008
Cash on hand, Dec 31	**$ 176,249**	**$ 209,841**	**$ 298,008**	**$ 336,974**

Chesterfield Golf Co.
Balance Sheet of Cash Flows
Five-Year Projection

	2009	2010	2011	2012
Total Assets				
Current Assets				
Cash	$ 176,249	$ 209,841	$ 298,008	$ 336,974
Retail Inventory	$ 47,245	$ 107,622	$ 136,795	$ 175,873
Office Supplies	$ 350	$ 525	$ 700	$ 875
Computer Supplies	$ 950	$ 1,425	$ 1,900	$ 2,375
Business Stationery	$ 400	$ 700	$ 870	$ 940
Office Rent	$ 13,500	$ 13,500	$ 13,500	$ 13,500
Interest Expense	$ 5,456	$ 10,911	$ 16,367	$ 21,823
Salaries &Commissions Expense	$ -	$ 32,574	$ 34,644	$ 97,050
Utilities Expense	$ 9,140	$ 10,300	$ 12,350	$ 13,400
Insurance Expense	$ 18,000	$ 18,000	$ 18,000	$ 18,000
Web & E-Commerce Expense	$ 2,500	$ 1,500	$ 1,500	$ 1,500
Travel & Expo Expense	$ 3,000	$ 6,000	$ 9,000	$ 12,000
Shipping & Freight Expense	$ -	$ 8,584	$ 10,930	$ 14,057
Ad & Marketing Expense	$ 15,138	$ 20,654	$ 24,335	$ 29,892
Total Current Assets	**$ 291,928**	**$ 442,136**	**$ 578,900**	**$ 738,258**
Long-Term Assets				
Computer Equipment	$ 5,256	$ 6,113	$ 6,113	$ 6,970
Office Furniture	$ 2,566	$ 3,113	$ 3,113	$ 3,770
Copyrights & Trademarks	$ 2,000	$ 2,000	$ 2,000	$ 2,000
Acc. Depreciation	$ (405)	$ (1,007)	$ (1,609)	$ (2,432)
Total Long-Term Assets	**$ 9,417**	**$ 10,219**	**$ 9,617**	**$ 10,308**
Total Assets	**$ 301,345**	**$ 452,355**	**$ 588,516**	**$ 748,567**
Liabilities & Shareholder's Equity				
Current Liabilities				
Accounts Payable	$ -	$ -	$ -	$ -
Income Taxes Payable	$ 27,808	$ 80,222	$ 108,210	$ 127,707
Total Liabilities				
Loan Payable to Bank	$ 180,000	$ 160,000	$ 140,000	$ 120,000
Owner's Equity				
Shareholder's Equity	$ 20,000	$ 20,000	$ 20,000	$ 20,000
Retained Earnings	$ 73,537	$ 192,133	$ 320,306	$ 480,860
Total Shareholder's Equity	$ 93,537	$ 212,133	$ 340,306	$ 500,860
Total Liabilities & Shareholder's Ec	$ 301,345	$ 452,355	$ 588,516	$ 748,567

Chesterfield Golf 4-Year Inventory Schedule

	2009					2010		
	Count	Purchase	Cost $	COGS	Sale $	Count	Purchase	Cost $
Hats								
Classic Hat	870	880	$ 4,400	$ 4,352	$ 22,621	1,994	2,000	$ 10,000
University Hat	870	880	$ 4,400	$ 4,352	$ 22,621	1,994	2,000	$ 10,000
Visor	435	440	$ 1,980	$ 1,958	$ 11,310	997	1,000	$ 4,500
Total	**2,176**	**2,200**	**$ 10,780**	**$ 10,662**	**$ 56,552**	**4,986**	**5,000**	**$ 24,500**
Shirts								
Classic Shirt	514	520	$ 4,420	$ 4,370	$ 23,642	1,178	1,180	$ 10,030
University Shirt	514	520	$ 4,420	$ 4,370	$ 23,642	1,178	1,180	$ 10,030
Pin High Shirt	514	520	$ 4,420	$ 4,370	$ 23,642	1,178	1,180	$ 10,030
Luxe Shirt	362	370	$ 3,885	$ 3,798	$ 18,087	829	830	$ 8,715
Total	**1,904**	**1,930**	**$ 17,145**	**$ 16,907**	**$ 89,013**	**4,363**	**4,370**	**$ 38,805**
Pants								
Champion Chino	680	690	$ 10,350	$ 10,200	$ 40,792	1,558	1,560	$ 23,400
Champion Short	680	690	$ 8,970	$ 8,840	$ 33,992	1,558	1,560	$ 20,280
Total	**1,360**	**1,380**	**$ 19,320**	**$ 19,039**	**$ 74,784**	**3,116**	**3,120**	**$ 43,680**
Total Inventory	**5,440**	**5,510**	**$ 47,245**	**$ 46,608**	**$ 220,349**	**12,466**	**12,490**	**$ 106,985**

	2009	2010	2011	2012
Remaining Inventory	$ 637	$ 180	$ 618	$ 354

Inventory Production Cost Schedule, source: Terry Leung, Randt, Inc., Houston, TX

	Manuf. $	Embroidery $	Total Cost	CG Sale $
Classic Hat	$ 3.00	$ 2.00	$ 5.00	$ 25.99
University Hat	$ 3.00	$ 2.00	$ 5.00	$ 25.99
Visor	$ 2.50	$ 2.00	$ 4.50	$ 25.99
Classic Shirt	$ 7.00	$ 1.50	$ 8.50	$ 45.99
University Shirt	$ 7.00	$ 1.50	$ 8.50	$ 45.99
Pin High Shirt	$ 7.00	$ 1.50	$ 8.50	$ 45.99
Luxe Shirt	$ 9.00	$ 1.50	$ 10.50	$ 50.00
Champion Chino	$ 12.00	$ 3.00	$ 15.00	$ 59.99
Champion Short	$ 10.00	$ 3.00	$ 13.00	$ 49.99

		2011					2012		
COGS	Sale $	Count	Purchase	Cost $	COGS	Sale $	Count	Purchase	Cost $
$ 9,972	$ 51,837	2,540	2,550	$ 12,750	$ 12,698	$ 66,005	3,266	3,270	$ 16,350
$ 9,972	$ 51,837	2,540	2,550	$ 12,750	$ 12,698	$ 66,005	3,266	3,270	$ 16,350
$ 4,488	$ 25,918	1,270	1,280	$ 5,760	$ 5,714	$ 33,002	1,633	1,640	$ 7,380
$ 24,433	**$ 129,592**	**6,349**	**6,380**	**$ 31,260**	**$ 31,110**	**$ 165,012**	**8,165**	**8,180**	**$ 40,080**
$ 10,013	$ 54,176	1,500	1,510	$ 12,835	$ 12,750	$ 68,984	1,929	1,930	$ 16,405
$ 10,013	$ 54,176	1,500	1,510	$ 12,835	$ 12,750	$ 68,984	1,929	1,930	$ 16,405
$ 10,013	$ 54,176	1,500	1,510	$ 12,835	$ 12,750	$ 68,984	1,929	1,930	$ 16,405
$ 8,704	$ 41,448	1,056	1,060	$ 11,130	$ 11,083	$ 52,777	1,357	1,360	$ 14,280
$ 38,743	**$ 203,976**	**5,555**	**5,590**	**$ 49,635**	**$ 49,332**	**$ 259,727**	**7,145**	**7,150**	**$ 63,495**
$ 23,373	$ 93,476	1,984	1,990	$ 29,850	$ 29,761	$ 119,025	2,552	2,560	$ 38,400
$ 20,257	$ 77,894	1,984	1,990	$ 25,870	$ 25,793	$ 99,184	2,552	2,560	$ 33,280
$ 43,629	**$ 171,370**	**3,968**	**3,980**	**$ 55,720**	**$ 55,554**	**$ 218,210**	**5,103**	**5,120**	**$ 71,680**
$ 106,805	**$ 504,938**	**15,873**	**15,950**	**$ 136,615**	**$ 135,997**	**$ 642,949**	**20,413**	**20,450**	**$ 175,255**

Breakdown of Apparel Sales by Product, source: survey of local golf stores

Hats	40%
Shirts	35%
Pants	25%
TOTAL	**100%**

Chesterfield Golf Ratio Analysis

	2009	2010	2011	2012
Current Ratio	10.5	5.5	5.3	5.8
Quick Ratio	0.1	0.0	0.0	0.0
Inventory Turnover	4.7	4.7	4.7	4.7
Fixed Asset Turnover	23.4	49.4	66.9	80.2
Total Asset Turnover	0.73	1.12	1.09	1.10
Debt to Assets	69.0%	53.1%	42.2%	33.1%
Times Interest Earned	18.6	51.7	69.4	81.7
EBITDA Coverage	2.95	15.59	20.68	24.23
Profit Margin on Sales	33.4%	40.0%	42.1%	38.5%
Basic Earning Power	33.6%	62.4%	64.3%	59.6%
Return on Total Assets	24.4%	44.6%	45.9%	42.5%
Return on Common Equity	36.8%	100.9%	135.2%	159.1%
Return on Investment	32.9%	22.9%	19.9%	24.9%