



Business Plan

Business Idea: A unique indoor miniature golfing experience

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Executive Summary

Par-Tee Golf, Corp.
Michael Walker
7955 Twist Lane, Springfield, Virginia 22153
Phone: (703) 742-2041
Email: par_teegolf@PTG.com

Fax: none
Web Address: <http://www.ptgolf.com>

Management:

Co-Owner/General Manager
Co-Owner/Staff and Administrative Manager

Industry: Golf driving ranges& family fun centers (71399)

Number of Employees: 4 full-time; 9 part-time, 13 total

Bank: Wells Fargo

Future Auditor: Ernst & Young

Law Firm(s): Becker, Kellogg & Berry, P.C.
5501 Backlick Road, Suite 220
Springfield, VA 22151

Amount of Financing Sought: \$410,000 equity, \$2,500,000 in debt

Current Investors:

7.22% Founders: \$210,000
6.8% Outside Investors: \$200,000
85.91% Creditors: \$2,500,000

Use of Funds: Facility and course development, equipment purchase, marketing

Business Description: Par-Tee Golf, which operates as a corporation, is an indoor, dual course miniature golf complex offering a unique recreational experience by highlighting quality facilities and superior customer service.

Company Background: Start-up

Management: Senior management positions require a minimum BBA with financial or accounting concentration.

Competitive Advantage: Indoor, climate controlled, dual-course complex complete with a snack shop and lounge area.

Markets: Teenagers/Collegiate Students: 199,202 teens; 19,623 undergraduates from George Mason University
Families: 103,372 married couple household with children under 18
Senior: 227,575 over 55; by 2011 projected to be 11.6% of total population by 2020

Distribution Channels: Direct to consumer.

Competition: Top Golf, Burke Lake Park Mini Golf, Bowl America, Laser Tag: Shadowland, Kingstowne Regal Theater, Fairfax de Lux Cinema, University Theater, AMC Theater Potomac Mills & AMC Theater Tysons Corner. Primary demand for golfing industry will lead to revenue growth of an average annualized rate of 1.3%.

Financial Projections (Unaudited):

	2013	2014	2015	2016	2017
Revenue:	\$708,285	\$736,152	\$745,984	\$755,952	\$766,059
EBIT:	\$279,233	\$304,347	\$304,132	\$303,753	\$303,201

Par-Tee Golf

Par-Tee Golf is an indoor miniature golf complex consisting of two 18-hole themed courses. Our courses provide a unique family experience and exciting thrill to the game of miniature golf in a comfortable climate controlled facility. Customers are given the choice between our two courses, each composed of different challenging designs. One course will imitate the experience of an amusement park consisting of holes resembling roller coasters, Ferris wheels and carousels. Customers will enjoy the perks of an amusement park indoors with games and contests while they wait to putt. Our second course is one relative to cosmic bowling, attracting our more thrill-seeking customers and satisfying one's desires of competitive sports and upbeat atmospheres. Glow in the dark balls, clubs and pathways guide the way through the course, while black lights and neon decorations line the walls enhancing our *"party"* atmosphere. Intertwining layout designs filled with obstacles create a challenging and enjoyable experience for all.

MARKETING-RELATED INFORMATION

Industry Analysis

Par-Tee Golf resides within the industry of recreational activities. Our competitors include, but are not limited to: movie theaters, arcades, bowling alleys, and other golf centers. Competition such as bowling alleys and arcades are in the declining stage of their life cycle with trends that show an annual growth rate of -2.2% (June 2010) and -2.6% (September 2010) respectively; whereas our industry is in its maturity stage and continues to remain at a steady positive growth. (November 2010).

IBISWorld forecasts that the golf industry revenue will grow at an average annualized rate of 1.3% starting at \$9.1 billion from years 2010-2015 (November 2010), while trends from a Competitive Market Analysis provided by Bizminer predicts that employment in the Golf Courses/Miniature Golf industry is projected to grow by 1.4% per year through 2018 (August 2011). In addition, the Market Analysis also reported that the US Industry average for annual sales in miniature golf courses is \$333,724 while the average for the DC, Maryland, and Virginia region is \$443,059 (August 2011). Our chosen area's average is significantly higher, yielding the potential for higher profit.

According to the Competitive Market Analysis, the industry is highly fragmented and thrives on smaller, privately owned businesses, which have captured 59.2% of industry market share (August 2011). This is evidence that small establishments can indeed prosper in a large industry. Within the DC metropolitan area, there are less than ten competing miniature golf courses;

therefore, having an indoor facility will give our business a competitive advantage over the other courses in the area by eliminating the idea of seasonality.

External factors will play a vital role in the development and operations of our business. The estimated average household income in Fairfax County is \$103,010 (Fairfax County, 2010). By choosing a more affluent location to open our business, we are building on the assumption that the citizens within the community have more discretionary income to spend on leisurely activities. An increase in consumer realization of social needs such as physical activity, socializing and spending quality family time together, directly affects the demand for miniature golf. According to LSU's AgCenter, time spent between children and parents play a significant role in children's growth and development (2010). Recreational activities are imperative for meeting the social needs of our customers.

In a decade of ever-changing technology, the courses of PTG have potential to stay “up to par” with the latest inventions. Although the industry of miniature golf uses very little to no technology; black lights, strobe lights, surround sound, and climate control within our facility will be utilized to enhance the customer playing experience.

Figure #1: SWOT Analysis

S	<ul style="list-style-type: none"> • Location: only indoor miniature golf facility in the area, bringing a new experience to residents • Demographics: immense population of affluent families with a median income of \$102,325, there is little concern of lack of discretionary spending (Fairfax County, 2010) • Low variable costs: after breakeven point, there is a high contribution margin. Low additional spending on course and equipment after initial start-up costs • Low entry barriers: easy access into recreational industry will allow quick entry to start making revenue • Few employees needed: labor costs will be kept to a minimum
	<ul style="list-style-type: none"> • No reputation: miniature golf has an unspoken association to be played outdoors, our differentiation separates us forcing PTG to make a name for ourselves within the industry • High start-up costs: the renovation of the building, design, and implementation of courses will require high initial capital • Few employees needed: concern arises of meeting customer demands • High overhead costs: the cost of utilities, maintenance, and salaries consume a large portion of our annual expenses
O	<ul style="list-style-type: none"> • Expansion possibilities: complementing amenities such as arcades, batting cages, ice cream parlors; franchising • Revenue from advertisements: local businesses pay to advertise their company on each hole, building relationships with near-by businesses • Declining competition of bowling alleys: perfect time to strive in our industry, competition is low and ready for a new activity to arise
T	<ul style="list-style-type: none"> • Economic stability: possibility of slumping back into recession could lead to families conserving on all entertainment activities • Seasonal competition: competing solely with outdoor mini golf courses in the summer season, fear of losing customers to the outdoor “traditional” experience • Low entry barriers: easy access for other recreational industries to enter, creating more competition

Competition Analysis

Miniature golfing is in the maturity stage of its life cycle. In the maturity stage of an industry's life cycle, there will be very few new entrants. In this stage of a business' life, one must differentiate in order to survive by emphasizing the unique factors of our service. These characteristics relate to the marketing of PTG in that we must focus our efforts describing the exceptional quality and one-of-a-kind facilities we offer. In order to stand out among low-cost competitors, we must separate ourselves, focusing marketing efforts on quality rather than price.

Miniature golfing has many competitors in the recreational activity industry. Our largest competition in the area consists of bowling alleys, roller skating rinks, and movie theatres. Substitutions for Par-Tee Golf would be the seven other outdoor miniature golf courses that reside in Fairfax County. Although these courses do not provide the same "climate-control" effect and indoor experience, the overall game of miniature golf entails the same concepts. (Note in the Executive Summary a list of neighboring competitors).

Market Segmentation

Figure #2 Market Segment Profile

Market Segment Profile		
Segment	Population Size (in FFX County)	Characteristics
Children	219,771	Eager to be trusted with responsibility ¹ , Appreciate using proper tools ¹ , Participating with grown ups in activities ¹
Teenagers	64,868	Heavy social media use ² , High competitive drive ³ , Seek social opportunities ³
Young Adults	218,804	High internet use ² , Exercise for enjoyment ² , Eagerness for intimacy ⁴ , Prime physical performance ⁴
Adults	353,087	Able to separate needs from wants ⁴ , Take ownership from actions ⁴ , Patient ⁴ , Flexible ⁴
Families	205,856	Talk on the phone ² , High spending rates ⁵ , Spend time together ⁶ , Substantial free time ⁶
Seniors	224,473	High population growth rate ⁷ , high internet use ² , Naturally less active ⁸

We chose to target the teenage/ collegiate, family, and senior citizen segments, based on:

Teenage/Collegiate:

- 199,202 teenagers residing in Fairfax County, 21 high schools, and George Mason University, consisting of 19,623 undergraduate students (George Mason, 2011)
- According to *The Kids and Tweens Market in the US*, "Teenagers influence another \$650 billion and spend \$200 million of their own money annually."
- "67% of U.S. consumer product sales are directly based on word-of-mouth activity among friends, family and colleagues" (Brandweek, 2003).
- Research shows that 73% of teenagers like sports to keep healthy; 53% like sports to socialize.
- About 50% of teens "go out a lot" whether it is to a recreational activity, a party, or a social event (Mintel/Experian Simmons, 2010)

Families:

- According to the 2010 Bundle Report: How America Spends, “Married couples spend more than single men or women, and married parents averaged the highest spending of all — \$46,160 - 22 percent higher than the national average.”
- According to a Mintel Report, 84% of families are spending either more or the same amount of time together from November 2010 to March 2011.
- Out of twelve sports participated in by families; golf was ranked the fourth most popular.
- Furthermore, about 63% of families surf the internet regularly which could greatly benefit Par-Tee Golf because of our heavy online presence (Mintel, 2005).
- With an average of 11.2 hours of free time per week, families will have substantial time to enjoy a leisurely activity at Par-Tee Golf (Mintel/ICR, 2005).

Senior Citizens:

- Fairfax County’s senior citizen population will increase dramatically post 2010, because the oldest population of the baby boomer generation will reach age 65 in 2011.
- “By 2020, it is projected that there will be 138,600 persons age 65 and older living in Fairfax County and they will be 11.6 percent of the total population” (Fairfax County, 2011).
- Although only 71% of seniors use Internet regularly-- usually for email or bill paying-- their main source of media still remains newspapers and television (Mintel/Experian Simmons, 2010).

Positioning Strategy

Focusing in on solely the miniature golf industry, we discovered that the two most significant attributes when choosing one course over another were the difficulty of the course and the appearance. The advantage of perceptual mapping and understanding our customers is helpful in allowing us to reposition indoor mini golf in their minds’.

PTG’s goal is to position our indoor mini golf facility as a visually appealing, challenging dual course complex that is an exciting, inexpensive recreational activity for all. Our marketing tactics and advertisements will be the basis of forming our positioning strategy. We plan to operate a business website and all social media sites within the first few months of business, complete with photographs of our facilities and satisfied customers in action. We plan to incorporate photos as much as possible through flyers, newspapers, brochures, signage and more.

Marketing Program

Service Strategy

Par-Tee Golf’s service strategy is to provide a relaxing, worry-free environment to family and friends that fosters quality time spent together in a safe, clean and eye catching facility. Being in the B2C sector, PTG will advertise and promote to the customers in our target market that reside within Fairfax County. PTG plans on using a mixed branding strategy to market our unique miniature golf experience (Please see page 12 for more information on the IMC plan). The play on words allows

Figure #3: Perceptual Map



the younger players to associate our brand name with the word *party* and clearly describes the type of experience we aim to provide. Eliciting this type of association with our brand name is beneficial because it will eventually lead to our name being established as a leader in quality entertainment. In order to instill professionalism, we will distribute uniforms to our employees to help customers easily identify us when they need assistance. Customers will associate our high quality service with our distinctively colored uniforms of red shirts and khaki pants, strengthening PTG's brand equity.

Miniature golfing is in the maturity stage of its life cycle. If Par-Tee Golf's indoor miniature golf service is diversified enough and perceived by consumers as a separate service to traditional miniature golf, PTG could anticipate a higher growth rate than average in the maturity stage. PTG would need to expand through franchising in reaction to the growing demand. Conversely, if PTG is not perceived as a diversified miniature golf service, our business could shift to a declining stage. PTG would then need to downsize its facility by offering only one course in order to reduce fixed costs.

PTG recognizes and will overcome the unique service

characteristics that could potentially threaten a service oriented business. We will address the intangibility aspect of a service by making sure our physical attributes- employees, facility, website, advertisements and logo- are indicative of the company's high quality. This will give consumers a tangible object to associate with our service. Ultimately we want consumers to associate their PTG experience with and not limited to: an employee they enjoyed interacting with, a challenging hole in our putt-putt course, a picture of customers at Par-Tee Golf, our savvy website and/or our eye catching logo.

While it may be difficult to control the effects that customers have on each other, it is less difficult to control the effects of our employees have on our customers. Because inseparability of production and consumption increases the significance of the quality in services, management will constantly stress the importance of a high quality employee-customer relationship. External factors,

Figure #4: Core, Actual, and Augmented Service Chart

CORE SERVICE	
Basic Benefits	Social outing, Family bonding, Light exercise, Competitive outlet, Stress relief, Excitement
ACTUAL SERVICE	
Features	Amusement park themed course-6,000 square feet, Cosmic/black light themed course- 8,000 square feet, Glow sticks, Plasma HDTV's & comfortable leather couches in lounge
Brand	Par-Tee Golf Inc. (PTG)
Quality	Personable & enthusiastic employee's, Top of the line lighting, audio equipment and climate control facility, Challenging & stimulating course design/layout
Appearance	Seasonal/festive course decorations, Spotless-clean bathrooms, courses, lounge & entrance lobby, Spacious 24 ft. high ceilings, Glow in the dark golf balls and putters (for black light course)
AUGMENTED SERVICE	
Customer support services	Comment cards, Social media customer interaction, On call employees for immediate aid, Customer support via telephone & company website
Satisfaction guarantee	If consumers have a bad experience or are clearly dissatisfied, their round will be refunded and they will receive another round for free

such as customers' affect on each other, will be controlled by enforcing necessary putting etiquette and proper social conducts. Customers that are consistently too loud or rowdy will be asked to leave our establishment. Also, we will alleviate consumers' wait time uncertainty by marketing that our courses are specifically designed to minimize wait time between each hole through the intermixing of challenging and easier holes.

In order to avoid lost capacity, PTG will need to effectively market to our segments, specifically senior citizens, to bring customers into our facilities during slower hours of the workday (11-4 pm). We will have a competitive advantage over other miniature golf courses in the Fairfax County vicinity because we are not a seasonal establishment. PTG will have the opportunity to advertise and create marketing efforts during the winter months unlike our competitors. PTG will also plan to even out demand by enticing to enter our establishment at slower times by offering discounts and promotions that will provide us with a consistent revenue stream throughout the week and on a day-to-day basis.

PTG recognizes that service quality can be difficult to control and hard to standardize. In order to reduce variability, PTG will instill an organizational culture that coincides with top management, middle management and part time employees. All of our workers will understand and value PTG policies and procedures (more information can be found under the Management Section). Another way we will ensure service consistency is by standardizing our processes to ensure a consistent message. (See Figure #16, page 20). Finally, to create more consistency among employees, everyone will wear matching brand colored uniforms and nametags for a more personalized experience.

Pricing Strategy

Service quality leadership is PTG's pricing objective. PTG will utilize four factors to formulate our final price: cost, social trends, competition, and economic conditions. PTG is an indoor dual-course complex and therefore will incur higher fixed costs than traditional outdoor courses. To avoid the risk of failure, we must price accordingly to cover these costs. Our business's demand is derived from social trends such as a growing awareness in exercise and interest in recreational family time (IBISWorld, 2010). Sixty-six percent of surveyed young adults, families and empty nesters state that they "exercise for enjoyment" (Mintel/ICR, 2005). As mentioned previously, 84% of families are spending either more or the same amount of time together

Figure #5: Average Price of Leisure Activities in Fairfax County

Average Price for Leisure Activity Businesses within 20 miles of Fairfax County (at least 5 businesses averages per category)					
Leisure Activity Category	Outdoor Mini Golf	Movie Theater	Go-karting	Laser Tag	Total Average Price
Average Price per Person	\$8.50	\$10.58	\$12.25	\$8.50	\$9.96

from 2010-2011 (Mintel, 2011). We will price comparatively close to competition and stay alert of offers and cost changes of our competitive forces (See figure #4 to the right).

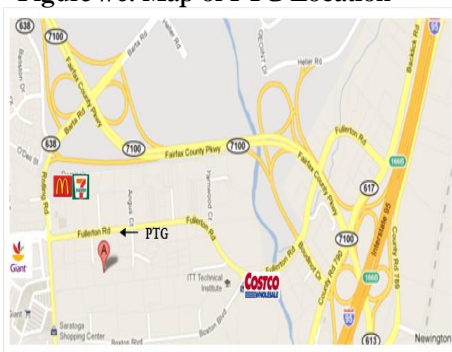
Economically, PTG's demand will be based on the level of disposable income in households and consumer confidence (IBISWorld, 2010). Fairfax County is currently the third wealthiest county in the United States and boasts a median household income of \$103,010 and a median family household income of \$122,189. Given the amount of wealth that Fairfax County residents generate, we will set a price that will position PTG as a quality leader.

One round of golf will be priced at \$10 per person. Par-Tee Golf will have specific prices for larger groups as well. The group pricing will be broken down as follows: 5-7 customers- \$9.00 per person, 8-10 customers- \$8.50 per person and 10+ customers- \$8.00 per person. PTG does not incur substantial variable costs per round played, therefore a part of our pricing strategy is to encourage large volume and high customer traffic by offering lower prices. Finally, glow-in-the-dark accessories will be offered to customers who choose to play on our cosmic course for \$1.25 per glow stick.

Distribution, Location and Physical Environment

PTG will sell our services to customers through a direct channel. Our business will be located at 7955 Twist Lane, Springfield, Virginia 22153. Within a one mile radius, the following businesses are located near PTG that will draw traffic near our location: McDonalds, 7-Eleven, Costco, Giant, Saratoga Shopping Center and Domino's Pizza. Roughly 3,000 feet east of Par-Tee Golf is Interstate-95- one of the most frequently used interstates on the east coast. I-95 will enable us to expand our customer base by gaining consumers from towns south of Fairfax County who reside in Prince William County (Woodbridge, Dale City, Dumfries), as well as towns north of us closer to Washington, DC. For a quantitative explanation of PTG's location selection in Fairfax County, please refer back to our market analysis and pricing analysis.

Figure #6: Map of PTG Location



All of the tangibles associated with our service include our facility, parking, employees, equipment and course design. Our physical environment represents a culmination of our branding strategy, service strategy and integrated promotional mix. Our top objective is to establish consistent appearance amongst our building, logo and employees. This will alleviate our services' intangibility and strengthen our brand equity.

People

PTG's efforts on giving customers a high quality experience starts internally with our employees. Our business will maintain a consistent positive attitude that will spread among our employees—and employees to customers. We will hire, train and manage our employees to treat each customer as PTG's number one priority. Ultimately, our customer service experience will be organizational wide through the creation of our standardized employee training and processes (Please see the Management Section titled *Controls* on page 16 for more detail).

Process and Productivity

The Operations section starting on page 17 covers a more in-depth explanation of Par-Tee Golf's processes and productivity.

Promotional Strategy:

As a new business to Fairfax County, our first promotional goal is to create awareness within our community. We plan to advertise ourselves via traditional and nontraditional advertising, sales promotions, and personal selling to reach our target markets. We will capture the interest of teens and families on the radio stations of HOT 99.5 and MIX 107.3 with 30-second advertisements three times a week for our top five peak months of operation (See Monthly Sales Forecast for peak months, Figure #10, page 14). Understanding the busy lives of young adults and parents, we plan to catch them while they are on-the-go. Reaching out to our senior and family segments, we plan to position ourselves in the advertisement section of the Washington Post. Our advertisement will be viewed in the Sunday's paper, with the expectation that it is the most commonly read due to more free time on weekend mornings. These channels of promotion will be used to gain awareness and stimulate demand from our target markets. Moreover, we will operate a complete, user-friendly webpage containing information such as: directions, rates, hours, promotions. Pictures emphasizing our quality facilities and interactive customer service will also be displayed to entice first-time customers. Other elements of PTG's promotional mix will consist of social media sites, flyers, and follow-up customer emails with promotions and coupons. As the game of miniature golf may hold an unspoken implication as a seasonal activity, we will promote accordingly to even out demand throughout the year.

With the understanding that our promotional strategy is the most significant aspect to our marketing mix, we plan to create a positive overall campaign theme. PTG will position our brand name, Par-Tee Golf, in the minds of our customers as an exciting, yet challenging adventure for all

ages. In order to effectively do this, we will consistently market our brand using consistent fonts, colors and sizes in all of our promotional medians. We will incorporate slogans specifically directed

Figure #7: PTG's Promotional Budget

Promotional Activity	Cost/Unit	Frequency	Total Annual Cost
Radio Advertisement (30 second ad) -- 99.5 FM, 107.3 FM ⁹	\$ 4,752.00	5 months	\$ 23,760.00
Newspaper ad for "The Washington Post"(2 Sundays per month) ¹⁰	\$ 248.82	6 months	\$ 1,492.92
PTG Website ¹¹	\$ 5,000.00	1 time flat fee	\$ 5,000.00
PTG Flyers ¹²	\$ 43.16	12 months	\$ 517.95
Social Media Pages -- Facebook and Twitter	\$ -	12 months	\$ -
Email to Customers that Provided Address	\$ -	13 months	\$ -
Total			\$ 30,770.87

to our different target markets portraying our facility as a “party-like atmosphere” to teens; yet a “perfect family-bonding outing” to families. We will reach our senior citizens through personal selling over the phone to

retirement home activity coordinators by offering discounts for large groups and selling our business as a social event involving light-physical activity. Planning accordingly, we will focus our efforts on promoting our earlier hours of operation on weekdays towards this market segment to even out demand while our other targets are at school or work. This will be the duty of our manager on staff and there will be no commission related to successful calls.

Quantitative Review

Market Potential

There are seven competing golf courses in the area in which we plan on drawing our customer base (Bizminer, 2011). To calculate our market potential, we have found the market area's average sales volume of \$443,059 and multiplied it by the seven competing businesses. This equates to a market potential of \$3,101,413.

Sales Forecast

The total revenue that Par-Tee Golf forecasts to accumulate by the end of year one is \$706,285 through the game of miniature golf. This number is derived by adding an average of four equations (eq) based on data found in the Bizminer Competitive Market Analysis Report for the Washington DC, Maryland, Virginia, and West Virginia region with our revenue from leasing our food service, hole advertisements and miscellaneous sales. After averaging these figures $[(\$775,359 + \$412,040 + \$612,458 + \$889,878) / 4]$ for Year 1, PTG's forecasted revenue equates to

Figure #8: Sales Forecast Equations

Eq. 1	Miniature Golf Course's industry sales per employee * Number of Par-Tee Golf's employees $\$59,643 * 13 = \$775,359$
Eq. 2	Miniature Golf Course's industry sales per personal income reporting unit * Avg. income of residents who live in Fairfax County $\$4 * \$103,010 = \$412,040$
Eq. 3	Miniature Golf Course's industry sales per square feet of the business * PTG's facility sq. ft. $\$41 * 14,938 \text{ sq. feet} = \$612,458$
Eq. 4	Miniature Golf Course's industry return on assets * Par-Tee Golf's total assets $14.53\% * \$2,910,000 = \$422,823 \text{ (Net income)} + \$467,055 \text{ (Costs)} = \$889,878$

Figure #9: Five-Year Sales Forecast

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue from Miniature Golfing	\$672,434	\$701,610	\$710,732	\$719,971	\$729,331
Revenue from Leasing Food Service	\$9,000	\$9,270	\$9,548	\$9,835	\$10,130
Revenue from advertisements/ hole	\$21,600	\$21,880	\$22,165	\$22,453	\$22,745
Revenue from Miscellaneous Sales	\$3,251	\$3,392	\$3,539	\$3,693	\$3,853
Total Revenue	\$706,285	\$736,152	\$745,984	\$755,952	\$766,059

\$634,742 for solely sales of miniature golf games. Based on the Miniature Golf Course's industry growth rate of 1.3% the projected revenues for the next four years are shown in Figure #9.

These figures were calculated by compounding the growth rate over 5 years.

The breakdown of the sales by month is based on the availability of our target markets and the seasonal changes throughout the year. Our peak months are January, July, August, and December. In the month of December and January students will be on winter break and will be heavily marketed to enjoy our festive holiday themed mini golf course. During the months of July and August PTG will generate sales from students on summer break. Our day time store hours will receive customer traffic from individuals seeking a cool environment on hot summer days. Average high temperatures during the day time in the months of July and August in Fairfax County are 94 degrees and 89 degrees respectively (Weather, 2011).

Figure #10: Monthly Sales Forecast Breakdown

Year 1 Sales Forecast Monthly Breakdown						
January, 2013	February, 2013	March, 2013	April, 2013	May, 2013	June, 2013	July, 2013
\$ 70,629	\$ 49,440	\$ 49,440	\$ 42,377	\$ 42,377	\$ 49,440	\$ 84,754
10%	7%	7%	6%	6%	7%	12%
August, 2013	September, 2013	October, 2013	November, 2013	December, 2013	Total	
\$ 84,754	\$ 56,503	\$ 49,440	\$ 56,503	\$ 70,629	\$ 706,285	
12%	8%	7%	8%	10%	100%	

Our market share was calculated by dividing our year 1 forecast revenue of \$706,285 by the total of the 2011 Miniature Golf Market Area's industry sales volume of \$11,143,733 and our forecast revenue of \$706,285 ($\$706,285 / (\$10,437,448 + \$706,285)$). This calculation equated to a market share of 6.34%. The Market Area industry is derived from the same Bizminer report used to calculate the sales forecast.

Our fixed costs include insurance, mortgage, depreciation, salaries, property taxes, advertising, and utilities. We will have an insurance policy including general liability, umbrella liability, crime coverage and low-cost accident medical coverage. Our mortgage will be on our facilities, while we will amortize depreciation on our building and other fixed assets within the facility (Please see financial notes page 30 for asset useful life). Advertising costs will include radio, newspaper and flyers, as well as an online presence, and our utilities will include things such as heating, cooling and water. Our variable costs will consist of misc. supplies such as glow sticks for our cosmic course.

Breakeven Analysis

Our breakeven point was calculated by subtracting our forecasted year 1 sales revenue of \$706,285 by our variable costs of \$3,375. This calculates to a contribution margin of \$702,910. By dividing our contribution margin with our sales revenue of \$706,285 we calculated a contribution margin of 99.52%. Our fixed costs of \$463,680 divided by 99.52% gave us a breakeven in dollars of

\$468,364. Calculating a breakeven in units is not plausible because we have four different revenue streams therefore we would not be able to conjure a common unit of sale. To calculate the target segment needed to break even, we divided the breakeven amount of dollars--\$468,364-- by the 2011 Miniature Golf Market Area's industry sales volume of \$11,143,733. This equates to a breakeven market share of 4.2%.

HUMAN RESOURCES AND MANAGEMENT

Compensation, Rewards, Benefits and Training

A detailed breakdown of salary compensations is provided in Figure #11. We will offer our employees several rewards, both intrinsic and extrinsic. Intrinsic rewards will include honors such as "Employee of the Month" and recognition from management for excellent service towards customers. Extrinsic rewards will include monetary gift cards or a free game for the employee's family.

Figure #11: Employee Staffing Chart Effective January 2, 2013

Position	Number of employees	Salary/Wage Range	Salary/Wage Paid	Deductions	Benefits	Total Cost per employee	TOTAL COST
General Manager	FTE	\$40,000-\$47,000	\$42,000	SS, FUTA, SUTA, WC, ETT	Standard	\$53,597	\$53,597
Assistant Manager	1 FTE 1 PTE (PTE 20 hours/week)	\$33,000-\$35,000 (FTE) \$15/hr.-\$17/hr. (PTE)	\$33,000 FTE \$15/hr. PTE	SS, FUTA, SUTA, WC, ETT	Standard Limited	\$39,539 \$19,210	\$58,749
Administrator	FTE	\$28,000-\$32,000	\$28,000	SS, FUTA, SUTA, WC, ETT	Standard	\$36,966	\$36,966
Janitor	1 FTE 1 PTE (20 hours/week)	\$15,080-\$17,000 \$7.25-\$8.50/hr.	\$15,080 \$7.25/hr.	SS, FUTA, SUTA, WC, ETT	Standard Limited	\$21,619 \$9,635	\$31,254
Front Desk Operators	7 PTE (20 hours/week)	\$7.25-\$8.50/hr.	\$7.25/hr.	SS, FUTA, SUTA, WC, ETT	Limited	\$9,635	\$67,445
							\$248,011

Benefits	<p>Standard Benefits: Individual health care coverage costs \$68.96 per month per employee and \$252.22 per month for the employer (for a total of \$321.18 per month). Copayments of \$5 will be charged, with the exception of x-rays, which will require a \$6.25 copayment. Once an employee has served five consecutive years of service with Par-Tee Golf, the possibility of offering family health insurance coverage will be discussed. Each employee will receive ten paid vacation/personal days per year, as well as six sick days.</p> <p>Limited Benefits: 30 minute lunch breaks, 15-20 personal breaks for every four hours worked</p>
Total cost per employee	Includes the salary or wage of individual, health care coverage (\$3,854.16/year), Social Security plus Medicare (7.65% of annual salary or wage), FUTA [6.2%] (Federal Unemployment Tax Rate) plus SUTA [2.5%] (State Unemployment Payroll Taxes) plus Employment Training Tax (9.7% of 1 st \$7,000 paid to every employee), Worker's Compensation (\$2.44 for every \$100 paid to each employee in the year)

Staff Flexibility & Planning

Figure #12: Description of Benefits

Par-Tee Golf's flexibility will rely heavily on the availability of our 13 part time employees. In order to respond to high demand situations, extra staff will be scheduled to work. Full time employees have less flexibility, due to the high scheduled hours they are presently working. As a

remedy, part of PTG's strategy to increase flexibility is the hiring of more part-time employees for instances when more staff is necessary.

Controls

PTG is implementing TQM as its main control measure; therefore our General Manager will be in charge of working towards continuous improvement, training, and customer satisfaction. Lower level employees will be responsible for carrying out the day-to-day goals distinguished by top management.

Figure #13: Organizational Chart Effective January 2, 2013

Recognizing that continuous improvement is a priority, it is essential to involve all employees in all business processes. Our General Manager will be responsible for setting long term goals for the company and quality assurance measures that will be relayed and communicated throughout the organization. One way of assuring that all employees are aware of our quality measures is through extensive training. The training programs at PTG, both for upper level management and lower level positions, will focus on educating our employees about the culture of the business. Training sessions will teach and emphasize the importance that strong interpersonal skills play in providing superior customer assistance. All employees will participate in a two week training session prior to the first day of business, as well as annual training sessions that focus and reinforce the importance of being customer oriented and enthusiastic. Staff will undergo preparation comprised of day-to-day necessities such as inventory maintenance training, customer service and satisfaction training, and problem resolution training. PTG will host formal evaluations, conducted by top management, on a quarterly timeframe along with weekly informal evaluations.

In order to get consistent and accurate customer feedback, Par-Tee Golf plans on providing comment cards giving customers an opportunity to share their experience with us anonymously. This system will allow us to make changes or improvements in a timely manner. Comments will be reviewed on a bi-monthly basis during employee meetings.

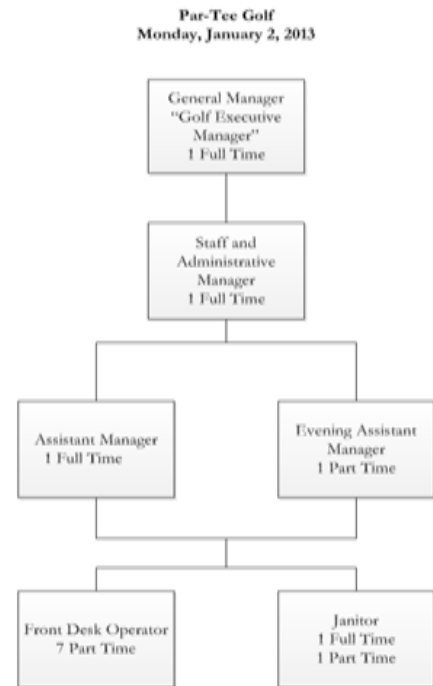


Figure #14: Employee Job Description**Critical Employees**

For our organization, our most critical employee will be our Assistant Managers (both full and part time).

While all employees are valued, the Assistant Manager is critical to the success of our business. The Assistant Managers will oversee day-to-day

activities. If our critical employees effectively enforce the importance of customer-employees relationships throughout the organization, we will have a distinct competitive advantage over other services.

Position	Job Description	Minimum
General Manager	In charge of company finances, long-term company goals, implementing strategic plans, evaluating PTG performance, personal selling responsibilities	BBA in Finance or Accounting, Previously held managerial position
Assistant General Manager	Opening and closing the establishment, operating PTG's technology, supervising part-time employees and interacting with customers	BBA in Management, Previously held managerial position
Staff and Administrative Manager	Oversee's part time employees, works closely with Assistant General Manager, coordinates PTG special events, inventory management	BBA, Previously held managerial position or HR background
Front Desk	Greet customers, operate cash register, equipment distribution, monitoring customer satisfaction	Strong interpersonal & organization skills, Professional, 1 yr. work experience
Janitor	Nightly cleaning of entire complex, identify damages, light maintenance	Physically able to lift 40 lbs.

Figure #15: Schedule of Events

Day	Date	Event	Day	Date	Event
-55	July 13, 2012	Buy site/location	35	September 13, 2012	Finalize selections and hire employees
-46	July 22, 2012	Apply for business license, begin job searching	39	September 17, 2012	Begin two month training program for all upper-level management positions
-33	July 5, 2012	Open bank account with Wells Fargo in Fairfax, County	92	November 5, 2012	Order remaining supplies)balls, clubs, office equipment, etc.
-32	July 6, 2012	Begin recruitment process for future employees	94	November 7, 2012	Snack Shop lessee begin preparation for grand opening.
-31	July 7, 2012	Hire Harris Miniature Golf Co. and begin design planning for two courses	99	November 12, 2012	Hire front desk employees; marks completion of remodel and course design
1	August 6, 2012	Begin construction of courses and remodeling of facilities	123	December 6, 2012	Have two courses completed (final construction day)
2	August 7, 2012	Begin hiring general manager, staff and operations positions. Search for snack shop lessee	135	December 18, 2012	Begin seven day employee training program for all front desk operators
4	August 9, 2012	Selection of employees for front desk operators and janitor positions	150	January 2, 2013	First day of business

OPERATIONS AND PROCESS**Physical Description of Service***Defining, Measuring and Maintaining Quality*

PTG will define its quality through customer impressions of the service and facility with a strong focus on customer satisfaction -- which in the long run translates into customer loyalty. This can be accomplished by providing excellent service, eliminating wait time, and having courteous and professional employees.

Par-Tee Golf will quantify our level of quality with the use of several different measures. First and foremost, PTG will measure quality by monitoring the percent of returning customers. This will be done through our "greeting" when customers enter our establishment. The front desk employee is required to ask the customer(s) for their name and whether or not they have golfed at PTG previously. (More information on this greeting is in Figure #17, page 21.) We can then input this data into our database and have an accurate measure of amount of returning customers.

Another way of measuring our level of quality involves monitoring the number of failures per month. A failure will occur when PTG does not live up to customer expectations resulting in a disappointed consumer. We will rely on customers utilizing our comment card box and vocalizing their opinions when dissatisfied. Observations by employees on the floor will also detect unsatisfied customers. Pareto charts and histograms will illustrate our findings on these quality measures and establish priorities for action.

We have structured our business philosophy and operational decisions based upon the TQM model focusing on continuous improvement and total employee involvement. Specific TQM measures relating to PTG are discussed and applied in detail throughout the remaining Operations section.

Operational Strategies and Advantages

Facility and Service Quality

One of the quality features we offer is that our course designs will be made uniquely to our specifications. We have contracted Harris, Inc., a miniature golf course builder of fifty years, to build two courses tailored to our customers most valued attributes—challenging and visually appealing. Harris specializes in intermixing easier holes with more difficult ones to keep participants engaged in the game and allow for processes to move smoothly. PTG will encompass two spacious eighteen-hole courses, allowing for more capacity than competing facilities.

Our golfing complex provides value to our customers by giving them the option of playing two different courses in one visit, or coming back at another time and being assured a new experience. One course design will feature a cosmic theme with black lights, house music and neon decorations. After benchmarking a successful miniature golf franchise, *Monster Golf*, we have drawn conclusions that indoor glow in the dark courses can be very successful. According to FranchiseWire, *Monster Golf* started in 2004 and has quickly grown to have 29 franchise locations as of 2011 -- all with the trendy black light theme (2008). Our other course will resemble an amusement park with designs mimicking roller coasters and Ferris wheels. PTG will differentiate this course and create a competitive advantage by adding decorations to reflect specific holidays and seasons, making the atmosphere extraordinarily different every time. Our indoor facility will be operational year round despite harsh weather, which eliminates the disadvantage of seasonality that is associated with outdoor miniature golf.

Our past experiences at miniature golf courses have led us to put great emphasis on service quality. One of the perks of having a two course design is that it minimizes the wait time for

customers. Customer service quality will be assured through our employee training, strong emphasis on superior customer services by top management and quantity of employees working at all times. PTG will add structure to their service quality with the insistence of total quality management (TQM). To ensure our business follows the TQM model, management and employees are required to participate in the commitment, communication and recognition of quality. All employees will undergo initial and annual training sessions that focus and reinforce the importance of being customer oriented and enthusiastic. Employees will instill assurance and empathy through customization of consumer experience, generating returning customers.

Employee Quality

Hiring the right employees with the essential skills is critical for our company's profitability. To ensure returning customers, PTG will need enthusiastic, friendly, proactive and responsive employees. PTG will spend a significant amount of resources to make sure we hire and keep exceptional employees who can adapt to our perpetually improving training courses. PTG will strive to provide incentives, both extrinsic and intrinsic, for our workforce as a strategic way to align their motives with our company objectives. For a detailed description of training material and employee rewards, please see *Rewards and Controls* under the Management Section.

The intra-workforce dynamic of PTG relies on feedback through effective communication in our bi-monthly meetings. More importantly, employees are encouraged to give suggestion on areas that they feel need improvements. This will contribute to a high quality, intra-workforce dynamic with the intentions to make all employees feel involved in the improvement of our business. In order to satisfy our external customers, PTG first needs to create satisfied internal customers—our employees.

Convenience and Flexibility Advantages

PTG anticipates creating a competitive advantage through our convenience attributes. Customers value the ability to easily access recreational facilities and park their vehicles without difficulty. Our customers will have no trouble locating us in the town of Springfield, Virginia in between Fairfax County Parkway and Interstate 95 (Refer to *Physical Location* and Figure #6 in the Marketing Section for a more detailed analysis and map). PTG offers convenience by offering customers options beyond playing miniature golf—including a place to dine and lounge within our facility. Offering the amenity of a special events room allows our company to create flexibility and efficient response time when planning events. PTG will offer a variety of packages that cater to each of our party's unique preferences. Packages will include reservations to our "Par-Tee" room, meal

accommodations and festive decorations. They will allow us and our guests to throw spectacular events with limited response time, a major competitive priority for Par-Tee Golf.

Analysis of Fail Points in Operations Process

There are three failure points in PTG's operations process of the *Customer Purchase and Experience Diagram* denoted in Figure #16. The first arises when the customer is billed—step #3 described above. This is a potential fail point for many reasons; the customer can refuse to give employees their information, the customer may pay with a credit card which could be denied or a debit card with insufficient funds. Other possibilities include a shortage of cash on hand or if the credit card machine is malfunctioning.

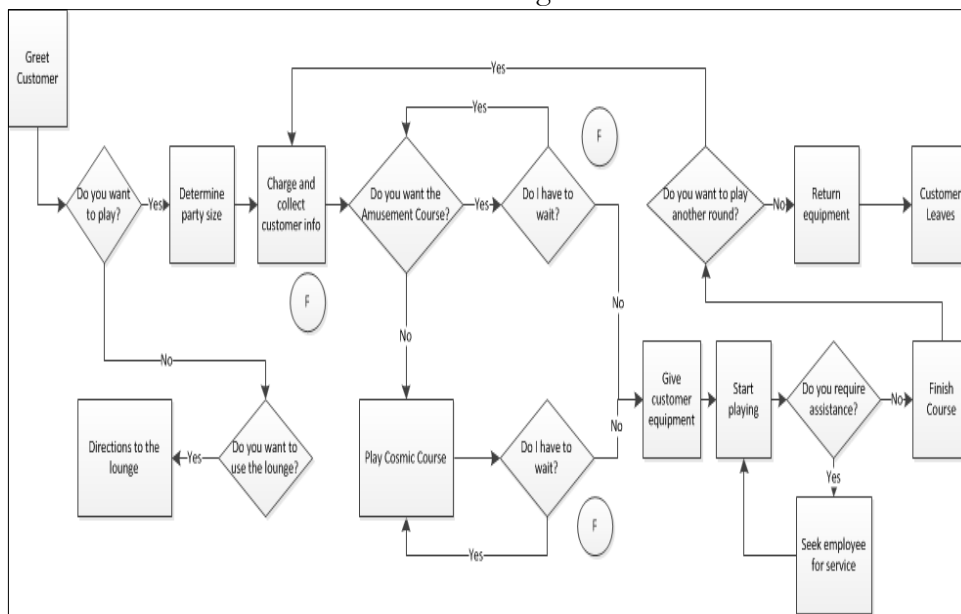


Figure #16: Service and Process Blueprint: Customers Purchase and Experience

One way to decrease the amount of customers refusing to give out personal information is by offering promotions and discounts only redeemable by printing out a coupon sent via email. While it is possible to avoid dealing with hassle of credit cards, PTG is unwilling to forfeit

business proceeds by not accepting credit sales. A way to minimize cashier and machine malfunctions is by having more than one register used for an overflow of customers or for backup purposes. Employee training of the computer system will decrease frequency of this fail point.

The other two fail points arise when the customer is waiting to start a course. By offering two courses, PTG gives customers the option to play the other course if the one they chose requires waiting. Our two courses are specifically designed to alternate between easier and challenging holes to prevent back-ups from forming—minimizing wait time.

1. Greet Customers	As customers come through the doors of PTG, they will be immediately greeted by one of our staff members to ensure they feel welcomed. After the greeting, employee inquires if they are returning customers and will enter this information into our database for later analysis.
2. Determine Party Size	The front desk employee will determine the amount of people in the party. PTG enforces only six individuals to a party to ensure a steady movement of players to minimize wait time. Parties exceeding six people will need to be separated at their discretion.
3. Charge and Collect Customer Information	Customers can pay with credit cards, debit cards and cash. Before this transaction is complete, our employee will ask the customer for their contact information including email addresses (to send coupons) and their zip code (so PTG can gain a better understanding of our reachable market).
4. Give Customer Equipment	This process involves giving the customer the correct equipment based on the course they have chosen to play. Players of the amusement course will receive traditional balls and putters. Participants of the cosmic course will receive glow in the dark equipment. All customers will be custom fitted to ensure correct putter length. Customers will also be able to purchase glow in the dark accessories that will enhance their experience under the black lights.
5. Seek Employee for Service	During this process, customers will normally not seek employees unless there is a problem. Employees will put to use their training to handle problems that may arise (misplaced balls, malfunctioning equipment, or safety concerns). Employees will take note of customer satisfaction and determine how to best enhance customer experiences.
6. Finish Course	Employees will assist customers with either the option of playing another round or returning the equipment. If the customer chooses to play another round, the process starts back at Step #3.
7. Return Equipment	During this process, employees will collect and inspect all returned putters and golf balls. Employees will also ask customers if they are willing to fill out a survey (written or online) and those that do will receive a discount off their next visit.

Figure #17: Description of Main Steps

Resource Allocation

PTG derives its value from four main components; facility, workforce, inventory, and equipment. In order to keep down costs and maintain the business' integrity, it is necessary to keep a strict watch over these resources.

Facility

In collaboration with Harris, Inc., PTG has allotted \$500,000 and six months for the construction of our courses funded through equity and a loan provided by Wells Fargo. The process of building a course requires many different considerations including the position of the holes and size of the greens. Harris, Inc. has a stellar reputation for designing modern miniature golf courses with streams, landscaping and elevation changes. According to Harris's website, "Some of the best design ideas occur during construction, when you can actually see the mini golf course taking form. When a change will obviously improve the course, we consult the owner and if they concur, we incorporate it into the course". PTG feels that Harris's past experience and attention to detail will ensure a facility that is worth the expenditure.

It is imperative to calculate the maximum capacity for each course, which will allow PTG to follow strict guidelines that will ensure the safety and comfort of our customers. Given that each hole can accommodate six players, we have determined that our maximum capacity is 216 people at any specified time for both courses; this amount does not count the additional lounge, snack shop, and party room spaces. PTG will adhere to only allowing a total of 200 players in both courses otherwise queue time will become too difficult to control. Should any customer need assistance, one way PTG can minimize queue time is by requiring at least two employees to make rounds throughout the course for a smooth, trouble-free experience.

Another important resource is time; specifically, how it is spent cleaning, decorating, and maintaining the facility. While cleaning and maintenance are priority daily tasks, decoration is a more important focus. It will take coordination for seasonal and themed decorations to be integrated with current course designs. PTG will make sure to complete all decorating prior to operating hours so that customers are not bothered or endangered. PTG anticipates that during holidays and special occasions, more help will be needed -- addressed by giving our part-time employees extra hours.

Workforce

PTG relies heavily on its employees to run a successful business due to its focus on quality service. A bio-monthly staff meeting along with daily shift meetings will be implemented to discuss matters such as the upcoming events, planned team bonding, and scheduled time for decorating and clean-up. During peak times, the number of required employees will be increased accordingly to better suit the needs of our customers.

Inventory and Equipment

PTG will have limited inventory in the forms of standardized golf scorecards and glow sticks used to enhance customer experiences. Employees are required to record and take inventory bi-monthly so that PTG can use that information to predict future sales and account for shrinkage. When inventory depletes down to twenty percent, PTG's Assistant Manager will order and restock its supplies before informing the General Manager to ensure accurate recording of finances. Employees are also held responsible for inspecting equipment at the beginning and end of each day. Equipment such as putters and golf balls will be cleaned by a part-time employee once a week to fully maximize useful life.

Snack Shop

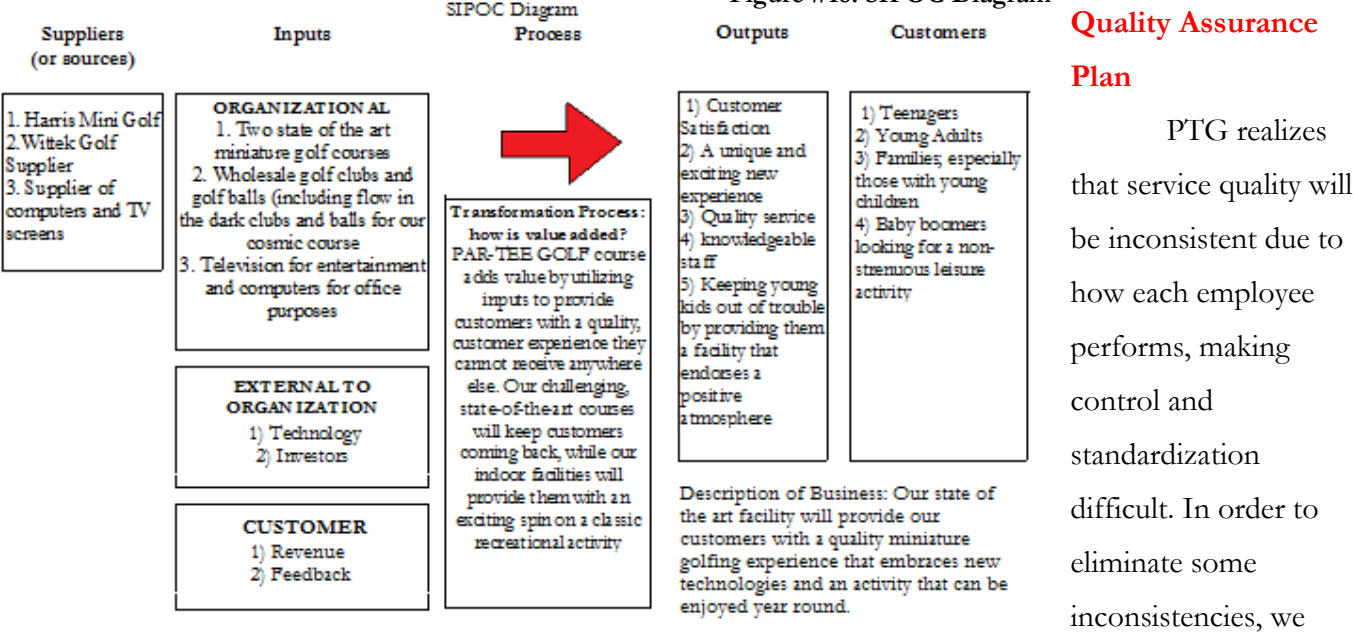
Due to the executive decision to outsource PTG's snack shop, it will be up to the General Manager and Administrator to research and decide who will lease our snack shop area. Criteria for consideration will include the type of food and the quality of the lessee's known service. In the following section, major outsourcing criteria are addressed.

Outsourcing

PTG has decided to focus on its core competencies of running a miniature golf facility. We want our customers to enjoy a well-rounded family experience, and we believe having a snack shop will reinforce that ideal. However, running the snack shop would not be an efficient way to allocate our time and resources of employees and capital. We have decided to lease a space within our complex, approximately 750 square feet at \$12 per square foot, to a reputable company.

We take the decision to outsource seriously because PTG understands that the quality of the lessee will greatly impact the perceived quality of our establishment. Less-than-satisfactory experience by the customers at the snack shop will hurt our reputation. To maintain a high level of competitiveness, close review of experience and credentials will be examined before a leasing contract is signed. PTG and the snack shop lessee will create a cooperative relationship where frequent meetings, twice a month, will be in place to evaluative operations regarding quality of the food, service, and processes. PTG plans to have a mutually beneficial relationship where quality suggestions are considered on a continuous basis.

Figure #18: SIPOC Diagram



plan on training our staff on specific procedures (discussed in the Reactive Quality Assurance section) so that their responses will be relatively similar. Through this, customers will be assured a quality experience provided by professional employees. To create a consistent image, staff will wear matching uniforms that correlate with brand colors to enforce brand equity as well as a nametag for a more personalized experience. If customers feel that PTG did not fulfill its promise of providing them an exceptional experience, they are guaranteed a refund and a free game for their next visit. Another inconsistency with PTG deals with the intangibility of our service. The difficulty associated with the non-physical aspects leads customers to value other features including a friendly, knowledgeable staff, and facilities and equipment that are clean. PTG will minimize inconsistencies associated with intangibility through the use of proper advertising.

Proactive Quality of Assurance

Par-Tee Golf places great emphasis on the quality of its facility and will do everything necessary to ensure that our courses are always well maintained. As previously stated in the Resource Allocation Section, employees are required to carefully inspect every hole and piece of equipment at the beginning and end of each day to make sure everything is neat and running smoothly. The benefit of doing daily inspection is that it implements a Preventative Mechanism System (PMS). PMS will require that the employee or inspector is trained in evaluating the machinery and its condition. Employees will be able to distinguish whether a piece of equipment is too worn out and will be able to replace it before it breaks. This will ensure that customers will not encounter broken equipment or malfunctioning machines.

Another way to prevent a customer's game from being interrupted is to plan and schedule times for decorating the course during non-operational hours to avoid potential safety issues from arising. PTG has decided that in order to prevent misplaced or stolen balls, the eighteenth hole for each course will be built with a mechanism that stores the ball as opposed to returning it to the player. This preventative step will help minimize inventory shrinkage and cut unnecessary costs.

Reactive Quality Assurance

PTG realizes that no amount of preparation will eliminate all problems, thus, we will implement reactive measures of quality that includes staff training, having a liaison with Harris Inc., and providing comment cards and refunds for dissatisfied customers.

Training on how to handle common problems that might arise will be provided to staff members. Generally, employees should possess proactive skills to foresee potential problems that may arise, and find a resolution prior to the customer being exposed to the problem. Our specific training sessions will include potential scenarios that prepare employees on how to best deal with customers and their issues after the event has happened. This may include how to handle: customers who have lost or broken equipment, dissatisfied clients requesting refunds, and course malfunctions. By providing operational and customer resolution training to our employees, they are qualified to deal with most customer needs and issues that arise in a professional and courteous manner. PTG believes this will build positive and lasting impressions to ensure returning customers.

PTG plans on having a representative from Harris, Inc. on call in case a course malfunction arises. It is important for us to establish positive relations with Harris because the quality of our course is greatly reliant on their services. This will also decrease the amount of down time should something in the course go awry.

If we encounter a problem, PTG allows its customers to give us feedback on how to improve or fix what went wrong through the use of comment cards. PTG plans on filing all the received comments and reviewing ways to address them twice a month. This will allow us to focus on what kind of improvements we need to concentrate on in order to meet our customers' expectations. One of our business objectives is to satisfy customers' needs, which can only be accomplished by taking their thoughts and suggestions into consideration. Refunds are another way we can compensate dissatisfied customers. Having customers fill out these comment cards of their experience will allow us to improve our service and offer them a correct refund. Handling situations that go awry could create even happier customers than if no problem had occurred, hopefully instilling a better perception of PTG in their minds.

The Financial Plan

Par-Tee Golf will require an initial cash investment of \$2,800,000 for the purchase and the refurbishing of the building as well the construction of the two mini golf courses. PTG will also have to purchase office supplies, employee uniforms, and decorations to outfit the building. Finally PTG will need to have capital available in order to finance initial working capital requirements and to pay operating expenses such as utility bills and wages before sustainable revenue is realized. Financing will be accomplished through a combination of long term debt and the issuance of stock. A \$2,500,000 loan issued by Wells Fargo Bank will fund the majority of the capital requirements. 41,000 shares priced at \$10 per share will be issued to raise \$410,000.

Source and Applications of Funds Chart		
Source		
Equity		\$ 410,000
Debt		\$ 2,500,000
Total		\$ 2,910,000
Application		
Building		\$ 2,100,000
Courses		\$ 500,000
Refurbishment		\$ 200,000
Equipment		\$ 20,247
Total		\$ 2,820,247
Available for Operating Requir	\$	89,753

Investment Highlights- Key Value Drivers

- Unique Entertainment Experience- PTG offers the only indoor mini golf complex in Fairfax County.
- Attractiveness to all segments of the population- PTG offers consumers a fun and eventful outing with family, friends, or any other groups.
- Cost competitive with other form of entertainment- PTG offers a round of mini golf for only \$10 which compares well to other entertainment options such as movie theaters and bowling alleys.
- Opportunity provides year round sustainable cash flow- As the only indoor mini golf course in the area, PTG will have a monopoly over that segment of the industry during all times of inclement weather.
- Most of expense base is fixed- Increasing volumes will sharply increase profitability after PTG reaches the break-even point.

Figure #19: Source and Applications of Funds Chart

- High initial capital investment cost provides a barrier to new competitors- Despite the opportunity for strong market growth, the high cost of purchasing buildings, courses, and equipment will ensure the number of new competitors will be limited.
- Attractive market dynamics- Fairfax County has one of the fastest growing and mostly wealthy populations. These factors allow PTG to have a significant opportunity to grow revenues beyond the forecasted numbers.
- High quality venue- Superior courses and atmosphere will allow PTG to create brand equity with repeat customers.
- Commitment to high quality customer service- PTG will hire driven, motivated employees who will place customer service above all else. Upper level managers will use continuous process improvement to reduce costs.

Sensitivity Analysis

The following table summarizes the sensitivity of the financial projections to a ten percent increase and decrease in both revenue and operating costs. For each single change in the base assumptions, all other variables remain the same.

Figure #20: Sensitivity Analysis Chart

Base Model	Year 1	Year 2	Year 3	Year 4	Year 5	NPV	IRR
Revenue	706,285	736,152	745,984	755,952	766,059		
Net Income	116,170	133,853	136,086	138,218	140,245	\$2,067,622.05	91.7%
<u>Revenue + 10%</u>							
Revenue	776,914	809,767	820,582	831,547	842,665		
Net Income	159,253	178,758	181,591	184,331	186,975	\$2,404,095.39	101.9%
<u>Revenue -10%</u>							
Revenue	635,657	662,537	671,386	680,357	689,453		
Net Income	72,704	88,948	90,581	92,105	93,516	\$1,730,817.75	81.2%
<u>Operating Costs +10%</u>							
Revenue	706,285	736,152	745,984	755,952	766,059		
Net Income	96,032	113,426	115,046	116,547	117,924	\$1,998,181.87	87.6%
<u>Operating Costs -10%</u>							
Revenue	706,285	736,152	745,984	755,952	766,059		
Net Income	136,307	154,280	157,126	159,889	162,567	\$2,137,062.23	95.8%

The sensitivity analysis shows that an increase or decrease in revenue of 10% will have a significant effect on net income. Looking at the results in year

one, a 10% increase in revenue will result in a 37% increase in net income for PTG. The NPV of PTG increases sharply to \$2,404,095. Conversely, a 10% decrease in revenue will also result in a 37% drop in net income. This drop in revenue causes NPV to decrease to \$1,730,817. This analysis shows that PTG must carefully monitor the demand for the service. Managers at PTG will spend a lot of time and effort to ensure that demand for the service does not drop below the forecasted numbers. This will be accomplished through marketing campaigns to ensure customers are aware of the company, the service it offers, and any ongoing deals or special activities. Operating costs have a strong inverse relationship with revenue of PTG. Year one of the table shows that a 10% increase in operating costs will decrease net income by almost 17%. Equally, a 10% decrease in operating costs will also result in a 17% increase in net income. With the high amount of fixed costs associated with providing the service, managers will constantly be monitoring expenses to ensure that PTG operates

to its full potential. With PTG so sensitive to the above variables, managers will spend much of their time and effort to ensure that the forecasted numbers are reached and that there will be no loss of net income due to rising costs or falling demand.

Using a discount rate of 15.5% based on the cost of equity, PTG has an NPV of \$2,067,622. The NPV is based on cash flow projections over five years and a terminal value using the constant growth method. The magnitude of the NPV shows the long term potential of the investment opportunity, largely funded through low cost debt financing. This NPV is well above and beyond the recovery of the opportunity cost. The payback period for the company is 1.29 years. For a company the size of PTG, offsetting the initial investment within two years shows the earning capabilities of the company. PTG also shows a very strong Internal Rate of Return. The IRR of 91.79% greatly exceeds the WACC of 4.5% showing that PTG is an excellent company to invest in. High rates of return are made possible through strong cash flows as a result of a cost base which is mainly fixed allowing for a high profit margin after the break-even point. PTG has a MIRR of 53.9%, again calculated with the 15.5% cost of capital, further backing the results provided.

With the market poised for growth in the indoor mini golf segment, the PTG business model, despite the high initial capital costs, represents an ideal franchising opportunity. In year 3, equity investors will begin to take cash dividends from the Company based on the strong free cash flows the business generates. By year 5 the Par-Tee brand will be well established and the investors will look to franchise the brand in markets where high growth potential exists. Based on the successful financial performance of the Fairfax operation, and with realistic financial projections for other locations based on careful market research, it is anticipated that there will be significant interest in the franchising opportunity. With so many areas in the United States with similar demographics to Fairfax that are yet to experience indoor mini golf, PTG will penetrate this untapped market and become a leader in the entertainment industry.

Conclusion

Par-Tee Golf will enter the Driving Ranges and Family Fun Center industry as the first dual course indoor miniature golf business in Fairfax County. We will position ourselves as high-quality service leaders by focusing on promotional activities and operational processes. By instilling a top-down customer oriented culture, from managers to part-time employees, both our revenue and customer base will increase. Our financial strategy will lead us to a revenue stream of \$766,059 in 2017, and our investors can expect a return on equity of 17%.

Balance Sheet ¹³

Par-Tee Golf

	Date of Inception		Balance 2013	Balance 2014	Balance 2015	Balance 2016	Balance 2017					
ASSETS												
<u>Current Assets</u>												
Cash	89,753	3.1%	223,189	7.6%	370,748	12.4%	438,544	14.8%	506,015	17.2%	572,983	19.7%
Accounts Receivable ¹⁴			1,800	0.1%	1,854	0.1%	1,910	0.1%	1,967	0.1%	2,026	0.1%
Total Current Assets	89,753	3.1%	224,989	7.6%	372,602	12.4%	440,453	14.8%	507,982	17.3%	575,009	19.8%
<u>Property, Plant, and Equipment</u> ¹⁵												
Property	2,800,000	96.2%		0.0%		0.0%		0.0%		0.0%		0.0%
Equipment	20,247	0.7%		0.0%		0.0%		0.0%		0.0%		0.0%
Gross Plant and Equip.	2,820,247	96.9%	2,820,247	95.7%	2,820,247	94.0%	2,820,247	95.0%	2,820,247	95.9%	2,820,247	96.9%
Less Acc. Depr	-		96,930	3.3%	193,860	6.5%	290,789	9.8%	387,719	13.2%	484,649	16.7%
Net Plant & Equipment	2,820,247	96.9%	2,723,317	92.4%	2,626,387	87.6%	2,529,458	85.2%	2,432,528	82.7%	2,335,598	80.2%
Total Assets	2,910,000	100.0%	2,948,306	100.0%	2,998,989	100.0%	2,969,911	100.0%	2,940,510	100.0%	2,910,607	100.0%
LIABILITIES AND EQUITY												
<u>Liabilities</u>												
Accounts Payable ¹⁶			1,790	0.1%	1,844	0.1%	1,899	0.1%	1,956	0.1%	2,015	0.1%
Accrued Expenses ¹⁷			3,679	0.1%	3,789	0.1%	3,903	0.1%	4,020	0.1%	4,141	0.1%
Tax Payable ¹⁸			-		-		-		-		-	
Short-term Debt ¹⁹	83,333	2.9%	83,333	2.8%	83,333	2.8%	83,333	2.8%	83,333	2.8%	83,333	2.9%
Total Current Liabilities	83,333	2.9%	88,803	3.0%	88,967	3.0%	89,136	3.0%	89,310	3.0%	89,489	3.1%
Long-term Debt ²⁰	2,416,667	83.0%	2,333,333	79.1%	2,250,000	75.0%	2,166,667	73.0%	2,083,333	70.8%	2,000,000	68.7%
Total Liabilities	2,500,000	85.9%	2,422,136	82.2%	2,338,967	78.0%	2,255,802	76.0%	2,172,643	73.9%	2,089,489	71.8%
<u>Stockholders Equity</u>												
Paid-in Capital ²¹	410,000	14.1%	410,000	13.9%	410,000	13.7%	410,000	13.8%	410,000	13.9%	410,000	14.1%
Retained Earnings			116,170	3.9%	250,023	8.3%	304,109	10.2%	357,867	12.2%	411,118	14.1%
Total Common Stockholders Equity	410,000	14.1%	526,170	17.8%	660,023	22.0%	714,109	24.0%	767,867	26.1%	821,118	28.2%
Total Liabilities and Equity	2,910,000	100.0%	2,948,306	100.0%	2,998,989	100.0%	2,969,911	100.0%	2,940,510	100.0%	2,910,607	100.0%

Statement of Retained Earnings as of December 31, 2012

	Par-Tee Golf				
	2013	2014	2015	2016	2017
Beg. Balance, Jan. 1 2012	-	116,170	250,023	304,109	357,867
Plus: Net Income for 2012	116,170	133,853	136,086	138,218	140,245
Less: Cash Dividends Paid ²²	-	-	(82,000)	(84,460)	(86,994)
Ending Balance, Dec. 31 2012	116,170	250,023	304,109	357,867	411,118

Sensitivity Analysis			
Scenario:	Revenue Change	NPV	IRR
Base case	Normal Revenue	\$ 2,067,622	91.7%
Worst case	-10%	\$ 1,730,818	81.2%
Best case	+10%	\$ 2,404,095	101.9%
Scenario:	Operating Cost Change	NPV	IRR
Base case	Normal Operating Cost	\$ 2,067,622	91.7%
Worst case	+10%	\$ 1,998,182	87.6%
Best case	-10%	\$ 2,137,062	95.8%

Cash Flow Statement

	Par-Tee Golf				
	2013	2014	2015	2016	2017
Net Income	116,170	133,853	136,086	138,218	140,245
Depreciation	96,930	96,930	96,930	96,930	96,930
Working Capital Movement					
Accounts Receivable	(1,800)	(54)	(56)	(57)	(59)
Accounts Payable	1,790	54	55	57	59
Accrued Expenses	3,679	110	114	117	121
Tax Payable	-	-	-	-	-
Operating Cash Flow	216,769	230,893	233,129	235,265	237,295
Investing Cash Flow					
Capital Expenditures	(2,820,247)	-	-	-	-
Financing Cash Flow					
Debt Financing	2,500,000				
Debt Repayment	(83,333)	(83,333)	(83,333)	(83,333)	(83,333)
Proceeds from Equity	410,000				
Dividends Paid		(82,000)	(84,460)	(86,994)	
Total	2,826,667	(83,333)	(163,333)	(167,793)	(170,327)
Total Cash Flow	223,189	147,559	67,796	67,471	66,968
Opening Cash Balance	-	223,189	370,748	438,544	506,015
Closing Cash Balance	223,189	370,748	438,544	506,015	572,983

Schedule of Financial Ratios

	Par-Tee Golf					
	Industry Average ²⁸					
	2013	2014	2015	2016	2017	
Liquidity						
Current Ratio ²³	1.85	2.53	4.19	4.94	5.69	6.43
Quick Ratio ²⁵	1.41	2.51	4.17	4.92	5.67	6.40
Gross Margin ²⁶	0.81	0.53	0.55	0.54	0.53	0.52
Profitability						
Total Assets Turnover Ratio ²⁴	0.87	0.24	0.25	0.25	0.26	0.26
Return on Assets ²⁷	0.1145	0.04	0.04	0.05	0.05	0.05
Return on Equity	0.12	0.22	0.20	0.19	0.18	0.17

Schedule of Weighted Average Cost of Capital

Debt:	Components	Weight	After-tax Cost	Component Cost
Wells Fargo Bank	\$ 2,500,000	85.9%	X 2.70%	= 2.32%
Equity:				
Preferred equity	none			=
Common stock	\$ 410,000	14.1%	X 15.50%	= 2.18%
Total Investment	\$ 2,910,000	100.0%		
Weighted Average Cost of Capital (WACC) >				4.50%

Monthly Cash Balance
Par-Tee Golf

	Yearly Balance	January	February	March	April	May	June	July	August	September	October	November	December
Cash Balance at Beginning of Month		-	102,280	112,642	111,301	106,907	110,207	101,365	139,349	185,025	190,747	193,416	210,841
Cash Inflows:													
Cash Received from Issuing Equity	410,000	410,000	-	-	-	-	-	-	-	-	-	-	-
Cash Received from Issuing Debt	2,500,000	2,500,000	-	-	-	-	-	-	-	-	-	-	-
Cash Collected from Sales Revenues	706,285	\$ 70,629	\$ 49,440	\$ 49,440	\$ 42,377	\$ 42,377	\$ 49,440	\$ 84,754	\$ 84,754	\$ 56,503	\$ 49,440	\$ 56,503	\$ 70,629
Other cash inflows		-											
Total Cash Inflows		2,980,629	49,440	49,440	42,377	42,377	49,440	84,754	84,754	56,503	49,440	56,503	70,629
Cash Investment in Operating Assets													
Cash invested in Working Capital		(3,669)	-	-	-	-	-	-	-	-	-	-	-
Cash invested in Fixed Assets		2,820,247	-	-	-	-	-	-	-	-	-	-	-
Total Cash Invested in Operating Assets		2,816,578	-	-	-	-	-	-	-	-	-	-	-
Monthly General and Administrative Expenses													
Utilities	15,480	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290	1,290
Property Taxes	15,000						7,500						7,500
Salaries	248,011	20,668	20,668	20,668	20,668	20,668	20,668	20,668	20,668	20,668	20,668	20,668	20,668
Insurance	15,000	15,000											
Advertising	30,771	7,693			7,693			7,693			7,693		
Admin Supplies	2,329	194	194	194	194	194	194	194	194	194	194	194	194
Misc Supplies	3,531	294.29	294	294	294	294	294	294	294	294	294	294	294
Total General and Admin Expense	330,122	45,139	22,446	22,446	30,139	22,446	29,946	30,139	22,446	22,446	30,139	22,446	29,946
Cash Provided or Used by Operations and Investments		118,912	26,994	26,994	12,238	19,931	19,494	54,616	62,308	34,057	19,301	34,057	40,683
Cash Surplus or Additional Debt or Equity Required													
Cash Payments for Repayments of Principal on Debt	83,333	6,944	6,944	6,944	6,944	6,944	6,944	6,944	6,944	6,944	6,944	6,944	6,944
Cash Payments for Repayments of Interest on Debt	116,250	9,688	9,688	9,688	9,688	9,688	9,688	9,688	9,688	9,688	9,688	9,688	9,688
Cash Payments for taxes	46,814			11,703			11,703			11,703			11,703
Total Cash Outflows		16,632	16,632	28,335	16,632	16,632	28,335	16,632	16,632	28,335	16,632	16,632	28,335
Cash Balance at the End of the month		102,280	112,642	111,301	106,907	110,207	101,365	139,349	185,025	190,747	193,416	210,841	223,189

Schedule of Future Cash Flows and Investment Analysis							
Reconciliation from operating income to free cash flow	Investment at Inception	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal Value
Earnings before interest and taxes (EBIT)		\$ 279,233	\$ 304,347	\$ 304,132	\$ 303,753	\$ 303,201	
less: income tax expense		46,814	58,119	59,547	60,910	62,206	
Net operating profit after taxes (NOPAT)		\$ 232,420	\$ 246,228	\$ 244,586	\$ 242,843	\$ 240,995	
plus: depreciation expense		96,930	96,930	96,930	96,930	96,930	
Operating cash flows		\$ 329,350	\$ 343,158	\$ 341,516	\$ 339,773	\$ 337,925	
change in working capital		3,332	100	103	106	109	
change in capital expenditures							
Free cash flow to creditors & equity investors	\$ (410,000)	\$ 332,681	\$ 343,258	\$ 341,619	\$ 339,879	\$ 338,034	\$ 2,785,403
Present values >	\$ (410,000)	\$ 288,036	\$ 257,310	\$ 221,715	\$ 190,984	\$ 164,456	\$ 1,355,121
Investment decision criteria:							
Weighted average cost of capital (WACC)	4.50%						
Present value of future cash flows	\$ 2,477,622						
less: initial investment	(410,000)	\$288,035.86	\$257,309.76	\$221,715.18	\$190,983.64	\$164,456.45	\$1,355,121.16
Net present value (NPV)	\$ 2,067,622						
Internal rate of return (IRR)	91.7%						
Modified internal rate of return (MIRR)	53.9%						
Payback period (years)	1.29						

Schedule of Capital Formation at Inception				
	Investors	# Shares	Par value	Investment
Founders	Driss Bernoussi	3500	\$ 10	\$ 35,000
	Sarah Nuzzo	3500	\$ 10	\$ 35,000
	Brooke Romm	3500	\$ 10	\$ 35,000
	AJ Sibal	3500	\$ 10	\$ 35,000
	Ariel Spagnolo	3500	\$ 10	\$ 35,000
	Michael Walker	3500	\$ 10	\$ 35,000
Debt	Wells Fargo Bank			\$ 2,500,000
Investors	All outside investors			\$ 200,000
	Invested Capital at Inception			\$ 2,910,000

Income Statement ¹³

Par-Tee Golf

	2013		2014		2015		2016		2017	
Sales Revenue ^{2,3}	706,285	100.00%	736,152	100.00%	745,984	100.00%	755,952	100.00%	766,059	100.00%
Operating Expenses										
Utilities expense ^{4,5}	15,480	2.19%	15,944	2.17%	16,423	2.20%	16,915	2.24%	17,423	2.27%
Property Taxes	15,000	2.12%	15,450	2.10%	15,914	2.13%	16,391	2.17%	16,883	2.20%
Salaries Expense ^{6,7}	248,011	35.11%	255,451	34.70%	263,115	35.27%	271,008	35.85%	279,139	36.44%
Insurance expense	15,000	2.12%	15,450	2.10%	15,914	2.13%	16,391	2.17%	16,883	2.20%
Advertising expense	30,771	4.36%	26,544	3.61%	27,340	3.67%	28,161	3.73%	29,005	3.79%
Admin Supplies ⁹	2,329	0.33%	2,398	0.33%	2,470	0.33%	2,544	0.34%	2,621	0.34%
Misc Supplies	3,531	0.50%	3,637	0.49%	3,746	0.50%	3,859	0.51%	3,975	0.52%
Total Expenses	330,122	46.74%	334,875	45.49%	344,922	46.24%	355,269	47.00%	365,927	47.77%
Gross Profit	376,163	53.26%	401,277	54.51%	401,062	53.76%	400,683	53.00%	400,131	52.23%
Less: Depreciation ¹⁰	96,930	13.72%	96,930	13.17%	96,930	12.99%	96,930	12.82%	96,930	12.65%
Earnings Before Interest and Taxes	279,233	39.54%	304,347	41.34%	304,132	40.77%	303,753	40.18%	303,201	39.58%
Less: Interest ¹¹	116,250	16.46%	112,375	15.27%	108,500	14.54%	104,625	13.84%	100,750	13.15%
Earnings Before Taxes	162,983	23.08%	191,972	26.08%	195,632	26.22%	199,128	26.34%	202,451	26.43%
Less: Taxes ¹²	46,814	6.63%	58,119.09	7.89%	59,546.65	7.98%	60,909.88	8.06%	62,206	8.12%
Net Income ¹	116,170	16.45%	133,853	18.18%	136,086	18.24%	138,218	18.28%	140,245	18.31%

Financial Notes

- 1 The legal form of our business is a corporation in order to have the protection of limited liability and the ability of the company to issue stocks
- 2 Revenue can be broken down into mini golf rounds, snack shop lease contract, marketing, and miscellaneous
- 3 Miscellaneous revenue is derived from the sale of glow sticks to add supplemental revenue and increase customer satisfaction
- 4 Utilities include electricity, water, gas, and cable. Estimates were received from companies such as Amerigas, Inc.
- 5 All internet, phone, and television service will be received from Verizon inc and an estimate was taken from their website
- 6 Employees will consist of four full time employees paid full salaries and benefits. An additional 9 employees will be compensated \$7.25 per hour for part time work
- 7 Assuming that employee benefits are standard coverage and employee taxes are 7%
- 8 Advertising will consist of marketing through radio, newspaper, flyers, and internet based media. Quotes were received from Next Day Flyers, The Washington Post, and Dream Creations
- 9 Admin supplies will include materials used in the back office such as paper, pens, pencils, etc.
- 10 Depreciation is calculated on a straight line basis
- 11 Interest is based on the 4.625 rate obtained on a 30 mortgage from Wells Fargo Bank
- 12 Based on the Federal Corporate Tax Bracket, Par-Tee Golf will fall in the 39% tax bracket for all years
- 13 An inflation rate of 3% is assumed for all financial statements
- 14 Accounts Receivable policies are discounts of three percent will be given if amount is paid in ten days. Any other payments are due in 30 days
- 15 Plant and Equipment consists of the building, the mini golf courses, and long term inventory such as golfing equipment, desks, computers, and all other items necessary for running the company correctly
- 16 Accounts payable policies are discounts of three percent will be given if amount is paid in ten days. Any other payments are due in 30 days
- 17 Salaries will be left unpaid for one week at the end of the year and is kept in the salaries payable account
- 18 Estimated tax payments during the year equal actual yearly tax liability
- 19 Short term debt is the current years portion of the 30 year mortgage
- 20 Assuming that a \$2,800,000 loan is obtained for 30 years at a rate of 4.625 percent interest from Wells Fargo Bank and \$300,000 down payment is made to reduce total debt to \$2,500,000
- 21 41,000 shares are issued in order to raise 410,000 of equity
- 22 Par-Tee Golf will pay dividends of \$1.25 per share in year three and the dividend will grow by 3% each year
- 23 Our current ratio begins around the industry average but soon jumps above due to the amount of cash that we will have on hand
- 24 The total asset turnover ratio is significantly lower than the industry average as we have a very high level of assets due to purchasing a high cost building. The ratio grows closer to the average as the building is depreciated and we earn more revenue
- 25 The quick ratio begins around the industry average but rises quickly due to the amount of revenue we will earn and retain for operations
- 26 Our gross margin will be below average for the first few years as we have higher costs, such as salary expense, due to the size of our business relative to the average size in our industry
- 27 Our return on assets will be lower than the industry average due to high amount of assets we have because of purchasing an expensive building
- 28 Industry ratios and information is obtained from Bizminer
- 29 The 20% benefits can be broken down into 3% paid leave, 13% health care, and 4% retirement payments

Finance	Marketing	Management	Operations
28-Jan	1-4,8	6-7,9,17,29	4-5,9-10,15,24,27

Footnotes

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