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Business Investigation for Golinowski Sporthorses, LLC.

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Business Investigation
for
Golinowski Sporthorses, LLC

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BUS499-H: Honors Project

Fall 2021

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Business Description

Horses of all kinds and the people who utilize them for work, sport, and pleasure have had an immense impact on the history, culture, and economy of Virginia for centuries. Today, the equine industry in Virginia contributes over \$1 billion to the state economy annually, and the goal of Golinowski Sporthorses, LLC is to contribute to and share in both the economic success as well as the community that surrounds the competitive nature of these animals. With a focus on producing quality horses for the hunter, jumper, and equitation rings and providing our services to owners and riders from all backgrounds, we believe that Golinowski Sporthorses can sustain a lasting name for itself in the equine community of Virginia and beyond. The purpose of this paper is to investigate whether or not a business such as this one can become possible, as well as exploring where it would be best suited to offer its services given the available options.

Golinowski Sporthorses will be registered as a limited liability company for several reasons. The first reason that an LLC would be advantageous has to do with the inescapably dangerous nature of working with horses. While there are certain laws in place in Virginia to protect those who operate a business which involves horses from frivolous lawsuits as well as steps that conscientious farm owners can take to minimize the risk of lawsuits, the risk of injury and angry clients will always remain, and with that, the potential for legal actions to be taken against equine professionals and businesses. Setting up the business as an LLC will keep the personal assets of the member(s) safe from the threat of lawsuits taken against the company.

Another reason to register Golinowski Sporthorses as an LLC is that the members of the LLC will most certainly be managers of the company itself, looking over and running the daily

operations of the training operation. Since it is often assumed that members of an LLC are also managers of the company, it makes sense that Golinowski Sporthorses be set up in this way. The final reason for registering the business as an LLC is because it is relatively easy to do and will not require an overwhelming amount of funds to do it correctly. Equine professionals are typically more suited to working with horses than they are at working with paperwork, so simpler bookkeeping is usually a safer course of action.

There are, however, some challenges that come with running an equine business as an LLC. Working with horses and caring for them costs a great deal of money, and so it can be a challenge to keep the company's financials and the personal financials of the member(s) totally separate. Failing to keep the financials totally separated would result in losing the safety of separated assets in the case of a lawsuit, meaning that personal assets could be at risk of being leveraged if legal action is taken against the LLC if the member(s) is not careful. Another risk is the requirement for the LLC to be dissolved if one of the members dies or wishes to leave the company. Given the large personalities that many if not most of the people involved with horses tend to have, especially among professionals, the chances of a business relationship dissolving are quite high. As a result of the difficulties involved with dissolving and re-registering the LLC if a member chooses to leave or is injured and needs to remove themselves from the business, Golinowski Sporthorses LLC will begin as a sole member LLC owned by Michael Golinowski alone.

Michael Golinowski has been involved with horses and the equine industry in Virginia for the greater half of his life. As the youngest child of a very athletically inclined family, he spent countless hours at sporting events and practices that did not interest him. When he was eight years old, he asked his parents if he could ride a horse in hopes of finding a sport that

satisfied his seemingly endless love for animals. What started as a fun, occasional, weekend activity somehow evolved over more than a decade into a relentless passion to be a great horseman.

Michael's family did not have the wherewithal or the money to be able to buy quality horses, or any horses for that matter, or send Michael to competitions regularly nor get the best training that they would later discover was right in their backyard in Northern Virginia. For years, Michael enjoyed his one ride a week and did everything he could to make that one hour in the saddle count the very most that it could. He is very fortunate to have parents and a family that supported such an expensive hobby the best that they could and still continues to encourage him today.

Not being able to buy the best training meant that Michael had to find ways to learn that he otherwise would not have sought out and that most people involved with horses do not have the desire to seek out regardless of their financial condition. His desire for self-improvement opened one door after another over the years until Michael found himself accepting a riding job at Spy Coast Farm in Lexington, Kentucky for the summer of 2020.

Spy Coast Farm is the largest warmblood horse breeding operation this side of the Atlantic Ocean, and the only operation of its kind in the entire world, encompassing breeding, training, competing, and rehabilitation of top-class jumping horses. Michael was given a great deal of freedom to work with ten to fifteen, four-year-old warmblood horses every day in Spy Coast's Young Horse Development Center as well as riding responsibilities for some of the breeding stallions who are without question among the best jumping horses in the world today. Although Michael had to return to Virginia to finish his college education, his relationship with Spy Coast continues as they send him young horses to train and sell in his program in Virginia.

Michael currently works for Smallwood Farm in Crozet, Virginia. Although a much smaller operation compared to Spy Coast now, Smallwood farm once bred just as many horses per year as Spy Coast does now and produced many incredible horses who have left lasting legacies in the Virginia equine community. Michael rides, trains, and competes all of the horses at Smallwood Farm as well as having a myriad of other responsibilities that have opened his eyes to all facets of running a successful equine operation. What was once a distant dream of being a professional in the equine industry is now a reality and the desire to run a business of his own continues to grow as well as the confidence that he can do it well for both the horses and their owners.

As a result of Michael's modest beginnings with horses, the goal for Golinowski Sporthorses is to provide every horse with the best possible care and training whether the owner has 1 million dollars to spend or just a few thousand. Every paying client will be treated equally, and the horse will be respected and cared for with unending attention to detail. The horse has no idea how much money it is worth, and they all deserve the chance to become the best version of themselves so that their life of working for us humans can be healthy and enjoyable. The mission of Golinowski Sporthorses is to develop the horse mentally and physically by instilling in them a sound foundation that will allow them to have a successful career, as well as teaching riders to recognize this foundation and appreciate the animal as an individual as horse and human grow and develop together.

As Michael's focus has always been primarily on teaching horses more than it has been on teaching riders, Golinowski Sporthorses will aim to focus on the training of primarily client owned horses as a few potentially company owned horses. Regular business operations will be

supplemented with the coaching of a select number of students who are serious about advancing their skills in the saddle.

The vast majority of the equine industry in the United States consists of junior (under 18 years of age) and amateur riders and horse owners. Keeping a majority of the stalls full of horses owned by clients will provide the business with a more consistent stream of income than if most of the horses were owned by the business. Horses owned by Michael and Golinowski Sporthorses will likely only bring in revenue when they are sold or leased. Until that time they will be costing the business money, so it is necessary to maintain a large enough client base that pays their invoices regularly so as to offset the costs of the few company-owned horses until they are able to be sold or leased.

As a result of the continuing rising costs of purchasing horses, especially quality jumping horses, Golinowski Sporthorses will primarily attain any company owned horses through in house breeding of broodmares to top quality stallions. The cost of breeding and raising a horse is generally significantly less than buying one that is not yet broken. However, there is obviously considerable risk involved with breeding horses, and even if a live foal hits the ground and grows healthy and strong with limited or no costly complications, there is never a guarantee of quality no matter how much quality the parent horses possessed. As a result of the risky nature of owning and breeding horses, Golinowski Sporthorses does not foresee owning or breeding any horses for at least the first three years of operation.

Golinowski Sporthorses has three main options for a physical location to operate the business out of. The first location option is Smallwood Farm in Crozet, Virginia. Farm owner, Phyllis Jones, has been operating Smallwood Farm for over forty years with the help of her family, but she has offered Michael to option to rent out the main barn and appropriate pastures

as well as the riding arena, round pen, and jump chute along with all necessary equipment that is present on the farm and needed to maintain the property. Opening Golinowski Sporthorses at Smallwood farm would come with a barn already full of client owned horses that are already familiar to Michael as he rides and trains them now. Most of the horses are for sale, and as they sell the owners have a line of other horses ready to fill their stalls. Another benefit of continuing at Smallwood Farm under a new business name is the working relationships Phyllis Jones has with countless professionals up and down the East Coast and beyond. Opening Golinowski Sporthorses at Smallwood Farm would have the advantages of a very good reputation built over many decades with the new ideas and energy that a young professional such as Michael can bring to the table.

The second option for a location is Summerduck Run Farm in Culpeper, Virginia. Summerduck Run Farm has been owned and operated by Rosemary Thomas for over forty years and she is ready to retire and has been looking for a young professional to take over her business for several years. Much like Phyllis Jones and Smallwood Farm, Rosemary has earned her reputation through decades of honest work, and she is very willing to help whoever carries on her business. There is, however, a significant difference in how Summerduck Run operates compared to Smallwood. Rosemary has also made some of her living off of training horses for clients, but more than half of her business operations focus on training people, some of which own their own horse, but many of whom learn to ride on horses owned by Rosemary and Summerduck Run Farm. If Golinowski Sporthorses opens its doors at Summerduck Run Farm, the preferred business model would certainly have to change, at least for the first few years while the business transitions from a rider focused operation to a young horse focused one.

The final option would be to build a horse farm from the ground up on a fifteen-acre property owned by the Golinowski family in Warrenton, Virginia. The land is mostly cleared and the only structure on the property is a house. By starting from scratch, Michael can build the exact type of business that suits his strengths the best. He would still maintain good relationships with his previous employers who could help fill his stalls with horses and customers. However, the task of building a farm and a business to finance it is daunting to say the least. The rest of this business investigation will consist of market and financial analyses for all three options to help determine which path is the best one for Golinowski Sporthorses.

Market Demand and Analysis

Horses have played a role in the economy and culture of Virginia since the earliest days of the Commonwealth. Although these animals are no longer used as necessary machines that serve critical roles in agriculture and daily life, outside of those that are used by the Amish and Mennonite communities, the enthusiasm of their owners, caretakers, and fans still contributes billions of dollars to the U.S. economy. In 2016, the estimated number horses in Virginia was over 183,000, and the estimated number households that contained horse enthusiasts that participated in the horse industry and horse sports as owners, non-owner participants, or spectators was over 1 million, which constitutes over 30% of all Virginia households (*Economic Impact*).

Since the American Horse Council performed their economic impact study of the equine industry in the United States in 2016, there have clearly been significant changes to the country's

economy as a whole. The most significant changes have been a result of the COVID-19 pandemic. The pandemic has had a considerable negative impact on middle- and lower-income households in the United States, but upper-middle and upper-income households seem to have largely avoided extreme economic difficulties. These challenges have been paralleled in the equine industry as well. For most of 2020, competitions were cancelled which meant a significant loss of income for those individuals who work mainly on the road at these competitions. These workers constitute the lower end of the income scale within the horse industry, and thus they were most negatively impacted during the pandemic.

Participation in equine activities as a whole, however, saw noticeable growth around the country except in states where the government placed restrictions on certain dangerous activities during the pandemic. The increase in participation was fueled by people's need to find outdoor activities where the risk of COVID-19 transmission was significantly lower as well as a general desire by most Americans to get out of the house after a long few months of being stuck inside during quarantine. With many jobs offering telecommuting options during the height of the pandemic, it also became easier for individuals to make the time to get themselves or their children to a barn where they could ride and participate in other equine activities. The upper middle-class and upper class mostly did not feel the same negative effects of the pandemic as lower income individuals and families, which meant there has not been a shortage of people to support the equine industry.

The simplest way for newcomers to the sport to get involved would be through taking riding lessons at a facility that supplies the necessary equipment and the horses. While Golinowski Sporthorses does not intend to be a lesson barn that allows outside customers to use the business's horses, facility, and equipment in order to receive instruction, it is those lesson

barns that do provide that type of service that introduce new participants to the sport at the grass roots level. Hopefully, these new participants are given a good foundation and develop a love for the animals and the sport so that they continue on in their riding journeys and later on become potential customers of businesses such as Golinowski Sporthorses.

For those who were already participating in horse sport, the extra time they were spending at the barn became reason enough to consider buying a horse or additional horses. The pandemic also gave the industry a reprieve from the busy competition schedule, and as a result, owners were wanting to buy new horses so that they could set different goals for themselves at home with a new partner since there were no goals to be set at competitions. While most people who have bought horses in the last year would have bought a horse regardless of whether or not COVID-19 had the impacts that it did, what shook the equine market was the concentrated timeframe that people were looking to make purchases. Instead of delaying the purchase of a new horse, many people who would have been looking for a new horse over the next several years have instead been shopping and buying all at once while COVID-19 is still affecting everyday life around the world.

As a result of the high demand for horses during the COVID-19 era, the prices for these animals have risen significantly, and those horses that do not have an overly inflated price tag and are priced appropriately for their quality are harder to find as they are often sold shortly after being made available to the market. The challenge of finding quality horses for sale for appropriate prices is being discussed in barns across the country as well as on online forums and in publications around the world. An article in Chronicle of the Horse, a widely read and respected equine publication both in print and online, explains that most sales in the time of

COVID are taking place remotely (Gold). Customers are buying horses off of videos alone and never seeing the animal in person.

Buying horses off of videos has been going on for as long as people have been able to readily record and share videos of the animals they have for sale. However, this method is now even more common because buyers know that the time it takes to set up an appointment to come see the horse for themselves leaves an open door for other potential buyers who may be fortunate to live closer to the horse or who are willing to buy off of videos alone to swoop in and steal a sale. In early November, Michael negotiated a purchase of a horse for a customer without ever meeting the seller or the horse in person until the horse was delivered to them. The customer spent a significant amount of money to buy this very young horse and acted very quickly to make it happen because she and Michael new that a horse of this quality would not have lasted one day longer in this market.

The market in America is not the only one on fire. An article written in April 2021 in *Improve Veterinary Practice*, a British online publication, explains that the same things happening in the American horse market are happening in the British and European markets as well. British buyers are being forced to pay sums of money for horses that the same animals never would have sold for in the pre-COVID market. Buyers are being rushed into top dollar sales of unproven horses because that is the only way they will be able to get a horse at all. The article continues on from a veterinarian's point of view of the current climate where horses that are bought at these 'lockdown prices' do not meet the expectations of the new owners who then look towards their veterinarians for a medical reason as to why the horses is not performing as well as the buyer had expected (Grieve).

The issues that arise with buying horses in this hot market, such as horses not meeting unrealistic expectations, raise concerns about how long the horse market can continue on at its current levels. Professionals and amateurs alike are wondering what will happen when the pandemic is eventually over, and some interest is potentially lost in the horses that were once a nice distraction from the difficulties of a world with COVID. It is expected that this market is not sustainable forever, and the current high demand, low inventory, and high prices must eventually be replaced by low demand, high inventory, and low prices. Many people believed that this flip in the market would happen as soon as schools returned to regular in person sessions as the children who were riding the ponies their parents had bought would no longer have time to do so. However, the fall of 2021 has come and gone, and the market remains hot.

Most competitions have reclaimed their dates and even though they have had to make many adjustments to try and make the venues COVID friendly, entries for horse competitions all over the country are high. Even as life begins to return to some sort of normalcy with the introduction of the vaccines, horses are not being dumped at the alarming rates that many people feared they would be. In fact, nice horses are still not being sold very often, as it remains very difficult to find a quality horse available for sale for any price. It would appear that the increase in equine activity participation during the height of the pandemic was not a temporary occurrence, but it was possibly the spark for a long-term increase in participation in horse sport.

Upon examination of the more local economies and populations of the potential locations for Golinowski Sporthorses LLC., all three areas offer promise and a healthy source of potential customers in the nearby area. Crozet, Virginia is a short drive from Charlottesville, Virginia which can be a healthy source of clientele. Crozet is also close to Keswick, Virginia which is an iconic area for horse sport in Virginia and the entire East Coast. While the population of

Charlottesville is currently experiencing a slight decline, the general trend over the past decade has been of growth. The average household income in Charlottesville is \$93,000 annually, and the median age is 31.6 years old which is an age well suited to participation in horse sport.

Culpeper, Virginia and Warrenton, Virginia are likely to draw from some of the same nearby populations to grow a potential client base. Culpeper is growing at an annual rate of about 1.5% with a growth of over 18% since the 2010 census. Fauquier County surrounding and including Warrenton has seen a population growth of over 10% since 2010. The average household income in Culpeper is \$80,000 annually and the median age is 34.5 years old. The average annual household income of Fauquier County, Virginia was over \$100,000 in 2019 and the median age is 41.3 years old.

Participation in equestrian sports is certainly a hobby and a luxury for most participants, meaning there needs to be a significant amount of disposable income within a household to support a family member's riding and horse ownership. However, Golinowski Sporthorses will work to charge fairly and honestly for its services. The hope in doing this is to be able to help involve individuals in the sport who do not have an exorbitant amount of money to put into horses and horse competitions.

It is also important to note that most people involved with horses are very accustomed to traveling a minimum of 30-45 minutes on a regular basis to get to their barn and training program of choice. Michael himself used to spend a minimum of one hour after school every day driving to a barn that gave him the opportunities he was looking for, and then another forty-five minutes to drive home after he was done riding for several hours. Michael also had a recent client who lived on the eastern shore of Maryland but kept her horse in training with him in Weyers Cave for several months, making the four-hour drive to see her own horse every two to

three weeks. These anecdotes are here to illustrate that those people who are dedicated to the sport and to their horses will travel a great distance and pay a significant amount of money to reach their goals. Therefore, while the local economies of the potential locations for Golinowski Sporthorses is important, the business would by no means be restricted to operating only within those localities.

It is difficult to predict how the equine industry in America will look in a post-COVID world. Whether people remain enthusiastic and involved with the sport or they decide to lessen their involvement as the world returns to some kind of normal remains to be seen. What is known is that the horses that are currently working and those that are being bred and produced during the COVID era are not going away. The individuals who own these animals may change, but the horses will still have four feet and a mouth and as a result will need care in some capacity. Golinowski Sporthorses is confident that whatever the future of the industry holds, it will be able to adapt its business to meet the needs of the horses and their owners.

Operations and Financials

Golinowski Sporthorses has three main paths it can pursue which are largely influenced by the locations that are available to host the business. The different business models that result from the three different locations have strengths as well as challenges that must be weighed before a decision is made as to where Golinowski Sporthorses would be best suited to operate. Each location will also need an individual budget so that the same level of horse care and training can be offered despite the amenities that each farm offers or does not offer. For example,

availability of land for the animals to be kept on is different for each farm and so is the quality of turn out meaning how much and how healthy the grazing pastures are for the horses. Less pasture will require more hay and grain, but larger pasture areas require a larger budget for pasture management such as fertilization. Each location will be evaluated for what it can offer Golinowski Sporthorses and what the financials will look like to provide a top-quality service no matter where the business operates.

The property in Warrenton has the potential to be developed into the ideal environment for Golinowski Sporthorses to offer its clients an ideal service for them and their horses. However, being a mostly empty property other than the already standing house, this potential will only be realized with significant investments of time and money from many parties. The major costs associated with building a suitable farm from the ground up are the barn structure and the essential outfittings to make it functional and safe for horse and human, adequate pasture fencing, and preparation of a safe and useful riding area. Other significant costs include necessary equipment to operate the farm on a daily basis such as a tractor and manure spreader as well as a truck and trailer which are critical to operating a successful training business. Golinowski Sporthorses would be responsible for financing all construction and operating expenses as well as any and all repair work that is required which is unavoidable especially when keeping horses as the property is owned by the Golinowski family and Michael would be trusted with maintaining the property as a whole in exchange for using the land for his business.

Construction of the farm as well as the purchase of all necessary equipment and vehicles is estimated to cost a total of \$450,000. The 15.45-acre property on Retreat Lane in Warrenton, Virginia that would be the location of Golinowski Sporthorses would cost an estimated \$716,000 to purchase. Building the farm from the ground up on this property is only a feasible option

because the property is already owned by the Golinowski Family. Otherwise, in order for Golinowski Sporthorses to have ownership of the property it operated out of, an already existing structure and suitable facility in an accessible location would have to be found that would only need reasonable improvements as opposed to entirely new construction.

Costs for operating Golinowski Sporthorses at any location will be analyzed mostly on a monthly basis as the most common interval for income from clients for keeping a horse in training in any program is on a monthly basis. The cost of keeping a horse, however, does change slightly throughout the year. In general, the late fall and winter months through early spring in Virginia are more costly than the warmer months of the spring through the summer and into early to mid-fall. This difference in cost is driven mostly by increased artificial feeding requirements for horses during that time of year when the grass stops growing. Unfavorable winter weather will also require horses to spend more time in their stalls for their safety and comfort which also increases costs. However, because clients will pay their invoices on a monthly basis, and the basic charges for boarding a horse with Golinowski Sporthorses ought to remain constant throughout the year despite variations in expenses, the total costs for the year will be estimated and then divided by twelve to help determine an appropriate per month rate for training board of customer's horses.

Operating in Warrenton, it would cost Golinowski Sporthorses an estimated \$12,500 per month to properly care for ten horses and finance the property and operation appropriately. This total cost includes feeding the horses, providing appropriate living conditions for the animals which also includes paying for one full time employee to work six days per week, and payments for all foreseeable loans necessary to finance the establishment of the business. Total cost also allots for \$1,500 of additional operating expenses which may include minor repairs and

equipment replacements that cannot be planned for as well as accounting for taxes on the property and insurance payments which are minimal when distributed over each month of the year.

Once opened for business in Warrenton, the farm would be able to house a maximum of ten horses. The barn will include two additional stalls built to hold broodmares and their foals, but the breeding portion of the business is not expected be able to support mares and foals for at least five years, so these stalls will remain without horses and only the remaining ten stalls will be used for keeping horses. Dividing the total monthly expenses by ten results in a monthly cost per horse of \$1,250. However, the business expects to take full responsibility for a maximum of three out of the ten horses living on the property. These three horses will be sale horses that are kept “on the cuff” meaning that all expenses are picked up by the business and Michael, but when sold, a significant part of the sale price is given to Golinowski Sporthorses.

Michael already has experience with keeping horses on the cuff for the owner and then making a profit when selling the animals. His most notable relationship is with Spy Coast Farm of Lexington, Kentucky who supplies Michael with sale horses. Spy Coast has more than twenty of their own foals hit the ground every year that they keep and develop through the Grand Prix levels of show jumping. However, with sixty to eighty horses owned by Spy Coast at any given time, there are always several horses each year that fall through the cracks, so to speak. Those horses that need more individualized training and that do not show the potential for the highest levels of the sport have the chance to come to Michael to develop in a much more ‘horsenalized’ program. Taking horses on the cuff is certainly a risk, as return on the investment is not guaranteed and there is no income from these animals until they are sold. The goal for each horse

sold is a profit of \$10,000, but some are sure to bring in less, and some will hopefully bring in more for the business.

Even though horses kept on the cuff by Golinowski Sporthorses are not a source of income during their stay at the farm, they of course require proper care, nonetheless. To account for the cost of these animals as well as the indefinite realization of income from them, the monthly cost of all ten horses on the farm will be divided among only the seven horses that are client owned and therefore are bringing in cash every month. Therefore, the monthly cost associated with each of the seven paying horses is \$1,780. This figure as well as Michael's knowledge of the services offered by similar training operations in Northern Virginia and what those operations charge their customers and how those compare to services to be offered by Golinowski Sporthorses leads to a monthly training board rate of \$1,800.

The monthly costs of the farm are slightly overestimated which is done on purpose. Especially at the beginning of the business's existence, Michael will be making every effort to cut costs as much as possible while still being able to provide the best possible training for the horses entrusted to the businesses care. In addition to cutting costs, there are ways to supplement income for the business. While teaching lessons is not a passion of Michael's, it is a relatively easy way to increase cash flow, and the best part is it does not increase costs for Golinowski Sporthorses at all. Whether students want to bring their horses to the farm or they want Michael to come to them locally, teaching lessons at a rate of \$45 per student can become a significant source of regular income provided Michael finds the time to teach in addition to his training responsibilities.

Another source of cash will be from the horses in the barn that are ready to go to competitions. Competition expenses are not included in the training board rate for customers. On

average, each customer owned horse that goes to a competition will result in an additional charge on the invoice of \$150 per day at a competition. Horses that are ready and that have owners who want them to go to competitions will go to two to three competitions per month. Golinowski Sporthorses will own a four-horse trailer which means three to four horses will be going to competitions two to three times per month. This can result in an additional \$900 to \$1,800 of income per month for the business which also has very little cost associated with it other than time.

Golinowski Sporthorses operating out of Smallwood Farm in Crozet, Virginia is relatively similar to an operation in Warrenton with the biggest difference being that a fully workable facility is already standing and well established at Smallwood. Michael continues to work with Phyllis Jones and her daughter Robin Mellen of Smallwood Farm and has a very clear idea of how his business would look at that location and under the ownership of the Jones family. A total of seventeen stalls are available for lease at Smallwood Farm along with the pastures necessary to support that many horses and the riding areas needed to train them appropriately. The lease would also include some help with general horse care from one existing employee of Smallwood, but with the potential of 15 horses in training another employee will need to be hired to assist with the riding duties.

Lease of the main barn at Smallwood has been offered to Michael at \$3,000 per month which is close to the loan payments that would need to be paid every month if Golinowski Sporthorses built a facility in Warrenton. With the rest of the costs of horse care also similar to those of an operation in Warrenton and only greater because the number of horses would be higher, total monthly expenses are estimated to be \$15,300. The monthly cost when evenly distributed among all horses comes out to just over \$1,000 per horse. Michael would still like to

have a maximum of three horses kept on the cuff or under the business' ownership offered for sale at any given time. The adjusted cost per the remaining twelve horses would be \$1,300 so as to assure that those horses being offered for sale at the expense of Golinowski Sporthorses will be able to receive all necessary care regardless of the time it takes to sell them.

Michael believes that a monthly training board rate of \$1,300 per client owned horse is competitive enough to keep the barn full of training horses given the area and quality of the service offered. More horses in the barn also means that there will be more horses ready to go to competitions which in turn will lead to more cash flow for the business. Golinowski Sporthorses will have access to Smallwood owned trucks and trailers to transport horses and equipment to these competitions at a cost that is included in the lease of the barn. Teaching lessons may also be a source of cash, but with more horses in training, Michael's time will be even more limited, and the focus of the business must remain on the horses in training and under Michael's saddle full time.

There are two options for Golinowski Sporthorses to utilize the facilities at Summerduck Run Farm in Culpeper, Virginia. One option is to lease the farm as a fully functional business to include farm owned lesson horses, all necessary equipment, as well as the existing clientele which fills all available stalls with paying boarders and many additional students who come just for lessons. The business lease also includes a very good employee who lives on site with his family. The lease of the Summerduck Run business as a whole has been offered at \$3,250 per month. The other option is a facility only lease which would not include the income producing lesson horses and the existing boarders would not be guaranteed. There would also need to be separate provisions made for the use of certain pieces of equipment as well as paying the existing employee separately but keeping him on the farm because he is such an important asset to the

business and the horses. A facility lease of Summerduck Run Farm has been offered at \$2,000 per month.

In either lease, the basic cost of horse care remains about the same with the only significant difference being the salary for the farm worker. The estimated cost per horse when the business as a whole is leased by Golinowski Sporthorses and cares for a total of twenty horses in some capacity is \$590. When considering the lesson horses that will be the sole responsibility of Golinowski Sporthorses, the total costs are distributed among fifteen client owned horses, and they come out to \$980 per horse each month. If there were to be an additional three horses kept by Golinowski Sporthorses as sale horses and paid for by the business, the costs would then be distributed among 12 paying client horses which would be just under \$1,300 per month for each of those horses.

As in the other locations, distributing the total expected costs by only those horses that are guaranteed to bring income to the farm when they are living there assures that the lesson and sale horses can be properly cared for while they are not producing income. Sale horses may take longer than expected to sell, and lesson horses have a difficult job and need time off for their bodies and brains to recover from teaching people how to ride. When getting time off, however, the cost of basic care for lesson horses can be decreased to help compensate for their loss of income. They can spend more or all of their time in the field which costs less than staying in a stall, and their shoes can be pulled which can be a significant decrease in the cost to care for them

Summerduck Run Farm has the most capacity for keeping horses out of the three options for Golinowski Sporthorses. As a result of this higher capacity, there will need to be an additional rider hired to share the riding responsibilities with Michael. Finding the right rider can

be a difficult task, but it is of utmost importance in order to help make the business successful. Once the right rider is found, they will have to be paid appropriately and treated well to keep them around for the long term, which may lead to an increase in their expected salary. Leasing the business at Summerduck will also make teaching riding lessons an unescapable aspect of Michael's daily duties. Lessons can be a profitable source of cash, and if each of the five lesson horses is used in just fifteen lessons each month (which is very easy for a fit and healthy horse) at \$45 per lesson, the lesson horses will each bring in \$675 each month which pays for themselves and adds profit to the business.

As a result of the larger number of horses and increased responsibilities associated with Summerduck Run Farm, it may not be in the business' best interest for Michael to keep three sale horses at all times. In this larger operation, those horses may not receive as much individualized attention, and they may cost Golinowski Sporthorses too much money given their uncertain level of return. If Golinowski Sporthorses was to lease the business at Summerduck Run Farm, it would have to shift its focus from strictly training and selling horses to a largely boarding and teaching business as Summerduck already is in order to support itself financially.

A monthly charge of \$1,200 for training board coming from a minimum of twelve client owned horses would be necessary to assure that most costs will be covered. A healthy lesson program to supplement income from training board will cover the rest of the foreseeable costs and then some. Although \$1,200 is a very competitive rate in Northern Virginia, especially given the quality of training that the horses will receive, the local customers of Summerduck who have been riding at the barn and sending their horses there for training for many decades are accustomed to even lower prices. Golinowski Sporthorses may face difficulties in keeping the barn full of paying clients, as the existing client base may be unwilling to pay more for what they

might consider the same service. Michael will likely have to branch out beyond the immediate Culpeper area through his established connections in the industry in order to keep a minimum number of horses in the barn at all times.

A facility lease of Summerduck Run Farm, however, would allow for Golinowski Sporthorses to have a business model much closer to those of the potential operations in Warrenton and at Smallwood Farm. A facility lease would likely result in many of the existing clients wanting to remain at the farm with their horses which would be a good thing for Golinowski Sporthorses as Michael returns to Summerduck and gets comfortable running the operation himself. However, it would not be fair to increase the rates for these already existing clients who have supported the farm through the transition. Those horses already in the barn would be allowed to remain at the rate their owners were previously charged.

A facility lease would not include any lesson horses paid for by Golinowski Sporthorses. The lack of these horses would open more stalls to paying clients which would also help to make some clients remaining at a lower rate feasible for the business. The monthly cost per horse if all twenty stalls have paying client horses occupying them would be an estimated \$630. Golinowski Sporthorses would be forced to hire an additional rider to keep up with twenty horses in full training, and the pay that rider might require could rightfully be higher than the expected rate the business estimates it will have to pay a rider. However, with a cost of \$630 and a rate for training board of \$1,200, there would be an adequate amount of money to pay a rider a higher wage than anticipated.

A primarily training and sales-based business that would accompany a facility lease of Summerduck Run Farm would also reasonably allow for three or more horses to be kept by Golinowski Sporthorses for sale at any given time. Despite the larger number of horses

compared to the other possible operations, Michael's attention would not be pulled in too many different directions. Twenty horses in full training with two riders is perfectly manageable and will still allow the horses to get the individualized attention they require.

Summerduck has a rich history of giving kids and young people a fantastic foundation in riding and training. Rosemary Thomas has run the farm with incredible attention to detail for forty-five years, her son is a phenomenally gifted horseman who lives nearby during the summers, and many more incredible horsemen and women have passed through the barn at Summerduck through the decades. Even with a training and sales business, Michael would take every opportunity to help young and developing riders who are passionate about the horse and the sport to learn and hone their skills with his assistance at Summerduck and continue the tradition of education. The fantastic reputation Summerduck Run Farm has among countless horsemen and women in Virginia and around the county adds a great deal to the value the farm offers Michael and his business. Even with the challenges of changing an established farm into an operation that works for Michael, the reputation that comes with the Summerduck Run Farm name encourages a great deal of consideration much like the Smallwood name does.

Reflections and the Journey Ahead

Golinowski Sporthorses has a great deal of potential to grow and develop in whichever direction Michael chooses to take the business. While the opportunities for success are plentiful, none will be realized without a clear plan for the future. The plan for the business will be largely determined by the physical location of the operation. The different facilities available to

Golinowski Sporthorses offer unique atmospheres and environments as well as amenities and features that will allow for some business operations but not for others. Each location also comes with its own set of challenges along with financial commitments that must be taken into consideration when deciding about where to run the business.

Warrenton offers the possibility of a totally personalized facility that can be built around the needs of the business. Michael knows the land well and has a clear vision for how the property can develop to meet the needs of his growing business and the horses that would live there. The property has a premium location with easy access to Routes 29 and 66 but is also nicely secluded and surrounded by similar properties that are quiet and not overly developed which is an ideal environment for training young horses. Housing for Michael would also be taken care of as there is plenty of room in the existing house for himself as well as the possibility of building an additional living space for employees of the farm in the future.

While the prospect of a personalized facility built on a family-owned property is very exciting for a young professional, the challenges of financing such a venture must be considered. If the property was not already owned by the Golinowski family, the total costs of buying and building on that land or a comparable property would be excessively intimidating for a young professional just beginning his career in the industry. The loans necessary to finance the development of the Warrenton property are feasible if the health of the business and steady income can be guaranteed. Loan payments are estimated to be similar to lease fees of other facilities but building a training facility would also be a lifelong commitment, whereas leasing already existing facilities allows for an easier exit from a location and possibly the industry as a whole if necessary.

Smallwood Farm offers a larger facility that has produced many proven performance horses over several decades of operation. Smallwood is the largest property available to Golinowski Sporthorses which means the horses living there can be very well rounded in their training. Horses can be ridden through creeks and amongst the herd of cattle as well as go for gallops in the thirty-acre hay field and trail ride through hundreds of acres of various terrain on neighboring properties. Michael is very familiar with the property and facility and has a good working relationship with the owners who have been in business much longer than he has. Running a business out of Smallwood would not be a solitary effort, as there would be plenty of guidance and help offered to him as well as connections to many reputable horsemen and women along the entire East Coast.

Although Smallwood Farm is well established, it is an older facility, and repairs and improvements would be continual. However, the responsibility of such repairs and improvements would not be placed solely on Golinowski Sporthorses as the property would remain under current ownership. In order to offer the best training program possible, Michael would have to work closely with the Jones' to improve certain aspects of the facility and may have to share some of those costs. Keeping the barn full of paying horses would be easier due to the extensive connections of the Jones', and consistent income would therefore be more reliable at Smallwood as opposed to a solitary operation in Warrenton.

Summerduck Run Farm would likely require a business lease rather than a facility only lease, at least initially, given the need to care for the lesson horses that already live on the farm and have mostly been given to the existing program in exchange for the previous owners' peace of mind knowing their horses are receiving proper care and a happy life. The farm owner, Rosemary Thomas, is responsible for these horses and cannot disperse of them haphazardly. By

leasing the business at Summerduck Run Farm, Golinowski Sporthorses would have to take a very different direction compared to the other available options. The business is primarily focused on boarding and teaching lessons with just a few training horses, while Michael's aim is to have the reverse with a primarily training focused business while teaching some lessons and perhaps housing a few non-training boarders. Summerduck has survived for forty-five years with its current business model, which suggests that the model sought after for Golinowski Sporthorses may not be sustainable in that location. The rich tradition of developing horses and riders together that Summerduck Run has is admirable, and there is certainly a profitable path there if Golinowski Sporthorses were to alter its intended direction as a business.

The purpose of this project was to attempt to determine whether or not it was financially feasible for a young professional and recent college graduate to establish his own sport horse training business in Virginia upon graduation given his experiences and connections up to that point. It was especially of interest to determine if said professional could build his own facility uniquely tailored to his ambitions and long-term vision for his career and aspirations within the horse industry and horse sport. This project has successfully identified three locations and four different business models that all have the potential to be successful financially and bring personal satisfaction to Michael Golinowski in his future career with the horse.

However, for the business to succeed and flourish, a decision must be made, and a path must be chosen. Upon graduation from Bridgewater College in April 2022, the information presented in this project would suggest that the most logical path for Golinowski Sporthorses lies at Smallwood Farm in Crozet, Virginia. Smallwood Farm is already largely set up for Michael to follow his desired path in the industry of training and developing young horses at a proven facility situated in a beautiful and practical location of Virginia that offers the best chance for

success for a new business run by a young professional. Michael is comfortable on that particular property, and he is sure that the horses will be as well. There will also be ample assistance at all times given that both Phyllis Jones and Robin Mellen live on the property and have proven their willingness to help Michael just as much as Michael has proven his desire to help them.

While Smallwood can offer Golinowski Sporthorses a long-term home, ownership of a facility would remain a goal for Michael and the business. During his future time at Smallwood, Michael will be gaining experience necessary to successfully run a business on his own, but developing the property in Warrenton into a premier training facility would remain on the horizon. If Golinowski Sporthorses can prove its profitability over five to ten years at Smallwood Farm, then during that time Michael can set aside money to put into the Warrenton property. A start at Smallwood would also act as somewhat of a ‘trial’ period for Michael entering the industry in a new capacity. If he decides that he rather use his bachelor’s degree in a corporate capacity and not on a horse farm, that exit from the industry will be much easier from Smallwood as opposed to a farm in Warrenton that he has built and owns.

Due to the relatively close proximity of both Crozet and Warrenton to Summerduck Run Farm in Culpeper, there is potential for a working relationship to develop with Summerduck as well while Golinowski Sporthorses is based out of either Smallwood or Warrenton. Summerduck Run Farm and Rosemary Thomas have had a profound impact on Michael’s riding and training abilities, and a continued and mutually beneficial relationship between the businesses would make a great deal of sense. There is a long road ahead to realize the potential of Golinowski Sporthorses, but that road is not impossible to walk, and with careful management and a passion for the horse, success is not just a possibility but an inevitability.

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