



**LAMAR UNIVERSITY**  
**SMALL BUSINESS**  
**DEVELOPMENT CENTER**

**Business Plan Example**

**Finestkind Seafood, Inc.**  
**123 Front Street**  
**Port Shrimp, Texas 77700**  
**(409) 880-8622**

**Mike Thompson**  
**22 Houston Street**  
**Port Shrimp, Texas 77700**  
**(409) 880-5678**

**Chris Smith**  
**33 Main Street**  
**Port Shrimp, Texas 77700**  
**(409) 880-1234**

**January 15, 2010**

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## EXECUTIVE SUMMARY

**Finestkind Seafood, Inc.**, is a fish market serving both retail and wholesale customers within a 25 mile radius of Port Shrimp, Texas. Mike Thompson and Chris Smith, the owners, are seeking \$36,000 for renovations and improvements to the property, maintaining cash reserves, and providing adequate working capital. This amount, along with their personal injection of \$10,000, will be sufficient to finance transition through a planned expansion phase, so the business can operate as an ongoing profitable venture.

Careful analysis of the potential market shows an unfilled demand for exceptionally fresh seafood. Mr. Thompson's local reputation will help secure a sizeable portion of the wholesale market, while Mr. Smith's managerial experience assures that the entire operation will be carefully controlled. Mr. Thompson's current studies at State University will provide even more control over the projected growth of **Finestkind** and compliment the advice of a carefully selected working Board of Directors.

The funds sought will result in a greater increase in fixed assets that will be shown on the balance sheet, since Mr. Thompson will be performing much of the renovation and improvements himself. It is anticipated that his labor will be capitalized. The additional reserve and working capital will enable **Finestkind** to substantially increase its sales and profitability.

## DESCRIPTION OF THE BUSINESS

**Finestkind Seafood, Inc.**, is a fish market specializing in selling extremely fresh (not more than one day from the boat) seafood to both retail and wholesale customers in Port Shrimp, Texas. Presently, 60% of sales are to retail customers. **Finestkind Seafood** plans to concentrate more heavily on the wholesale trade (restaurants and grocery chains) in the future. Our experience has shown that even though the mark-up is lower for wholesale trade, profits are higher due to lower personnel costs and faster turnover of inventory.

**Finestkind Seafood, Inc.**, was incorporated in June of 1994, and began business in September of 1994. We are open seven days a week from 10:00 a.m. to 8:30 p.m. for retail business and from 6:00 a.m. to 8:30 p.m. for wholesale. The retail demand is seasonal and fluctuates according to weather (our store is located on a tourist route). The wholesale business is not seasonal and is increasing. *[If letters of endorsement are included in the business plan attachments, this is a good place to refer to them with a sentence like this: "Our customers agree (see letters from so-and-so and such-and-such) that the quality of our seafood is exceptional."]* Because Mr. Swan is a former fisherman with many personal friends in the fishing industry, we do not anticipate difficulty maintaining good relations with our suppliers. We have made a policy of paying premium prices, in cash, at dockside for the best, freshest fish.

## THE MARKET

**Finestkind Seafood, Inc.**, will continue to provide premium quality seafood to both wholesale (restaurants and markets) and retail customers, emphasizing the former. Our goal is to provide the freshest seafood at competitive prices to customers within 25 miles of Port Shrimp. This market has a total population of over 100,000 people and a potential of 300 wholesale customers. *[If documentation of population is included in attachments, reference should be made to the report here.]* Customers will be attracted by: (1) direct approach to restaurants; (2) a local radio and newspaper advertising campaign; (3) word-of-mouth advertising from our current customer base; and (4) our location on a heavily traveled tourist route.

## **THE COMPETITION**

There are three seafood operations directly competing with **Finestkind Seafood**. Those competitors are:

1. Fred's Fish – scattered operation with one truck making the rounds and a small counter leased from a supermarket in Tremont Village. We have cut into their sales by making promised deliveries on time and at the agreed price. As a result, their operation has become marginal.
2. Kingfisher – clean, three-man operation specializing in cheaper fish. They have trouble with their suppliers because they are not willing to pay top dockside prices. Located in Pumpnickel, their sales are apparently expanding because they have been serving the same routes for five years and have an excellent reputation.
3. Jonah's Seafood – good relations with suppliers, has most of the supermarket trade but no retail. Jonah is currently rebuilding due to disastrous fire, but he will be our most serious competition when his new store opens. With twenty-five years of experience in the Tremont/Port Shrimp area, Jonah has a good location by the scenic bridge over Tremont Inlet two miles south of **Finestkind**. On tourist route, Jonah plans to open a retail store and may be willing to give up part of the wholesale trade since he is getting older.

The indirect competition comes from the major processors in Lake Tuna (45 miles east) and Haven (80 miles west). Since we are located between their primary market areas, we can purchase from both on consignment.

## **LOCATION**

**Finestkind Seafood, Inc.**, is currently leasing a 2,000 square foot one-story wooden frame building with a cement floor at 123 Front Street, Port Shrimp, Texas. The present rent is \$800 per month with an option to buy at \$22,000 (in writing). The area is zoned for commercial use. Front Street is part of U.S. Route 10, a heavily traveled tourist route, with most businesses nearby catering to the tourist trade. **Finestkind** has performed major leasehold improvements, including adding rough-sawn pine board walls and installation of a walk-in freezer. The building is divided into a sales/counter area (1,200 square feet) and a 700 square foot cutting area which can be divided to also provide sales and storage areas. *[Refer to any diagram of building included in supporting documents.]*

## **MANAGEMENT**

Mr. Thompson was born in Port Shrimp and has lived there all his life. After graduating from Port Shrimp schools and serving in the U.S. Navy for three years, he became a self-employed carpenter. During those years he took night courses in small business management and sales at State University with the ultimate goal of owning and managing a retail store. He currently serves as a member of the zoning board of Port Shrimp. He and his wife (a legal secretary) live in Port Shrimp with their two children.

Mr. Smith was born in Chicago, Illinois in 1954 and attended schools in Utah, Alaska, and Florida. He served four years in the Marines (rank upon separation, E-3). He was a test-rider for BMW Motorcycles in Europe for a year, and then moved to Port Shrimp to serve as Parts Manager for Wheely Cycles, Inc. He joined the Fishfood Division of Grandiose Foodstuff, Inc. as a packer in March of 1983, in the Hughly, Louisiana plant.

In June 1985 he resigned as line foreman of the frozen food filleting department to join Mr. Thompson in the **Finestkind** operation. He is unmarried and lives in Tremont.

Both men are healthy and energetic. They believe their abilities complement each other and will enable them to make **Finestkind** a success. In particular, Mr. Smith knows all of the fishermen, while Mr. Thompson is a well-known member of the local community. Since Mr. Smith has had experience in cost control and line management, he will be responsible for the store and inventory control. Mr. Thompson will be primarily responsible for the development of the wholesale business and, with Mr. Smith, will set policy. Personnel decisions will be made jointly.

Salaries will be held to \$200 per month each for the first year to enable the business to pay off start-up costs. Mr. Thompson's wife earns enough to support his family. Mr. Smith's personal expenditures are very low since he has no debt, owns his home, and has income from rental property he owns. Profit will be retained in the business.

In order to augment their skills, Mr. Thompson and Mr. Smith have enlisted the help of Frank Owens, Certified Public Accountant, and Mason Petrocelli, Esq. Other potential resources have been located, including the Port Shrimp Small Business Development Center, State University's Venture Incubator Division, and the Fish Retailer's Organization for Growth. Marshall Sailor, a retired Port Shrimp banker, has agreed to serve on the **Finestkind** Board and will provide ongoing management review. Other members of the Board are Owens, Petrocelli, Thompson and Smith.

## **PERSONNEL**

**Finestkind** will hire one part-time salesperson (within six months) who will sell seafood over the counter to the retail customers. He/she will be paid the minimum wage (\$5.50/hour) for weekend work; no fringe benefits or overtime are anticipated. We will also employ, on an as-needed basis, one cutter at \$6.00/hour to help prepare seafood for the wholesale trade.

## APPLICATION AND EXPECTED EFFECT OF LOAN OR INVESTMENT

### Proceeds of the \$36,000 will be used as follows:

Purchase of 123 Front Street Property .....	\$22,000
Equipment: Used Ford pick-up with insulated body .....	1,885
Dayton compressor (used, serial \$45-cah-990 .....	115
Sharp slicer (used, Speedy model) .....	200
Renovations .....	4,000
Working Capital .....	4,000
Inventory .....	500
Reserve (not disbursed) .....	<u>3,300</u>
Total .....	\$36,000

**Finestkind Seafood, Inc.**, can purchase the 123 Front Street property at a substantial savings under terms of the lease/purchase agreement signed in January of 2007. An independent appraiser has calculated the value of the property, including leasehold improvements by **Finestkind**, at \$30,000. The monthly rent will be \$598/month, a net decrease of \$202/month over the previous year. (See Financial Data for the effect on the business.)

The truck will be used to deliver merchandise to our wholesale customers, retard spoilage, and maintain the quality of our merchandise.

The compressor will replace the compressor now used for our refrigeration unit, increasing reliability and lowering electric costs.

The slicer will eliminate four man-hours of work daily. The time released will be used for soliciting more business and processing a greater volume of whole fish. With the slicer, relatively untrained workers can fillet flounder with nominal waste.

The renovations include:

1. A water well required by the State
2. A toilet and wash sink separate from the work area
3. Replacement of the current obsolete heating system, thus reducing fuel expenses.

The working capital will enable **Finestkind** to meet current expenses, offset negative (seasonal) cash flow as shown in the Working Capital Analysis in Financial Data, and insure the continued growth of the business.

The inventory is to take advantage of bulk rates on certain fresh and frozen packaged goods such as 'bait fish' and South African lobster tails.

The reserve will be held by the bank and is a line of credit to be used to take advantage of special opportunities or meet emergencies.

## FINANCIAL SCHEDULE ASSUMPTIONS

### **Finestkind Seafood, Inc.**

1. SALES include sales of seafood and sales of ancillary products (seasonings, sauces, bait bags, bait).
2. **Finestkind** plans to serve the wholesale trade more extensively than is shown here, although the trend has been built into the projection. Retail sales are expected to be more volatile than wholesale, leveling off at a capacity of \$9,000/month due to space restrictions. The volatility is due to seasonal traffic, which builds up from March to the late fall peak. The increase shown in the wholesale trade are based on both the greater numbers of restaurants open in the summer and the intensive effort planned for the winter months, to sell directly to the many restaurants to which **Finestkind** has not yet introduced their products. Sales of September of last year were \$4,450, so these figures are very conservative.
3. COST OF MATERIAL – **Finestkind's** inventory has an average cost of 45% of sales (including a start-up spoilage rate of 5% which has been reduced to under 1% of sales), and has been calculated as 50% of sales to allow for the fluctuation of dockside fish prices during the winter.
4. VARIABLE LABOR COST – One part-time counter helper for summer weekends and one part-time cutter to help prepare seafood for restaurant trade at peak times.
5. UTILITIES – Pro-rated by agreement with the utility companies involved. The expected pro-rated figure is \$150/month.
6. SALARIES - \$200/month for each principal for the first year. This is an extremely low figure to which the principals have agreed in order to build up their business.
7. PAYROLL TAXES AND BENEFITS – 13.5% of salaries and wages.
8. ADVERTISING – Local newspaper and radio spots. It is believed that a consistent, though modest, campaign will be more productive than a sporadically intensive campaign.
9. INSURANCE – Includes TCPP, key-man disability and life.
10. MAINTENANCE AND CLEANING – Mainly supplies. A market such as this must meet stringent health codes.
11. LEGAL AND ACCOUNTING – Retainer to Mason Petrocelli, J.D. and Frank Owens, CPA
12. INTEREST RATE ON LOAN – estimated to be 10%

## **SCHEDULE A – SOURCES AND USES OF FUNDS**

	<b>Owners Contribution</b>	<b>Bank Loans</b>	<b>Other Loans</b>	<b>Total</b>
Cash		7,300		7,300
Receivables	4,050			4,050
Inventory	200	500		700
Supplies	290			290
Prepaid Expenses				
Total Working Capital	4,540	7,800		12,340
Fixtures	1,750			1,750
Vehicles	1,885			1,885
Equipment	3,820	2,200		6,020
Leasehold Improvements				
Buildings		26,000		26,000
Land	2,000			2,000
Total Fixed Assets	9,455	28,200		37,655
Total Equity Contribution	13,995			
Total Debt Requested		36,000		
Total Project				49,995



**SCHEDULE B - EQUIPMENT**

<u>Equipment and Accessories</u>	<u>Model</u>	<u>Cost</u>
Dalton Air Compressor	45-CAH-990	115
Sharp Slicer	Speedy	200
Pick-up Truck with Insulated Body	1995 Ford, Lo-Bed	1,885
	<b>Total:</b>	<u><u>\$ 2,200</u></u>

## SCHEDULE C – PRO-FORMA BALANCE SHEET CALCULATION

ASSETS	AS OF	DEBIT	CREDIT	PRO-FORMA
<b>CURRENT ASSETS</b>				
Cash	200	17,300	2,000	15,500
Accounts Receivable (net)	4,050			4,050
Merchandise Inventory	200	500		700
Supplies	290			290
Prepaid Expenses	<u>460</u>			<u>460</u>
Total Current Assets	5,200			21,000
<b>FIXED ASSETS</b>				
Fixtures	1,750	2,000		3,750
Vehicles	1,885			1,885
Equipment	3,820	2,200		6,020
Renovation/Improvements				
Building		26,000		26,000
Land	2,000			2,000
Less Accumulated Depreciation *	<u>(\$1,200)</u>			<u>(\$1,200)</u>
Total Fixed Assets	<u>8,255</u>			<u>38,455</u>
<b>TOTAL ASSETS</b>	<u><u>13,455</u></u>			<u><u>59,455</u></u>
<b>LIABILITIES &amp; NET WORTH</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable				
Current Portion LTD			2,748	2,748
Credit Line Drawn				
Other				
Total Current liabilities				<u>2,748</u>
<b>LONG TERM LIABILITIES</b>				
Bank Loan Payable	700		24,983	25,683
Other Loans Payable			8,269	<u>8,269</u>
Total Long Term Liabilities	<u>700</u>			<u>33,952</u>
<b>Total Liabilities</b>	700			36,700
<b>Net Worth: Owner's Equity</b>	<u>12,755</u>		<u>10,000</u>	<u>22,755</u>
<b>TOTAL LIABILITIES &amp; NET WORTH</b>	<u><u>13,455</u></u>	<u><u>48,000</u></u>	<u><u>48,000</u></u>	<u><u>59,455</u></u>

### **SCHEDULE C-1 ACCOUNTS PAYABLE**

	Name of Vendor	Total	Current	Days Overdue		
				30 - 60	60 - 90	Over 90
1	Eldredge's Inc.	\$1,700	\$1,700			
2	Lesswings	\$119	\$119			
3	Poxstone	\$180	\$180			
4	Tremont Enterprise	\$78	\$78			
5						
	<b>TOTAL</b>	<b>\$2,077</b>	<b>\$2,077</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **SCHEDULE C-2 ACCOUNTS RECEIVABLE**

	Name of Customer	Total	Current	Days Overdue		
				30 - 60	60 - 90	Over 90
1	Moore's Restaurant	850	850			
2	Joe's Bar	500	500			
3	The Dock	1,100	1,000	100		
4	Clara's Diner	900	500	400		
5	Seafood Palace	700	400	200	100	
6						
	<b>TOTAL</b>	<b>4,050</b>	<b>3,250</b>	<b>700</b>	<b>100</b>	<b>0</b>

### **SCHEDULE C-3 LONG TERM LIABILITIES**

	Name of Lender	Amount
1	First County Bank	700
2		
3		
	<b>Total Long Term Liabilities</b>	<b>700</b>

## **SCHEDULE D PRO-FORMA INCOME STATEMENT: 1<sup>ST</sup> YEAR, BY MONTH**

	Year: 2009	Month:	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
1	<b>SALES</b>		\$7,000	\$8,400	\$8,800	\$9,900	\$10,800	\$11,300	\$12,500	\$13,900	\$14,800	\$14,900	\$15,400	\$15,900	\$143,600
2	<b>COST OF GOODS SOLD</b>														
3	Labor									\$200	\$200	\$200	\$200	\$100	\$900
4	Materials		\$3,500	\$4,200	\$4,400	\$4,950	\$5,400	\$5,650	\$6,250	\$6,950	\$7,400	\$7,450	\$7,700	\$7,950	\$71,800
5	<b>TOTAL (Line 3 + 4)</b>		\$3,500	\$4,200	\$4,400	\$4,950	\$5,400	\$5,650	\$6,250	\$7,150	\$7,600	\$7,650	\$7,900	\$8,050	\$72,700
6	<b>GROSS PROFIT (Line 1 - 5)</b>		\$3,500	\$4,200	\$4,400	\$4,950	\$5,400	\$5,650	\$6,250	\$6,750	\$7,200	\$7,250	\$7,500	\$7,850	\$70,900
	<b>OPERATING EXPENSES:</b>														
7	Advertising & Promotion		\$100	\$25	\$25	\$25	\$25	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$480
8	Auto Expense		\$80	\$85	\$90	\$95	\$25	\$100	\$110	\$110	\$120	\$130	\$135	\$135	\$1,215
9	Depreciation		\$292	\$292	\$292	\$292	\$292	\$292	\$292	\$292	\$292	\$292	\$292	\$292	\$3,504
10	Genera Office Administration		\$80	\$85	\$90	\$95	\$25	\$100	\$110	\$110	\$120	\$130	\$135	\$135	\$1,215
11	Insurance		\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
12	Interest		\$210	\$209	\$207	\$206	\$205	\$203	\$202	\$201	\$199	\$198	\$197	\$195	\$2,432
13	Legal & Accounting		\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
14	Operating Supplies		\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$120
15	Salaries & Wages		\$2,430	\$2,430	\$2,430	\$2,430	\$2,430	\$2,430	\$2,430	\$2,430	\$2,430	\$2,430	\$2,430	\$2,430	\$29,160
16	Payroll Taxes		\$328	\$328	\$328	\$328	\$328	\$328	\$328	\$355	\$355	\$355	\$355	\$342	\$4,058
17	Rent														\$0
18	Repairs & Maintenance		\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$240
19	Taxes & Licenses		\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$60
20	Telephone & Utilities		\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
25	<b>TOTAL OP. EXP. (Lines 7--24)</b>		\$3,805	\$3,739	\$3,747	\$3,756	\$3,615	\$3,778	\$3,797	\$3,823	\$3,841	\$3,860	\$3,869	\$3,854	\$45,484
26	<b>PROF (LOSS) PRE-TAX (Line 6 - 25)</b>		(\$305)	\$461	\$653	\$1,194	\$1,785	\$1,872	\$2,453	\$2,927	\$3,359	\$3,390	\$3,631	\$3,996	\$25,416
27	<b>TAXES (Line 26 X Rate)</b>		(\$46)	\$69	\$98	\$179	\$268	\$281	\$368	\$439	\$504	\$509	\$545	\$599	\$3,812
28	<b>NET PROFIT (LOSS) (Line 26 - 27)</b>		(\$259)	\$392	\$555	\$1,015	\$1,517	\$1,591	\$2,085	\$2,488	\$2,855	\$2,882	\$3,086	\$3,397	\$21,604

## **SCHEDULE E PRO-FORMA INCOME STATEMENT: 2<sup>ND</sup> YEAR, BY QUARTER**

	<b>Year: 2010</b>	<b>Second Year 1st Q</b>	<b>Second Year 2nd Q</b>	<b>Second Year 3rd Q</b>	<b>Second Year 4th Q</b>	<b>Second Year Total</b>
1	<b>SALES</b>	\$42,783	\$42,783	\$49,897	\$58,458	\$193,921
2	<b>COST OF GOODS SOLD</b>					\$0
3	Labor	\$650	\$650	\$910	\$1,040	\$3,250
4	Materials	\$21,392	\$21,392	\$24,949	\$29,229	\$96,962
5	<b>TOTAL (Line 3 + 4)</b>	\$22,042	\$22,042	\$25,859	\$30,269	\$100,212
6	<b>GROSS PROFIT (Line 1 - 5)</b>	\$20,741	\$20,741	\$24,038	\$28,189	\$93,709
	<b>OPERATING EXPENSES:</b>					
7	Advertising & Promotion	\$144	\$144	\$202	\$230	\$720
8	Auto Expense	\$403	\$403	\$565	\$645	\$2,016
9	Depreciation	\$877	\$877	\$877	\$877	\$3,508
10	General Office Administration	\$403	\$403	\$565	\$645	\$2,016
11	Insurance	\$150	\$150	\$150	\$150	\$600
12	Interest	\$582	\$569	\$557	\$544	\$2,252
13	Legal & Accounting	\$150	\$150	\$150	\$150	\$600
14	Operating Supplies	\$42	\$42	\$60	\$70	\$214
15	Salaries & Wages	\$7,290	\$7,290	\$8,300	\$8,900	\$31,780
16	Payroll Taxes	\$1,072	\$1,072	\$1,243	\$1,342	\$4,729
17	Rent					
18	Repairs & Maintenance	\$60	\$60	\$84	\$96	\$300
19	Taxes & Licenses	\$15	\$15	\$15	\$15	\$60
20	Telephone & Utilities	\$450	\$450	\$450	\$450	\$1,800
25	<b>TOTAL OP. EXP. (Lines 7--24)</b>	\$11,638	\$11,625	\$13,218	\$14,114	\$50,595
26	<b>PROF (LOSS) PRE-TAX (Line 6 - 25)</b>	\$9,103	\$9,116	\$10,820	\$14,075	\$43,114
27	<b>TAXES (Line 26 X Rate)</b>	\$1,366	\$1,367	\$1,623	\$2,111	\$6,467
28	<b>NET PROFIT (LOSS) (Line 26 - 27)</b>	\$7,737	\$7,749	\$9,197	\$11,964	\$36,647

## **SCHEDULE F PRO-FORMA INCOME STATEMENT: 3<sup>RD</sup> YEAR, BY QUARTER**

	<b>Year: 2011</b>	<b>Third Year 1st Q</b>	<b>Third Year 2nd Q</b>	<b>Third Year 3rd Q</b>	<b>Third Year 4th Q</b>	<b>Third Year Total</b>
1	<b>SALES</b>	\$46,200	\$48,200	\$57,480	\$63,120	\$215,000
2	<b>COST OF GOODS SOLD</b>					
3	Labor	\$1,040	\$1,040	\$1,456	\$1,664	\$5,200
4	Materials	\$23,100	\$24,100	\$28,740	\$31,560	\$107,500
5	<b>TOTAL (Line 3 + 4)</b>	\$24,140	\$25,140	\$30,196	\$33,224	\$112,700
6	<b>GROSS PROFIT (Line 1 - 5)</b>	\$22,060	\$23,060	\$27,284	\$29,896	\$102,300
	<b>OPERATING EXPENSES:</b>					
7	Advertising & Promotion	\$144	\$144	\$202	\$230	\$720
8	Auto Expense	\$420	\$420	\$588	\$672	\$2,100
9	Depreciation	\$877	\$877	\$877	\$877	\$3,508
10	General Office Administration	\$420	\$420	\$588	\$672	\$2,100
11	Insurance	\$120	\$120	\$120	\$120	\$480
12	Interest	\$531	\$517	\$504	\$490	\$2,042
13	Legal & Accounting	\$200	\$200	\$200	\$200	\$800
14	Operating Supplies	\$70	\$70	\$70	\$70	\$280
15	Salaries & Wages	\$8,900	\$11,900	\$11,900	\$11,900	\$44,600
16	Payroll Taxes	\$1,342	\$1,747	\$1,803	\$1,831	\$6,723
17	Rent					
18	Repairs & Maintenance	\$100	\$100	\$100	\$100	\$400
19	Taxes & Licenses	\$15	\$15	\$15	\$15	\$60
20	Telephone & Utilities	\$750	\$750	\$800	\$950	\$3,250
25	<b>TOTAL OP. EXP. (Lines 7--24)</b>	\$13,889	\$17,280	\$17,767	\$18,127	\$67,063
26	<b>PROF (LOSS) PRE-TAX (Line 6 - 25)</b>	\$8,171	\$5,780	\$9,517	\$11,769	\$35,237
27	<b>TAXES (Line 26 X Rate)</b>	\$1,961	\$1,387	\$2,284	\$2,825	\$8,457
28	<b>NET PROFIT (LOSS) (Line 26 - 27)</b>	\$6,210	\$4,393	\$7,233	\$8,944	\$26,780

## SCHEDULE G PRO-FORMA INCOME STATEMENT, THREE YEAR SUMMARY

<u>CASH RECEIPTS</u>	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>
1 SALES	143,600	193,921	215,000
2 COST OF GOODS SOLD			
3 Labor	900	3,250	5,200
4 Materials	71,800	96,962	107,500
5 TOTAL (Line 3 + 4)	72,700	100,212	112,700
6 GROSS PROFIT (Line 1 - 5)	70,900	93,709	102,300
 <u>OPERATING EXPENSES:</u>			
7 Advertising & Promotion	480	720	720
8 Bad Debts	1,215	2,016	2,100
9 Car & Delivery	3,504	3,508	3,508
10 Commissions	1,215	2,016	2,100
11 Depreciation	600	600	480
12 General Office Administration	2,432	2,252	2,042
13 Insurance	600	600	800
14 Interest	120	214	280
15 Legal & Accounting	29,160	31,780	44,600
16 Operating Supplies	4,058	4,729	6,723
17 Contract Labor			
18 Salaries & Wages	240	300	400
19 Payroll Taxes	60	60	60
20 Rent	1,800	1,800	3,250
25 TOTAL OP. EXP. (Lines 7--24)	45,484	50,595	67,063
26 PROF (LOSS) PRE-TAX (Line 6 - 25)	25,416	43,114	35,237
27 TAXES (Line 26 X Rate)	3,812	6,467	8,457
28 NET PROFIT (LOSS) (Line 26 - 27)	21,604	36,647	26,780

## **SCHEDULE H BREAKEVEN ANALYSIS**

SALES:	\$	<u>143,600</u>	(Schedule G, Line 1, 1st Year Column)
COST OF GOODS SOLD:	\$	<u>72,700</u>	(Schedule G, Line 5, 1st Year Column)
GROSS PROFIT:	\$	<u>70,900</u>	(Schedule G, Line 6, 1st Year Column)
OPERATING EXPENSES:	\$	<u>45,484</u>	(Schedule G, Line 25, 1st Year Column)
NET PROFIT (LOSS):	\$	<u>25,416</u>	(Schedule G, Line 28, 1st Year Column)

GROSS PROFIT AS % OF SALES: 0

BREAKEVEN SALES VOLUME: 92,123

MONTHLY BREAKEVEN: 7,677

WEEKLY BREAKEVEN: 1,919

DAILY BREAKEVEN: 274 \*

*\* The daily breakeven is determined by dividing the weekly breakeven by the number of days your business is open. In this example the company is open 7 days each week.*



## **SCHEDULE H-1 KEY RATIOS BASED ON PRO-FORMA BALANCE SHEET**

### **CURRENT RATIO**

$$\frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}} = \frac{21,000}{2,748} = 8 \text{ TO } 1$$

### **QUICK RATIO**

$$\frac{\text{CURRENT ASSETS} - \text{INVENTORY}}{\text{CURRENT LIABILITIES}} = \frac{20,300}{2,748} = 7 \text{ TO } 1$$

### **INVENTORY TURNOVER**

$$\frac{\text{COST OF GOODS SOLD}}{\text{INVENTORY}} = \frac{72,700}{700} = 104 \text{ TIMES}$$

### **DEBT TO EQUITY RATIO**

$$\frac{\text{TOTAL LIABILITIES}}{\text{OWNERS NET WORTH}} = \frac{36,700}{22,755} = 2 \text{ TO } 1$$

### **DEBT SERVICE COVERAGE**

$$\frac{\text{NET PROFIT} + \text{DEPRECIATION}}{\text{CURRENT PORTION LONG TERM DEBT}} = \frac{26,016}{2,748} = 9 \text{ TIMES}$$

## **SCHEDULE I PRO-FORMA CASH-FLOW STATEMENT: 1<sup>ST</sup> YEAR, BY MONTH**

	Year: 2009	Month:	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
1	<b>BEGINNING CASH BALANCE</b>		200	13,765	14,495	14,915	14,775	15,425	16,960	21,975	24,363	27,481	31,029	34,417	200
2	Sales (Cash)		3,000	4,600	4,700	4,400	4,100	4,200	7,900	5,500	5,900	5,900	5,900	5,900	62,000
3	Accounts Receivable Collected			4,000	3,800	4,100	5,500	6,700	7,100	7,600	8,400	8,900	9,000	9,500	74,600
4	Bank Loan		36,000												36,000
5	Credit Line Draw (Repayment)		10,000												10,000
6	<b>TOTAL CASH REC. (Line 2--5)</b>		49,000	8,600	8,500	8,500	9,600	10,900	15,000	13,100	14,300	14,800	14,900	15,400	182,600
	<b>CASH DISBURSEMENTS</b>														
7	Advertising & Promotion		100	25	25	25	25	40	40	40	40	40	40	40	480
8	Auto & Expense		80	85	90	95	25	100	110	110	120	130	135	135	1,215
9	General Office & Administration		80	85	90	95	25	100	110	110	120	130	135	135	1,215
10	Insurance		50	50	50	50	50	50	50	50	50	50	50	50	600
11	Loan Payment (Princ. & Int.)		432	432	432	432	432	432	432	432	432	432	432	432	5,184
12	Legal & Accounting		50	50	50	50	50	50	50	50	50	50	50	50	600
13	Operating Supplies		10	10	10	10	10	10	10	10	10	10	10	10	120
14	Salaries & Wages		2,430	2,430	2,430	2,430	2,430	2,430	2,430	2,430	2,430	2,430	2,430	2,430	29,160
15	Payroll Taxes		328	328	328	328	328	328	328	355	355	355	355	342	4,058
16	Rent														
17	Repairs & Maintenance		20	20	20	20	20	20	20	20	20	20	20	20	240
18	Taxes & Licenses		5	5	5	5	5	5	5	5	5	5	5	5	60
19	Telephone & Utilities		150	150	150	150	150	150	150	150	150	150	150	150	1,800
22	Merchandise Purchases		3,500	4,200	4,400	4,950	5,400	5,650	6,250	6,950	7,400	7,450	7,700	7,950	71,800
23	Asset Purchases (Fixed)		28,200												28,200
24	Debt Liquidation														
25	Owners Draw														
26	<b>TOT. CASH DISB. (Line 7..25)</b>		35,435	7,870	8,080	8,640	8,950	9,365	9,985	10,712	11,182	11,252	11,512	11,749	144,732
27	<b>NET CASH FLOW (Line 6 - 26)</b>		13,565	730	420	-140	650	1,535	5,015	2,388	3,118	3,548	3,388	3,651	37,868
28	<b>ENDING CASH BALANCE (Line 1 +/ 27)</b>		13,765	14,495	14,915	14,775	15,425	16,960	21,975	24,363	27,481	31,029	34,417	38,068	38,068

## **SUPPORTING DOCUMENTATION**

\*\*\*NOTE\*\*\*The following are examples of what needs to be included in the supporting documentations. The actual supporting documentation will include additional items. Refer to the checklist in the BP worksheets.

## **RESUMES**

### **CHRIS SWAN**

March 1972 - June 1984: Line foreman, FATBACK FISHFOODS, East Crabpot, Louisiana. Responsible for hiring, training and directing operations of 15 persons in Frozen Food Filleting Department, Rescheduled work flow with resultant 30% increase in output per worker. Implemented new purchasing system which reduced spoilage 8%. Reduced personnel turnovers by working with local union for revision of company contract policy and by shifting from production line to team task approach. Received GRANDIOSE FOODSTUFF, INC. award for line management and was given special assignment in September, 1982 to explain the changes to other line foreman at all 22 FATBACK FISHFOODS plant in Texas and the Southeastern states.

### **MIKE GOSLING**

August 1981 - September 1984: Self employed carpenter. Responsibilities included cash flow forecasting, budgeting and various other management functions needed in the operation of a single employee business. Concurrently, night courses have been taken in small business management and sales at Cat Paw University. Currently serving on the Port Shrimp Zoning Board. Prior experience included a three-year term in the U.S. Navy. Married, two children.

## RENOVATION BID

Texas License 1000

Louisiana License 2000

# JOHNSON'S PLUMBING, INC.

Telephone 202/333-222

1327 Varnum Street, Vidor, TX

Finestkind Seafoods, Inc.  
123 Fish Lane  
Port Shrimp, TX 03899

Attn: Mr. Mike Gosling September 18, 20--

Dear Mr. Smith:

For the sum of \$4,000.00 we propose to furnish and install the plumbing and heat work as shown on your outline sketch.

All work will be guaranteed and serviced for one year from the date of completion.

Terms, we would require a down payment of \$1,150.00, another payment of \$1,150.00 when the rough plumbing and heating is completed. The balance is due upon final completion.

If the above meets with your approval, please sign and return one copy.

Signed by

Date

Thank you,

Derek LaMont Johnson

# LETTER OF RECOMMENDATION

## **NIGHTLIFE CLAMBAKES** **222 Rural Lane** **Pig Gut & Port Shrimp**

September 10, 20-

Gentlemen:

It is a pleasure to write this letter of recommendation for FINESTKINO SEAFOODS, INC. Our dealings with Mr. Gosling and Swan have been completely satisfactory. Our business requires a dependable supply of fresh fish, clams and lobsters of first quality. We have consistently received seafood products from FINESTKIND which meet these standards.

Our business is growing and we look forward to an ongoing relationship with FINESTKIND to satisfy our needs and customers.

Yours,

Alessandro Tetrzini

