

BUSINESS PLAN FOR
FINESTKIND SEAFOODS, Inc.

2456 Main Street
Beachtown, NC

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Prepared September, 2005
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Executive Summary

Finestkind Seafoods, Inc. seeks loans totaling \$210,000 to: purchase equipment and inventory; purchase property and buildings at 2456 Main Street, Beachtown; perform necessary renovations and improvements; and maintain sufficient cash reserves to provide adequate working capital to successfully expand an existing wholesale/retail seafood market. This sum, together with an additional \$50,000 equity investment by the principles, will finance transition through the expansion phase so that the business can operate at a higher level of profitability.

Description of the Business

Finestkind Seafoods, Inc. is a fish market specializing in selling extremely fresh (no more than one day from the boat) seafood to local retail and wholesale customers. At present about 60% of sales is retail. Finestkind Seafoods plans to concentrate more heavily on the wholesale trade (restaurants and grocery chains) in the future. Although margins are somewhat lower in the wholesale trade, profits are higher due to lower personnel costs and faster inventory turnover. Further, we believe with wholesale purchases we will lower fish costs with some volume discounting, and we believe we have an opportunity to improve retail margins with more aggressive retail pricing based on our competitive analysis.

Finestkind Seafoods began business in September, 1989. The store is open seven days a week from 10:00 a.m. to 8:30 p.m. for retail business, and from 6:30 a.m. to 4:30 p.m. for wholesale. Wholesale is delivered daily

The retail demand is seasonal and fluctuates according to weather (the store is located on a tourist route). The wholesale demand is constant and increasing. We feel that the latter can be improved by more direct selling efforts. Our customers agree (see attached letter from Nightlife Clambake and Grandiose Superettes in the appendix). The quality of our seafood is exceptional, and since Mr. Swan is a former fisherman with many personal friends in the fishing industry, we do not anticipate trouble maintaining good relations with our suppliers. We have made a policy of paying premium prices in cash at dockside for the best, freshest seafood.

Description of the Product

Finestkind Seafoods sells good taste, convenience (delivery and fish filleted to order, for example), accessibility, adventure (we were first to sell Mako, Monkfish, and mussels in the market) along with the fresh seafood.

Description of the Market

Finestkind Seafoods will continue to provide premium quality seafood to both wholesale and retail customers. We do plan to switch the balance from 60% retail / 40% wholesale to 60%/40% wholesale to retail over the next few years. Retail business will grow over the next few years, but the most rapid growth will be in wholesale accounts. The goal is to provide the freshest seafood at competitive prices to customers within 25 miles of Beachtown. This market

has a total population of over 165,000 people and a potential of over 75 commercial wholesale accounts.

Customers will be attracted by:

- Direct approach to restaurants, grocers and other wholesale prospects
- A local radio and newspaper advertising campaign
- Word-of-mouth advertising from our current customer base
- Our location on a heavily traveled tourist route

Facility / Location

Finestkind Seafoods is currently leasing a one-story wood frame building with cement floor (2,000 square feet) at 2456 Main Street, Beachtown, for \$950 per month with an option to buy for \$200,000. The area is zoned for commercial use. Main Street is part of U.S. Route 1, a heavily traveled tourist route with most nearby businesses catering to the tourist trade.

Finestkind Seafoods has performed major leasehold improvements, such as installing rough-sawed pine board walls and a walk-in freezer. The building is divided into a sales counter area (1,200 sq. ft.); a cutting area (100 sq. ft.); a multipurpose area, including toilet with separate entry, storage space and a room for some expansion of the freezer, and processing areas (700 sq. ft. in all).

Competition

There are three seafood operations competing directly with Finestkind Seafoods:

1. Ferd's Fish – a scattered operation with one truck making the rounds and a small counter leased from a supermarket in Beachtown. 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 – a clean, three-man operation in Smalltown specializing in cheaper fish. Kingfisher's owners have trouble with their suppliers because they aren't willing to pay top dockside prices in cash; the owners like to haggle over price. The operation is well financed and managed, has modern equipment, and sells directly to homes from a fleet of three trucks (very convenient). They have some wholesale business that they want to expand. Their sales are apparently growing because they have been serving the same routes for five years and have an excellent reputation. Rumor has it that Kingfisher is interested in buying Ferd's Fish or adding another delivery truck or two.
3. Bob's Seafood – currently rebuilding because of a disastrous fire, but will be our most serious competitor when their new store opens. Bob's has been in business for 25 years in Beachtown and has a good location on a scenic bridge 2 miles south of Finestkind. Bob's has good relations with suppliers and serves most of the supermarkets. Currently, they have no retail business but plan to open a retail store in their new building. The owner needs a major eye operation and may be willing to sell some of his wholesale business since he is getting near retirement.

There is some indirect competition from major processors in Wilmington (35 miles north) and from Myrtle Beach. Since we fall between their primary market areas we can purchase from both on a consignment basis.

Management

Mr. Gosling was born in Beachtown and has lived here all his life. After graduating from local schools and serving in the Navy for 3 years, he became a self-employed carpenter, taking night courses in small business management and sales at UNC Wilmington, with the aim of owning and managing a retail store. He currently serves on the local zoning board. He and his wife (a medical secretary) live in Beachtown with their 2 children.

Mr. Swan was born in Wisconsin, attended schools in Utah, Alaska, and Florida, and served four years in the Marines (separation rank: E-3). He test drove motorcycles for a year, then served as parts manager for Wheely Cycles before joining the Fatback Fish Division of Tasty Foods in Wilmington, as a packer in 1996. In 2000 he resigned as line foreman of the frozen food filleting department to join Mr. Gosling at Finestkind. He is unmarried and lives in Beachtown.

Both men are healthy and energetic. They believe their energies complement each other and will help them make Finestkind Seafoods a success. In particular, Mr. Swan knows all of the fishermen while Mr. Gosling is a well-known member of the community. Since Mr. Swan has had experience in cost control and line management, he is responsible for the store and inventory control. Mr. Gosling is responsible for developing the wholesale business. They set policies together. Personnel decisions are made jointly.

Salaries will be \$1,500 a month for the first year to help the business pay off start up costs. Mr. Gosling's wife earns enough to support their family; Mr. Swan's personal expenditures are low since he shares a house with 4 other tenants. In the second year they will earn \$2,000 a month, with any profits retained by the business.

In order to augment their skills, they have established an advisory board including: Smith & Farley (C.P.A.'s), Dewey, Cheatem, and Howe (attorneys), Halsey Johnson, a retired banker and friend, Sal Monn their S.C.O.R.E. counselor, and Holly Mackerel owner of B.A.S.S. (Best Area Seafood Store), one of their customers.

Personnel

Finestkind Seafoods will hire one part-time salesperson within six months to sell seafood over the counter to the retail customers. He/she will be paid \$7.50 per hour for weekend work, no benefits or overtime are anticipated. We will also employ, on an as-needed basis, one fish cutter at \$11.50 per hour to help process seafood for the wholesale trade. We think the counter help will be needed for about 20 hours a week for 16 weeks. For the second year we anticipate adding a full time salaried employee and, 2 part-time counter helpers plus a full time summer cutter. Further employees will be added as business demand grows or exceeds our forecasts.

Sources and Applications of Funding

Sources:	Mortgage loan	\$150,000
	Term loan	30,000
	Line of Credit	30,000
	Investment from owners	<u>50,000</u>
	Total	\$260,000

Applications:	Purchase 2456 Main Street Property	\$200,000
	Equipment	8,000
	Inventory	3,000
	Working capital	30,000
	Cash reserve	<u>19,000</u>
	Total	\$260,000

Summary

Finestkind Seafoods is a fish market serving retail and wholesale markets in and around Bechtown, NC. Mike Gosling and Mike Swan, the owners, are seeking \$150,000 to purchase the 2456 Main Street property, perform necessary renovations and improvements to the property, \$30,000 to purchase equipment, and a line of credit to maintain a cash reserve and provide adequate working capital for anticipated expansion of the business. This amount 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. Gosling's local reputation will help secure a sizable portion of the wholesale market, while Mr. Swan's managerial experience assures that the entire operation will be carefully controlled. Mr. Gosling's current studies at UNC-W will provide even more control over the projected growth of Finestkind Seafoods and complement the advice of a thoughtfully selected advisory board.

The funds sought will result in a greater increase in fixed assets than may be shown, as Mr. Gosling will be performing much of the renovation and improvements himself. The additional reserve and working capital will enable Finestkind Seafoods to substantially increase its sales while maintaining profitability.