

# Reef Product Alliance Business Plan

CCIF MARINE PROGRAM

---

October 2001



CCIF MARINE PROGRAM

# Reef Product Alliance Business Plan

---

© Conservation and Community Investment Forum  
423 Washington Street, 4<sup>th</sup> Floor  
San Francisco, CA 94111  
Phone 415-421-4213 • Fax 415-982-7989

CCIF is a Project of the Tides Center

---



# Table of Contents

Acknowledgements	i		
<b>CHAPTER 1: OVERVIEW</b>		<b>CHAPTER 4: RPA'S ECOLOGICAL VALUE PROPOSITION</b>	
Objective	1	Central Ecological Questions	23
Strategy	2	Required Harvest	24
Forces Creating Reform Opportunity	3	Sustainable Harvest?	24
Initial Platform Companies	5	Ensuring Ecological Integrity	26
<b>CHAPTER 2: RPA BUSINESS MODEL</b>		<b>CHAPTER 5: POTENTIAL INVESTMENTS</b>	
Value Proposition	7	Potential Portfolio Companies	29
Management Structure	8	Sea Dwelling Creatures	29
Fees and Expenses	11	Bali Blue	31
Investment Policies and Criteria	11	Cairns Marine Expansion into PNG	32
Risk Factors	12	Possible Implementation Sites	33
Exit Strategies	13	Philippine Sites	33
<b>CHAPTER 3: RPA'S ECONOMIC VALUE PROPOSITION</b>		Indonesian Sites	34
Economic Fundamentals	15	<b>ATTACHMENTS</b>	
Integrated vs. Traditional Exporter.	17	1. Task-based Budget for CCIF Asia	39
The Market	20	2. Resumes	41
Anticipated Financial Returns	21	3. RPA Financials	43
		4. Indonesian Conservation Concessions	57
		5. Preliminary Ranking of Indonesian Sites	59

---

---

# Acknowledgements

*CCIF would like to thank the following organizations and individuals for their invaluable support of this project. Without this generous support, CCIF would not have been able to complete this project.*

- The Japanese Technical Assistance Trust Fund for their generous financial support.
- The David and Lucile Packard Foundation for their generous financial support.
- The International Marinelife Alliance for their invaluable introductions to the aquarium fishing trade in the Philippines, Indonesia, and the South Pacific.
- Lida Pet of WWF-Indonesia for her invaluable introductions to the aquarium fishing trade in Indonesia.
- Lyle Squire of Cairns Marine Aquarium Fish for his generous time and introduction to the reef fishing trade in Australia.
- Scott Atkinson of WWF for his thoughtful review of the early drafts of this plan.
- Charles V. Barber, World Resources Institute/International Marinelife Alliance, for his endless support of our efforts and thoughtful review of this plan.
- Sea Dwelling Creatures for their introduction to importer economics.
- Bernard Brugiuer of Bali Blue for his time and ideas.
- The Marine Aquarium Council for their tireless support on many fronts.
- Kirk Marckwald of California Environmental Associates for his support, ideas, and patience.
- Paul Denton for lending us his unmatched financial expertise.
- Antonio V. Turalba, Jr. of Asian Marine Resource, Inc. for providing important feedback on our efforts in the Philippines.
- Cristina Balboa, World Resources Institute, for her market research support and thoughtful review of the early drafts of this plan.
- John Parks, World Resources Institute, for his support and his tireless efforts helping us to think through the difficulties surrounding sustainable reef harvests.



## Overview of the Reef Product Alliance (RPA)

*RPA's objective is to finance the conversion of leading companies in the international aquarium fish and marine ornamentals trade to fully sustainable practices.*

**T**his business plan was written by the non-profit Conservation and Community Investment Forum (CCIF), a project of the Tides Center. The plan calls for the creation of a separate, for-profit limited liability investment corporation—the Reef Product Alliance (RPA). Professional venture capitalists and tropical fisheries experts will manage RPA.

### Objective

RPA's objective is to finance the conversion of leading companies in the international aquarium fish and marine ornamentals trade to fully sustainable fish collection, handling, holding, transporting, and marketing practices. To aid in this conversion, RPA will provide investment capital (both equity and debt) as well as technical and managerial support. RPA's initial emphasis will be the Southwestern Pacific region, particularly Indonesia and the Philippines.

The economic incentives driving reef destruction are powerful and likely to remain in force far beyond the point of no (ecological) return.

The Southwestern Pacific Area – Indonesia and the Philippines, in particular - features the world's finest coral reefs. The species diversity of this area exceeds that of such famous reefs as the Red Sea by a factor of five<sup>1</sup> – in fact, most the planet's coral and coral reef fish speciation originated here. Unfortunately, these areas are currently under grave threat from destructive fishing – the current intensity of cyanide and dynamite fishing for food and aquarium uses is completely unsustainable.

<sup>1</sup> Adapted from Veron (1986) "Corals of Australia and the Indo-Pacific" Produced by The Nature Conservancy's Hawaii Natural Heritage Program, September 1995.

The economic incentives driving this destruction are powerful and likely to remain in force far beyond the point of no (ecological) return. In these politically unstable areas, regulators are powerless to stop the increasingly well-financed destructive fishing operations. International aid funding, while extremely helpful to the preservation of specific areas, is not likely to significantly slow the pace of overall destruction.

The RPA aims to change the underlying set of economic incentives by financing the conversion of key reef product exporters and importers to fully integrated and sustainable operations. RPA will be set up as a pledge fund managed by a group of experienced venture capitalists and tropical fisheries experts located both in San Francisco and in Bali, Indonesia. Investors in RPA will receive both economic returns (anticipated ROIC is about 15%) and ecological return as the aquarium fishing industry is reformed.

## Strategy

RPA will bring economic and ecological order into the highly inefficient and often destructive aquarium fishing industry. It will provide debt and equity financing to selected platform companies. RPA will provide debt and equity financing to selected platform companies. This will create significant improvements in profitability for the platform companies, which will flow back to RPA investors in terms of dividends as well as the eventual sale of the business.

RPA's timing is fortuitous. Today there is a sharp discrepancy between the demand and the supply of sustainably harvested, high quality fish. While demand for low-mortality, cyanide-free fish is strong and growing (estimated 70% of European demand and a growing demand in the US<sup>2</sup>), the largest export countries in the world, Indonesia and the Philippines, are deeply tainted by their past and, unfortunately, current practices. There is a near complete lack of supply of fish whose harvest, handling, and husbandry is sustainable and certifiable under the stringent standards prepared by the Marine Aquarium Council (MAC) (MAC standards can be found at [www.aquariumcouncil.org](http://www.aquariumcouncil.org)). Only a few exporters in Australia, Hawaii, and isolated island nations currently operate under certifiable practices. The reason for this critical shortage of supply is simple: most tropical reefs are located in developing economies which lack the regulatory framework, access to investment capital, and managerial

---

<sup>2</sup> Interviews with industry experts, CCIF, August 200-July 2001.

know-how required to build the sophisticated fish handling, chain of custody control, and tracking infrastructure required for sustainable aquarium fish collection and export.

RPA's investments will allow selected importers and exporters to create a reliable supply of certified aquarium fish. This, in turn, will allow aquarium fishing to be put in the service of reef preservation. By adhering to strict fishery management and conservation standards, and by providing income to local communities rather than outside "raiders", aquarium fishing can become an integral part of marine conservation efforts. In addition, a robust supply of certified fish into US and European markets will help build a brand of "premium" fish which will force other industry participants to follow suit. An economically viable long-term local presence will allow RPA's platform companies to field test a set of truly sustainable reef fishing practices, to train a reliable cadre of skilled collectors, and to provide local communities with income stability. Lastly, an early demonstration of the economic feasibility of MAC standards will give the certification process strength and recognition.

## Forces Creating Reform Opportunity

There are two types of destructive reef fishing in the Southwestern Pacific Area: dynamite fishing for locally consumed food fish, and cyanide fishing for aquarium fish and for the Chinese live food fish markets. The intensity of these fisheries is completely unsustainable – fewer than 10% of Indonesian reefs are still considered pristine, over 35% completely destroyed, and the remainder in trouble.<sup>3</sup>

Fewer than 10% of Indonesian reefs are considered pristine. However, successful operations have shown that a variety of non-destructive fishing methods are effective.

In the case of cyanide-based aquarium fishing, collectors use the poison to stun reef fish that have taken refuge in a coral. In many cases, the coral is then broken apart to get to the stunned fish. The sodium cyanide solution settles on neighboring coral and kills the great majority of polyps. This type of fishing is a very significant contributor to the destruction of the unique Indonesian and Philippine reefs. The harvested fish typically move through a complicated chain of middlemen, exporter, consolidators, and importers to arrive at the hobbyist's tanks. Mortality rates throughout the chain for cyanide-caught fish range from 30 to 80%.<sup>4</sup>

Cyanide is by no means the only way to catch aquarium fish. Successful operations in Australia, Hawaii, and Fiji have shown that non-destructive fishing methods, using a variety of hand net methods, are just as effective. MAC has developed a

---

<sup>3</sup> Ministry of Forestry and Estate Crops, Republic of Indonesia, "Pattern of Coral Reef Utilization in Indonesia", a presentation and report at the International Coral Trade Workshop – Development of Sustainable Management Guidelines, Jakarta, Indonesia, April 9-12, 2001

<sup>4</sup> Field interviews with Fisherman, middleman, exporters, and importers, CCIF, August 2000- June 2001.

comprehensive certification protocol that specifies, in detail, the harvesting, monitoring, handling, tracking, and transportation practices required to convert the industry to sustainable practices. However, a number of forces conspire to make widespread adoption of these standards difficult, including:

**Disorganized value chain.** The aquarium fish value chain is, to a large degree, disintermediated. There is virtually no way to track a fish from the collector to the hobbyist's tanks—making chain of custody certification difficult, if not impossible. It also works against “early adopters” of the certification standards, who incur considerable extra costs, only to see their certified fish “disappear” in the value chain.

**Lack of local control.** The vast majority of the profits in the aquarium fishing business accrue to exporters and importers, not to the local collectors. In addition, in some areas free access laws allow non-local collectors to wreak considerable havoc on the “home reefs” of local communities. The reefs have therefore not been perceived as a source of significant economic income, and their destruction has, as a rule, not been opposed by locals.

**Capital constraints.** It takes considerable capital to convert a fishing operation to sustainable practices: a baseline assessment must be conducted, followed by periodic monitoring, holding and transportation facilities must be upgraded, fishermen must be trained, products must be tracked, changes in harvest levels must be financed, etc. Few existing operations today have the capital resources to absorb these costs.

**Relatively low cost of mortality.** Exporter profits are relatively insensitive to the cost/mortality of the fish; for the lower end fish, costs of goods sold (COGS) accounts for less than 5% of total costs. Instead, profits are driven by optimizing the mix of species, rapid turnover, and managing transportation costs. The economic savings from mortality reduction alone are thus not enough to offset the aforementioned capital costs.

**Lack of regulatory incentive.** The regulatory context for aquarium reef fishing ranges from the “free-for all” fisheries of Indonesia and the Philippines to the comprehensively managed coral reef fisheries of Australia. In those areas with the most exquisite reefs and the most important biodiversity (i.e., Indonesia), there are virtually no enforced restrictions on destructive fishing.

Despite these hurdles, a number of factors conspire to make this the right time for profitable industry reform. These include:

- Demand for “sustainable” aquarium fish far outstrips supply;
- The economic benefits of integrating the operations of collectors, middlemen, exporters, and importers are considerable and more than offset the capital costs associated with converting to sustainable practices;

- There are a number of concrete opportunities to build fully integrated supply networks that would become the first certifiable operations in Indonesia and the Philippines. These opportunities involve leading importers and exporters that are highly interested in converting (albeit cash constrained); and
- After several years of development, MAC core standards are now complete.

Against this backdrop, RPA will act as a catalyst for reform. It will support, with capital and expertise, the development of fully integrated, sustainable, and MAC certified aquarium fish supply networks. These networks, in turn, will help support and build demand for certified products in the US and Europe forcing the remainder of the aquarium industry to follow suit.

## Initial Platform Companies

RPA has identified a number of potential platform companies, each of which combines far-reaching environmental benefits with potentially strong returns. These include:

**Sea Dwelling Creatures.** RPA has signed a memorandum of understanding with Los Angeles-based Sea Dwelling Creatures (SDC), providing SDC first right of refusal, as the primary U.S.-based importer entity, in participating in the implementation of the business plan. SDC is the largest tropical fish importer in the U.S. The company is seeking operational funding to build a fully integrated, MAC-certified harvest, distribution and wholesaling capability. This will involve converting existing exporters in the Philippines to sustainable operations, building new capability in Fiji, and building a new brand for certified aquarium products in the U.S.

**Bali Blue.** Bali Blue is the largest fish exporter in Bali, and one of the largest in Indonesia. The company is currently integrated, with a fleet of 26 proprietary boats. It seeks to convert its operations to a fully sustainable and certifiable basis.

**Cairns Marine.** Cairns Marine operates a fully sustainable reef fish and coral collection operation on the Great Barrier Reef in Australia. Capital is required to expand operations to the North Shore of Papua New Guinea to preempt issuance of licenses to cyanide-operations.

**Maricultural applications.** A bewildering array of maricultural concepts – from seaweed farming to pearl oysters – can be used to divert fishing pressure from coral reefs. However, best practices are poorly understood, and failures abound. By developing world class expertise in matching maricultural technologies to local conditions, and by providing financial support to the best of the best of such applications, RPA will help take the pressure off local reefs.



## RPA Business Model

*The art and science of large-scale tropical fish husbandry and distribution is highly complex- any effort to reform this industry must be built on the expertise of existing exporters and importers.*

**T**he RPA is a flat, highly efficient model that can quickly identify and present business opportunities to investors by tapping into existing research and experts to find the opportunities that are environmentally and financially sound.

### Value Proposition

The art and science of large-scale tropical fish husbandry and distribution is highly complex - any effort to reform this industry must build on the expertise of existing exporters and importers. RPA will therefore assemble a portfolio of investments targeted at:

- Financing the conversion of selected high-quality importers and exporters (“platform companies”) to sustainable practices.
- Integrating exporter and importer operations into a certifiable, profitable, and integrated reef product channel that allows for full control over the entire chain of custody, from the reef to the retailer’s tank.
- Development of maricultural applications, for the breeding of aquarium fish as well as other means of removing fishing pressure from the reefs.

To build a highly effective investment portfolio, RPA will:

- Identify and evaluate investment opportunities (the first four opportunities have been identified – a full description is provided below).

- Structure the investment.
- Provide board-level oversight over the investments to ensure attractive economic returns to investors.
- Provide the environmental quality control required to fully realize the environmental intent of the investment. This will include coordination of fishery management plans, initiation of certification procedures, coordination of reef monitoring programs, etc.

RPA's capital investments will be financed by capital pledges from private and institutional investors seeking both economic and environmental returns on their investment.

RPA is working with CCIF to implement environmental quality and technical assistance efforts. This approach will be both fee based (RPA) and grant funded (CCIF).

RPA's environmental quality control and technical assistance efforts will be financed through a combination of fees (from portfolio companies and other organizations seeking assistance with setting up sustainable reef fishing operations as part of a conservation program) and grant support to CCIF's newly formed Asia branch. While fees are projected to eventually cover a majority of RPA's expenses, grant funds will be required to support CCIF-Asia's industry wide program that will provide technical assistance to the aquarium trade.

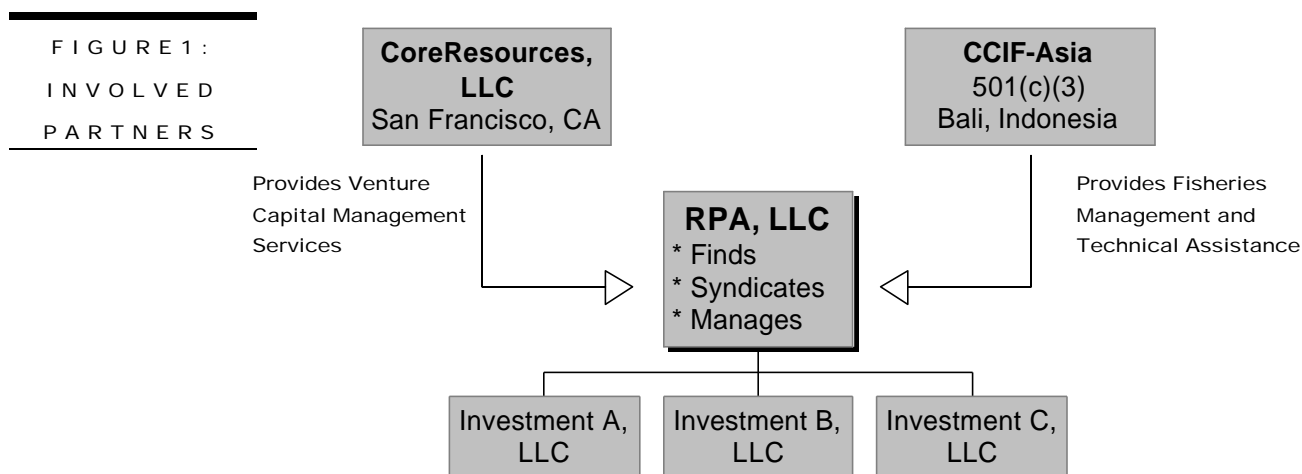
Assuming that RPA receives full capital funding and can fee support the quality control and technical efforts, total required grant for CCIF-Asia's the first three years is approximately \$469,000. The Packard Foundation staff has recommended \$405,000 towards this total to its Board of Directors for funding this December. CCIF expects to receive these funds in late 2001; the remaining funds are currently being sought from other foundations. (Please refer to Attachment 1 for a complete CCIF-Asia budget for its technical assistance program.)

## Management Structure

**Purpose.** RPA will invest in, purchase, and/or dispose of personal property, including but not limited to shares of stock of corporations engaged in the harvesting, collection, transportation, export and import of reef products (aquarium fish, corals, live rock, etc.). It will also coordinate environmental quality support and control activities and related technical assistance to companies with respect to compliance with the standards laid out by the MAC. The life of the company will be 15 years. The first round of capital sought is \$4 to \$7 million.

**Location and involved partners.** RPA will be an investment company incorporated as an LLC in the State of Delaware and will create a number of separate deal-specific LLCs. CoreResources, LLC, an established environmental investment company in San

Francisco, CA, will manage RPA's investments. CCIF-Asia, a non-profit organization located in Bali, Indonesia, will provide fisheries management and technical assistance to RPA. Figure 1 shows the relationship of these organizations.



Converting pledges to investments. RPA will act as a holding company for all the investments it will undertake. Each investment made by RPA will be set up as a separate LLC. Investors are asked to formally pledge their support in the aggregate of \$4- 7 million. However, investors will be free to decline investments in individual deals that do not meet their financial or program objectives. This structure allows for the syndication of “customized” investor groups for each opportunity. It also offers investors the optimal flexibility in using RPA to further their programmatic or financial objectives. Investors will therefore not be required to provide any of their pledge on or prior to the closing date of the offering - investments are made in the form of capital contributions to the deal-specific LLC.

Investment process. The following process will be followed for each potential investment.

- An Investment Committee representing all major investors is set up and is RPA's primary partner, has decision making authority, and does not change over time.
- An early “check-in” procedure with that committee will allow RPA to gauge investor interest in a given deal before serious due diligence expenses are incurred.
- The committee, if interested, authorizes RPA to proceed with detailed due diligence.

- Due diligence results and, if applicable, a preliminary deal structure are presented to the Investment Committee within two to three months.
- After additional Investment Committee approval, a final deal structure is negotiated, and funds are transferred according to a pre-set arrangement.

Eligibility and additional interests. Participation in RPA requires a minimum pledge of \$200,000. Each investor or investment group will be represented on the investment committee. All pledges should be committed by March 1, 2002. Although it is unlikely that pledges will be offered after that date, RPA may, at its sole discretion, determine from time to time the timing and terms of any additional opportunities.

Distributions. Subject to the discretion of the Investment Committee to establish reserves, RPA will generally distribute to LLC investors cash received from that LLC. It is not anticipated that redemption of LLC interests will be permitted. RPA management will receive a carried interest of 20% after all LLC investors have been repaid and after a preferred return of 8% has been paid to all investors. Investors should generally be aware that RPA is anticipated to be highly illiquid, as it does not permit withdrawals of capital from investments. The interests, therefore, should be considered highly illiquid and investors making pledges should have no need for any portion of the funds comprising such commitments.

Under the deal-specific structure of this fund, it is possible for an investor to withdraw a pledge, and/or to refuse investment in any deal brought forward and “green lighted” by the investment committee. RPA will manage this risk; the RPA structure is, in effect, a gentleman’s agreement.

Managers. Andreas Merkl will lead RPA’s investment team. Mr. Merkl is a principal at Core Resources, a San Francisco-based environmental venture capital firm that will manage the RPA LLC. Mr. Merkl is an experienced investment professional who combines venture capital skills with a strong commitment to using equity investment as a tool for transformative environmental change. Mr. Merkl will be assisted by a group of advisors, including Michelle Breier, a principal at CoreResources, Brad Whitehead, a director at McKinsey and Company, and Kirk Marckwald, principal at California Environmental Associates.

Lida Pet, Ph.D, will lead the environmental quality control team. Ms. Pet is a fisheries expert with a focus on coastal tropical fisheries. She has lived and worked in the Indo-Pacific area for eight years, speaks several local languages, and is superbly qualified to take on this challenge. Ms. Pet will focus on a coordination role and make extensive use of outside experts. After an initial ramp-up period, she will be assisted by local fisheries management experts in Indonesia and the Philippines.

Resumes for both Mr. Merkl and Ms. Pet can be found in Attachment 2.

## Fees and Expenses

RPA will incur a number of expenses in the identification, investigation, and management of potential investment deals. These expenses will be covered in three stages:

1. **Basic support.** Investors will provide 1% of the total pledged amount (i.e., \$40k - \$70k) to meet basic administrative expenses and to allow RPA to generate and document attractive investment opportunities. This will cover all expenses incurred up to and including the initial presentation of opportunities to the investment committee. Investors will remit these funds quarterly, pro rata their pledged amount.
2. **Deal-specific support.** If the investment committee approves the due diligence on a given potential investment opportunity, funds for specific due diligence expenses will be provided at that point. Depending on the complexity of the deal, these expenses will range from \$5,000 to \$25,000. Investor contributions to this expense will be pro rata their respective overall pledged amount. Investors who are not interested in the deal do not have to contribute to expenses. If due diligence is positive, and the investment committee gives final approval, all deal closing expenses (negotiations and legal) will also be funded by investors. Investor contributions to these expenses can be adjusted as necessary at deal closing.
3. **Portfolio management support.** Before deal closing, the investment committee will also commit funds to pay for the on-going expenses for each deal. This will include LLC taxes and accounting services (about \$2,500 per year), shareholder communication and documentation (\$1,500 per year), and board representation (about \$6,000 per year). If extensive management consulting services are required, the Investment Committee will vote prior to undertaking such services.

## Investment Policies and Criteria

RPA's investment strategy will be to be strongly involved in the management of its investments, generally by way of involvement at the Board level. RPA investments will be allocated exclusively to mature companies with strong operational records who need working capital support to finance the conversion to sustainable practices. Regular financial reporting will be a requisite. The following minimum investment standards will apply:

- Returns to investors through dividends, exits, or both are clearly demonstrated.

- A clear record of strong operational management and environmental leadership.
- A clear set of standards for the continued monitoring of reefs and for the establishment of certifiable operating standards.
- The investment has the potential to provide industry leadership in terms of market share, as well as profitability.

RPA will invest preferentially in U.S. and Australian companies with extensive operations in Indonesia, the Philippines, and other Indo-Pacific nations. In some cases, these investments will require partnerships with local business entities in developing countries. However, a primary relationship with U.S./Australian companies will assure reliable accounting practices, legal recourse, and above-board business practices – basic foundations that are not always in place in the developing world. Also, established, mature companies are far more familiar with the administrative and managerial aspects of relatively complex debt and equity financing, and thus also more likely to understand and follow the customary covenants and conditions.

## Risk Factors

The following risk factors apply to investors in RPA-managed companies:

**Lack of past long-term performance.** RPA has only recently begun operations, and therefore has no performance history. Past performance of RPA and CoreResources is not indicative of future performance, and there can be no assurance that future performance will equal or exceed past performance. Many factors affect performance, and a number of these can be expected to differ from the effects in the past.

**Nature of Investments.** While equity and debt investments in international trading companies of the type anticipated by RPA offer the opportunity for capital appreciation, such investments also involve a high degree of risk. In particular, RPA may consider making investment in corporations that hold significant assets in countries with unstable political conditions and highly fluctuating currencies. RPA's investments will be focused on building the infrastructure required to pursue world-class, sustainable aquarium fishing, and mariculture opportunities in entirely new and untested markets.

**Unspecified Investments.** While RPA is in advanced negotiations with a number of potential companies, it may not have finalized a particular investment at closing. An investor making a pledge in, and providing operating capital to, RPA must therefore rely upon the ability of RPA to identify, structure, and implement investments consistent with RPA's investment objectives and policies.

Time Required to Maturity of Investment; Illiquidity of Investments. It is anticipated that there will be a significant period of time (up to five years) before RPA has completed its initial investment program. Investments may typically take from three to seven years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. In addition, some of the investments may provide returns principally in form of long-term dividends, rather than a single exit event. In light of the foregoing, it is likely that no significant return from the disposition of RPA's investments will occur for a significant period of time after the initial investment.

Risk of a Limited Number of Investments. Because RPA investors will participate in only a limited number of LLC investments at any given time, the aggregate returns to such investors may suffer from the unfavorable performance of even one such investment.

## Exit Strategies

RPA will make investments in industries that are not typically publicly traded or frequently acquired or sold. A typical "exit" strategy such as an IPO or acquisition at high multiple may not be achievable. Instead, investors will benefit initially from the inherent value of a well-run, profitable business – mostly cash dividends. In the later stages, RPA will pursue some opportunities for consolidation of the aquarium industry which may generate a more traditional "liquidity event". At the discretion of the Investment Committee, cash dividends may even be re-invested if this will greatly enhance long-term value creation.



## RPA's Economic Value Proposition

*RPA's basic strategy is to offset the considerable cost of conversion to sustainable operations with the even more considerable savings provided by a fully integrated distribution channel.*

**B**y revising the current industry structure, RPA believes that the marine ornamentals industry can become both more sustainable and more profitable.

### Economic Fundamentals

Fortunately, the structure of the aquarium fish value chain invites profitable reform. The basic strategy is to offset the considerable cost of conversion to sustainable operations (capital upgrades, collector training, reef monitoring, sharply higher earnings for local fishermen, ramp-up costs) with the even more considerable savings provided by a fully integrated distribution channel.

These savings include:

**Mortality reduction.** The current distribution model allows no quality control over harvest, handling, and husbandry procedures. Consequently the mortality rates can be astronomical – field estimates ranged from 40% (for high-end fish) to over 80% (for banggai cardinals in N. Sulawesi).<sup>5</sup> By controlling all aspects of fish harvest and transportation, this mortality rate can be significantly reduced, if not eliminated. While mortality costs for lower-end fish are relatively low, they are an important consideration principally for the more rare, higher-end fish (such as *pomacanthus imperator*, the emperor angel fish).

---

<sup>5</sup> Field observation and interviews in Tumbuc, Sulawesi, and Bali Barat, CCIF, June 2001.

Improved species mix. Independent collectors often “bundle” the most profitable, sought-after “high end” fish with a significant number of “low end” fish of lower profitability. Exporters depending on these collectors have no choice but to buy, inventory, and ship these low-margin fish. Table 1, below, contrasts the average species distribution of 2000 Philippine exports<sup>6</sup> with that of a hypothetical “integrated” exporter who is able to control supply.

Table 1 shows the three types of exporters analyzed. The average exporter buys all fish from middlemen. The species mix exported thus represents the average Philippine tropical fish export for 2000. The “partially integrated” exporter has made some investments in controlling supply, but remains somewhat dependent on middlemen – species mix is more heavily weighted towards high-end fish. The “fully integrated” exporter has invested in proprietary collection stations, boats, and salaried collectors, and thus has complete control over fish supply.

TABLE 1: SPECIES MIX	Distribution by Volume				
	Class of Species	Range of US Importer Price (US\$)	Average 2000 Phil. Exports	Partially Integrated Exporter	Integrated Exporter
	Extra Low End	\$0.00-0.39	68%	58%	45%
	Low End	\$0.40-0.99	14%	17%	19%
	Medium End	\$1.00-2.99	15%	18%	21%
	High End	\$3.00-5.99	1%	4%	9%
	Extra High End	\$6.00+	1%	3%	6%

There are also a number of indirect advantages that, while potentially significant, have not been included in the quantitative analysis for this plan. These include:

**Inventory management.** Control over the entire value chain will mean: harvest to order, increased turnover, improved capacity utilization, optimized transportation (fully loaded trucks, optimal freight discounts, etc.), and higher fixed cost spread.

**Improved marketing.** By controlling supply, it is far easier to pursue innovative marketing strategies such as bundled sales of complete aquarium set-ups.

**Fleet efficiency.** Currently, collector boats (especially in Indonesia) have to travel far in search of prime high-end fish, spending too much time in transit, and not enough time actually collecting fish. By establishing collection stations in the immediate vicinity of productive reefs, fish can be locally consolidated, shipped by air or truck, and boats can spend their time collecting.

<sup>6</sup> Export records, US Fish and Wildlife, September 2000.

## Integrated vs. Traditional Approach

Exporter economics. To illustrate the economics involved in the switch towards integrated operations, we will first contrast the profitability of a “traditional” Manila-based exporter with that of an “integrated” exporter. Second, we will show how full control of this integrated exporter affects the profitability of a typical US importer.

A traditional Manila exporter does not control collection of fish. Instead, fish are bought from independent contractors – with all the attendant complications in terms of mortality and non-optimal species mix. While in some cases, the traditional exporter finances the boats of the contractors in order to gain some measure of control over supply, they do not own their own collection stations. A hypothetical “integrated” exporter, by contrast, owns all boats as well as the collection stations; collectors earn salaries. This integrated exporter can count on a reduction of mortality from current levels to less than 10% resulting from superior fish handling and non-destructive harvest methods (i.e., no cyanide!), and can adjust species mix to fit market conditions.

The economic advantages of the improved species mix and lessened mortality are considerable. They have the potential to not only fully offset the costs of converting operations to a fully sustainable, non-destructive set of practices (i.e., establishment of local collection stations, training of fishermen, reef baseline assessment and monitoring, and ramp-up costs), but also to dramatically improve exporter profitability. Tables 2 and 3, below, demonstrate the dramatic financial benefits of integration.

TABLE 2: EXPORTER “ARCHETYPES”	Average Exporter	Partially Integrated Exporter	Fully Integrated Exporter
<b>Species Mix by Price Range</b>			
Extra Low	68%	58%	45%
Low	14%	17%	19%
Medium	15%	18%	21%
High	1%	4%	9%
Very High	1%	3%	6%
<b>Owned Collection Stations</b>	0	1	2
<b>Middlemen</b>	5	2	0
<b>Mortality Rate</b>	45%	30%	10%

Table 3 contrasts the income statements for these three types of exporters. The costs were built “bottom up” from field data. It is clear that, despite the considerable additional amortization, salary, monitoring, and training expenses, the integrated model is far more profitable.

## RPA'S ECONOMIC VALUE PROPOSITION

TABLE 3: BENEFITS OF INTEGRATION	Annual Income Statement (US\$ in 000's)		
	Average Exporter	Partially Integrated Exporter	Integrated Exporter
<b>Sales</b>			
Fish - Extra Low End	80.2	81.2	78.9
Fish - Low End	45.0	65.4	91.6
Fish - Medium End	118.1	164.8	240.7
Fish - High End	27.6	94.9	267.4
Fish - Very High End	61.5	165.9	415.3
Others & Discounts	-3.2	-6.1	0.0
<b>Total Sales</b>	<b>329</b>	<b>566</b>	<b>1094</b>
<b>COGS</b>			
Collection Costs			
Collector Costs	80	80	120
Mother Boats	0	0	0.0
Skiffs	14.8	14.8	33.4
Collection Stations	0	141.1	282.1
Middle Men	37.8	15.1	0
Transp. to Central Facility	14.3	14.4	11.6
Other Costs	0.0	0.0	0.0
<b>Total COGS</b>	<b>146.8</b>	<b>265.3</b>	<b>447.2</b>
<b>Gross Profit</b>	<b>182.3</b>	<b>300.8</b>	<b>646.7</b>
<b>Operating Expenses</b>			
Central Station			
Salaries & Benefits	135.3	135.3	144.1
Travel	12.0	12.0	18.0
Facility	20.2	24.5	90.0
Packaging	12.6	21.7	42.0
Trans. To Int'l Airport	5.3	6.2	10.2
Insurance	3.3	5.7	10.9
Permits	32.9	56.6	109.4
Monitoring	12	12.0	52.0
Training – Collectors	0	0.0	3.1
Other	24.0	24.0	30.0
<b>Total Operating Expenses</b>	<b>257.6</b>	<b>298.0</b>	<b>509.7</b>
<b>Operating Income</b>	<b>-75.3</b>	<b>2.8</b>	<b>137.0</b>
<b>Other Income (Expense)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>EBIT</b>	<b>-75.3</b>	<b>2.8</b>	<b>137.0</b>
<b>EBITDA</b>	<b>-45.3</b>	<b>29.1</b>	<b>275.9</b>
<b>EBITDA Margin</b>	<b>-13.8%</b>	<b>5%</b>	<b>25%</b>

NOTE: "EBITDA" stands for earnings before interest, taxes, depreciation and amortization. It is the best representation of the pure operational economics of a business.

Importer economics. At the importer level, the benefits of the integrated approach are equally pronounced, since the issues of inventory management, product quality, transportation cost control, etc., are amplified with volume. Table 4, below, contrasts the economics of an importer who can rely on a “captive” exporter in the Philippines for the great majority of his product, with that of a “traditional” importer (this analysis assumes that a US distributor finances the conversion of a Filipino exporter in exchange locked in discount of 15%). The majority of the savings result from the cheaper supply, reduced ordering, and inventory complexity, and, of course improved species mix.

**TABLE 4:**  
INTEGRATED  
VS.  
TRADITIONAL  
IMPORTER

<b>Annual Income Statement (US\$, in 000's)</b>			
		<b>Non-Integrated Importer</b>	<b>Integrated Importer</b>
<b>Sales</b>			
	Fish	7,383.5	17,168.3
	Complimentary Sales	0.3	0.3
	Dry Goods	279.2	279.2
	Freight Sales	156.0	156.0
	Publication	80.3	80.3
	Others & Discounts	80.3	80.3
<b>Total Sales</b>		<b>7,980.0</b>	<b>17,764.4</b>
<b>COGS</b>			
	Fish	4,257.0	9,898.5
	Discount	-	(490.4)
	Other Sales	387.8	387.8
	Inventory Loss	124.0	20.0
	Publishing	69.5	69.5
	Other Costs	413.7	413.7
<b>Total COGS</b>		<b>5,252.0</b>	<b>10,299.1</b>
<b>Gross Profit</b>		<b>2,728.0</b>	<b>7,465.3</b>
		34%	42%
<b>Operating Expenses</b>			
	G&A	2,057.9	1,646.3
	Depreciation	22.3	22.3
	Marketing	25.9	25.9
	Other	30.0	30.0
<b>Operating Expenses</b>		<b>2,136.1</b>	<b>1,724.5</b>
<b>Operating Income</b>		<b>591.9</b>	<b>5,740.8</b>
<b>Other Income (Expense)</b>		-	-
<b>EBIT</b>		<b>591.9</b>	<b>5,740.8</b>
<b>EBITDA</b>		<b>769.5</b>	<b>7,463.3</b>
<b>EBITDA MARGIN</b>		<b>10%</b>	<b>42%</b>

These financials demonstrate RPA's central strategy: to use the very considerable value-added created by integrating import and export operations to finance the conversion of both to fully sustainable practices. Doing so will, of course, require that reef fish be harvested at a level that creates sufficient income for this operation. The required harvest intensity, and sustainability thereof, is described in Chapter 4.

## The Market

Very little systematic research has been done on the aquarium industry. Frequently quoted estimates of the value of tropical saltwater fish and coral sold in the US are between \$40 and \$80 million per year. We believe that number to be on the low side. According to our market research, Indonesia and the Philippines account for \$40 million in fish exports to the US alone, with an additional \$20 - \$30<sup>7</sup> in coral exports. Import volume from the Red Sea, Fiji, Hawaii, and other nations, not included in that estimate, account for over 50% of the total volume, pointing towards a total U.S.

The total US and Europe import volumes are approximately \$100 million per year each with the Japanese market at about \$35 million.

import volume of over \$100 million per year. The European market equals the US in size, with Japan third at about \$35 million.

The industry is highly fragmented. The five largest U.S. importers account for about 40% of the total volume; the remaining fish and coral are distributed by many jobbers, transshippers, buyer's collectives, and small importers. Over the past 10 years, the market grew at a compound growth rate of over 15% per year. However, over the past year, the economic slowdown had a considerable effect, with total import volume dropping by over 20%.

CCIF explored pricing dynamics in the market through a number of interviews with retailers, importers, and enthusiasts. The basic trends are no different from those of most consumer goods: a group of knowledgeable aquarium enthusiasts is willing to pay considerably higher prices for sustainably caught fish; they tend to understand the mortality implications of cyanide collection techniques; and they genuinely care about the long term survival of the source reefs. This group is no larger than 35 - 40% of the market. The remainder of the market is made up of either institutional customers (restaurants, offices, etc.) or casual consumers who tend to buy through large chains (i.e., PetCo) and are primarily price driven. While this group of consumers has driven the demand for extremely cheap cyanide-caught Philippine and Indonesian fish, they have also been systematically misled about the collection practices: random visits of retail outlets revealed that very few, if any, admit the presence of cyanide in their fish.

Retailers from Europe report that over 70% of consumers demand cyanide-free fish. These customers are frustrated because supply of these fish is limited to countries

<sup>7</sup> Interviews with industry experts, CCIF, August 200-July 2001.

other than Indonesia and the Philippines, which happen to supply over 50% of the world's demand. Many species are not available at all to customers insisting on cyanide-free capture.

RPA's financial models do not assume a price premium for sustainably collected fish. The economic value is derived exclusively from improved species mix, lower mortality, and streamlined distribution and transportation economics.

## Anticipated Financial Returns

Table 5 shows the anticipated returns for a \$1.4 million investment in a major importer, designed to build fully integrated and certified collection, transportation, and warehousing infrastructure. It shows the post-investment valuation of the company based on different valuation assumptions in discount rate used, EBITDA multiples applied, and P/E multiples applied. The net present value of the investment is attractive at relatively conservative discount rates, and positive even under 50% discounting. Company valuation under the most realistic assumption regarding cash flow multiples is about \$3 million. Assuming that the \$1.4 million investment was made at a \$2.8 million valuation, the ROIC to the investor can be as high as 44%, assuming returns are in a dividend annuity, and that terminal value is calculated at 5 times free cash flows. For a detailed financial model explaining these returns, please see Attachment 3.

<b>TABLE 5 : EXPORT COMPANY VALUATION</b>	<b>Discount Rate</b>	<b>20%</b>	<b>25%</b>	<b>30%</b>	<b>35%</b>	<b>40%</b>	<b>45%</b>	<b>50%</b>
	Discounted Yr. 5 EBITDA	0.51	0.41	0.34	0.28	0.23	0.20	0.17
	Discounted Yr. 5 Net Profit	0.27	0.22	0.18	0.15	0.12	0.10	0.09
	NPV of Free Cash Flow	1.29	1.06	0.87	0.70	0.55	0.43	0.32
	<b>EBITDA Multiple</b>							
	4	3.3	2.7	2.2	1.8	1.5	1.2	1.0
	5	3.8	3.1	2.6	2.1	1.7	1.4	1.1
	6	4.3	3.5	2.9	2.4	2.0	1.6	1.3
	<b>P/E Multiple</b>							
	5	2.6	2.1	1.8	1.4	1.2	0.9	0.8
	10	4.0	3.2	2.7	2.2	1.8	1.5	1.2
	15	5.3	4.3	3.5	2.9	2.4	2.0	1.6
	20	6.6	5.4	4.4	3.7	3.0	2.5	2.1
	25	7.9	6.5	5.3	4.4	3.6	3.0	2.5
	30	9.3	7.6	6.2	5.1	4.2	3.5	2.9

RPA will not pursue investment that have Potential ROIC returns below 40%. However, given the overall size and dynamics of the industries involved, most investment will lack the explosive return potentials that were realized in the Internet and biotech markets over the last five years. Overall portfolio returns will reflect the

risk and illiquidity of these investments, and we expect overall portfolio returns to be about 15%.

## RPA's Ecological Value Proposition

*The art and science of sustainable reef product harvesting has not been fully established. However, RPA can do it infinitely better than the current practices.*

**T**he art and science of sustainable reef product harvesting has not been fully established – this can only be done experimentally by running a number of alternative harvest protocols through a tightly controlled and monitored experimental reef fishing operation.

### Central Ecological Questions

To date, no operator has conducted this type of systematic research, and therefore, no current aquarium fishing operation can claim to be 100% sustainable. However, a properly structured aquarium fishing operation can claim to be:

- infinitely more sustainable than the operation(s) which it replaces;
- based on carefully prepared and widely shared fishery management plans;
- systematically monitored by a third party under a protocol approved by a major institution such as Reef Check, MAC, the International Marinelifelife Association, the World Wildlife Fund, etc.;
- committed to following the dictates of science as they become clear; and
- MAC certified.

The most important ecological questions are:

- 1) What are the harvest levels required to finance the operating and capital requirements of a sustainable export operation – the capital upgrades, collection stations, training, monitoring, etc.?
- 2) Are these harvest levels sustainable?

## Required Harvest

RPA has been able to estimate the first question about harvest levels. The fully integrated harvest operation requires the following harvest pressure: 40 collectors operating out of 2 collecting stations will harvest about 30 km<sup>2</sup> of reef per year. Assuming 200 harvest days per year, and 100 fish per day per collector, this amounts to 800,000 fish per year. Assuming an average fish density of 2 fish per square meter, this assumes a harvest of 1.3% of the available stock per year.<sup>8</sup>

Table 5 shows the pressure that this level of harvest would impose on representative species. It also shows the actual abundance that would have to be in place to yield this harvest at a rate not exceeding 1.3%.

## Sustainable Harvest?

The second question- is this a sustainable harvest?- is unfortunately, unsolvable at this time. For many species, abundance information is not available. For some species, a

---

<sup>8</sup>The business model assumes an average fish density for harvestable aquarium fish to be two fish per square meter. The species composition assumption is based upon percent volume in price group and gives relative high proportion to damsels. Based on conversations with scientists and a literature review these are accurate assumptions.

A study conducted by Dr. Lida Pet-Soede in Spermonde, Indonesia surveyed 470 10 by 5 meter transects and showed a geometric mean fish density of 1.7 fish/m<sup>2</sup> (arithmetic mean was 2.82 fish/m<sup>2</sup>). The majority of the fish were damsels (with GM of 0.7 fish/m<sup>2</sup>). Another recent study with WWF at reefs in West Bali found an arithmetic mean fish abundance to be 2.62 fish/m<sup>2</sup>. The most dominant fish category in this location was also damsel fish (57%) or Chromis spp., followed by fuseliers (15.5%) or Caesio spp., and wrasses (4.5%) or Labridae spp.

Other published studies show abundance on fished reefs in French Polynesia varies from 0.2 to 1.04 fish m<sup>-2</sup> (Bell & Galzin 1984). Abundance at fished and un-fished Hawaiian reefs varies from 0.9 to 3.2 fish m<sup>-2</sup> (Grigg 1994). Abundance at the Great Barrier Reef, which is located relatively close to Indonesia, was found to have a fish density that varies between 1.2 and 3.9 fish m<sup>-2</sup> (Sweatman et al. 1998). Abundance higher than in Spermonde were found at un-fished Srilankan reefs where fish abundance varied from 1.09 to 7.8 fish m<sup>-2</sup> (Öhman et al. 1997).

The figures cited in these studies include surveys of all fish on the reef, not just those harvested for the aquarium trade. However the species included in the harvest estimates for this business plan generally add the most to the fish density, as they are abundant species. Therefore, after conferring with scientists and the literature, the assumption of 2 aquarium fish per square meter is appropriate.

2% harvest rate is trivial; for others, it might add to existing stresses to yield a cumulatively unsustainable population pressure. A number of research efforts, actively supported by CCIF, are currently underway to get more specific information on these issues. Ultimately, however, we feel strongly that only an empirical approach, which subjects well documented harvest regimes to strict monitoring protocols, can provide the answer. RPA will do just that.

TABLE 5: REQUIRED HARVEST LEVELS AND ABUNDANCE (PER KM <sup>2</sup> )		Species Group	Example Species	Anticipated Harvest	Anticipated Harvest Rate	Required Abundance
		Extra Low End				
			<i>Cheilio inermis</i>	10	2.0%	495
			<i>Abudefduf saxatilis</i>	170	2.0%	8514
			<i>Chromis viridis</i>	636	2.0%	31779
			<i>Dascyllus trimaculatus</i>	1368	2.0%	68376
		Low End				
			<i>Echidna polyzona</i>	3	2.0%	165
			<i>Amphiprion perideraion</i>	26	2.0%	1320
			<i>Dendrochirus zebra</i>	98	2.0%	4917
			<i>Neoglyphidodon oxyodon</i>	253	2.0%	12672
		Medium End				
			<i>Cephalopholis urodeta</i>	5	2.0%	231
			<i>Chaetodon auriga</i>	50	2.0%	2475
			<i>Centropyge bispinosus</i>	168	2.0%	8382
			<i>Synchiropus splendidus</i>	438	2.0%	21912
		High End				
			<i>Heniochus monoceros</i>	5	2.0%	231
			<i>Pygoplites diacanthus</i>	44	2.0%	2211
			<i>Lutjanus sebae</i>	168	2.0%	8415
			<i>Paracanthurus hepatus</i>	269	2.0%	13464
		Extra High End				
			<i>Genicanthus watanabei</i>	5	2.0%	264
			<i>Choerodon fasciatus</i>	65	2.0%	3234
			<i>Balistoides conspicillum</i>	236	2.0%	11781

A number of mitigation measures can be used to further reduce impact. For example, in the Philippines the great concentration of reefs may make it possible for a single collection area to rotate their harvesting among three separate reef areas, to allow for 2-year fully protected regeneration periods. Fishery management plans can call for reef zoning that permanently sets aside source reefs that prohibits any fishing in spawning aggregation areas. Key species with unknown reproductive habits and cycles can be exempted from the catch. All of RPA's investments will require a full base line assessments of reef health, on going monitoring, and the continued scientific development of truly sustainable reef harvest principles.

RPA will not make an investment unless exclusive access to the reef fishing rights has been obtained. This is relatively easy to achieve in some places, such as PNG, and very

difficult indeed in others, such as Indonesia. RPA is therefore working with the foundation community to help obtain private parks management rights to a number of “paper parks” in Indonesia – officially designated marine management areas under varying levels of protection, which are now neither enforced nor funded by the Indonesian government. Once site control has been established, an integrated sustainable development can be developed, of which aquarium fishing will be a part. A detailed discussion of this critical component of the plan can be found in Attachment 4.

In the Philippines, the situation is somewhat easier. It is possible to obtain and enforce maritime and this is done frequently by major pearl farming operations, for example. RPA is also are working with a number of organizations with major maritime holdings.

## Ensuring Ecological Integrity

The ecological integrity of each RPA investment will be assured by the environmental control team. The team’s responsibilities will include:

Develop site-specific fisheries management plans/harvest protocols. All RPA-financed reef fishing operations will require preparation of fisheries management plans. RPA will develop fisheries management plans in conjunction with scientists in the field and in compliance with MAC standards. Initially these plans will be in the research and development phase, but on-going experimentation will yield increasingly sophisticated harvest protocols. The fisheries management plans will verify that the harvest area is managed according to principles that ensure the maintenance of a balanced ecosystem and the sustainable use of the marine aquarium fishery. At minimum, the management plan will include a harvest area that is geographically and politically bounded with set ownership and all relevant stakeholders identified. Basic annual data for all fish harvested will be recorded as well as a listing of all fish not harvested and a harvest history for each area. Each area will have a process for monitoring that will include the detection and reporting of destructive fishing practices to the appropriate legal authorities. The management plans will be periodically reviewed and audited to assure compliance and suitability.

Develop and implement reef monitoring protocols. RPA is currently working with MAC and several scientists in the field to develop an applicable monitoring protocol for the aquarium industry. Development is currently in the experimental stages and all fieldwork will be monitored and methodology improved upon. A monitoring protocol will involve the design and application of a field methodology entailing standardized survey methods with selected species and sites, data treatment analysis, species specific monitoring criteria for rare and key species, and the setting of sustainability levels. All monitoring will evaluate the effects of harvest upon fish populations and sustainability.

Liaison with scientific community. RPA will conduct controlled experiments on the impact of various levels of harvesting on coral reef ecology. Provide full disclosure on monitoring results to scientific community.

Full chain of custody verification. RPA will ensure that the handling, husbandry, packing, and transport of fish are done with quality assurance. RPA is working in conjunction with MAC standards to develop a chain of custody certification process. The process will require all organizations involved in the chain of custody, from the exporter to the retailer, to have complete lines of communication so that buyer's request are fully reviewed and understood. A documentation system will be maintained that assure that the fish are fully certified and come from a certified harvest area. They will be clearly identified throughout the transportation process and separated from the non-certified fish. All organizations involved in the chain custody will have clear working standards that assure that the optimal health of the fish is maintained throughout the supply chain. All fish will be kept in facilities that assure healthy transport, acclimatization, and holding. Data (including, incoming, outgoing, and mortality information) shall be recorded and traceable. Shipping times shall be declared and all sales invoiced.

Consulting to conservation groups. Sustainable aquarium fishing can become an important tool for integrated conservation/economic development plans worldwide. RPA will make its expertise available to conservation groups and communities seeking help with the feasibility assessments and the preparation of harvest/monitoring plans.



## Potential Investments

*Preliminary due diligence uncovered several opportunities for RPA investors -- creating a diverse portfolio.*

**A**fter several months of research and multiple trips to the field, preliminary due diligence has uncovered several opportunities for investment. These initial companies, along with others that will inevitably come to light in the future, will create a diverse portfolio for RPA's investors.

### Potential Portfolio Companies

RPA has initiated basic due diligence on the following companies:

#### Sea Dwelling Creatures

RPA has signed a memorandum of understanding with Los Angeles-based Sea Dwelling Creatures (SDC), providing SDC first right of refusal, as the primary U.S.-based importer entity, in participating in the implementation of this business plan. With estimated 2001 gross revenues of \$9.2 million, SDC is one of the largest tropical fish importers in the US. This privately held company has recently moved into a new, state-of-the-art facility next to Los Angeles Airport, which allows for seamless tracking of each fish by supplier, state of health, etc. – an essential prerequisite for MAC chain-of-custody certification.

SDC has grown dramatically in the past two years; 1999 SDC had gross revenues of \$4.2 million and gross profits of \$1.1 million, the company grew by 53% in 2000 to yield gross revenues of \$6.7 million. SDC revenues have continued to grow in 2001 at a rate of 37%. This growth, and the preparation of the move to the new facility, has increased SDC's operating expenses by 55% this year, from \$1.9 million to \$2.9 million. The company has a stable cash position, with total current assets at \$701,736, and total current liabilities at \$550,137. At \$52,000, SDC's net profits for 2000 have been very low. However, operating margins will improve significantly in the next year due to:

- Reduced fish mortality from improved holding and water treatment facilities;
- Existing labor costs spread across an increasing revenue base; and
- G&A expenses decreased by improving ordering, handling, and fulfillment infrastructure.

SDC management will, over the course of the next three years, continue to emphasize revenue growth and market share. While the business will remain cash positive at all times, this rapid growth will depress margins to some degree during that time period. Once the facility operates at full capacity utilization, net margins are expected to increase to 15%.

SDC management is acutely concerned about coral reef health and the adverse impacts of cyanide fishing. Currently, SDC has to fully rely on independent exporters and their suppliers – in effect, the company has very little control over its sources of supply. SDC wishes to build a fully integrated harvest/export operation in the Philippines, which would be in full compliance with MAC and RPA standards of sustainability.

To that end, SDC proposes to use an RPA investment of \$1.5 million. This investment would allow SDC to:

1. Facilitate the conversion of a Philippine exporter to fully sustainable practices by providing loan financing, harvesting/handling/husbandry technical assistance, and a guaranteed US market;
2. Aggressively build a brand of certified fish in the US. Eventually, the company hopes to shift its entire import business to a fully certified basis, putting strong pressures on other importers to follow suit; and

Each of these activities is discussed in greater detail, below.

1. Convert a Philippine exporter to sustainable practices. Currently, aquarium fish exporters in the Philippines do not operate at standards that are MAC certifiable – fish are bought from independent contractors, tracking is spotty if available at all, cyanide is still used in at least 40% of the harvest.<sup>9</sup> SDC and RPA are currently in negotiations with a number of exporters who wish to convert to fully certifiable operations. The conversion would be loan financed by SDC – the company would, in return, receive 12% interest on the dollar-denominated note, as well as a forward contract on the fish locking in a 15% discount for the life of the loan (since the Philippines do not allow foreign majority ownership, and equity investments in this volatile political and currency environment are difficult to control from the US, debt financing is

---

<sup>9</sup> Based on results from 2000 laboratory tests on random sample of aquarium fish, International Marinelife Alliance.

preferable). SDC would direct the entire conversion process with full-time project directors “on loan” to the exporter. SDC’s debt financing would be used to:

- Build a central collection and shipping facility in Manila, set up to fully complement SDC’s Los Angeles facility in terms of tracking procedures and handling protocol.
- Build two regional collection stations with a salaried staff of 20 collectors each, fully trained in non-destructive fishing practices. (See Table 7: for Possible Implementation Sites).
- Develop the required fishery management plans and monitoring protocols.
- Provide sufficient working capital to allow the exporter to reach cash flow positive operations.

A full, bottom-up financial proforma for this investment, including Income Statement, Balance Sheet, Sources and Uses of Funds, Valuations/DCF analysis and Investment Returns is available upon request.

2. Building a certified brand in the US. SDC will develop and implement a branding strategy for certified reef products in the U.S. This will require intensive education of key, large-volume retail customers, advertising to the retail trade channels, and broad marketing to the end consumer. SDC will work closely with industry associations as well as non-profit organizations such as MAC to coordinate the consumer education effort.

A number of additional export-oriented investment opportunities exist, which RPA may pursue, preferably with the active participation of SDC.

#### Bali Blue

Bali Blue is the largest tropical fish exporter in Bali. With a yearly export volume of 1.7 million fish, and revenue of over \$4 million, the company has a share of about 30% of the eastern Indonesian market. The company runs a captive fleet of 26 boats that range all over Indonesia in pursuit of aquarium fish. With full control over its supply, the company is highly profitable, with net margins in excess of 30%.

Bernard Bruguier, sole proprietor of Bali Blue, is a French national. He supports MAC standards and wishes to convert his operations to a fully certified basis. This, however, will require fundamental changes in Bali Blue’s current business model. Currently, the company relies on a fleet of long-range boats which spend most of their time getting to and from the fishing areas – sometimes as few as 3 out of 16 days on the water are dedicated to collecting. This stresses the fish considerably, since they spend up to 10 days in plastic bags, without food. In addition, the handling of fish during these long voyages is very difficult to control from a central collection station in Bali.

Therefore, Bali Blue needs to switch to a “hub and spoke” system where the central collection station is supplied by four to six regional stations, all of which are under direct supervision by Bali Blue employees. This would:

- Cut the travel time by as much as eighty percent, since fish can be flown from collection stations to Bali (or directly to the U.S./European importer).
- Allow for controlled harvesting of local reefs by local collectors. These local collectors would be trained “from the ground up” in non-destructive fishing methods, and would be closely supervised.
- Allow for consistent implementation of certifiable handling, husbandry, and transportation protocols.
- Reap all the benefits of an integrated approach discussed above: assured supply, assured quality, high capacity utilization, highly efficient inventory and order management, etc.

The investment would take place in two stages. The first stage would mirror SDC’s Philippine investment almost completely: the central facility in Bali would be updated considerably, and two local collection station will be built, likely in Manado, Sulawesi, and another in East Kalimantan. (For the purposes of this analysis, it was assumed that the operating characteristics of these two entities are identical – a comparison of Philippine and Indonesian operating costs shows only minor differences.) In the second stage, facilities in Makassar, Aceh (Sumatra), the Molluccas, or Irian Jaya could be added. (See Table 8: Possible Implementation Sites.)

#### Cairns Marine Expansion into Papua New Guinea

Cairns Marine is one of the very few fully sustainable aquarium fishing operations in operation today. Working within the exceedingly tight regulatory framework governing the Great Barrier Reef of Australia, Lyle Squire and his team have “written the book” on non-destructive reef fishing practices. Cairns Marine has very recently completed a new, state-of-the-art central collection facility in Cairns, Queensland, Australia. The privately owned company is profitable.

Mr. Squire has been approached by the government of Papua New Guinea (PNG) to assess the feasibility of establishing an aquarium fishing operation on the north shore of PNG, centered around Manus Island. Similar invitations have gone to other aquarium fish collectors that are deeply involved in destructive reef fishing in other parts of the world.

The coastal marine ecosystems around PNG are pristine and are great ecological treasures. While the species diversity is similar to that of Indonesia, the sheer

abundance of fish and coral is unmatched anywhere except for the furthest reaches of eastern Kalimantan (Borneo).

A delegation of six experts from Australia recently visited the area and found excellent conditions for aquarium fishing. A fully sustainable operation would provide desperately needed local income without introducing poison into the reefs and delivering them to the same fate as their Indonesia neighbors. Mr. Squire is exploring a harvest rotation plan where fish and coral harvest would occur only on 40% of the total area of selected reefs, and harvest in these selected areas only occurs only every third or fourth year; harvest levels would thus stay far below any currently known limits of sustainability.

Mr. Squire is well aware of the difficulty of providing new jobs in areas where the cash economy is underdeveloped. He plans to orient the operation around providing a means of basic support for the maximum number of local collectors (rather than creating a new “moneyed class”, which typically leads to significant problems.

Mr. Squire is in the process of working out a detailed business plan for this expansion. A number of issues remain to be worked out, including the final award of the concession to Cairns Marine, analysis of transportation logistics (Air PNG operates weekly flights into Manus; the government will allocate a certain amount of freight space to local aquarium fish, but the exact arrangements are not yet clear), capital requirements, etc. While we expect that the operation economics of this venture will be highly attractive, RPA will initially finance a focused feasibility study (less than \$100,000) to address these issues

## Possible Implementation Sites

CCIF is currently evaluating the most appropriate locations for establishing collecting station operations in the Philippines and Indonesia. These sites are being evaluated for ease of logistics, population pressure, reef quality, receptivity of government, and existing conservation efforts.

### Philippine Sites

As part of our investment in the Philippines, CCIF intends to team with SDC and local community groups or NGOs to build two regional collection stations with a salaried staff of 20 collectors each, fully trained in non-destructive fishing practices. Ultimately, the two sites for local collection stations in the Philippines will be chosen from the following list (see Table 7).

TABLE 7: POSSIBLE PHILLIPINO SITES	Island	Area	Site
	Luzon	<i>North</i>	Zambalis Batan
		<i>Central</i>	Batangaas Cebu
	Visayas		Bohol
	Bohol		Davao Bay
	Mindanao		Coron Bay
	Palawan	<i>North</i>	El Nido
		<i>Central</i>	Puerto Princessa
		<i>South</i>	Balabac

CCIF is currently involved in discussions with, or will follow-up with, community groups from three highly attractive locations mentioned in Table 7. These include:

1. discussions with authorities from Palawan Council for Sustainable Development (PCSD) to establish a fully sustainable aquarium fishing trade based in either Coron or Puerto Princessa, that will be a model for the trade throughout the Philippines;
2. follow-up with a fishermen cooperative in Batan, Luzon to establish a memorandum of understanding and further evaluate setting up a collection station in this region; and
3. discussions with a group in Cebu that is attempting to establish a marine managed area and is interested in collaborating with CCIF to include a sustainable aquarium fish trade as a component of this managed area.

Indonesian Sites

CCIF has started identifying preliminary sites in Indonesia with the help of local NGOs (see Table 8). It is clear that implementing a successful aquarium fishing industry in Indonesia will be challenging and require the use of innovative marine management plans (discussed in detail in the companion piece “Systems Analysis of Destructive Reef Fishing in the Indo-Pacific”).

These sites will continue to be evaluated over the next six to twelve months to determine which are most suitable for RPA investment. A preliminary ranking of these sites in terms of a number of criteria is included in Attachment 5.

POTENTIAL INVESTMENTS

TABLE 8: POSSIBLE SITES IN INDONESIA	Island	Area	Site
	Java	<i>North</i>	Kep. Seribu Karimunjawa
	<i>South</i>	Lampung	
	<i>West</i>	Ujung Kulong	
Sumatra		Riau	
Sulawesi	<i>North</i>	Sangihe Talaud Manado/Gorontalo	
	<i>Central</i>	Togean Isl.	
	<i>South</i>	Banggai Taka Bone Rate Atol	
		Spermonde Isl.	
		Masalimo Isl.	
		Tukang Besi Isl.	
Kalimantan	<i>East</i>	Derawan Isl.	
		Sangkulirang	
Bali	<i>West</i>	Bali Barat	
	<i>East</i>	Nusa Penida	
Moluccas		Kei Isl.	
		Aru Isl.	
		Banda Isl.	
Flores	<i>East</i>	Alor and surr. Isl.	
	<i>West</i>	Mangarrai/Komodo	
Timor		Kupang Bay	
Irian Jaya	<i>West</i>	Cendrawasih Bay	
		Raja Empat	



# Attachments

1. Budget for CCIF-Asia
2. Resumes
3. Importer/Exporter Financials
4. Concession Discussion Piece
5. Preliminary Ranking of Indonesian Sites





# Task-based Budget

Task	CCIF Time (US and Asia)	CCIF Expenses (US and Asia)	Contractor Time and Expenses	Total	Year 1-3 % Technical Assistance	Year 1-3 % Concession Work
<i>Setting Up CCIF-Asia</i>						
Strategic Planning/ Work Plan	\$ 20,000	\$ 3,000	\$ -	\$ 23,000	50%	50%
Launch Local Infrastructure	\$ 8,000	\$ 3,000	\$ -	\$ 11,000	50%	50%
Coordinate RPA/CCIF Activities	\$ 5,000	\$ 3,000	\$ -	\$ 8,000	100%	0%
Developing Print Materials	\$ 2,000	\$ 16,000	\$ 8,000	\$ 26,000	50%	50%
Website Development/ Maintenance	\$ 5,000	\$ 532	\$ 36,820	\$ 42,352	50%	50%
Direct Marketing	\$ 30,000	\$ 30,000	\$ -	\$ 60,000	50%	50%
<i>Aquarium Technical Assistance</i>						
Monitoring/ Fisheries Management	\$ 98,594	\$ 21,000	\$ 80,000	\$ 199,594	100%	0%
Chain of Custody Verification	\$ 108,594	\$ 21,000	\$ 99,300	\$ 228,894	100%	0%
Enterprise Development	\$ 107,800	\$ 30,082	\$ -	\$ 137,882	100%	0%
<i>Concession Phase I: Feasibility</i>						
Site Selection	\$ 16,500	\$ 15,000	\$ 50,000	\$ 81,500	0%	100%
Legal & Political Analysis	\$ 28,000	\$ 7,000	\$ 75,000	\$ 110,000	0%	100%
Business Potential	\$ 63,594	\$ 40,000	\$ 5,000	\$ 108,594	0%	100%
<i>Concession Phase 2: Negotiation</i>						
Competitive Tender	\$ 21,500	\$ 4,200	\$ 200,000	\$ 225,700	0%	100%
Contracts	\$ 11,500	\$ 4,200	\$ 75,000	\$ 90,700	0%	100%
Financing Mechanism	\$ 11,500	\$ 4,200	\$ 30,000	\$ 45,700	0%	100%
Outline Management Plan	\$ 30,094	\$ 4,200	\$ 20,000	\$ 54,294	0%	100%
<i>Concession Phase 3: Implementation</i>						
Final Management Plan	\$ 6,500	\$ 6,200	\$ 5,000	\$ 17,700	0%	100%
Monit. & Enforcement Systems	\$ 16,500	\$ 6,200	\$ 5,000	\$ 27,700	0%	100%
Business Development	\$ 80,000	\$ 44,094	\$ 5,000	\$ 129,094	0%	100%
Performance Reviews	\$ 10,888	\$ 3,200	\$ 5,000	\$ 19,088	0%	100%
<i>Administrative Fee</i>	\$ 82,340			\$ 82,340	50%	50%
TOTAL Expenses	\$ 763,904	\$ 266,108	\$ 699,120	\$ 1,729,132	\$ 696,716	\$ 1,032,416
CCIF Revenues				\$ 490,000	\$ 250,000	\$ 240,000
<b>NECESSARY GRANT FUNDS</b>				<b>\$ 1,239,132</b>	<b>\$ 446,716</b>	<b>\$ 792,416</b>



## Resumes

Andreas Merkl is one of the founding partners of CoreResources, an environmental technologies investment fund and consultancy in San Francisco. CoreResources invests approximately \$3-4 million per year, primarily in early stage investments, and provides a number of strategic planning and financial management services to environmental start-up companies. Mr. Merkl is also a founding member of McKinsey & Company's Environmental Practice, specializing in the commercialization and marketing of environmental technologies. In recent years, Mr. Merkl has worked as an adjunct consultant to McKinsey while building several other environment-related organizations. Mr. Merkl is also the managing director of the Conservation and Community Investment Forum, a non-for-profit organization dedicated to helping private equity investors find and realize environmentally transformative investment opportunities. At an earlier stage in his career, Mr. Merkl was Vice President and co-founder of the CH2M HILL Strategy Group, a leading provider of environmental management consulting services worldwide. Most of his work there concerned capital planning and the management of environmental risks.

Mr. Merkl has worked extensively in mergers and acquisitions and in business strategy. In addition, Mr. Merkl has worked in affordable housing development in San Francisco and has founded and managed a cartographic consulting firm. He holds an MBA with distinction from Harvard University, a Master of Regional Planning and Natural Resource Analysis from the University of California at Berkeley, and Bachelor of Arts in Environmental Sciences from the University of California at Santa Cruz.

Dr. Lida Pet-Soede, has a PhD Degree in Tropical Fisheries Biology and Management and an MSc. degree in Fish Culture and Fisheries, both from Wageningen Agricultural University in The Netherlands. She has been working on tropical fisheries since 1992, including two years in Sri Lanka and over six years in Indonesia. Ms. Pet has extensive working experience on community-fisheries and with different groups of stakeholders. At present she holds a part-time position as Program Manager for both the fisheries program and for the marine conservation science program of WWF Indonesia - Wallacea and also serves as the part-time Director of Coastal and Marine projects for

R E S U M E S

PT. Ecosafe Indonesia. She has authored numerous scientific and semi-scientific papers on small-scale coastal fisheries, destructive fishing practices, and has recently edited a technical report on the feasibility of certification of marine aquarium trade in the Philippines.



## RPA Financials

*See accompanying spreadsheet*



### Attachment 3: Integrated Exporter Economics

Month (\$000s)	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Balance Sheet</b>																	
<b>Assets</b>																	
<b>Current Assets</b>																	
Cash + Cash Equivalents	611.9	502.2	392.9	283.7	204.3	132.2	60.3	166.6	124.8	83.1	66.8	50.8	50.8	123.5	106.7	150.5	261.4
Accounts Receivable	13.2	13.2	13.2	33.0	33.0	33.0	66.0	66.0	66.0	92.4	92.4	92.4	92.4	132.0	132.0	132.0	132.0
Inventory	12.0	12.0	12.0	12.0	12.0	12.0	12.1	12.1	12.1	12.2	12.2	12.2	12.2	12.3	12.3	12.3	12.3
Other Curr Assets	6.6	6.6	6.6	6.7	4.9	4.9	5.1	5.1	5.1	5.2	5.2	5.2	5.2	6.7	6.7	7.1	7.1
<b>Total Current Assets</b>	<b>643.7</b>	<b>534.0</b>	<b>424.7</b>	<b>335.4</b>	<b>254.2</b>	<b>182.1</b>	<b>143.4</b>	<b>249.8</b>	<b>207.9</b>	<b>192.8</b>	<b>176.5</b>	<b>160.5</b>	<b>160.5</b>	<b>274.5</b>	<b>257.7</b>	<b>301.8</b>	<b>412.7</b>
<b>Fixed Assets</b>																	
Buildings, plant, equip	816.3	816.3	816.3	816.3	816.3	816.3	816.3	816.3	816.3	816.3	816.3	816.3	816.3	816.3	826.7	901.7	927.7
Less Accum Deprec	(11.5)	(23.1)	(34.6)	(46.2)	(57.7)	(69.2)	(80.8)	(92.3)	(103.8)	(115.4)	(126.9)	(138.5)	(138.5)	(276.9)	(415.8)	(554.7)	(693.7)
<b>Net Fixed Assets</b>	<b>804.8</b>	<b>793.3</b>	<b>781.7</b>	<b>770.2</b>	<b>758.6</b>	<b>747.1</b>	<b>735.6</b>	<b>724.0</b>	<b>712.5</b>	<b>701.0</b>	<b>689.4</b>	<b>677.9</b>	<b>677.9</b>	<b>539.4</b>	<b>410.8</b>	<b>346.9</b>	<b>234.0</b>
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>1,448.4</b>	<b>1,327.3</b>	<b>1,206.4</b>	<b>1,105.6</b>	<b>1,012.9</b>	<b>929.2</b>	<b>879.0</b>	<b>973.8</b>	<b>920.4</b>	<b>893.8</b>	<b>866.0</b>	<b>838.4</b>	<b>838.4</b>	<b>813.9</b>	<b>668.5</b>	<b>648.8</b>	<b>646.7</b>
<b>Liabilities and Equity</b>																	
<b>Current Liabilities</b>																	
Accounts Payable	28.6	28.6	28.6	29.1	20.2	20.2	21.1	21.1	21.1	21.7	21.7	21.7	21.7	24.7	24.8	26.6	26.6
Accrued Expenses/Liabilit	16.3	16.3	16.3	16.8	16.8	16.8	17.8	17.8	17.8	18.6	18.6	18.6	18.6	22.8	22.8	22.8	22.8
Stale A/P	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accrued Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes Payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Line of Credit (Revolver)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	0.0	0.0	0.0
Curr. Portion of Notes/Lea	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	25.0
<b>Total Current Liabilities</b>	<b>344.9</b>	<b>344.9</b>	<b>344.9</b>	<b>345.9</b>	<b>337.1</b>	<b>337.1</b>	<b>338.9</b>	<b>488.9</b>	<b>488.9</b>	<b>490.3</b>	<b>490.3</b>	<b>490.3</b>	<b>490.3</b>	<b>497.6</b>	<b>347.6</b>	<b>349.4</b>	<b>74.4</b>
<b>Long-term Liabilities</b>																	
Long Term Note 1	1,200.0	1,175.0	1,150.0	1,125.0	1,100.0	1,075.0	1,050.0	1,025.0	1,000.0	975.0	950.0	925.0	925.0	625.0	325.0	25.0	0.0
Long Term Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Long-term Debt</b>	<b>1,200.0</b>	<b>1,175.0</b>	<b>1,150.0</b>	<b>1,125.0</b>	<b>1,100.0</b>	<b>1,075.0</b>	<b>1,050.0</b>	<b>1,025.0</b>	<b>1,000.0</b>	<b>975.0</b>	<b>950.0</b>	<b>925.0</b>	<b>925.0</b>	<b>625.0</b>	<b>325.0</b>	<b>25.0</b>	<b>0.0</b>
<b>Total Liabilities</b>	<b>1,544.9</b>	<b>1,519.9</b>	<b>1,494.9</b>	<b>1,470.9</b>	<b>1,437.1</b>	<b>1,412.1</b>	<b>1,388.9</b>	<b>1,513.9</b>	<b>1,488.9</b>	<b>1,465.3</b>	<b>1,440.3</b>	<b>1,415.3</b>	<b>1,415.3</b>	<b>1,122.6</b>	<b>672.6</b>	<b>374.4</b>	<b>74.4</b>
Subordinated Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common Stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Paid-In Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained Earnings	(96.4)	(192.6)	(288.5)	(365.3)	(424.2)	(482.9)	(509.9)	(540.1)	(568.5)	(571.6)	(574.4)	(577.0)	(577.0)	(308.7)	(4.1)	274.4	572.3
<b>Stckhdr's Eq &amp; Sub-Det</b>	<b>(96.4)</b>	<b>(192.6)</b>	<b>(288.5)</b>	<b>(365.3)</b>	<b>(424.2)</b>	<b>(482.9)</b>	<b>(509.9)</b>	<b>(540.1)</b>	<b>(568.5)</b>	<b>(571.6)</b>	<b>(574.4)</b>	<b>(577.0)</b>	<b>(577.0)</b>	<b>(308.7)</b>	<b>(4.1)</b>	<b>274.4</b>	<b>572.3</b>
<b>Ttl Liabilities and Equi</b>	<b>1,448.4</b>	<b>1,327.3</b>	<b>1,206.4</b>	<b>1,105.6</b>	<b>1,012.9</b>	<b>929.2</b>	<b>879.0</b>	<b>973.8</b>	<b>920.4</b>	<b>893.8</b>	<b>866.0</b>	<b>838.4</b>	<b>838.4</b>	<b>813.9</b>	<b>668.5</b>	<b>648.8</b>	<b>646.7</b>
Quick Ratio (SVB 0.6 min)	1.81	1.49	1.18	0.92	0.70	0.49	0.37	0.48	0.39	0.36	0.32	0.29	0.29	0.51	0.69	0.81	5.29
Current Ratio	1.87	1.55	1.23	0.97	0.75	0.54	0.42	0.51	0.43	0.39	0.36	0.33	0.33	0.55	0.74	0.86	5.55
Debt	1,545	1,520	1,495	1,471	1,437	1,412	1,389	1,514	1,489	1,465	1,440	1,415	1,415	1,123	673	374	74
Debt/Equity	(16.02)	(7.89)	(5.18)	(4.03)	(3.39)	(2.92)	(2.72)	(2.80)	(2.62)	(2.56)	(2.51)	(2.45)	(2.45)	(3.64)	(165.57)	1.36	0.13
Working Capital	299	189	80	(11)	(83)	(155)	(195)	(239)	(281)	(298)	(314)	(330)	(330)	(223)	(90)	(48)	338
Working Capital Growth		(37%)	(58%)	(113%)	689%	87%	26%	22%	18%	6%	5%	5%	5%	(32%)	(60%)	(47%)	(811%)
Net Worth	(96)	(193)	(288)	(365)	(424)	(483)	(510)	(540)	(568)	(572)	(574)	(577)	(577)	(309)	(4)	274	572

### Attachment 3: Integrated Exporter Economics

Month (\$000s)	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Income Statement</b>																	
<b>Sales</b>																	
Fish - Extra Low End	2.0	2.0	2.0	5.0	5.0	5.0	10.0	10.0	10.0	14.0	14.0	14.0	93.1	232.2	240.2	240.2	240.2
Fish - Low End	4.3	4.3	4.3	10.6	10.6	10.6	21.3	21.3	21.3	29.8	29.8	29.8	198.1	494.1	511.1	511.1	511.1
Fish - Medium End	3.2	3.2	3.2	7.9	7.9	7.9	15.8	15.8	15.8	22.1	22.1	22.1	147.1	367.0	379.7	379.7	379.7
Fish - High End	3.8	3.8	3.8	9.4	9.4	9.4	18.9	18.9	18.9	26.4	26.4	26.4	175.4	437.6	452.7	452.7	452.7
Coral - Soft	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Coral - Hard	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others & Discounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Sales</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>66</b>	<b>66</b>	<b>66</b>	<b>92</b>	<b>92</b>	<b>92</b>	<b>614</b>	<b>1,531</b>	<b>1,584</b>	<b>1,584</b>	<b>1,584</b>
<b>COGS</b>																	
<b>Collection Costs</b>																	
Collector Costs	10	10	10	10	10	10	10	10	10	10	10	10	120	120	120	120	120
Mother Boats	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Skiffs	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	32.6	32.6	33.4	33.4	33.4
Collection Stations	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	282.1	282.1	282.1	282.1	282.1
Transp. to Central Facility	0.1	0.1	0.1	0.2	0.2	0.2	0.5	0.5	0.5	0.7	0.7	0.7	4.5	11.3	11.6	11.6	11.6
Other Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total COGS</b>	<b>36.3</b>	<b>36.3</b>	<b>36.3</b>	<b>36.5</b>	<b>36.5</b>	<b>36.5</b>	<b>36.7</b>	<b>36.7</b>	<b>36.7</b>	<b>36.9</b>	<b>36.9</b>	<b>36.9</b>	<b>439.2</b>	<b>446.0</b>	<b>447.2</b>	<b>447.2</b>	<b>447.2</b>
<b>Gross Profit</b>	<b>(23.1)</b>	<b>(23.1)</b>	<b>(23.1)</b>	<b>(3.5)</b>	<b>(3.5)</b>	<b>(3.5)</b>	<b>29.3</b>	<b>29.3</b>	<b>29.3</b>	<b>55.5</b>	<b>55.5</b>	<b>55.5</b>	<b>174.4</b>	<b>1,084.9</b>	<b>1,136.5</b>	<b>1,136.5</b>	<b>1,136.5</b>
	(175%)	(175%)	(175%)	(11%)	(11%)	(11%)	44%	44%	44%	60%	60%	60%	28%	71%	72%	72%	72%
<b>Operating Expenses</b>																	
<b>Central Station</b>																	
Salaries & Benefits	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	190.3	226.6	226.6	226.6	226.6
Travel	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	18.0	18.0	18.0	18.0	18.0
Facility	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	92.0	97.9	98.8	98.8	98.8
Packaging	0.5	0.5	0.5	1.3	1.3	1.3	2.5	2.5	2.5	3.5	3.5	3.5	23.6	58.8	60.8	60.8	60.8
Trans. To Int'l Airport	0.6	0.6	0.6	0.6	0.6	0.6	0.8	0.8	0.8	0.9	0.9	0.9	8.4	11.9	12.1	12.1	12.1
Insurance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	12.0	15.3	15.8	15.8	15.8
Permits	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	120.0	153.1	158.4	158.4	158.4
Monitoring	11.0	11.0	11.0	11.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	52.0	52.0	52.0	52.0	52.0
Training - Collectors	7.7	7.7	7.7	7.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.8	3.1	3.1	3.1	3.1
Other	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	30.0	30.0	30.0	30.0	30.0
<b>Operating Expenses</b>	<b>58.3</b>	<b>58.3</b>	<b>58.3</b>	<b>59.1</b>	<b>41.4</b>	<b>41.4</b>	<b>42.8</b>	<b>42.8</b>	<b>42.8</b>	<b>43.9</b>	<b>43.9</b>	<b>43.9</b>	<b>577.0</b>	<b>666.6</b>	<b>675.6</b>	<b>675.6</b>	<b>675.6</b>
<b>Operating Income</b>	<b>(81.4)</b>	<b>(81.4)</b>	<b>(81.4)</b>	<b>(62.6)</b>	<b>(44.9)</b>	<b>(44.9)</b>	<b>(13.5)</b>	<b>(13.5)</b>	<b>(13.5)</b>	<b>11.5</b>	<b>11.5</b>	<b>11.5</b>	<b>(402.6)</b>	<b>418.3</b>	<b>460.9</b>	<b>460.9</b>	<b>460.9</b>
<b>Other Income (Expens)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>EBIT</b>	<b>(81.4)</b>	<b>(81.4)</b>	<b>(81.4)</b>	<b>(62.6)</b>	<b>(44.9)</b>	<b>(44.9)</b>	<b>(13.5)</b>	<b>(15.04)</b>	<b>(13.5)</b>	<b>11.5</b>	<b>11.5</b>	<b>11.5</b>	<b>(404.1)</b>	<b>418.3</b>	<b>460.9</b>	<b>460.9</b>	<b>460.9</b>
<b>EBITDA</b>	<b>(69.9)</b>	<b>(69.9)</b>	<b>(69.9)</b>	<b>(51.1)</b>	<b>(33.4)</b>	<b>(33.4)</b>	<b>(2.0)</b>	<b>(3.5)</b>	<b>(2.0)</b>	<b>23.1</b>	<b>23.1</b>	<b>23.1</b>	<b>(265.6)</b>	<b>556.7</b>	<b>599.8</b>	<b>599.8</b>	<b>599.8</b>
Interest on Loans and Not	15.0	14.8	14.5	14.3	14.0	13.8	13.5	15.1	14.9	14.6	14.4	14.1	172.9	150.0	106.5	32.5	2.5
Other Interest (Income)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Interest</b>	<b>15.0</b>	<b>14.8</b>	<b>14.5</b>	<b>14.3</b>	<b>14.0</b>	<b>13.8</b>	<b>13.5</b>	<b>15.1</b>	<b>14.9</b>	<b>14.6</b>	<b>14.4</b>	<b>14.1</b>	<b>172.9</b>	<b>150.0</b>	<b>106.5</b>	<b>32.5</b>	<b>2.5</b>
<b>Profit Before Taxes</b>	<b>(96.4)</b>	<b>(96.2)</b>	<b>(95.9)</b>	<b>(76.8)</b>	<b>(58.9)</b>	<b>(58.6)</b>	<b>(27.0)</b>	<b>(30.2)</b>	<b>(28.4)</b>	<b>(3.1)</b>	<b>(2.8)</b>	<b>(2.6)</b>	<b>(577.0)</b>	<b>268.3</b>	<b>354.4</b>	<b>428.4</b>	<b>458.4</b>
Taxable Income		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	142.1	428.4	458.4
NOL	0.0	(96.2)	(192.1)	(268.9)	(327.8)	(386.5)	(413.5)	(443.7)	(472.1)	(475.2)	(478.0)	(480.6)		(212.3)	0.0	0.0	0.0
Less Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49.7	149.9	160.4
<b>Net Profit</b>	<b>(96.4)</b>	<b>(96.2)</b>	<b>(95.9)</b>	<b>(76.8)</b>	<b>(58.9)</b>	<b>(58.6)</b>	<b>(27.0)</b>	<b>(30.2)</b>	<b>(28.4)</b>	<b>(3.1)</b>	<b>(2.8)</b>	<b>(2.6)</b>	<b>(577.0)</b>	<b>268.3</b>	<b>304.6</b>	<b>278.4</b>	<b>297.9</b>
Dividends Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.9)	18%	0.2	0.2	0.2
<b>Change to RE</b>	<b>(96.4)</b>	<b>(96.2)</b>	<b>(95.9)</b>	<b>(76.8)</b>	<b>(58.9)</b>	<b>(58.6)</b>	<b>(27.0)</b>	<b>(30.2)</b>	<b>(28.4)</b>	<b>(3.1)</b>	<b>(2.8)</b>	<b>(2.6)</b>	<b>(577.0)</b>	<b>268.3</b>	<b>304.6</b>	<b>278.4</b>	<b>297.9</b>

### Attachment 3: Integrated Exporter Economics

Month (\$000s)	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12	Year 1	Year 2	Year 3	Year 4	Year 5
ROS									(43%)	(3%)	(3%)	(3%)		18%	19%		
Collection Period									31	26	31	31		31	31		
Payment Period									18	18	18	18		20	20		
Inventory Turnover									3.03	3.04	3.03	3.03		36.6	36.4		

### Attachment 3: Integrated Exporter Economics

Month (\$000s)	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Sources and Uses Statement</b>																	
<b>Sources</b>																	
Cash + Cash Equivalents	0	110	109	109	79	72	72	0	42	42	16	16	0	0	17	0	0
Accounts Receivable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Curr Assets	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts Payable	29	0	0	0	0	0	1	0	0	1	0	0	22	3	0	2	0
Accrued Expenses/Liabilit	16	0	0	1	0	0	1	0	0	1	0	0	19	4	0	0	0
Stale A/P	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Taxes Payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Line of Credit (Revolver)	0	0	0	0	0	0	0	150	0	0	0	0	150	0	0	0	0
Curr. Portion of Notes/Lea	300	0	0	0	0	0	0	0	0	0	0	0	300	0	0	0	0
Long Term Note 1	1,200	0	0	0	0	0	0	0	0	0	0	0	925	0	0	0	0
Long Term Leases	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subordinated Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation	12	12	12	12	12	12	12	12	12	12	12	12	138	138	139	139	139
Profit After Taxes	(96)	(96)	(96)	(77)	(59)	(59)	(27)	(30)	(28)	(3)	(3)	(3)	(577)	268	305	278	298
<b>Total Sources</b>	<b>1,460</b>	<b>25</b>	<b>25</b>	<b>45</b>	<b>34</b>	<b>25</b>	<b>58</b>	<b>131</b>	<b>25</b>	<b>52</b>	<b>25</b>	<b>25</b>	<b>977</b>	<b>414</b>	<b>460</b>	<b>419</b>	<b>437</b>
<b>Uses</b>																	
Cash + Cash Equivalents	612	0	0	0	0	0	0	106	0	0	0	0	51	73	0	44	111
Accounts Receivable	13	0	0	20	0	0	33	0	0	26	0	0	92	40	0	0	0
Inventory	12	0	0	0	0	0	0	0	0	0	0	0	12	0	0	0	0
Other Curr Assets	7	0	0	0	0	0	0	0	0	0	0	0	5	2	0	0	0
Fixed Assets	816	0	0	0	0	0	0	0	0	0	0	0	816	0	10	75	26
Other Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts Payable	0	0	0	0	9	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Expenses/Liabilit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stale A/P	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Taxes Payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Line of Credit (Revolver)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	150	0	0
Curr. Portion of Notes/Lea	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	275
Long Term Note 1	0	25	25	25	25	25	25	25	25	25	25	25	0	300	300	300	25
Long Term Leases	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subordinated Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends Paid/Adjustmen	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Uses</b>	<b>1,460</b>	<b>25</b>	<b>25</b>	<b>45</b>	<b>34</b>	<b>25</b>	<b>58</b>	<b>131</b>	<b>25</b>	<b>52</b>	<b>25</b>	<b>25</b>	<b>977</b>	<b>414</b>	<b>460</b>	<b>419</b>	<b>437</b>

### Attachment 3: Integrated Exporter Economics

Month (\$000s)	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Statement of Cash Flows</b>																	
<b>Cash Provided by Operations</b>																	
Net Income	(96)	(96)	(96)	(77)	(59)	(59)	(27)	(30)	(28)	(3)	(3)	(3)		268	305	278	298
<b>Non-Cash Income Changes</b>																	
Depreciation	12	12	12	12	12	12	12	12	12	12	12	12		138	139	139	139
Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
<b>Changes in WC</b>																	
Decr (Incr) in New Invent	(12)	0	0	(0)	0	0	(0)	0	0	(0)	0	0		(0)	(0)	(0)	0
Decr (Incr) in A/R	(13)	0	0	(20)	0	0	(33)	0	0	(26)	0	0		(40)	0	0	0
Decr (Incr) in Oth CA	(7)	0	0	(0)	2	0	(0)	0	0	(0)	0	0		(2)	0	(0)	0
Decr (Incr) in Oth Assets	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Incr (Decr) in A/P	29	0	0	0	(9)	0	1	0	0	1	0	0		3	0	2	0
Incr (Decr) in Stale A/P	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Incr (Decr) in Accrued Exp	16	0	0	1	0	0	1	0	0	1	0	0		4	0	0	0
Incr (Decr) in Taxes Payable	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Incr (Decr) in Accrued In	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
<b>Cash Provided by Oper</b>	<b>(72)</b>	<b>(85)</b>	<b>(84)</b>	<b>(84)</b>	<b>(54)</b>	<b>(47)</b>	<b>(47)</b>	<b>(19)</b>	<b>(17)</b>	<b>(17)</b>	<b>9</b>	<b>9</b>		<b>373</b>	<b>444</b>	<b>419</b>	<b>437</b>
<b>Cash Provided by Investing</b>																	
Disp (Addtns) of PPE	(816)	0	0	0	0	0	0	0	0	0	0	0		0	(10)	(75)	(26)
Asset Sales																	
<b>Cash Provided by Inv</b>	<b>(816)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>(10)</b>	<b>(75)</b>	<b>(26)</b>
<b>Cash Provided by Financing</b>																	
Addtns (Redctns) of Rev	0	0	0	0	0	0	0	150	0	0	0	0		0	(150)	0	0
Addtns (Redctns) of STD	300	0	0	0	0	0	0	0	0	0	0	0		0	0	0	(275)
Addtns (Redctns) of LTD	1,200	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)		(300)	(300)	(300)	(25)
Addtns (Redctns) of LT L	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Addtns (Redctns) of Sub	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Addtns (Redctns) of Equi	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Dividends (Paid)	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
<b>Cash Provided by Fin</b>	<b>1,500</b>	<b>(25)</b>	<b>(25)</b>	<b>(25)</b>	<b>(25)</b>	<b>(25)</b>	<b>(25)</b>	<b>125</b>	<b>(25)</b>	<b>(25)</b>	<b>(25)</b>	<b>(25)</b>		<b>(300)</b>	<b>(450)</b>	<b>(300)</b>	<b>(300)</b>
<b>Net Incr (Decr) in Cash</b>	<b>612</b>	<b>(110)</b>	<b>(109)</b>	<b>(109)</b>	<b>(79)</b>	<b>(72)</b>	<b>(72)</b>	<b>106</b>	<b>(42)</b>	<b>(42)</b>	<b>(16)</b>	<b>(16)</b>		<b>73</b>	<b>(17)</b>	<b>44</b>	<b>111</b>
<b>Cash, Beginning</b>	<b>0</b>	<b>612</b>	<b>502</b>	<b>393</b>	<b>284</b>	<b>204</b>	<b>132</b>	<b>60</b>	<b>167</b>	<b>125</b>	<b>83</b>	<b>67</b>		<b>51</b>	<b>124</b>	<b>107</b>	<b>151</b>
<b>Cash, Ending</b>	<b>612</b>	<b>502</b>	<b>393</b>	<b>284</b>	<b>204</b>	<b>132</b>	<b>60</b>	<b>167</b>	<b>125</b>	<b>83</b>	<b>67</b>	<b>51</b>		<b>123</b>	<b>107</b>	<b>151</b>	<b>261</b>

### Attachment 3: Integrated Exporter Valuation (\$MM)

#### RPA INTEGRATED EXPORTER VALUATION (\$MM)

**FIVE YEARS**

Total Net Present Value =	(0.14)	EBITDA in Year 5 =	0.60	---	--	--
DCF Discount Rate per Month	1.88%	Net Profit in Year 5 =	0.30	---	--	--
DCF Discount Rate per Year	25.0%					
Assume cash in years 3 to 5 occur	Mth9					

Discount Rate	20%	25%	30%	35%	40%	45%	50%	IRR
Discounted EBITDA	0.24	0.20	0.16	0.13	0.11	0.09	0.08	
Discounted Net Profit	0.12	0.10	0.08	0.07	0.06	0.05	0.04	
NPV of Free Cash Flow	(0.03)	(0.14)	(0.24)	(0.32)	(0.39)	(0.45)	(0.50)	
<b>EBITDA Multiple</b>								
4	0.9	0.6	0.4	0.2	0.1	(0.1)	(0.2)	
5	1.2	0.8	0.6	0.3	0.2	0.0	(0.1)	
6	1.4	1.0	0.7	0.5	0.3	0.1	(0.0)	
<b>P/E Multiple</b>								
5	0.6	0.3	0.2	0.0	(0.1)	(0.2)	(0.3)	
10	1.2	0.8	0.6	0.3	0.2	0.0	(0.1)	
15	1.8	1.3	1.0	0.7	0.4	0.2	0.1	
20	2.4	1.8	1.4	1.0	0.7	0.5	0.3	
25	3.0	2.3	1.8	1.3	1.0	0.7	0.5	
30	3.6	2.8	2.2	1.7	1.3	0.9	0.7	

### Attachment 3: Integrated Importer Economics

Month (\$000s)	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Balance Sheet</b>																	
<b>Assets</b>																	
<b>Current Assets</b>																	
Cash + Cash Equivalents	242.1	296.6	351.0	405.4	459.5	513.6	567.6	621.4	675.2	728.8	782.3	835.7	835.7	1,536.6	2,293.9	3,107.5	4,020.6
Accounts Receivable	242.89	242.89	242.89	242.89	242.89	242.89	242.89	242.89	242.89	242.89	242.89	242.89	242.89	263.38	285.92	310.71	337.98
Inventory	253.8	253.8	253.8	253.8	253.8	253.8	253.8	253.8	253.8	253.8	253.8	253.8	253.8	279.2	307.1	337.8	371.6
Other Curr Assets	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	3.1	3.4	3.7	4.0
Total Current Assets	741.6	796.1	850.5	904.9	959.0	1,013.1	1,067.1	1,120.9	1,174.7	1,228.3	1,281.8	1,335.2	1,335.2	2,082.2	2,890.3	3,759.7	4,734.2
<b>Fixed Assets</b>																	
Buildings, plant, equip	364.0	370.0	375.9	381.9	387.9	393.8	399.8	405.8	411.7	417.7	423.7	429.6	429.6	508.6	595.3	691.1	795.9
Less Accumm Deprec	(165.8)	(171.8)	(177.9)	(184.1)	(190.5)	(196.9)	(203.4)	(210.0)	(216.7)	(223.6)	(230.5)	(237.5)	(237.5)	(322.1)	(384.5)	(434.0)	(492.7)
Net Fixed Assets	198.2	198.2	198.0	197.8	197.4	196.9	196.4	195.7	195.0	194.1	193.2	192.1	192.1	186.5	210.8	257.1	303.2
Other Assets	1,510.4	1,485.4	1,460.4	1,435.4	1,410.4	1,385.4	1,360.4	1,335.4	1,310.4	1,285.4	1,260.4	1,235.4	1,235.4	935.4	635.4	335.4	35.4
<b>Total Assets</b>	<b>2,450.2</b>	<b>2,479.6</b>	<b>2,508.9</b>	<b>2,538.0</b>	<b>2,566.8</b>	<b>2,595.4</b>	<b>2,623.8</b>	<b>2,652.0</b>	<b>2,680.0</b>	<b>2,707.8</b>	<b>2,735.3</b>	<b>2,762.7</b>	<b>2,762.7</b>	<b>3,204.1</b>	<b>3,736.4</b>	<b>4,352.2</b>	<b>5,072.8</b>
<b>Liabilities and Equity</b>																	
<b>Current Liabilities</b>																	
Accounts Payable	464.0	464.3	464.5	464.7	465.0	465.2	465.4	465.6	465.9	466.1	466.3	466.6	466.6	508.8	549.3	599.3	653.9
Accrued Expenses/Liabilit	61.2	61.2	61.2	61.2	61.2	61.2	61.2	61.2	61.2	61.2	61.2	61.2	61.2	65.3	69.7	73.5	77.6
Stale A/P	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accrued Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sate Corp. Income Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Line of Credit (Revolver)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Curr. Portion of Notes/Lea	33.1	31.4	29.7	28.0	26.3	24.6	22.9	21.2	19.5	17.8	16.1	14.4	14.4	0.0	0.0	0.0	0.0
Total Current Liabilities	558.4	556.9	555.4	553.9	552.5	551.0	549.5	548.1	546.6	545.1	543.6	542.2	542.2	574.1	619.0	672.8	731.4
<b>Long-term Liabilities</b>																	
SBA Loan	24.2	23.7	23.2	22.7	22.2	21.7	21.2	20.7	20.2	19.7	19.2	18.6	18.6	12.6	6.6	6.6	6.6
Long Term Leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Long-term Debt	24.2	23.7	23.2	22.7	22.2	21.7	21.2	20.7	20.2	19.7	19.2	18.6	18.6	12.6	6.6	6.6	6.6
<b>Total Liabilities</b>	<b>582.6</b>	<b>580.6</b>	<b>578.6</b>	<b>576.6</b>	<b>574.7</b>	<b>572.7</b>	<b>570.7</b>	<b>568.7</b>	<b>566.7</b>	<b>564.8</b>	<b>562.8</b>	<b>560.8</b>	<b>560.8</b>	<b>586.7</b>	<b>625.6</b>	<b>679.4</b>	<b>738.0</b>
Subordinated Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred Stock	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
Common Stock	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Paid-In Capital	209.6	209.6	209.6	209.6	209.6	209.6	209.6	209.6	209.6	209.6	209.6	209.6	209.6	209.6	209.6	209.6	209.6
Retained Earnings	158	189	221	252	282	313	343	374	404	433	463	492	492	908	1,401	1,963	2,625
<b>Stckhdr's Eq &amp; Sub-Det</b>	<b>1,867.6</b>	<b>1,899.1</b>	<b>1,930.3</b>	<b>1,961.3</b>	<b>1,992.1</b>	<b>2,022.7</b>	<b>2,053.1</b>	<b>2,083.3</b>	<b>2,113.3</b>	<b>2,143.0</b>	<b>2,172.5</b>	<b>2,201.9</b>	<b>2,201.9</b>	<b>2,617.4</b>	<b>3,110.8</b>	<b>3,672.8</b>	<b>4,334.8</b>
<b>Ttl Liabilities and Equi</b>	<b>2,450.2</b>	<b>2,479.6</b>	<b>2,508.9</b>	<b>2,538.0</b>	<b>2,566.8</b>	<b>2,595.4</b>	<b>2,623.8</b>	<b>2,652.0</b>	<b>2,680.0</b>	<b>2,707.8</b>	<b>2,735.3</b>	<b>2,762.7</b>	<b>2,762.7</b>	<b>3,204.1</b>	<b>3,736.4</b>	<b>4,352.2</b>	<b>5,072.8</b>
Quick Ratio (SVB 0.6 min)	0.87	0.97	1.07	1.17	1.27	1.37	1.47	1.58	1.68	1.78	1.89	1.99	1.99	3.14	4.17	5.08	5.96
Current Ratio	1.33	1.43	1.53	1.63	1.74	1.84	1.94	2.05	2.15	2.25	2.36	2.46	2.46	3.63	4.67	5.59	6.47
Debt	583	581	579	577	575	573	571	569	567	565	563	561	561	587	626	679	738
Debt/Equity	0.31	0.31	0.30	0.29	0.29	0.28	0.28	0.27	0.27	0.26	0.26	0.25	0.25	0.22	0.20	0.18	0.17
Working Capital	183	239	295	351	407	462	518	573	628	683	738	793	793	1,508	2,271	3,087	4,003
Working Capital Growth		31%	23%	19%	16%	14%	12%	11%	10%	9%	8%	7%		90%	51%	36%	30%
Net Worth	1,868	1,899	1,930	1,961	1,992	2,023	2,053	2,083	2,113	2,143	2,173	2,202	2,202	2,617	3,111	3,673	4,335

### Attachment 3: Integrated Importer Economics

Month (\$000s)	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Income Statement</b>																	
<b>Sales</b>																	
	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%					
Fish	506.2	506.2	506.2	506.2	506.2	506.2	506.2	506.2	506.2	506.2	506.2	506.2	6,074.5	6,681.9	7,350.1	8,085.1	8,893.6
Complimentary Sales	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	0.26	\$0.29	\$0.32	\$0.35	\$0.38
Dry Goods	\$19.14	\$19.14	\$19.14	\$19.14	\$19.14	\$19.14	\$19.14	\$19.14	\$19.14	\$19.14	\$19.14	\$19.14	229.73	\$252.70	\$277.97	\$305.77	\$336.34
Freight Sales	\$10.70	\$10.70	\$10.70	\$10.70	\$10.70	\$10.70	\$10.70	\$10.70	\$10.70	\$10.70	\$10.70	\$10.70	128.37	\$141.20	\$155.32	\$170.86	\$187.94
Publications	\$5.5	\$5.5	\$5.5	\$5.5	\$5.5	\$5.5	\$5.5	\$5.5	\$5.5	\$5.5	\$5.5	\$5.5	\$66.1	\$72.7	\$80.0	\$88.0	\$96.8
Others & Discounts	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	66.1	72.7	80.0	88.0	96.8
<b>Total Sales</b>	547	547	547	547	547	547	547	547	547	547	547	547	6,565	7,221	7,944	8,738	9,612
<b>COGS</b>																	
Fish	292	292	292	292	292	292	292	292	292	292	292	292	3,502	3,852	4,237	4,661	5,127
Other Sales	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	319.1	351.0	386.1	424.7	467.1
Publishing	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	57.1	62.9	69.1	76.1	83.7
Other Costs	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	340.3	374.3	411.8	453.0	498.3
<b>Total COGS</b>	351.5	351.5	351.5	351.5	351.5	351.5	351.5	351.5	351.5	351.5	351.5	351.5	4,218.6	4,640.4	5,104.5	5,614.9	6,176.4
<b>Gross Profit</b>	195.5	195.5	195.5	195.5	195.5	195.5	195.5	195.5	195.5	195.5	195.5	195.5	2,346.4	2,581.1	2,839.2	3,123.1	3,435.4
	36%	36%	36%	36%	36%	36%	36%	36%	36%	36%	36%	36%	36%	36%	36%	36%	36%
<b>Operating Expenses</b>																	
G&A	152.9	152.9	152.9	152.9	152.9	152.9	152.9	152.9	152.9	152.9	152.9	152.9	1,834.4	1,949.6	2,072.7	2,184.3	2,302.2
Depreciation	\$5.93	\$6.02	\$6.12	\$6.22	\$6.32	\$6.42	\$6.52	\$6.62	\$6.72	\$6.82	\$6.92	\$7.02	\$77.67	84.6	62.4	\$49.50	\$58.74
Marketing	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	23.5	24.7	25.9	27.2	28.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0	30.0
<b>Operating Expenses</b>	160.7	160.8	160.9	161.0	161.1	161.2	161.3	161.4	161.5	161.6	161.7	161.8	1,935.5	2,058.9	2,161.0	2,291.0	2,419.5
<b>Operating Income</b>	34.8	34.7	34.6	34.5	34.4	34.3	34.2	34.1	34.0	33.9	33.8	33.7	410.9	522.2	678.2	832.1	1,015.9
<b>Other Income (Expense)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	34.8	34.7	34.6	34.5	34.4	34.3	34.2	34.09	34.0	33.9	33.8	33.7	410.9	522.2	678.2	832.1	1,015.9
<b>EBITDA</b>	40.7	40.7	40.7	40.7	40.7	40.7	40.7	40.7	40.7	40.7	40.7	40.7	488.6	703.1	877.2	1,051.0	1,256.7
Interest on Loans and Notes	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	4.5	2.4	1.1	0.1	0.1
Other Interest (Income)	(15.0)	(14.8)	(14.5)	(14.3)	(14.0)	(13.8)	(13.5)	(13.3)	(13.0)	(12.8)	(12.5)	(12.3)	(163.5)	(127.5)	(91.5)	(32.5)	(2.5)
<b>Total Interest</b>	(14.5)	(14.3)	(14.1)	(13.8)	(13.6)	(13.4)	(13.1)	(12.9)	(12.7)	(12.4)	(12.2)	(12.0)	(159.0)	(125.1)	(90.4)	(32.4)	(2.4)
<b>Profit Before Taxes</b>	49.3	49.0	48.7	48.3	48.0	47.7	47.3	47.0	46.7	46.3	46.0	45.7	569.9	647.3	768.6	864.6	1,018.4
Taxable Income	49.3	49.0	48.7	48.3	48.0	47.7	47.3	47.0	46.7	46.3	46.0	45.7		647.3	768.6	864.6	1,018.4
NOL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Less Taxes	17.7	17.5	17.4	17.3	17.2	17.1	16.9	16.8	16.7	16.6	16.5	16.3	204.0	231.7	275.2	302.6	356.4
<b>Net Profit</b>	31.7	31.5	31.2	31.0	30.8	30.6	30.4	30.2	30.0	29.7	29.5	29.3	365.9	415.6	493.4	562.0	661.9
<b>Dividends Paid</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	6%	0.1	0.1	0.1
<b>Change to RE</b>	31.7	31.5	31.2	31.0	30.8	30.6	30.4	30.2	30.0	29.7	29.5	29.3	365.9	415.6	493.4	562.0	661.9
ROS									5%	5%	5%	5%		6%	6%		
Collection Period									14	14	14	14		13	13		
Payment Period									40	40	40	40		40	39		
Inventory Turnover									1.39	1.39	1.39	1.39		17.4	17.4		

### Attachment 3: Integrated Importer Economics

Month (\$000s)	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Sources and Uses St</b>																	
<b>Sources</b>																	
Cash + Cash Equivalents	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts Receivable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Curr Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets	0	25	25	25	25	25	25	25	25	25	25	25	0	300	300	300	300
Accounts Payable	0	0	0	0	0	0	0	0	0	0	0	0	1	42	41	50	55
Accrued Expenses/Liabiliti	11	0	0	0	0	0	0	0	0	0	0	0	11	4	4	4	4
Stale A/P	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sate Corp. Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Line of Credit (Revolver)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Curr. Portion of Notes/Lea	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SBA Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Long Term Leases	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subordinated Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity	1,500	0	0	0	0	0	0	0	0	0	0	0	1,500	0	0	0	0
Depreciation	6	6	6	6	6	6	7	7	7	7	7	7	78	85	62	49	59
Profit After Taxes	32	31	31	31	31	31	30	30	30	30	30	29	366	416	493	562	662
<b>Total Sources</b>	<b>1,549</b>	<b>63</b>	<b>63</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>1,956</b>	<b>847</b>	<b>901</b>	<b>965</b>	<b>1,079</b>
<b>Uses</b>																	
Cash + Cash Equivalents	40	55	54	54	54	54	54	54	54	54	54	53	633	701	757	814	913
Accounts Receivable	0	0	0	0	0	0	0	0	0	0	0	0	0	20	23	25	27
Inventory	0	0	0	0	0	0	0	0	0	0	0	0	0	25	28	31	34
Other Curr Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fixed Assets	6	6	6	6	6	6	6	6	6	6	6	6	72	79	87	96	105
Other Assets	1,500	0	0	0	0	0	0	0	0	0	0	0	1,225	0	0	0	0
Accounts Payable	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Expenses/Liabiliti	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stale A/P	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sate Corp. Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Line of Credit (Revolver)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Curr. Portion of Notes/Lea	2	2	2	2	2	2	2	2	2	2	2	2	20	14	0	0	0
SBA Loan	0	1	1	1	1	1	1	1	1	1	1	1	6	6	6	0	0
Long Term Leases	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subordinated Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends Paid/Adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Uses</b>	<b>1,549</b>	<b>63</b>	<b>63</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>1,956</b>	<b>847</b>	<b>901</b>	<b>965</b>	<b>1,079</b>

### Attachment 3: Integrated Importer Economics

Month (\$000s)	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Statement of Cash Fl</b>																	
<b>Cash Provided by Operatio</b>																	
Net Income	32	31	31	31	31	31	30	30	30	30	30	29		416	493	562	662
<b>Non-Cash Income Change</b>																	
Depreciation	6	6	6	6	6	6	7	7	7	7	7	7		85	62	49	59
Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
<b>Changes in WC</b>																	
Decr (Incr) in New Invent	(0)	0	0	0	0	0	0	0	0	0	0	0		(25)	(28)	(31)	(34)
Decr (Incr) in A/R	(0)	0	0	0	0	0	0	0	0	0	0	0		(20)	(23)	(25)	(27)
Decr (Incr) in Oth CA	(0)	0	0	0	0	0	0	0	0	0	0	0		(0)	(0)	(0)	(0)
Decr (Incr) in Oth Assets	(1,500)	25	25	25	25	25	25	25	25	25	25	25		300	300	300	300
Incr (Decr) in A/P	(1)	0	0	0	0	0	0	0	0	0	0	0		42	41	50	55
Incr (Decr) in Stale A/P	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Incr (Decr) in Accrued Ex	11	0	0	0	0	0	0	0	0	0	0	0		4	4	4	4
Incr (Decr) in Taxes Paya	0	(0)	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Incr (Decr) in Accrued Int	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
<b>Cash Provided by Oper</b>	<b>(1,452)</b>	<b>63</b>	<b>63</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>		<b>800</b>	<b>850</b>	<b>909</b>	<b>1,018</b>
<b>Cash Provided by Inves</b>																	
Disp (Addtns) of PPE	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)		(79)	(87)	(96)	(105)
Asset Sales					0												
<b>Cash Provided by Inve</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>		<b>(79)</b>	<b>(87)</b>	<b>(96)</b>	<b>(105)</b>
<b>Cash Provided by Finan</b>																	
Addtns (Redctns) of Revc	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Addtns (Redctns) of STD	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)		(14)	(0)	0	0
Addtns (Redctns) of LTD	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)		(6)	(6)	0	0
Addtns (Redctns) of LT L	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Addtns (Redctns) of Sub	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Addtns (Redctns) of Equi	1,500	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
Dividends (Paid)	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0
<b>Cash Provided by Finan</b>	<b>1,498</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>		<b>(20)</b>	<b>(6)</b>	<b>0</b>	<b>0</b>
<b>Net Incr (Decr) in Cash</b>	<b>40</b>	<b>55</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>53</b>		<b>701</b>	<b>757</b>	<b>814</b>	<b>913</b>
<b>Cash, Beginning</b>	<b>0</b>	<b>242</b>	<b>297</b>	<b>351</b>	<b>405</b>	<b>460</b>	<b>514</b>	<b>568</b>	<b>621</b>	<b>675</b>	<b>729</b>	<b>782</b>		<b>836</b>	<b>1,537</b>	<b>2,294</b>	<b>3,108</b>
<b>Cash, Ending</b>	<b>242</b>	<b>297</b>	<b>351</b>	<b>405</b>	<b>460</b>	<b>514</b>	<b>568</b>	<b>621</b>	<b>675</b>	<b>729</b>	<b>782</b>	<b>836</b>		<b>1,536</b>	<b>2,294</b>	<b>3,108</b>	<b>4,021</b>

## Attachment 3: Integrated Importer Valuation

### RPA INTEGRATED IMPORTER VALUATION (\$MM)

**FIVE YEARS**

Total Net Present Value =	0.32	EBITDA in Year 5 =	1.26	---	---	---
DCF Discount Rate per Month	3.44%	Net Profit in Year 5 =	0.66	---	---	---
DCF Discount Rate per Year	50.0%					
Assume cash in years 3 to 5 occur	Mth9					

Discount Rate	20%	25%	30%	35%	40%	45%	50%	IRR
Discounted EBITDA	0.51	0.41	0.34	0.28	0.23	0.20	0.17	
Discounted Net Profit	0.27	0.22	0.18	0.15	0.12	0.10	0.09	
NPV of Free Cash Flow	1.29	1.06	0.87	0.70	0.55	0.43	0.32	
<b>EBITDA Multiple</b>								
4	3.3	2.7	2.2	1.8	1.5	1.2	1.0	
5	3.8	3.1	2.6	2.1	1.7	1.4	1.1	
6	4.3	3.5	2.9	2.4	2.0	1.6	1.3	
<b>P/E Multiple</b>								
5	2.6	2.1	1.8	1.4	1.2	0.9	0.8	
10	4.0	3.2	2.7	2.2	1.8	1.5	1.2	
15	5.3	4.3	3.5	2.9	2.4	2.0	1.6	
20	6.6	5.4	4.4	3.7	3.0	2.5	2.1	
25	7.9	6.5	5.3	4.4	3.6	3.0	2.5	
30	9.3	7.6	6.2	5.1	4.2	3.5	2.9	



# Indonesian Conservation Concessions

## The Context

Indonesia's marine resources are a priority for conservation -- the Indonesian archipelago sits at the heart of the biological bull's eye for coral species diversity and development. It is clear to most observers that the reefs of Indonesia are in trouble. Pressures on the reef range from overexploitation and destructive fishing practices, coastal and marine based pollution, coastal development impacts, and global climate change. With more than 200 million people, 70% of these living within the coastal zone, these pressures are extremely heavy in Indonesia and pose intense and immediate threats to the future of marine resources and the communities that depend on them.

Many have called for quick and decisive solutions to reverse this trend, however little in the way of real progress is being realized. The lack of effective, coordinated responses deployed to date is concerning. The rapid acceleration of degradation and loss of critical reef habitat necessary to sustain marine organisms requires new approaches and innovative responses, moving beyond the multitude of fragmented approaches dominating international conservation efforts today.

## A Solution

The CCIF team is proposing an entirely new, systematic approach to conserving marine resources in Indonesia: the development of an integrated marine management concession approach. The proposed approach combines the traditional solutions and activities of site based conservation and enterprise development with the immediate and sustainable creation of a conservation concession funding mechanism. Tying the existing traditional approaches of site-based community development and enterprise development together under an integrated conservation concession approach will be challenging, but the benefits of an integrated vision and management will outweigh the difficulties and in the end preserve more reef than any one approach alone.

Conservation Concession Mechanism – Stopping the Destruction Today. First, it is essential to stop the destruction today. The rate of destruction and the inability to prevent the current carnage require the introduction of legal protection through a conservation concession in specific marine areas. A marine conservation concession will ensure protection and enforcement while the necessary conditions and objectives of a marine area management plan can be developed and realized.

Reform of a Destructive Industry. Concessions and management plans alone will not guarantee the full protection of the reefs as long as communities fail to see and realize direct value of the reef resources. It is necessary to demonstrate that it is possible to generate local income through sustainable extraction without destroying the resource. CCIF has recently conducted a feasibility study of the transformation to a sustainable aquarium fish industry. The results of the study- the RPA business plan- demonstrates the profitability of a fully integrated, sustainable, MAC-certified exporter operation. The plan will be used to attract private investors. A fully reformed aquarium fishing industry would greatly contribute to the health of the Indo-Pacific reefs.

Economic Development Initiatives. While a sustainable aquarium fish trade will be the first enterprise introduced within the concession framework, the management planning effort will evaluate other economic development opportunities as well. Among them: mariculture (custom cultivation of clams, seaweed, live rocks, corals, etc.), turning fishermen into pelagic fishermen, and eco-tourism. With the appropriate strategy, stand-alone, replicable, large, and self-supporting enterprises facilitated by the concession management approach can be built. Much of the necessary “infrastructure” support will be there; including the consistent flow of revenue necessary to generate viable alternative enterprises and the local management and oversight dedicated to the success of these enterprises. Tourism could also offer an alternative in the long run. In a specific local context, the economic value created by tourism can outstrip that of incompatible destructive fishing.

## Proposal

CCIF has presented a proposal to the Gordon and Betty Moore Foundation to support the creation of a marine conservation concession in Indonesia. The three-year grant would support all work required to establish one or several large-scale marine concessions in Indonesia (identification of sites, design of legal and financial agreements, stakeholder assessments and negotiations, design of management, monitoring, and enforcement systems) in such areas as Take Bone Rate in South Sulawesi (530,000 hectares square) or Teluk Cendrawasih in West Papua (1,453,500 hectares square) at a cost of approximately \$800,000 (see Attachment 1 for the budget). CCIF will ultimately seek additional funding for the establishment of an endowment to support the long-term management of the conservation concession(s).

## Preliminary Rankings of Indonesian Sites

CCIF conducted a preliminary evaluation of potential Indonesian sites for setting up sustainable aquarium fish operations. The sites were ranked using the following evaluation criteria were:

- |                        |  |
|------------------------|--|
| Reef Quality           | <ul style="list-style-type: none"><li>▪ <i>spawning/aggregation site</i></li><li>▪ <i>protection from bleaching</i></li><li>▪ <i>biodiversity</i></li><li>▪ <i>source of aquarium fish</i></li></ul>             |
| Receptive Government   | <ul style="list-style-type: none"><li>▪ <i>demonstrated conservation interest</i></li><li>▪ <i>single administrative boundary</i></li><li>▪ <i>enforcement capacity</i></li></ul>                                |
| Conservation Framework | <ul style="list-style-type: none"><li>▪ <i>existing marine conservation area</i></li><li>▪ <i>previous work done in area</i></li></ul>   |
| Logistics              | <ul style="list-style-type: none"><li>▪ <i>transportation</i></li><li>▪ <i>existing collection stations</i></li><li>▪ <i>external pressures on reef</i></li><li>▪ <i>destructive fishing practices</i></li></ul> |

PRELIMINARY RANKINGS OF  
INDONESIAN SITES

The results of a preliminary analysis are presented in the following table. A more detailed analysis will be undertaken as this project moves forward.

<b>Rank</b>	<b>Island</b>	<b>Area</b>	<b>Location</b>
1	Mangarrai/Komodo	Flores	<i>West</i>
2	Nusa Penida	Bali	<i>East</i>
3	Kupang Bay	Timor	
4	Raja Empat	Irian jaya	<i>West</i>
5	Karimunjawa	Java	<i>North</i>
6	Taka Bone Rate Atol	Sulawesi	<i>South</i>
7	Tukang Besi Island	Sulawesi	<i>South</i>
8	Manado/Gorontalo	Sulawesi	<i>North</i>
9	Kep. Seribu	Java	<i>North</i>
10	Sangkulirang	Kalimantan	<i>East</i>
11	Kei Island	Moluccas	
12	Banda Island	Moluccas	
13	Bali Barat	Bali	<i>West</i>
14	Lampung	Java	<i>South</i>
15	Cendrawasih Bay	Irian jaya	<i>West</i>
16	Masalimo Island	Sulawesi	<i>South</i>
17	Derawan Island	Kalimantan	<i>East</i>
18	Aru Island	Moluccas	
19	Alor and surrounding Islands	Flores	<i>East</i>
20	Sangihe Talaud	Sulawesi	<i>North</i>
21	Banggai	Sulawesi	<i>Central</i>
22	Riau	Sumatra	<i>West</i>
23	Ujung Kulong	Java	<i>West</i>
24	Togean Island	Sulawesi	<i>North</i>
25	Spermonde Island	Sulawesi	<i>South</i>