



Financial Pro Forma – SHARE Cooperative of Winston-Salem

For Harvest Market



February 21, 2018

Support from:
CDS Consulting Co-op (CDS CC)
Minneapolis, MN 55409

Key Assumptions

Retail sq.ft.	6,100	70%	Retail is typically 65 - 70% of total space, more recently 62-67% of total space due to increasing needs for non-retail space.
Total sq.ft.	8,730		
Lease Rate, Triple Net, Year 1	\$61,110		based on \$7/sq ft
Real Estate Taxes, Insurance,	\$17,460		based on \$2/sq ft
Total Lease Rate Year 1 (See Scenario Planning for Lease Rate Schedule)	\$78,570		
Sales/retail sq ft/yr	\$224		
Total Annual Sales Yr 1	\$ 1,369,319		
Utilities per sq.ft. Yr 1	\$7.00		

Required Parking 37 spaces
 6 spaces per 1000 sq ft of retail space for customers, local minimum requirements vary. Employees park elsewhere. An alternate ratio is 4-11 spaces/1000 sq ft of total space

Depreciation Assumptions	Years	Includes
Building Improvements	15	Construction/Site Development, Fees, Holding Site Costs, Interest During Project, 50% of Overrun Allocation
Equipment	7	Equipment, 50% of Overrun Allocation
Organization Development Costs	1	Startup Staffing, Startup Promotion, Overhead/Admin Prior to Opening

Timeline: (Aggressive Version)	End Date:	Typical Stage Milestones
Super aggressive. Will likely take 6 to 12 months longer	31-Dec-17	Stage 1. Organizing Stage, typically ends when formed and functioning with typically at least 300 members
	31-Mar-18	Stage 2A & B. Feasibility & Planning Stage, ends with site secured with a lease agreement with contingencies, with at least 600 members
Date of Possession	30-Sep-18	financing in place, design complete, bids in place, with at least 800 members: Final Decision Point, contingency removed, No Turning Back
	31-Mar-19	Stage 3B. Construction period will be less than 6 months.
	30-Apr-19	Stage 3C. Preparing for Opening. Open with at least 1000 members typically
Open for Business	1-May-19	Stage 3D. Yr. 1 and Beyond

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SOURCES						
Benefits, donations	60,000	2.52%				Net Proceeds, unless expenses are shown in Uses assumes \$200,000 from City of Winston-Salem NC, \$200,000 from County of Forsyth, NC, \$200,000 from KBR Foundation, and \$400,000 from USDC-Economic Development Administration
Grants	1,000,000	41.99%				
Member Equity	100,000	4.20%	\$100	1,000		1000 members at opening, each paid \$100/share
Preferred Shares	0	0.00%	3.00%			3% dividend accrues from store opening. Show it as paid out annually. Assume no payback for now. Min. size loan is \$1,000 or \$2,000. Seeking appropriate legal & consultant advice. Length of loan term: 5, 6, 7, 8, 9 and 10 years; Blended interest =
Member Loans	150,000	6.30%	3.00%	6		
Owners Contribution	1,310,000	55.00%				
Landlord Contribution	218,250	9.16%		25		10-50% of leasehold improvements provided by the landlord, possible range equals \$15 - \$60/sq ft.
Vendor Credit	24,400	1.02%	10.00%	3		Loan with primary Wholesaler at <u>0% over 3 yrs. 10% of starting inventory</u> . Terms need to be established with vendors over time. There is no guarantee of initial terms. Initial terms might be COD.
Free Fill	24,400	1.02%	10.00%			of initial inventory provided by manufacturers, accessed by working with distributor
City/Community Loan #1	0	0.00%	0.00%	15		2% 15 yrs, likely to have deferred payments for 3 yrs (but first draft of pro forma need not show that)
City/Community Loan #2	100,000	4.20%	4.00%	10		City of Winston-Salem
GAP Loan	100,000	4.20%	4.56%	10		Piedmont Triad Regional Council (PTRC), RDC, Kernersville, NC
Co-op Loan Funds	200,000	8.40%	7.00%	7		Shared Capital Cooperative/LEAF Local Enterprise Assistance Fund
External, subordinated	667,050	28.01%				Owner's Contribution plus External/Subordinated should be as close to 75%, at least 55%
Bank Debt	404,747	16.99%	6.50%	10		M&F Bank, Winston-Salem NC
1st Position Debt	404,747	16.99%				Bank Debt (Senior Debt)(First Position) - Aim for 25% or lower 6.5% for 10 yrs
Total Sources	2,381,797	100.00%				

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USES			SqFt Cost	
Leasehold Improvements	698,400	29.32%	\$80	per total sq ft. typical range = \$100 - 120/sqft but it can be higher or lower. Assumption is vanilla shell.
Equipment	588,227	24.70%	\$67	per total sq ft. typical range = \$90 - 115/sqft but it can be higher or lower
Inventory	244,000	10.24%	\$40	per retail sq ft. typical range = \$35 - 50/retail sqft of the above three uses. includes project management, consultants, architect/engineer, store design, legal, financing, environmental, misc. Fees are typically estimated at 10-12% of the above "uses", but the city Basic/misc expenses incurred from start-up thru opening
Fees	153,063	6.43%	10%	Allows for promotion before opening day. Typically, equivalent to 3 months of Year 1 Promotions Expense budget: 2.5% of Year 1 sales divided by 4 but we will assume additional expense to allow for more promotion/education
Overhead/Admin prior to opening	30,000	1.26%		One month of Year 1 total labor + salary/benefits for G.M. for one year before opening
Start-up promotion	9,000	0.38%		Lease deposit, fit out, plus operating costs under CAM/ utilities before opening. Assumption is based on four months of rent and \$10,000 utilities (no exp for 2.6 million total project, 70% debt at 6.5% blend for a period of 6 months at 50% average draw
Start-up staffing	125,675	5.28%		Set aside for consulting support to develop operating systems and provide support in Year 1
Holding/Site Costs	36,200	1.52%		Initially estimated at 10% of Yr 1 sales, to provide adequate cash flow to cover initial operating losses
Pre-opening interest expense	29,600	1.24%		
Post-Opening professional support	20,000	0.84%		
Working Capital allowance	136,932	5.75%	10%	
Subtotal Uses	2,071,097	86.96%		
Overrun Allocation (15% of project costs)	310,700	13.04%	15.00%	Initially calculated at 15% of subtotal. Lowered to no lower than 10% as estimated costs become firm. Assumes overrun allowance is 50% leasehold improvements and 50% equipment
Total Uses	2,381,797	100.00%	\$273	total cost per sq.ft.

NOTE:

Key Assumptions

Assumes the leasing of a sub-anchor site that is currently vacant in the west Salem Shopping Center at the intersection of Peters Creek Parkway and Academy St. (as the current preferred site)

overall product mix is 30% conventional, 70% natural/organic

SCENARIO PLANNING

INPUTS

Retail Sq.ft.	6,100
Total Sq.ft.	8,730

Dakota Market Study Projections	Week 52 Sales	Annualized Weekly Sales	Annual Sales	Annual Increase
Year 1	\$ 27,719	\$ 27,719	\$ 1,441,388	
Year 2	\$ 29,854	\$ 28,787	\$ 1,496,898	3.85%
Year 3	\$ 32,038	\$ 30,946	\$ 1,609,192	7.50%

Year 1 Sales Reduction for Start-up

Enter here:

To account for new store operations, time to build operational systems & capacity.

Sales	Sales per Retail SF/yr	Growth	Wkly Sales Per Total SF
Year 1	224 \$ 1,369,319		3.02
Year 2	269 \$ 1,643,182	20.00%	3.62
Year 3	310 \$ 1,889,660	15.00%	4.16
Year 4	341 \$ 2,078,626	10.00%	4.58
Year 5	368 \$ 2,244,916	8.00%	4.95
Year 6	379 \$ 2,312,263	3.00%	5.09
Year 7	390 \$ 2,381,631	3.00%	5.25
Year 8	402 \$ 2,453,080	3.00%	5.40
Year 9	414 \$ 2,526,672	3.00%	5.57
Year 10	427 \$ 2,602,473	3.00%	5.73

Lease Rate Schedule

	sq.ft. basis	per sq.ft.	
Year 1	8,730	7.00	\$61,110
Year 2		7.00	\$61,110
Year 3		7.00	\$61,110
Year 4		7.00	\$61,110
Year 5		7.00	\$61,110
Year 6		7.00	\$61,110
Year 7		7.00	\$61,110
Year 8		7.00	\$61,110
Year 9		7.00	\$61,110
Year 10		7.00	\$61,110

Property Taxes	1.00	
Insurance	0.50	
Common Area Maintenance	0.50	
TICAM (paid to Landlord per sq ft annually)	2.00	\$17,460

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Blended Margin (mature store)	% of sales	Projected Margin
Natural/Organic	70%	36.00%
Conventional	30%	32.00%
Store	100%	34.80%

ENTER CHANGE TO MATURE STORE MARGIN HERE

Gross Margin

Year 1	33.30%	Lower than mature store for start-up
Year 2	34.05%	
Year 3	34.80%	Mature store
Year 4	34.80%	
Year 5	34.80%	
Year 6	34.80%	
Year 7	34.80%	
Year 8	34.80%	
Year 9	34.80%	
Year 10	34.80%	

Labor

Year 1	22.50%	Higher than mature store for start-up
Year 2	21.75%	
Year 3	21.00%	Mature store
Year 4	21.00%	
Year 5	21.00%	
Year 6	21.00%	
Year 7	21.00%	
Year 8	21.00%	
Year 9	21.00%	
Year 10	21.00%	

General Manager Salary	80,000
Benefits	25%

Incremental Capital Investment	Equipment	Leasehold
Year 1	0	0
Year 2	10,000	3,000
Year 3	10,000	5,000
Year 4	20,000	8,000
Year 5	80,000	35,000
Year 6	30,000	10,000
Year 7	80,000	40,000
Year 8	35,000	10,000
Year 9	40,000	15,000
Year 10	80,000	40,000

<u>Food Pharmacy pilot project</u>		
Products provided will be fresh produce, bulk whole grains and whole grain staples.		
\$20/client/wk	Annual Inco	30% Gross Margin
Yr 1 = 150 clients	156,000	46,800
Yr 2 = 250	260,000	78,000
Yr 3 = 450	468,000	140,400
Yr 4 = 1000	1,040,000	312,000
Assume technical assistance program director is paid for by grant funding.		