



A Letter from our Project Manager

Dear Durham Central Market Owner,

This is a great time for the market! We're getting closer and closer to 1000 owners. We have a terrific site. We're moving ahead with developing it, starting with due diligence—that is, we're making sure there won't be environmental snags or issues with the city's Unified Development Ordinance. And we have heard genuine interest from conventional banks in financing a significant portion of the project.

That's good, because to buy the land, build the building, develop the patio, parking area and stormwater treatment areas, equip the store, stock the inventory, hire and train staff, and keep critical operating capital on hand we're going to need over \$4 million. We believe that we can get \$2.5 million from one or more banks, but to make that happen we need to you to dig deep and invest in your market. We need you, the owners, collectively to invest \$1.5 million in the project.

In 2009 we commissioned a market study carried out by Debbie Suassuna of G2G Research Group, a specialist in co-op grocery sales. She carefully looked at 3 of the sites identified as possible store locations, and concluded that the Mangum & Broadway site offered the greatest synergy of accessibility, visibility, and anticipated sales volumes. The study estimated sales of \$4.48 million in the first year of operations.

Projected Sales (G2G Research Group)

Year 1	\$4.48 million
Year 2	\$5.11 million
Year 3	\$5.82 million
Year 4	\$6.59 million

Sources of Capital

Owner Equity	\$ 200,000
Preferred Shares & Loans	\$ 1,500,000
Community Grants	\$ 350,000
Conventional Loans	\$ 2,075,413
	\$ 4,125,413

Cost to Develop

Site Acquisition	\$ 315,000
Construction	\$ 1,675,000
Storm Water	\$ 225,000
Architect	\$ 152,000
Equipment	\$ 725,000
Inventory	\$ 253,348
Fees	\$ 40,000
Promotion	\$ 17,000
Start-up Labor	\$ 208,047
Pre-opening Admin	\$ 21,500
Pre-opening Interest	\$ 42,000
Working Capital	\$ 300,000
Contingency	\$ 151,517
	\$ 4,125,413

We've been carefully studying the financial results that co-ops around the country achieve. Using that data we've built a financial model that indicates we can be very successful at the site over the long haul. Examine the key metrics below and you'll see that there are substantial earnings (EBITDA) during each of the first five years of operation. We estimate that cash will begin to flow into the co-operative in Year 2, and will continue to increase annually thereafter.

Projected Key Metrics

	Year 1	Year 2	Year 3	Year 4	Year 5
EBITDA	117,135	302,723	365,061	405,717	405,717
Interest	(225,051)	(222,796)	(220,354)	(217,709)	(214,845)
Net Income	(266,411)	(78,568)	(13,788)	29,513	32,378
Free Cash Flow	(156,668)	20,731	82,199	168,008	170,872



Our newly expanded and energized board will oversee the development process with the help of the Project Manager and guidance as needed from Cooperative Development Services (CDS). As financing is coming into place, and we grow near to opening the store, the next step will be to undertake a national search for a General Manager who will be responsible for store operations, including start-up. As the key professional she (or he) will help determine product selections, marketing plans and store layout.

The General Manager, Project Manager and board will work as a team to hire and direct the work of a site designer and an architect, as well as a store layout specialist from CDS. Other steps in the process will include getting the requisite approvals and building permits, hiring a general contractor, specifying and ordering the appropriate equipment, hiring department managers and then staff, ordering inventory, training the staff and stocking the store.

Once the store is open it will serve both owners of the cooperative and non-owners alike. As profits are generated, an annual dividend will be distributed to owners based on the amount of business they did with the co-op over the prior year.

While the mission of the market is to focus on local products, the store will have to offer a wide variety of goods and services in a clean, well-merchandised store that serves both the customers represented by the ownership as well as residents in the area around the store.

Check out the website at www.durhamcentralmarket.org for more information on our mission and plans.

We are very excited about the future of Durham Central Market! There are, of course, substantial risks and an investment in Durham Central Market should not be undertaken without studying the prospectus and understanding those risks.

If I can answer any questions for you please don't hesitate to contact me at either don@durhamcentralmarket.org, or 919-812-3474.

Cooperatively yours,

Don Moffitt
Project Manager, Durham Central Market