

Muskoka North Good Food Co-operative

'A Good Food Movement'



Business Plan

July 2014

Contacts:

Kelly Picken

Chair, Board of Directors

Muskoka North Good Food Co-op

kpicken@aol.com

Kelli Deering-Ebbs

General manager

Muskoka North Good Food Co-op

muskokanorthfood@gmail.com

 facebook.com/MuskokaNorthGoodFoodCoop

 muskokanorthfood.com

Good Food!

Table of Contents	Page
2. Executive Summary.....	4
3. About <i>Muskoka North Good Food Co-op</i>.....	8
3.1 Business History	
3.2 Mission Statement, Vision and Values	
3.3 Member-ownership and Legal Structure	
3.4 Organizational Timeline	
4. Operations.....	14
4.1 Location	
4.2 Design	
4.3 Producers and Procurement Policy	
5. Competitive Analysis.....	17
5.1 Consumer Demographics	
5.2 Market Analysis	
5.3 Competitors Analysis	
5.4 Competitive Advantage	
5.5 Market Analysis Assumptions	
5.6 Market Analysis Goals	
5.7 Products and Services Market Survey Results	
5.8 Margin Targets	
6. Management and Human Resources.....	25
6.1 Board of Directors, Advisory Committee and Management	
6.2 Personnel Policies and Procedures	
6.3 Staffing Requirements	
6.4 Social Economy, Building Capacity, Building Community	
7. Financing and Capitalization.....	28
7.1 Start-up Funding and Capitalization Required	
7.2 Projected 5 Year Income Statement	
7.3 Retail Grocery Financial Forecasts	
7.4 Cafe and Business Production Kitchen Financial Forecasts	
7.5 Wellness Hub Financial Forecasts	

Appendices

- Appendix **I** - Board of Directors, Advisory Committee & Management Bio's
- Appendix **II** - MNGFC Bylaws
- Appendix **III** - Northern Product Suppliers & Procurement Policies
- Appendix **IV** - Membership
 - Contribution Margin Calculation
 - Human Resources
 - Store Operating Hours
 - Co-op Financial Benchmarks (2003 & 2004)
 - Average Household Food Expenditures
- Appendix **V** - Management and Staff Profiles
- Appendix **VI** - Site Design Plans & Drawings..... n/a
- Appendix **VII** - Seven International *Principles of Co-operation*
- Appendix **VIII** - Letters of Support

List of Figures	Page
Figure 1: MNGFC Values Structure.....	10
Figure 2: Sample Membership Card.....	11
Figure 3: Organizational Timeline.....	13
Figure 4: Exterior Design Drawings.....	15 (n/a)
Figure 5: Procurement Priorities.....	15
Figure 6: Organizational Marketing.....	16
Figure 7: Regional Population Chart.....	18
Figure 8: Competitors Analysis Graph.....	21

“Your movement may be one of the most significant community development initiatives the area has ever seen”

- Susan Lovell, Muskoka YWCA

2. Executive Summary

Muskoka North Good Food Co-operative's (MNGFC) business plan provides the full overview of the four market segments of the business that *MNGFC* is preparing to engage in. Also included is background information about who could support and potentially fund a food co-operative in Muskoka. This plan reflects the vision and priorities of the people of Muskoka on matters related to building a sustainable food system by using a social enterprise model. The term "local" will be used throughout this document, which for purposes of this business plan, is defined as **Muskoka and Northern Ontario**.

MNGFC is an innovative solution to a pressing social, economic and environmental problem that we are experiencing throughout Ontario and the globe; lack of secure local food systems, inadequate globalized food production, rising transportation costs, and the steady depletion of Canada's small-scale farmers (75% of Canada's small-scale farmers will be retiring in the next 10 years). *MNGFC* is an initiative which tackles these major social issues and offers new ideas for wide-scale change in the supply and demand capacities in Muskoka and Northern Ontario. Working as co-operative change-makers, and applying market-based strategies, *MNGFC* is implementing an understandable and ethical shared vision to create a viable and competitive business structure. Northern Ontario business growth and investment using 'triple bottom-line' targets (social, environmental, financial) will remain central to the operation.

There are no businesses within 200 kilometres that compare to *MNGFC* in collective impact, offerings, services, model or structure. *MNGFC* places community benefit alongside profitability and will connect 'local' farmers to a growing consumer base with a Grocery Retail Market, Cafe and Commercial Production Kitchen. This will assist in scaling-up local agri-food production capacity while also addressing systemic social and health issues through the added development of a Fitness/Wellness Room. Professional agri-food business development support will be incorporated into the procurement equation so that markets will increase for Northern producers and so that product variation, quality, and innovation will place *MNGFC* far apart from all other food retailers in the competitive market of the region.

To date, *MNGFC* has been in contact with over 150 Northern producers interested in accessing the *MNGFC* market (See Appendix III - Northern Product Suppliers). Resulting spin-off job creation throughout the Northern Ontario agricultural sector will show solid growth through the years as producers increase their productive capacity, skills and distribution of supplies throughout the region (See Appendix VIII - Letters of Support). Based on information from other "local" agri-foods retailers in Northern Ontario, *MNGFC* aims to realize a 10%-15% annual growth in "local" procurement from all angles of agri-food production. Aside from community member-owners, *MNGFC* will also be the provider of local food products to a building number of corporate members such as hospitals, schools and seniors homes as their individual food policies begin to demand an increase in local food input and procurement. The *MNGFC* membership structure offers corporate membership and continues to build a strong corporate member base.

The Co-op will stand in a position of it's own in Huntsville and surrounding regions. Developers have identified and prioritized a competitive analysis which ensures that the product, service and social contributions of the four market segments are currently not being fully represented at any regional competitors.

Four market segments:

1. **Grocery Retail Market:** A 5000 ft² grocery market with priority and care given to the procurement of Muskoka and Northern Ontario grown and raised agri-food products from every accessible agricultural sector.
2. **Commercial Production Kitchen/Community Cannery:** A 900 ft² certified kitchen for small value-added production food businesses, grocery store product development, and educational skills building purposes. This will be the learning grounds for food literacy skills such as: preserving, food storage, cooking from raw ingredients, growing your own food, nutrition, foraging, butchering, eating seasonally, and understanding food production regulations that affect a changing food system.
3. **Café:** An 800 ft² café, which will focus on local cuisine and opportunities to promote agri-food products produced in Muskoka and Northern Ontario. This component will serve as an extension of *MNGFC's* marketing initiatives; bringing the food from the grocery market shelves to the plates of consumers.
4. **Fitness-Wellness Room:** Due to the recent closure of a large fitness studio in Huntsville, over 600 people are without an affordable and inclusive exercise/wellness venue. This will fill this gap in the community, and contractually employ approximately 15 instructors who are currently searching for opportunities such as this. This space will result in significant spin-off economic generation for the other 3 market segments.

This project is guided by the *Four Cornerstones of Co-operative Development*¹: Vision, Talent, Capital, and Systems, to ensure that the *3 Stages of Development*: Organization, Capital & Financing, and Implementation will create the highest model of success for *MNGFC*.

At the time of this business plan development, *MNGFC's* member/ownership is over 400 which equates to approximately 1200 people. Organizers are confident that *MNGFC* will have 800 founding members by the grand opening, which will achieve \$48,000 in member-equity and equates to over 2400 people. It is projected that member-ownership will substantially increase within the first year of opening. With this solid membership base; along with a predicted 800-1600 non-member customer base in year one, projections indicate that *MNGFC* will become financially sustainable within its second year of operations.

Local food has a proven and strong multiplier effect on local economies.

For every \$1000 a shopper spends at their local food Co-op, \$1,604 in economic activity is generated in their local economy- \$239 more than if they had spent that same \$1000 at a conventional grocer. ²

Grocery market and service revenues and calculations in this report are based on member-owner and non-member customers spending on average, \$53 per week on groceries. (Statistics Canada; consumer spending reinforced by the sales of a similar sized store, similar demographic base)

Muskoka North GOOD FOOD CO~OP

Russ Christianson, lead Ontario co-operative development consultant, consulted on all financial projections in this plan associated with the retail grocery segment (*See Page 27 - Financing and Capitalization*). Original projections were based on meticulously scrutinized and professional benchmark data from Food Co-op's across Canada and the United States. Using worst-case scenario's, all of the original projections gauged annual sales growth rates of 30% by year two to 10% by year five. *MNGFC's* finance committee and Board of Directors chose to then bring all annual sales growth down to 5% each year to show a solid break-even point in grocery retail by year two with profits accruing over the following three years. The other three market segments of the business were designed by *MNGFC* management and directors with consultation and advice from advisors and committee members. The combined annual sales of all four market segments show a net profit in year one of \$110,000. With this over cautious strategy in place, organizers can be absolutely sure that this business venture, with proper financing and capitalization at the beginning, will run sustainably within the first five years of operation with all necessary future growth being feasible and realistic.

The capitalization and financing of *MNGFC* will be built through diverse fundraising strategies including grant acquisitions, member equity, community social investment, Crowd Funding platforms, landlord contributions, and donations. This strategy will be designed to achieve a financial goal of \$1,637,872. Combined year one annual sales projections reach \$2,688,500 with sales growing annually by 5% each subsequent year to year five. Combined year five sales projections approach \$3,282,400.

Monthly sales are expected to rise substantially in the first year with peak climbs during the winter and summer seasons. It is assumed that *MNGFC* will need a working capital of \$1,250,000 to operate efficiently for the first 12 months. Projections reflect that this is achievable and that the business will be able to generate enough sales to maintain the required cash flow.

In year one, *MNGFC* anticipates that it will employ approximately 8 full-time equivalent employees, who will operate and conduct the daily business of the store under the supervision of the General Manager and 3 Department Managers, 7-days per week. At least 25 contracted educators and instructors will also be consistently hired for *MNGFC* programming. Significant Human Resources and management expertise is a strong trait of the *MNGFC* Board of Directors. Detailed staffing structure outlining all levels of management and floor staff is incorporated in this business plan (*See Appendix V*).

MNGFC is networked with all Ontario Food Co-op's through the *Local Organic Food Co-op's Network* and is also supported by *The Ontario Co-operative Association (On Co-op)*. *MNGFC* participates and networks in many province-wide local food and co-operative assemblies and conferences.

Comparative analysis and income projections based on three different ft² retail scenarios were scrutinized by *MNGFC* finance committee and Board of Directors. This resulted in the signing of a conditional lease agreement for a 9000 ft² commercial retail space on #3 Crescent Road in West Huntsville. Overall, this business plan indicates that *Muskoka North Good Food Co-operative* will:

- be a profitable venture,
- result in significant production capacity increases in Northern Ontario,
- be a catalyst for new farmer/producers to settle in Northern Ontario,

Muskoka North GOOD FOOD CO~OP

- provide steady employment opportunities, and
- have the added advantage of bringing people together to build stronger and healthier communities in Muskoka and Northern Ontario.

Please note that this document is current, will have the flexibility required for a start-up venture and is subject to change as the project progresses.

¹ <http://www.cdsconsulting.coop/food-co-op-initiative>

² National Co-operative Grocers Association, 2013

“I’m excited to have a venue for our local farmers! We have hopes of becoming local producers one day and this co-op gives us an opportunity to make that a reality.” - Founding Member #206

3. About Muskoka North Good Food Co-op

MNGFC's Board of Directors, General Manager and advisory committee recognize an exceptional opportunity to build on the focused conversations and engagement that the citizens and Municipal and District Governments of Muskoka have been building and supporting for the past three years. MNGFC will offer Muskoka exceptional agri-food products and services including educational food-based community programming. By prioritizing food procurement from local producers, MNGFC will act as a catalyst that connects producers to local consumers, contributing to increased local food and value-added production capacity, while giving all local producers the needed opportunity to market their products 12 months of the year. MNGFC is guided by the Seven International Principles of Cooperation (See Appendix VII) and stands by values of democracy, social justice, environmental stewardship, and economic sustainability.

3.1 Business History

MNGFC's first official 'founding membership' campaign resulted in membership investments from over 200 families and over three months later, membership stands at almost 400 member-owner families.

The following are some of MNGFC's strategic objective accomplishments to date:

- Identified extensive community support and response through social media networking and data-base totalling over 1,500 people
- Leads several volunteer committees including: finance, membership/events, food policy/procurement, leasehold/renovations, and marketing/communications
- Hosted an *Ontario Co-operative Association* public co-operative development workshop and board governance training
- The Board of Directors (See Appendix I) has approved its bylaws (See Appendix II), mission statement, vision, and several policies (See Appendix III)
- Identified and contacted over 150 'local' agri-food producers who are interested in supporting and being supported by MNGFC
- Received funding for business plan development/consulting, website/video development, and member events
- Initiated funding application to FedNor (phase one) and is currently building funding applications to Ontario Trillium Foundation (November 2015), and OMAFRA
- Hired co-operative development professional Russ Christianson, to assist in developing a Five Year financial projection (See Appendix IV)
- Conducted extensive analysis and evaluation of documentation, data, community consultations, key stakeholder interviews, market trends/best practices, and consumer/producer survey's from three significant regionally produced documents³. Findings from all three indicate recommendations that development of a community 'Food Co-op' or 'hub' be of top priority in building significant capacity growth in Muskoka's regional food system and food-based economy.
- Created a partnership with a Huntsville-based Corporate Law firm* to assist with matters pertaining to contracts, lease agreements, Community Investment and insurance.

*Miller Law Group

3.2 Mission Statement, Vision & Values

Mission

To provide our community access to the best regional, sustainable, safe, and environmentally conscious foods through the development of a community-owned grocery store and educational food centre. The MNGFC provides fair value to producers for their products and living wage models for its staff while promoting co-operative values and participation.

Vision

Creating a vibrant community food culture that builds a thriving, regional food economy and stimulates community participation in environmental, societal and personal stewardship as it relates to food.

Values

- Promoting co-operative values and participation;
- Ethical, transparent governance that is non-hierarchical, locally controlled and inclusive;
- Diversity, resourcefulness, pragmatism and innovation;
- Asking and listening to its members and community;
- Community food initiatives which reflect the needs of the membership;
- Ensuring the highest quality of work integrity and honesty that will be reflected with a living wage model;
- The highest quality food procurement and policy, prioritizing local, then regional, then provincial, then national (*See Appendix III*);
- Working towards filling 'gaps' in our regional food system while supporting non-GMO, sustainable and organic agricultural practices, and protective land and water stewardship management.
- Paying farmers and producers what they need to make a good and fair living;
- Providing affordable food to our membership;
- Directing any generated surplus to growing the retail business and food-based programs/initiatives;
- Acting as the "hub" for good food initiatives (food mapping, community cannery/production kitchen, weekly newsletters, food literacy education-skills, training, workshops);
- Operation of a small-scale food business incubator for support/advocacy to regional producers;
- Co-operation on every level of business, education and networking.

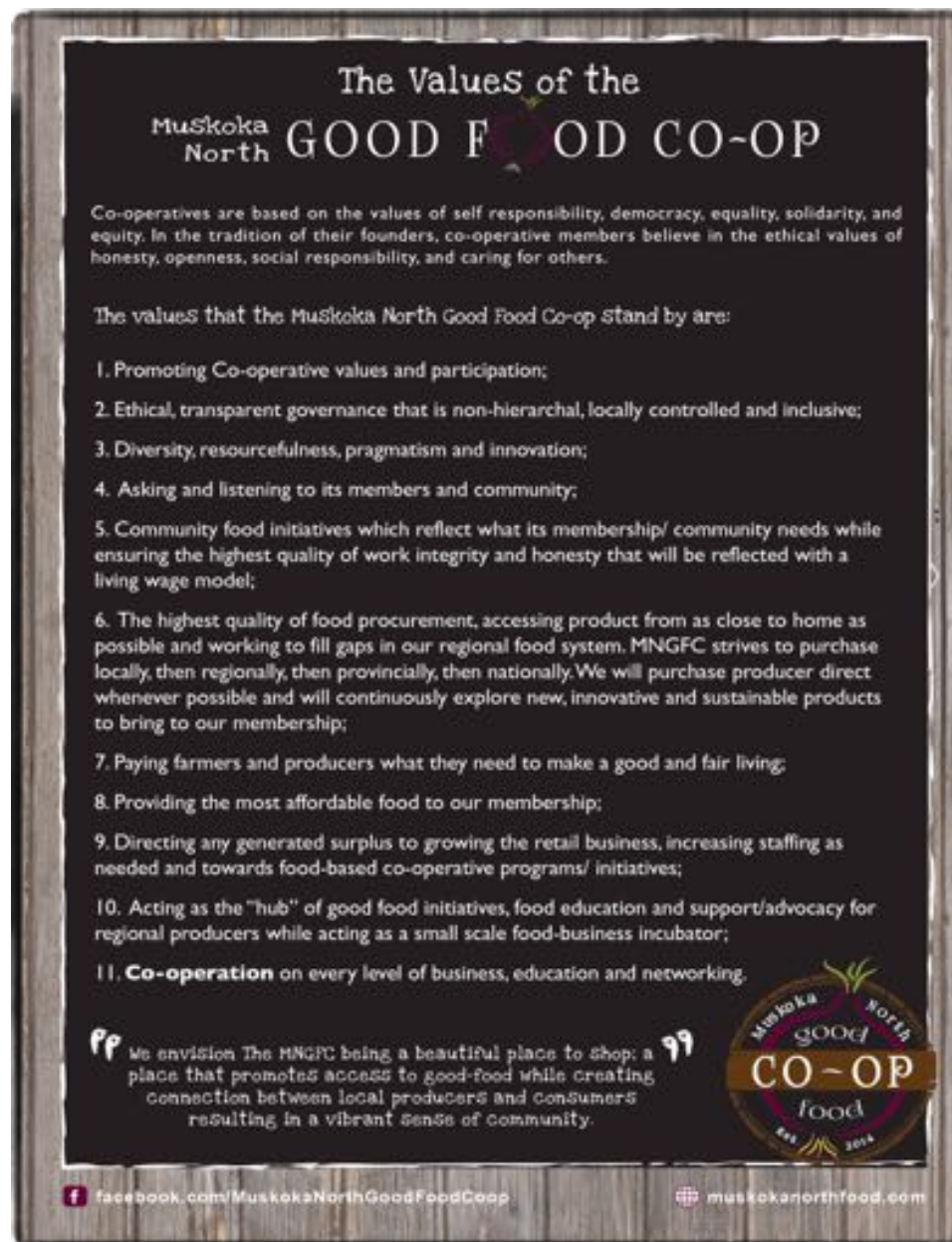


Figure 1: Values Structure

"We envision the food co-op being a beautiful place to shop; a place that promotes access to good-food while creating connection between local producers and consumers resulting in a vibrant sense of community."
- MNGFC founders

3.3 Member-ownership and Legal Structure

MNGFC is a registered member-owned and operated not-for-profit co-operative, organized as a non-share capital model. A Board of Directors effectively serves its members and the multi-stakeholder ownership structure provides consumers, producers and corporations the opportunity to become citizen investors in their own co-operative enterprise. Lifetime consumer 'household' and 'producer' membership shares are valued at \$60 and corporate-member shares are valued \$100. Non-members are always *welcome* to shop and utilize the services offered at *MNGFC*.

It is estimated that *MNGFC* membership will double after year one and then grow by 10% each year throughout the first five years of business. (*Evaluation is based on CDS Consulting Co-op research benchmarks*)

Member-owner Benefits

- A grocery store/community food centre where all generated surplus revenues stay in the community
- Local agri-food business development support
- A long-lasting co-operative enterprise; co-operatives are proven to stay in business longer than conventional business models⁴
- Access to unique products and educational opportunities not found in other regional enterprises
- Involvement in direction of generated surplus revenue
- Direct support and investment in building capacity in the local food system
- A co-op that promotes independence, autonomy and self-reliance
- The opportunity to sit as a board director if elected
- Elections that are inclusive and function under a working democratic process
- The benefits of accessibility, affordability and high quality products as well as a transparent supply chain
- Member-owner service directory
- Paramount membership engagement
- Special pricing opportunities on products and services
- Opportunities to volunteer in-store as a "working member"
- A one membership/one vote on all major decision making
- Ownership of your grocery store.

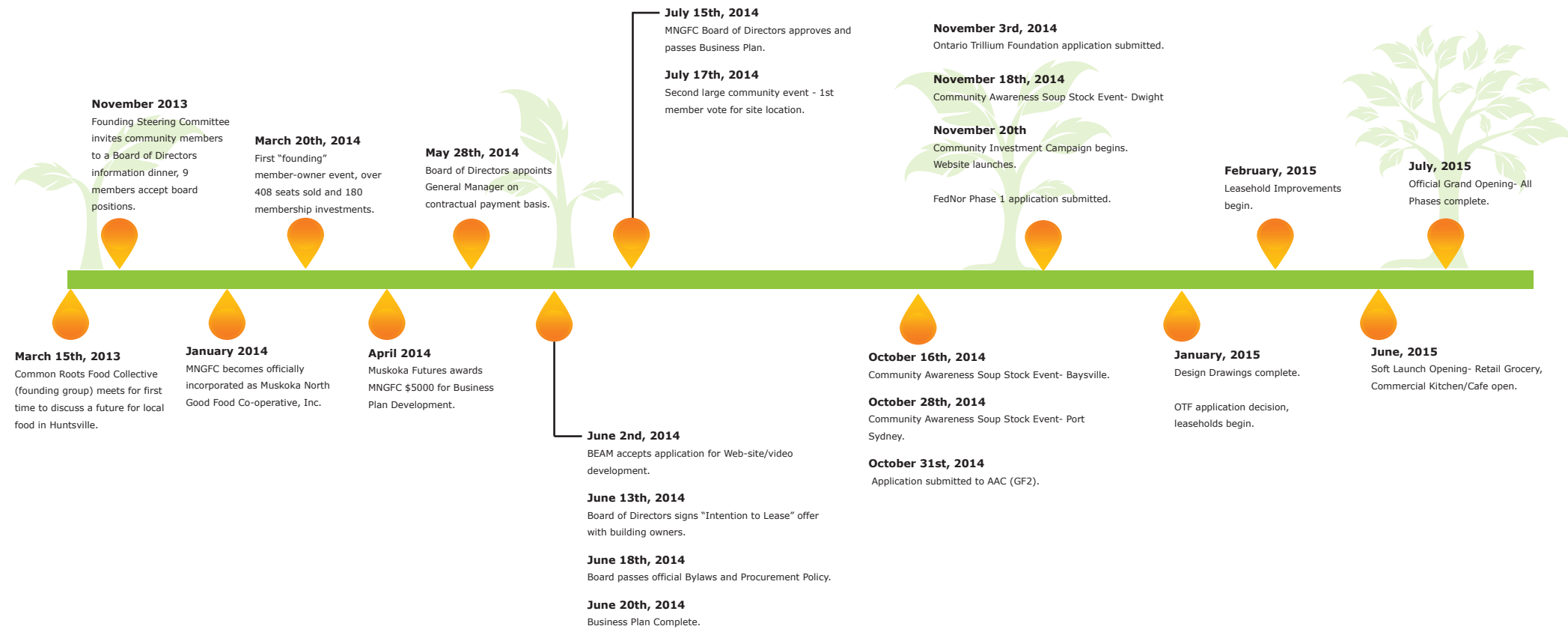


Figure 2: Sample Membership Card

-
- ³ - Foodshed Report, 2012- District of Muskoka with Ryerson University
<https://muskoka.civicweb.net/Documents/DocumentDisplay.aspx?ID=17974>
- Muskoka "Food Hub" Feasibility Report, 2013-SAVOUR Muskoka
- Muskoka Food & Agriculture Charter Report, 2014-District of Muskoka, SMDHU

⁴ 2008 study by the Quebec Department of Economic Development, Innovation, and Export Trade found that co-operative businesses tend to last longer than other businesses in the private sector. More than six-out-of-ten co-operatives survive more than five years, compared with almost four businesses out of ten for the private sector.

3.4 Organizational Timeline



4. Operations

4.1 Location

Specific site criteria, and advisory committees, were developed at the organizational level and a site location that exceeded this criteria was found. The owners of this 9000 ft² space remain active and supportive partners and potential investors.

MNGFC will take possession of the space when initial financing is secured. The building offers thousands of square feet for future expansion, 90 parking spaces, and sits on Huntsville's Public Transportation Route. It is accessible by bicycle, and is less than two minutes from the southernmost exit from Hwy 11. This offers ease for consumers from outlying communities. It is also situated in a commercial-centric part of town, with hundreds of employees working within walking proximity to the Co-op, and is bordered by subdivisions of single-family homes. *MNGFC* will be the sole grocery market, café, community cannery/commercial production kitchen and wellness provider in the area.

Site location criteria:

1. Ample parking (90);
2. Min. 5000 sq.' grocery retail;
3. Clean slate from which to work (no demolition);
4. Clean, well-built, structurally sound;
5. Proximity to members;
6. Proximity to Hwy.11;
7. Green Space and opportunity for placement of commercial greenhouse;
8. Strong landlord/tenant relationship;
9. Accessible;
10. Room to grow;
11. Loading dock;
12. Furthest distance from existing competitors.

4.2 Design

MNGFC organizers have developed a Request For Proposals for building designers and contractors to provide quotes and work scope descriptions for professional design and project management. Together, we will create interior and exterior designs that: reflect smooth customer flow, optimize merchandising possibilities and floor space, provide equal-access, and reflect best practices and innovation in the grocery maker sector. *MNGFC's* interior design committee will be consulted to create a coherent design aesthetic that aligns with the *MNGFC* branding strategy and uses healthy, sustainable and safe building materials.

Figure 4: Exterior Design Drawings (not yet available)

4.3 Producers & Procurement Policy

The sourcing committee has created a large database of local producers who represent *MNGFC's* procurement priorities (See *Appendix III*):

#1- Muskoka and Northern Ontario

#2- Ontario

#3- Canada

#4- International (100% certified organic only)

The *MNGFC* Procurement Policy has been developed and approved at Board level, and a producers committee will be established in September 2014.



Figure 5: Procurement Priorities

Producer Marketing

MNGFC strives to provide a cohesive regional voice for Northern producers' promotion, distribution and communication and aims to co-operatively and fairly develop specific procurement terms, and supplier contracts. *MNGFC* will align with advertising and design professionals to offer marketing packages as an optional business tool for producer-owners. Maintaining and managing these relationships is a critical piece of the procurement strategy. Unlike conventional grocery stores, where most products are procured through one major distributor, initially *MNGFC* will be working with over 150 independent producers and value-add suppliers from Muskoka and Northern Ontario. This is a valuable first level of producer-consumer connection.

Organizational Promotion (See *Appendix IX*)

Events and organizations which *MNGFC* has actively participated in to date:

- 2 business events hosted by Muskoka YWCA
- Ryde Community Co-operative; Ryde
- Elk Lake Eco Centre; Timiskaming
- 2014 Huntsville/Lake of Bays Chamber of Commerce AGM
- 2014 Huntsville's Earth Day Summit
- Huntsville and Lake of Bays Senior's luncheon's (200 attendees)
- Town of Huntsville Sustainability Council
- 2014 Chamber of Commerce Live it Getaway! event
- 2014 Rotary Dockfest; Huntsville
- Extensive coverage in local print media
- 4 Hunter's Bay Radio interviews; Huntsville
- CBC's Ontario Morning with Wei Chan
- Monthly *MNGFC* e-newsletter 'Good Food News'
- On-line *MNGFC* Web-Site- www.muskokanorthfood.com
- Over 1,450 followers on social media Facebook page

Muskoka North GOOD FOOD CO~OP

- MNGFC video documentary production- <https://www.youtube.com/watch?v=wmygEGeJjpo>



Figure 6: Organizational Marketing

5. Competitive Analysis

5.1 Consumer Demographic

In Canada, on average, most people (families) visit a grocery store between 1-3 times per week. Majority of the local population surveyed drive to the grocery store and 100% of the population is dependent on grocery store products for majority of their food (*Muskoka Food & Agriculture Charter research, 2012*). Other than the 400 owner-members who have already invested in *MNGFC*, it is very reasonable to predict that the Co-op will attract many other consumer types. *MNGFC* will continue to educate and encourage potential consumers to invest and support the co-op but do recognize that up to 50% of the co-op's consumers will likely *NOT* be member-owners (*Eat Local Sudbury and LOFCN*). While encouraging inclusion, *MNGFC* consumers would be from the following demographic groupings:

1. **MNGFC Member-owners:** a diverse grouping of single people & families, producers & corporate entities.
2. **Huntsville Residents:** interested in the co-op offerings and who have an interest in impacting their local economy while accessing local foods.
3. **Homeowners:** live in the surrounding neighbourhoods of West Huntsville.
4. **Communities along the Hwy.11 corridor:** Port Sydney, Utterson, Raymond, Bracebridge, Novar, Emsdale, and Burk's Falls.
5. **Consumers from the outlying areas:** Baysville, Dwight and Dorset.
6. **Seasonal residents:** live part-time in surrounding areas and who live within the medium-high socio-economic threshold. In peak shoulder/high season, an estimated additional population of over 75,000 seasonal residents live in Muskoka.
7. **Professionals and employees working within proximity of the store location:** over 300 workers from various businesses within walking proximity to the Co-op.
8. **Professionals, educators and University students:** Huntsville campus-University of Waterloo is attracting a greater population of visiting students, who are often looking for alternative offerings and events to support.
9. **Newly Informed Families:** seeking safer and sustainable options to feed their family, along with educational offerings.

MNGFC target market will include members, non-member-shoppers, and walk-in customers.

Member-owners - The 'grand-opening' goal is to reach 800 member-owners. Benchmarked trends estimate that this number will double in the first year and grow by 10% each year after, for the next five years.

Non-member Consumers - Other shoppers who do not purchase a membership would be patrons at the Co-op. Based on research, it is projected that 25% of *MNGFC*'s non-member shoppers would make the Co-op their primary source for their grocery purchases.

Walk-in/drive-by Customers - *MNGFC* will be a convenient grocery stop in Huntsville for those travelling on the Hwy.11 corridor as it is located approximately 1.5 minutes from the southernmost exit into Huntsville.

Municipality	Permanent	Estimated Seasonal	Number of Households	Total
Huntsville*	19,048	6,171	7,600	25,218
Lake of Bays	3,720	11,480	1,430	15,200
Bracebridge	16,309	7,045	6,523	23,354
Burks Falls	967	N/A	476	967

* Includes all towns within the Municipality of Huntsville

Figure 7: Regional Population Chart

When assessing target markets and population bases, the data in this business plan is based on the logical assumption that people will travel no more than 25 minutes by car, to access the groceries they prefer to purchase on a regular basis. (Sources: Muskoka Food & Agriculture Charter statistics, Muskoka Foodshed Report)

The current regional population of 60,000 will steadily incline reaching 73,000 by 2021. The highest age populations in Muskoka are between the ages of 40-60. This is swiftly boosting the regions economic demographic levels. (Source: District of Muskoka)

Muskoka's employment rate is also among the highest in Northern Ontario (Source: Muskoka Civic web). It is a priority for MNGFC to play an active role in providing direct and meaningful employment, to focus on youth job development and co-op placements, to contribute to positive agri-food related spin-off job creation and to be a centre for skills building, training, small agri-food business development and subsistence living.

5.2 Market Analysis

The opportunity for human interaction when buying and selling local food is a big part of the attraction of food co-ops. As support for local food by way of co-operative enterprise development continues to grow in popularity, shortened distances traveled between producers and consumers will help strengthen the livelihoods of Northern Ontario farm producers. Most of the Muskoka and Northern regions' grocery stores lack input in regards to producer and production information.

There are no co-operative grocers in the entire region of Muskoka. There are no grocery stores whose priority is availability and accessibility of locally produced foods or whose mission is to educate and build food-literacy skills with goals to create a more sustainable food system in Northern Ontario.

Two food co-op models which exist in closest proximity to Huntsville are: *The Karma Project Food Co-op* in Penetanguishene, which is 141 km to the south and 254 km to the north, *Eat Local Sudbury*. Both of these co-operative enterprises have been working with MNGFC throughout its development and future networking and distribution partnerships are already factored into regular and co-operative planning and discussion.



Food and Farming Co-ops

Food and farming co-ops are of the oldest, largest, most developed and fastest growing co-operative sectors today. They play a leading role in defining and implementing organizational systems that are financially, socially and environmentally stable. They also address the need for an improved and sustainable food system that fairly serve consumers, producers, workers and communities.

Ontario's Farmers Markets sales are reaching over \$700 million annually; however, according to residents of Muskoka, Farmer's Markets do not offer optimum access to good local food. Food Co-ops are a direct response to its member-owner's increasing desire to purchase healthy, safe and sustainable food while contributing to a thriving local food economic reality. The further value of on-line ordering at *MNGFC* will be an effective way to reach consumers with limited access. This service will be implemented in year 2 of operations. Current development of a new *MNGFC* web site will ensure that all technical capabilities will facilitate this type of growth for the future.

Supporting Ontario Farmers and Producers

As the USDA report on the Role of Food Hubs in Local Food Marketing states: "Entry into local food markets can prove difficult for many farmers, particularly small and mid-sized farmers, with capacity constraints and the lack of distribution systems most often being the largest hurdles to overcome. Food hubs are part of a growing local food system that strengthens rural economies by lowering entry barriers and improving infrastructure to create, as well as expand, regional food markets." (Source: Matson, Sullins, and Cook, 2013)

MNGFC's connection with local producers will contribute to the expansion of existing relationships, while building capacity to engage with more producers. This will result in mutually beneficial local food transactions that will tap into the knowledge and skills of players along the local food value chain, creating commercial opportunities for new and experienced Ontario producers to engage with *MNGFC*.

Town of Huntsville

In 2010, The Town of Huntsville launched The Unity Plan, which reflects the Municipality of Huntsville's commitment to the "triple-bottom line" approach to doing business. A community Sustainability Committee was established to act as a support model for our community in regard to various diverse sustainability initiatives. In early 2014, this committee made recommendations to the Huntsville Town Council to officially show their support to the MNGFC initiative and have since endorsed their support to the project at council level. (See Appendix VIII - Letters of Support)

Muskoka North Good Food Co-op's vision reflects the expected outcomes of the Town of Huntsville's Unity Plan:

'Huntsville is a vibrant, welcoming and healthy place in which to live and play as we foster innovation, celebrate arts, culture, heritage, and recreation, develop a strong and resilient economy and follow an ethic of social caring and environmental stewardship'

5.3 Competitors Analysis

Huntsville and surrounding areas grocery sector is mainly dominated by 4 national chain grocers, along with a few locally-owned 'specialty-foods' shops. A strong analysis and comparison has been exercised. With these evaluations, organizers are confident that the MNGFC model, products and service offerings are exclusive from all other local grocery retailers and will lead to increased producer profitability and viability while not compromising the success of other local businesses.

Major grocery retailers in Huntsville (with distance from MNGFC):

1. Freshco - Empire Co. (4.1 km)
2. Metro - Metro (4.7 km)
3. Walmart (6.0 km)
4. Independent - Loblaws (6.2 km)

Minor grocery retailers in Huntsville (with distance from MNGFC):

1. The Great Vine (3.6 km)
2. Big Daddy's Fresh Meat (5.3 km)
3. Butcher's Daughter (7.1 km)
4. Farmer's Daughter (7.0 km)

Opening a start-up co-operative grocery store in a highly competitive market will only succeed if it can offer the consumer desired products and services that are not currently readily available in the local marketplace today under a model which is: unique, values-based and owned by the community. People are very attracted to the 'Triple Bottom Line' approach where profitability is as important as community well being and the environment.

Muskoka North GOOD FOOD CO~OP

Data extracted in the past 2 years from 3 different research initiatives in Muskoka reveal that there is a definitive need for a grocery store which offers the year-round sale and availability of safe, sustainable, and ethically produced local agri-food products.

The following graph depicts the analysis of products and services offered by all 4 national competitors and 4 minor independent food stores in Huntsville.

	MNGFC	Independent	Freshco	Metro	The Great Vine	Big Daddy's Fresh Meat	Butcher's Daughter	Farmer's Daughter
*Seasonal & local	✓	✗	✗	✗	M	✗	✗	✓
*Locally raised meats	✓	✗	✗	✗	M	✗	✓	M
Bulk foods	✓	✗	M	M	M	✗	✗	✗
Producer information	✓	✗	✗	✗	✗	✗	✗	M
Food literacy knowledge	✓	M	M	M	✓	✓	✓	✓
Affordability	✓	✓	✓	✓	✓	✗	✗	✗
Agri-food business development	✓	✗	✗	✗	✗	✗	✗	✗
Fitness & wellness	✓	✗	✗	✗	✗	✗	✗	✗
Café eatery	✓	M	✗	✗	✗	✗	✗	✓
Community kitchen	✓	✓	✗	✗	✗	✗	✗	✗
Art & cultural events	✓	✗	✗	✗	✗	✗	✗	✗
Magazines & books	✓	✓	✗	✓	✓	✗	✗	✗
Values-based model	✓	✗	✗	✗	✓	✓	✓	✓
Democratic member control	✓	✗	✗	✗	✗	✗	✗	✗

M: Minimal
* Local: Muskoka and Northern Ontario

Figure 8: Competitors Analysis Graph

Creating a local grocery market with firm values that is an integrated part of a growing solution, will change community perspective on local food systems and increase demand for these good products and services.

"If food system reforms are to contribute to sustainability concerns such as reduced global warming emissions, scale is the issue that must now be addressed, so that we can sell beyond the 5% who now do some of their shopping to support local-sustainable."

- Ethan Schoolman, Erb Institute for Global Sustainable Enterprise, University of Michigan.

5.4 Competitive Advantage

MNGFC is proud to offer the following full set of services and products. Competitors minimally achieve some of these. However, research reflects that *MNGFC* will remain a unique and 'stand apart' social enterprise in the Muskoka region.

1. **Northern Ontario Producers:** There is great need for more reliable year-round venues to market and sell their products. Most of the Northern producers whom the sourcing committee spoke to conceded that they will readily boost their production capabilities to follow rising consumer demand over future years;
2. **Seasonality:** Fresh produce grown and available year-round (w/ seasonal highs and lows);
3. **Locally Raised Meats:** Strict criteria for safety/origin of meats;
4. **Bulk Section:** Wide selection of Ontario and Canadian produced agri-food products;
5. **Producer Information:** Extensive information on producers and practices;
6. **Democratic Member Control:** A member-owned and locally controlled social enterprise;
7. **Quality and Selection:** Procurement practices that gauge locality, quality and diversity first;
8. **Food Literacy Knowledge:** A staff base that knows their customers are the cornerstone of the co-op. All staff will have and will continue to develop aptitude in food literacy and food system issues;
9. **Affordability:** While paying fair prices to producers for food, *MNGFC* will prioritize that food offered will be as affordable as possible;
10. **Easy Access:** Mobility access to all community members;
11. **Learning and skills building:** Health, wellness and food literacy programs available to all;
12. **Small-scale agri-food business development:** Certified commercial kitchen available for small-scale value-add producers along with agri-food business development guidance;
13. **Fitness/Wellness:** Offering a diverse range of exercise and other active programs for all age groups;
14. **Café:** Serving delicious and locally inspired food and drink prioritizing: product marketing, food quality, atmosphere, service, and summer patio;
15. **Commercial Production Kitchen/Community Cannery:** Kitchen serving as a program space to teach, learn and perform preserving techniques such as canning, dehydrating, fermenting and pickling;
16. **Art and Cultural Events:** Venue where good food meets local art, music and creative culture.

5.5 Market Analysis Assumptions

There are a number of assumptions to be considered when interpreting the significance of sales estimates for *MNGFC*:

1. A hired consultant created sales projections based on 3000, 4000, and 5000 ft² of food retail space in a building with total ft² of between 5500-9000 ft². A membership and Board decision has been made to set goals for financing based on the 5000 ft² retail size, with a total of 9000 ft² ;
2. *MNGFC* does have the opportunity to increase the ft² over time; however, this is not ideal as it is costly to increase space this way;
3. *MNGFC's* selection of locally (priority), naturally, sustainably and ethically produced food based on *MNGFC's* Procurement Policies will increase over time;

4. Population levels are rising in Muskoka;
5. Household populations from Huntsville and Lake of Bays estimated combined food spending is \$69,883,170.00 (9030 households x \$7,739) with average monthly grocery shopping contributing 30-50% of the total monthly amount;
6. Education of the co-op model will result in consumer demand for local food to grow by a minimum of 15% each year over 5 years;
7. *MNGFC* maturity is expected to occur between the 1st and 3rd year of operation;
8. The sales potential assumes that the facility, location and site characteristics will remain relatively unchanged;
9. Over the first 5 years, as *MNGFC* and local producers align, will see local market production grow by 20%.

5.6 Market Analysis Goals

With continued focus and expansion, *MNGFC* organizers predict increased production and membership capacity over time. Focus areas are:

- Promotion and education in the outlying areas of Huntsville including a concerted *effort to reach* out to the cottage/seasonal communities;
- Evaluation of total *market potential* and targets within the trade area;
- Ongoing *evaluation* of the competitive environment;
- Place high value on building strong co-operative networks and partnerships;
- Stimulate increased local production by lowering entry barriers and improving community infrastructure to retain, create, and expand regional foods markets;
- Create ease of access with *on-line order and delivery* to “underserved” markets such as elders, disabled and rural populations;
- Become Huntsville’s primary grocery store. *MNGFC* will offer increased opportunity for local agri-food businesses to capitalize on the rising consumer interest for sustainable, local food products;

5.7 Products & Services Market Survey Summary

A major benefit of member-based co-operative business is that decision-making is guided by the member-owners. This builds trust in the products and resources that are being accessed. In-store public food-literacy education will be a consistent part of the *MNGFC* experience so customers can make educated choices around their purchasing.

A market survey completed by over 100 *MNGFC* founding members gives a broad overview of prioritized products and services (1-highest priority, 6-lowest priority):

Food Products

1. Locally grown produce
2. Locally raised proteins (meats)

Muskoka North GOOD FOOD CO~OP

3. Dairy products including cheese
4. Diverse selection of bulk foods
5. Healthy options for convenience/package foods
6. Children/school friendly foods

Services and Programs

1. Community cannery- preserving and canning classes
2. Value-added production
3. Cooking classes
4. Nutrition literacy
5. Fitness classes

Reason for becoming a member

1. Access to good local foods and their producers
2. Increase in availability of local, organic/GMO free foods
3. Ethical, sustainable food options- knowing what they are eating
4. Supporting local farmers
5. Promoting education

5.8 Margin Targets

Striking a balance between business economic viability and providing affordable food to members is essential. Benchmarks for developed Food Co-op's show margin targets of 30-45%. Annual margin yields will reflect growth as operations and memberships also grow. In year 1, *MNGFC's* projected revenue needs have been set, using varying margin targets depending on product. *MNGFC* will be Muskoka's only not-for-profit, community owned market grocer, where generated revenue will be redirected into competitive and affordable pricing, business expansion, and other food-system priorities established by its members.

"Our grandparents would be proud!" - *Testimonial, Founding Member #51*

6. Management and Human Resources

6.1 Board of Directors, Advisory Committee & Management

A founding committee spent one year establishing the mission, values and visions of a co-operatively run retail grocery market and food-based community centre. Today, a diversely skilled 7-member Board of Directors works alongside a General Manager and 4 advisors to pursue *MNGFC's* mission to build resiliency and a vibrant food economy through co-operative enterprise. (See Appendix I - Board, Advisory and Management Bio's)

MNGFC organizers have formed meaningful relationships with many people and professionals who have offered high-level guidance, skills and experience including: board governance development, retail food management/operations/merchandising, co-operative grocery market development, financial literacy, budget and business plan analysis, public relations, employee recognition & training, agriculture and production, branding development, and marketing/communication.

6.2 Personnel Policies & Procedures

Job creation and economic growth in Northern Ontario must be driven by a strong private sector with small and medium sized businesses positioned to succeed. *MNGFC's* Board of Directors has significant Human Resource (HR) management and development experience. A Human Resources Policy Manual is being developed along with a management/staffing profile and hiring chart. These will be based on past practices, and workplace legislation. The plans will reflect leadership in a workplace which is professional, inclusive, and co-operative. *MNGFC* employees will share mutual responsibilities so that all positions may effectively participate in operational goal setting, cross-functional problem solving, cross training, back filling and project sharing. This model will encourage and facilitate the development and maintenance of knowledge and competence required by staff members to perform their roles effectively and to build a learning/thinking organization.

MNGFC strives to maintain all staff in long-term positions, creating viable careers while earning fair living wages.

Important organizational factors for employer/employee success:

- Maintain a budget for employee development;
- Consistent skills training i.e./conferences, workshops, certifications;
- Encourage formal education;
- Create a workplace climate for growth, health and innovation;
- Conduct content and process learning debriefs, including customer/community feedback;
- Regular staff meetings, team-building and inter-action with volunteer base;
- Creative problem solving;
- Exercise joint decision-making;
- Research and development freedom;
- Commit to providing a "living wage" to all employees.

The philosophy of the board in designing and approving Human Resources Policies incorporates the following principles:

- The standards as set out in the Ontario Occupational Health & Safety Act, the Ontario Human Rights Code, and the Ontario Employment Standards Act are viewed as the minimum standard.
- Policies and practices have been structured holistically to support a vibrant climate of growth, health and innovation. When adding or changing a policy, consideration must be given to how it impacts this overall growth.
- Policies are to assist in creating clarity between Board expectations and office practice. Policies should not create unnecessary bureaucratic administration or eliminate flexible and judicious management discretion.

6.3 Staffing Requirements

The General Manager will assist the Board of Directors during the implementation stage of the start-up development. A highly skilled management team consisting of a General Manager, a Front-End Grocery Manager, Café/Community Kitchen Manager and a Programs Manager will perform very specific duties as well as duty-share responsibilities with the other management staff, ensuring job flexibility and diversity. Calculated role succession while standing by values of employment benefits such as skills training and knowledge gain will also be adhered to. Staffing requirements are based on the anticipated sales projections and a target of 20.5% - 23.2% of sales directed towards staffing costs. (See Appendix V - Management/Staff Profiles)

6.4 Social Economy, Building Capacity, Building Community

Co-operatives are considered an integral part of Canada's social economy. *MNGFC* will provide the tools necessary to build social cohesion by promoting inclusion, local autonomy, trust and equity among citizens while creating effective solutions to North Ontario's social and economic challenges.

Growth of this social enterprise* will depend on developing creative strategies and funding partnerships which build on existing opportunities and best practices in Ontario. This includes leveraging existing social capital to pursue *MNGFC's* mission and to build resiliency. *MNGFC* is working to create support networks across funding programs, tapping into innovative social finance, including: citizen investment, regional community development funds, dedicated social enterprise funding, and broader support for non-profits and social enterprises.

*Social enterprises are a form of community economic development that apply creative solutions to address business challenges and that produce goods and services with clear social objectives which:

- extend the Bottom Line: leadership decisions guided as much by social goals as the pursuit of profit.
- work in tandem with financial success: co-operative social enterprises have significantly higher survival rates than other business corporations. A co-operative is twice as likely to be in operation after 10 years. They also tend to measure success in several ways, resulting in meaningful impact on social and environmental conditions;
- establish a democratic decision-making process in its statutes and code of conduct;

Muskoka North GOOD FOOD CO~OP

- prioritize people and work over capital in the distribution of revenue and surplus;
- base its activities on principles of participation, empowerment, and individual and collective responsibility. (Neamtan, 2005, p.72 Building Capital, Building Community: A comparative analysis of access to capital for social enterprises and nonprofits in Ontario and Quebec and An RBC White Paper-Meaningful Business: Understanding Social Entrepreneurs, June 2014)

7. Financing & Capitalization

7.1 Start-up Funding & Capitalization Required

MNGFC's without share capital structure means that the Co-op will have to rely on various funding opportunities, fund-raising and debt financing to raise the capital required for start-up. In order for *MNGFC* to be both financially successful and meaningful in its social and environmental impact, there are a number of potential funding supporters, fund-raising strategies and tools which will be beneficial to the raising of capital for *MNGFC*. The strategies decided upon must be suited to cover operating expenses such as capital supply purchasing, generating working capital or inventory requirements.

Fundraising strategies can be developed in the following areas:

1. Provincial and Federal Governmental sources with dedicated funding opportunities:

Available for start-up social enterprise incubation, start-up and development and provide explicit support for social enterprises, providing either secured and unsecured capital, or both.

- FedNor
- Community Economic Development Funds (e.g. Eastern Ontario Development Fund, Community Futures Development Corporation)
- Ontario Trillium Foundation
- Agricultural Adaptation Council (GF2)

2. Micro-grants and Enterprise Funds: Some examples that provide start-up co-operative ventures with social capital are:

- Carrot Cache
- Co-operators- Co-op Challenge/ Start-up grants
- Co-operative Development Foundation of Canada
- Town of Huntsville Small Community grants
- District of Muskoka Pay it Forward grants
- Greenbelt Foundation

3. Opportunities to access pooled funds: Use existing capital pools to invite increased investment by credit unions for example, to minimize risk and increase availability. A contingency fund may be available through a Line of Credit with Kawartha Credit Union, *MNGFC*'s financial institution.

4. Philanthropic Giving, Donations and Corporate Sponsorships: Evaluate prospective constituents and local businesses who see great value in social enterprise models and are willing to give time, money and in-kind donations to further the initiative. Potential donors may have an affinity for nutrition, food production, artisanal production, and community building. Researching the broad range of connections within the member-owner spectrum should be evaluated and pulled from. These efforts will require a focussed effort on behalf of the Fundraising/Finance Advisory Committees.

5. Social/Community Investment: Inventory is generally not an allowable expense for most funding bodies. In order for *MNGFC* to cover the \$200,000+ initial inventory cost, it will be necessary to harness capital through an innovative social loans structure. It is very reasonable to say that *MNGFC*'s five year projections make a solid financial argument that social community investment is, although not guaranteed, a safe direction which *MNGFC* member-owners may pursue. Accountable legal direction and a strong Financial Committee are key areas of focus.

6. Marketing and Communications. All financing and capitalization can be realized with a marketing and communications strategy that:

- reaches a broad societal spectrum and demographic;

Muskoka North GOOD FOOD CO~OP

- is creative, pragmatic and engaging;
- has fresh ideas and a social enterprise slant (Triple bottom-line approach)
- focuses on pulling people in who want to give time, resources, capital and skill to the project;
- markets communications materials that educate about the various ways to “support” the Co-op.

7. Kick-Starter/ Crowd Funding Campaigns: Using these innovative resources to harness gift giving and donations from a great audience using a social media e-campaign strategy. It can bring engaged awareness around the *MNGFC* brand and provide a customized, constant message to *MNGFC* audiences and potential donors.

8. Membership Building Campaign: A strong and ongoing membership campaign equals high consumer volume and a member equity fund that is accessible for a number of projects and directives.

9. Special Occasion, Signature, and Third Party Events: One-off events that capture the essence of *MNGFC* and leverages membership, brings community together and inspires people to become involved. Revenues through sponsorships, table/ticket sales, raffles/live auctions are all areas that add value to one-off or annual events. Creating a template model for Third Party Events which members, local businesses and other organizations may use to host fundraising events for *MNGFC*.

10. Point of Sale Campaigns: Can be utilized after doors open for designated purposes such as capital equipment or programming.

11. Stewardship: Key in maintaining positive, engaging relationships with all funders, donors and investors. The development and execution of a stewardship plan is vital to recognize new donors, members, investors and funders.

Conclusion: The ability for *MNGFC* to start, prosper and grow will depend on developing creative strategies and funding partnerships which build on existing opportunities and best practices in Ontario such as leveraging existing non-profit and for-profit sources of capital; building support networks across funding programs; and tapping into regional community development funds, dedicated social enterprise funding, and broader national support to non-profits and social enterprises.

7.2 Projected 5 Year Income Statement

Four Market Segments- Overall Summary					
Revenue by Segment					
Year	Grocery Market	Cafe	Production Kitchen	Wellness Hub	TOTAL
Year 1	2,150,000	446,400	36,500	55,600	2,688,500
Year 2	2,257,500	468,700	38,300	61,300	2,825,800
Year 3	2,370,400	492,200	40,200	67,600	2,970,400
Year 4	2,488,900	516,800	42,300	74,500	3,122,500
Year 5	2,613,300	542,600	44,400	82,100	3,282,400
Total	11,880,100	2,466,700	201,700	341,100	14,889,600
Net Income by Segment					
Year 1	-5,200	77,500	14,200	23,500	110,000
Year 2	0	81,900	15,400	26,300	123,600
Year 3	5,400	86,500	16,600	29,600	138,100
Year 4	11,100	91,300	18,000	35,100	155,500
Year 5	17,200	96,400	19,300	41,200	174,100
Total	28,500	433,600	83,500	155,700	701,300

7.3 Retail Grocery Financial Forecasts

Mundaca North Sand Feed Co. op																			
Retail Inventory Financial Forecasts																			
Table 1. Scenario One - 3,000 Retail SQ																			
Year	Retail Revenue	% Sales Increase	Gross Margin % of Sales	Fullerton Costs	Labour Cost % of Sales	Inventory % of Sales	Depreciation as % of Sales	Other Costs % of Sales	Expenses % Sales	Net Income as % Sales	Net Income \$	FC of Retail Space	Assets	Net Worth per SQ	Inventory \$ Expenditure	Inventory	Other Start-up Costs	Fixed Assets & Debt	Return on %
1	1,000,100,000		21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0.0%
2	1,000,200,000	0.1%	21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0.0%
3	1,000,300,000	0.1%	21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0.0%
4	1,000,400,000	0.1%	21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0.0%
5	1,000,500,000	0.1%	21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0.0%
Unaccounted surplus (loss)												0,000,000							
Table 2. Scenario Two - 4,000 Retail SQ																			
Year	Retail Revenue	% Sales Increase	Gross Margin % of Sales	Fullerton Costs	Labour Cost % of Sales	Inventory % of Sales	Depreciation as % of Sales	Other Costs % of Sales	Expenses % Sales	Net Income as % Sales	Net Income \$	FC of Retail Space	Assets	Net Worth per SQ	Inventory \$ Expenditure	Inventory	Other Start-up Costs	Fixed Assets & Debt	Return on %
1	1,000,000,000		21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000,000	0,000,000	0,000,000	0,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0.0%
2	1,000,100,000	0.1%	21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000,000	0,000,000	0,000,000	0,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0.0%
3	1,000,200,000	0.1%	21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000,000	0,000,000	0,000,000	0,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0.0%
4	1,000,300,000	0.1%	21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000,000	0,000,000	0,000,000	0,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0.0%
5	1,000,400,000	0.1%	21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000,000	0,000,000	0,000,000	0,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0.0%
Unaccounted surplus (loss)												0,000,000							
Table 3. Scenario Three - 5,000 Retail SQ																			
Year	Retail Revenue	% Sales Increase	Gross Margin % of Sales	Fullerton Costs	Labour Cost % of Sales	Inventory % of Sales	Depreciation as % of Sales	Other Costs % of Sales	Expenses % Sales	Net Income as % Sales	Net Income \$	FC of Retail Space	Assets	Net Worth per SQ	Inventory \$ Expenditure	Inventory	Other Start-up Costs	Fixed Assets & Debt	Return on %
1	1,000,000,000		21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000,000	0,000,000	0,000,000	0,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0.0%
2	1,000,100,000	0.1%	21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000,000	0,000,000	0,000,000	0,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0.0%
3	1,000,200,000	0.1%	21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000,000	0,000,000	0,000,000	0,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0.0%
4	1,000,300,000	0.1%	21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000,000	0,000,000	0,000,000	0,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0.0%
5	1,000,400,000	0.1%	21.0%	1,000,000,000	10.7%	2.0%	0.1%	0.0%	10.8%	-0.2%	0,000,000,000	0,000,000	0,000,000	0,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0,000,000,000	0.0%
Unaccounted surplus (loss)												0,000,000							

Notes: (1) Lease will actually be \$0-\$9.50-\$21.50K/yr. used 112 including TMI as work center investment.
 Note: Depreciation as % of sales includes: start-up costs such as: legal, incorporation, as well as on equipment and building costs.
 Note: Other costs % of sales includes: promotion, marketing, professional fees, travel, supplies, food expenses, interest expenses, miscellaneous.
 Note: Expected % of sales: includes insurance, operating expenses, taxes, benefits.
 Note: Utilities are included in Operating Costs.
 Note: rows 111-132 for further breakdowns from Point 1.

7.5 Fitness & Wellness Centre Financial Forecasts

FITNESS/Wellness						
Average \$		8		participant growth 5%		
Instructor/hr		25		Class size growth 5%		
Square footage		800				
Rent/sq foot	year 1	8				
	year 2	10				
	year 3	12				
	year 4	12				
	year 5	12				
Average Participants		6.75	7.09	7.44	7.81	8.20
Classes/week						
Year 1	19.8	Rev	55,598.40	58,398.91	61,281.79	64,329.41
		Cost	25,740.00	25,740.00	25,740.00	25,740.00
		Rent(TMI)	6,400.00	6,400.00	6,400.00	6,400.00
		Total cost	32,140.00	32,140.00	32,140.00	32,140.00
		Income	23,458.40	26,258.91	29,141.79	32,189.41
Year 2	20.79	Rev	58,378.32	61,318.86	64,345.88	67,545.88
		Cost	27,027.00	27,027.00	27,027.00	27,027.00
		Rent(TMI)	8,000.00	8,000.00	8,000.00	8,000.00
		Total cost	35,027.00	35,027.00	35,027.00	35,027.00
		Income	23,351.32	26,291.86	29,318.88	32,518.88
Year 3	21.83	Rev	61,298.64	64,386.28	67,564.72	70,924.80
		Cost	28,379.00	28,379.00	28,379.00	28,379.00
		Rent(TMI)	9,600.00	9,600.00	9,600.00	9,600.00
		Total cost	37,979.00	37,979.00	37,979.00	37,979.00
		Income	23,319.64	26,407.28	29,585.72	32,945.80
	22.92	Rev	64,359.36	67,601.16	70,938.32	74,466.16
		Cost	29,796.00	29,796.00	29,796.00	29,796.00
		Rent(TMI)	9,600.00	9,600.00	9,600.00	9,600.00
		Total cost	39,396.00	39,396.00	39,396.00	39,396.00
		Income	24,963.36	28,205.16	31,542.32	35,070.16
	24.07	Rev	67,588.56	70,993.02	74,497.61	78,202.47
		Cost	31,291.00	31,291.00	31,291.00	31,291.00
		Rent(TMI)	9,600.00	9,600.00	9,600.00	9,600.00
		Total cost	40,891.00	40,891.00	40,891.00	40,891.00
		Income	26,697.56	30,102.02	33,606.61	37,311.47
						41,216.58