

A Study of

Shared Use Kitchen Facilities in Virginia

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EXECUTIVE SUMMARY

Shared use kitchen facilities, also known as commissary kitchens or commercial kitchens, have become a point of interest for food entrepreneurs in Virginia. These facilities offer a cost-effective, flexible, and supportive environment for small food businesses, catering services, food trucks, and bakers. By lowering entry barriers, they enable small businesses to start and scale operations without the high upfront costs associated with renting or purchasing traditional, private kitchen space. Additionally, these kitchens help businesses navigate complex food safety regulations by offering certified space that meets health and safety standards as well as offer various business development services. Shared use kitchen businesses face challenges such as high up-front costs, regulatory compliance, and the need for continuous maintenance and upgrades. Understanding these issues is crucial for maximizing the potential impact of these businesses. Continued support and investment in these facilities will ensure the sustainability of food entrepreneurship in Virginia.

The information in this document comes from literature and database research as well as the knowledge of the consultants' work in the agricultural and rural development sector. The general literature consulted is included as a resource throughout the document for further exploration. This document delves into several topics relevant to the startup and general operations of shared use kitchens, including organizational structures, operational procedures, community impact, and financial projections for several different regions of the state. This document is intended to provide guidance and information for those seeking to implement a shared use kitchen facility in the state.

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INDUSTRY BACKGROUND

The United States Department of Agriculture (USDA) defines shared use kitchens as "licensed commercial spaces that provide a pathway for food entrepreneurs—ranging from chefs, caterers, food truck operators, and bakers, to value-added producers and packaged food and beverage makers—to launch and grow their businesses."

History

Shared use kitchens in America have evolved significantly over the past few decades, driven by the need to support food entrepreneurs and foster innovation in the food sector. The history of kitchen incubators in America dates to the early 20th century. During World War I, community canneries were established to ensure national food security. These community canneries were established primarily to assist families in sharing the expenses and usage of costly equipment such as pressure canners and steam canners.[1] The concept was further engrained during the Great Depression, when the country saw an influx in food preservation centers, with North Carolina alone having 579 canning centers by 1936.[2]

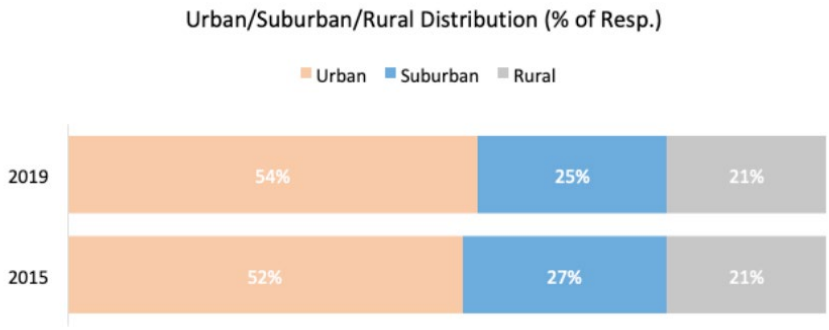
Over time, the concept expanded, driven by the rise of food trucks, catering businesses, and artisanal food producers. By the late 20th and early 21st centuries, shared-use kitchens became a necessity for small food businesses, providing small food businesses and entrepreneurs with access to professional-grade kitchen facilities without the high costs of ownership.

These spaces have evolved over the years and have led to the modern kitchen incubators. These incubators provide not only kitchen space, but also essential services such as business planning, market research, marketing, loans, training, insurance, storage, and distribution. The combination of these services is what differentiates these kitchen incubators from being just a convenient service, into essential hubs for culinary innovation, community building, and economic development.

National Market Analysis

The Food Corridor, a kitchen management software company considered a leader in the shared use kitchen industry, states in a 2020 article that there are over 600 shared use kitchens in business today.[3] The article uses findings from a survey conducted by EConsult Solutions Inc., a Philadelphia-based consulting firm. This survey of over 188 shared use kitchens from across the country shed light on a number of factors that are important to understand the industry.

[1] https://www.thefoodhistorian.com/blog/world-war-wednesday-fruit-and-vegetable-packs#google_vignette
[2] https://www.afdo.org/wp-content/uploads/2020/11/Guidelines_for_Incubator_Kitchens_acc_updated_2017.pdf
[3] https://www.thefoodcorridor.com/blog/kitchen-incubators-report-2020/



https://econsultsolutions.com/wp-content/uploads/2020/01/Kitchen-Incubators-2019_1.14.20.pdf

The survey results indicated that roughly 54% of shared use kitchens were in urban areas while 25% were considered suburban and 21% were in rural areas. This is an increase in the prevalence of urban facilities compared to the 2015 results when only 52% of facilities were in urban areas.[4] This study also found that many of the survey respondents were recently established, showing momentum in the industry. Fifty percent of kitchen respondents were formed within the previous 5 years, while 28% were formed between 5-9 years prior. The remaining 22% have been in business for more than 10 years. The Food Corridor states, "there is a positive feeling about the future of the industry, with nearly 70% of respondents expecting growth in the next five years". The articles further states respondents are anticipating a higher demand from food delivery businesses and there is potential for current businesses to open multiple locations.

The national demand for shared use kitchen space has experienced significant fluctuations over the past few years, particularly influenced by the COVID-19 pandemic. Initially, the pandemic caused a sharp decline in bookings and revenue for these kitchens, with a 30% reduction in early 2020 according to the University of Kentucky's Department of Agricultural Economics.[5] However, as restrictions eased, there was a significant resurgence in demand. This rebound was driven by demand for new food businesses, most notably delivery-only restaurants, which saw a 140% increase in unique users from April to June 2020.

Despite the initial shock, the demand for shared kitchen spaces has stabilized and remains higher than pre-pandemic levels. This sustained interest can be attributed to several factors, including the rise in consumer demand for local food products and direct market channels. Many small businesses and food producers have turned to these kitchens to meet the growing consumer interest in value-added products, ready-to-heat meals, and curated CSA (Community Supported Agriculture) packages. The flexibility and cost-effectiveness of shared use kitchens have made their services an attractive option for both new and established food businesses looking to expand their operations.

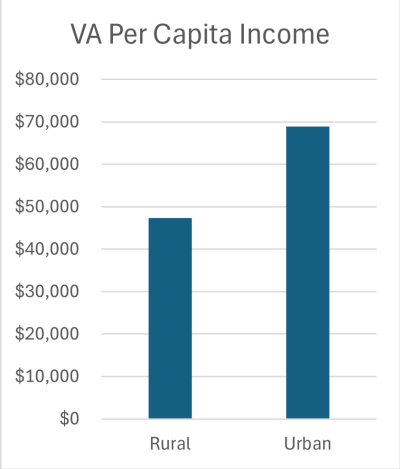
[4] https://econsultsolutions.com/wp-content/uploads/2020/01/Kitchen-Incubators-2019_1.14.20.pdf
[5] https://agecon.ca.uky.edu/demand-certified-kitchen-use-nationally-and-kentucky

Virginia Market Analysis

Understanding the surrounding community and adapting to best fit the needs of community members and area food entrepreneurs is vital to operating a successful shared use kitchen. Virginia boasts a rich and diverse population that reflects its historical significance and modern growth. As of 2023, the state is home to approximately 8.7 million residents, making it the 12th most populous state in the United States.[6] The population density varies significantly across the state, with the Northern Virginia region, including cities like Arlington and Alexandria, being the most densely populated due to its proximity to Washington, D.C. Rural Virginia is home to a significant portion of the state's population, characterized by its expansive landscapes and small-town communities. According to the United Health Foundation, approximately 24.6% of Virginia's population lives in rural areas.[7]

Virginia's age distribution indicates a slightly younger population, with a median age of 38.5 compared to the national median of 38.9. About 21.5% of Virginians are under the age of 18, while 16.9% are 65 years and older. This balanced age distribution supports a dynamic economy and a vibrant community life. The state's educational attainment levels are high, with 92% of adults having completed high school, the highest rate in the nation, and 42.4% holding a bachelor's degree or higher.[8] Economically, Virginia is one of the wealthiest states in the nation, with a median household income of $89,931 in 2023 compared to the national median of $77,719. The state's economy is diverse, encompassing sectors such as agriculture, technology, and defense.

Despite its affluence, Virginia faces challenges such as a 10.2% state poverty rate and significant regional disparities in economic opportunities. According to USDA's Economic Research Service (ERS), rural communities in Virginia experienced a 15.8% poverty rate in 2021 compared to urban communities seeing just a 9.5% poverty rate. Similarly, ERS data shows a noticeable difference in per capita income levels between rural and urban areas in Virginia. In 2021 the per capita income level in rural communities was just $47,360 compared to $68,877 in urban communities.[9]



[6] https://data.census.gov/profile/Virginia?g=040XX00US51
[7] https://www.americashealthrankings.org/explore/measures/pct_rural_b/VA
[8] https://districtadministration.com/rankings-virginia-has-the-highest-high-school-graduation-rates-in-the-country/#:~:text=According%20to%20the%20data%2C%20Virginia,following%20closely%20behind%20at%2091%25.
[9] https://data.ers.usda.gov/reports.aspx?StateFIPS=51&StateName=Virginia&ID=17854

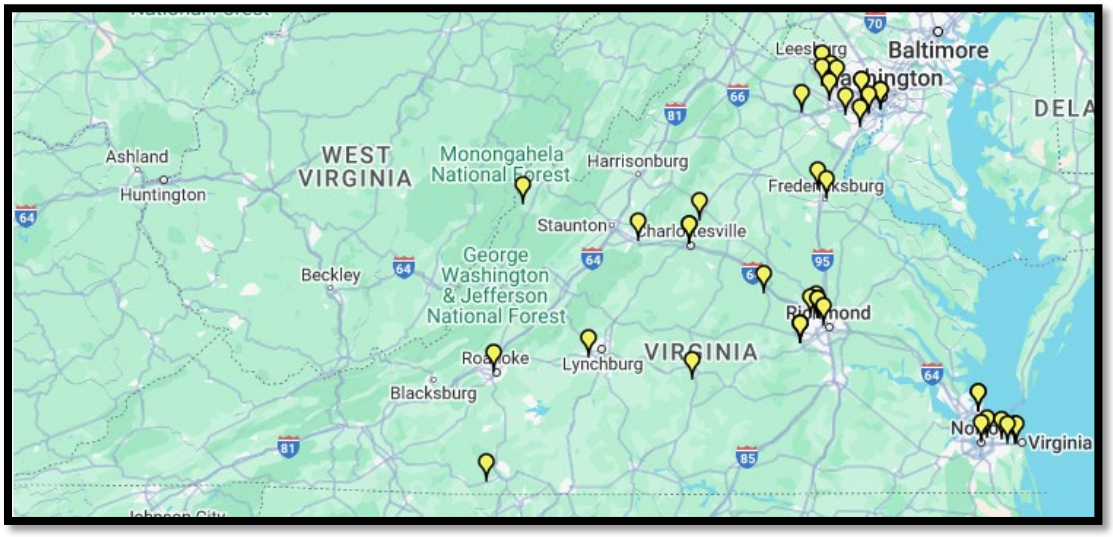
The state's demographic data can indicate several factors that are important to understand the level of demand for shared use kitchens in Virginia:

1. **Population Growth and Diversity**: With a population of approximately 8.7 million and a diverse racial and ethnic composition, Virginia has an inherently vibrant food culture. This diversity can drive the demand for shared use kitchens as entrepreneurs from various backgrounds seek to introduce unique culinary offerings. The presence of a significant Hispanic or Latino population (10.0%) and a growing Asian population (6.8%) can contribute to the variety of food businesses needing commercial kitchen space.[10]
2. **Urban vs. Rural Dynamics**: While urban areas like Northern Virginia, Richmond, and Virginia Beach have higher population densities and more food entrepreneurs, rural areas also substantially contribute to the demand. Rural regions, with their focus on local and artisanal food production, benefit from shared use kitchens to process and package products for local markets and beyond. This helps small-scale producers access commercial-grade facilities without the high costs of setting up their own kitchens.
3. **Economic Factors**: Virginia's median household income of $89,931 and a high rate of educational attainment (42.4% with a bachelor's degree or higher) suggest a population with disposable income and a desire for diverse food experiences. This economic stability supports the growth of food startups and small businesses, which in turn increases the need for shared use kitchen space.
4. **Community and Collaboration**: The close-knit nature of many Virginia communities, especially in rural areas, fosters collaboration among food entrepreneurs. Shared use kitchens provide a hub for these collaborations, allowing businesses to share resources, ideas, and support. This community aspect is crucial in both urban and rural settings, enhancing the overall demand for such facilities.
5. **Tourism and Local Markets**: Virginia's rich history and natural beauty attract tourists, creating a unique market for local food products. Shared use kitchens enable local producers to meet this demand by providing the necessary infrastructure to produce high-quality, safe, and diverse food items.

Virginia's demographic trends, such as its population growth, diversity, economic stability, and community-oriented culture, play a significant role in driving the demand for shared use kitchens across the state. Below is a map of existing shared use kitchen facilities in the state provided by Culinary Incubator.[11] As mentioned in the national market overview, existing shared use kitchen businesses in Virginia follow a similar trend of being located near urban areas.

[10] https://datausa.io/profile/geo/virginia#demographics
[11] http://www.culinaryincubator.com/?state=VA

Figure #1: Locations of Current Shared Use Kitchen Facilities in Virginia



Map data provided by Culinary Incubator

ORGANIZATIONAL STRUCTURES

As with other businesses, shared use kitchens can be organized under a variety of operational, legal, and tax structures. These structures are typically reflective of the diverse needs and resources of the communities they serve. These resources can include physical spaces like schools or community centers, funding from local businesses or government programs, and the time and skills of staff or volunteers. This section details a number of different choices that will need to be made when organizing the venture. This section is meant only to be a guide for decision-makers. Always consult with legal counsel before making decisions regarding the venture's organization.

Tax Structure

Tax structures are how the business is organized in the eyes of the Internal Revenue Service (IRS). They fall into two main categories: For Profit and Non-Profit. Each structure has its benefits to groups based on their ability to access capital, their priorities, and their mission.

For-Profit

For-Profit organizations generally determine the success of their organization based on their ability to generate profits. Profits earned by this type of organization can be used to pay operational costs and be distributed to the owners. For-profit organizations are not exempt from paying federal or state taxes. Any donations to the company are not tax deductible for the donor. Assets of a for-profit organization belong to the owners of the business. If the entity dissolves, the assets are distributed to the owners of the business, based on their level of ownership.
This type of organization has many viable fundraising options including offering an ownership percentage to investors. These investors can provide property, services, and money in exchange

for shares of the operation's stock. For-profits may still have the option to obtain funding from grants and solicited donations depending on the requirements of the grant or donation source.

Non-Profit

Non-Profit organizations are generally mission-driven community development or capacity building mission-focused. Profits earned by non-profits are not intended for paying owners but instead are used only for operational expenses such as employee wages, rent, utilities, etc. Non-profit organizations often raise funds through donations from other businesses and individuals. These organizations may sometimes find it easier to attract government and private grants. Donations made to a qualified nonprofit organization may be tax deductible for the donor.

Non-profits are also required to file a longer application process to verify their status. If the entity dissolves, assets are given to other non-profits instead of its owners. During the application period, the entity is often allowed to operate as a nonprofit pending a final IRS determination of its application. Nonprofit organizations may also qualify for state and federal tax exemptions, as determined by the IRS.

Legal Structure

The legal structure is how the operation is organized and registered with the state. Legal structures determine how many owners the entity may have, as well as determine the need for a board of directors or other such governing entity. Below are the three most popular legal structures for similar entities. Other options such as sole proprietorship or partnership are available as well but are generally less suited to these types of operations, especially if structured as a subsidiary of a parent company.

- Corporation
    - C- Corporation
    - S- Corporation
    - B- Corporation
- Limited Liability Company
- Cooperative

Corporation

A corporation is an organization that is authorized by the state to act as a single legal entity. Ownership is determined by stockholding status, meaning that corporations exist perpetually and offer limited liability protection to the investor. While a stockholder's investment in the corporation is exposed to the risks of the corporation's business and activities, typically those risks do not reach beyond the stockholder's investment. Thus, creditors and claimants are generally limited to recovery from the corporation's assets; they typically cannot reach the stockholder's personal assets. Additional capital can be raised by the sale of stock in the

company allowing for quicker cash injections than other structures. Corporations are also registered with and regulated by the state and require a board of directors to oversee operations.

The day-to-day management of a corporation is carried out by its officers who are elected by, and accountable to, the board of directors. Board action is required for decisions that have not been delegated to officers and for certain material decisions which are assigned to the board by statute. Unless otherwise provided by the corporation's Articles of Incorporation, bylaws or stockholders agreement, stockholders have a limited number of decisions on which their vote is required. Their most effective power is in their ability to elect, and remove, directors. Stockholders vote according to the number of shares they own

- **C-Corporation -** Corporations are the most common form of organization for large businesses in the United States. They are classified as separate entities from their owners, meaning they face double taxation. Upon incorporation, a corporation is a separate taxpayer and, as such, it pays corporate tax on the profits of the corporation's business. When those profits are distributed to stockholders in the form of dividends, the stockholders pay income tax on those dividends.
- **S-Corporation –** An S-Corp, another form of corporation, avoids double taxation which impacts C-Corps. As a "pass-through" entity, the stockholders are taxed directly like an LLC or partnership. This classification, however, requires a special designation by the IRS for already existing entities. S-Corps also face restrictions such as US residency requirements, limited share class, passive income limitations, and others. Entrepreneurs and small business owners often take advantage of the S-corporation structure because it combines many advantages of a sole proprietorship, partnership, and corporate forms of business
- **B-Corporations -** B-Corps, or benefit corporations, are a type of for-profit corporate entity that differs from traditional C-corporations in that their goals include creating a positive impact beyond their shareholders. Their mission includes generating positive impacts for society and the environment, in addition to making a profit for shareholders. B-corps are required to meet standards of social and environmental performance, accountability, and transparency, which are reported regularly to ensure compliance.

Pros and Cons

C-Corp
- Control depends on stock ownership
- Stockholders are at risk only for money they have invested
- Allows capital to be raised more easily through stocks or bonds
- Can continue to function even without key individuals
- Double taxation occurs because the business exists as a separate entity

S-Corp
- Restrictions on the number and type of ownership
- S-corporations have the same basic advantages of the general corporation
- Avoids double taxation

B-Corp
- Not all states recognize b-corps
- B-corporations are designed for groups who work to positively impact society
- Allows an entity to focus on goals other than profit making.

Limited Liability Company (LLC)

An LLC's purpose is to combine the limited liability for its members usually found in the corporate structure (and to limited partners in limited partnerships) with the pass-through tax advantages of the general partnership and s-corp. Any profits or losses pass through the business to the investor and their individual tax return. Other characteristics may be like or different from corporate characteristics, depending upon how the LLC members wish to structure the entity and comply with IRS regulations to receive favorable tax treatment. For LLCs that have only one member, the LLC is "disregarded" for tax purposes, meaning the sole owner is responsible for all taxes on the LLC's profits. Losses likewise pass through the LLC to its owner(s).

Pros and Cons

LLC

- Provides its members limited liability
- Allows members to escape double taxation
- Any "person," either natural (an individual) or legal (another legal entity, such as a partnership), can be a member
- Members may actively manage the LLC without incurring personal liability
- Uncertain tax status
- Drafting the agreement can be complex

LLC formation and liability characteristics are like that of a corporation. To form a corporation or LLC, the necessary documents must be filed with the designated state agency. Unlike a general partnership, shareholders are not personally liable. Therefore, an LLC has some, but not all, of the characteristics of each entity. Just one person may form an LLC, but it commonly requires two or more persons. If the LLC has more than one member, the LLC members are well-advised to execute an operating agreement (essentially, an owners' agreement), which should address, among other things:

- How will the LLC be governed, i.e., by all the members or by one or more managers? Will managers have unlimited authority, or will members have a vote on material decisions? How will successor managers be appointed?
- How will the profits be divided, i.e., if one member is contributing cash and the other services, will profits first be used to pay back the member contributing the cash or to pay some kind of priority return on that investment?
- How/when a member may exit the LLC, i.e., what happens upon the death of a member, an active member ceasing to be involved with the business, or when a member wants to sell out? Absent an operating agreement, LLC members are free to transfer their ownership in the LLC at any time to any person, an event that would give the remaining owner(s) a new business partner, like it or not.

Cooperative

A cooperative (co-op) is a unique business entity owned and democratically controlled by its members. Each member typically has an equal vote in decision-making, regardless of their investment size. As a separate legal entity, a cooperative can enter contracts, own property, and be liable for its debts, while members, directors, and employees generally enjoy limited liability.

There are various types of cooperatives, including consumer cooperatives, which are owned by consumers who buy goods or services from the co-op; worker cooperatives, which are owned and operated by employees with profits distributed based on work contribution; and producer cooperatives, which are owned by producers who collaborate to process and market their products.

Cooperatives are incorporated under state laws, which can vary, with some states having specific statutes for co-ops and others allowing formation under general business laws. The cooperative's purpose, governance structure, and operational procedures are outlined in its articles of incorporation and bylaws, which incorporate principles like democratic control and profit distribution based on patronage. Profits are typically distributed to members as patronage dividends, based on their use of the cooperative's services rather than their financial investment. Additionally, cooperatives may receive favorable tax treatment, such as deductions for patronage dividends, though this can vary by jurisdiction.

Use Structure

Shared kitchens are a crucial part of our society because they serve multiple purposes. They are not just places where food is prepared, but also where people come together, fostering a sense of community. They can be a hub for learning, where people can acquire new skills and knowledge about food preparation, nutrition, and hygiene. They can also serve as incubators for small food-based businesses, providing a space for entrepreneurs to create and test their products. Below are some of the common use structures that can be found across the country.

Commercial Kitchen

Commercial Kitchens, or commissaries, are fully-equipped, professional-grade kitchens licensed for food service providers to prepare and store food. These spaces are available for hourly or monthly rental. These kitchens are most often used by food truck owners, bakers, independent chefs, and others who need a professional space to cook. Depending on local ordinances, food business owners can be required to prepare and store food, and sometimes the food truck itself, at a licensed facility.[12]



[12] https://www.fliprogram.com/blog/renting-commercial-kitchen-commissary

This rentable commercial kitchen space can be either shared or private. Shared space means that multiple businesses would have access to the space, reserving time slots based on need. Shared space often limits control of the kitchen layout and access to the facility but can be a more cost-efficient option as businesses only pay for the time they need. Alternatively, private space gives entrepreneurs full control of the facility layout and can better tailor to the needs of an operation. While private space is a more expensive option, businesses can use this exclusivity to their advantage and make their production operations more efficient.

Both shared and private commercial kitchen space offer several advantages and disadvantages. On the positive side, these commercial kitchens provide access to high-quality, industrial-grade equipment that is regularly maintained, ensuring everything is in good working condition. These spaces are designed to meet local health and safety regulations, which reduces the risk of fines or shutdowns for small business owners, and they are kept clean and sanitary through regular inspections. Commercial kitchens offer flexible rental options allowing businesses to avoid high upfront capital investments. This setup also supports scalability, enabling businesses to increase their kitchen usage as the business grows without additional capital investment. Additionally, many commercial kitchens are located in central areas, making it easier to reach designated target markets and reducing delivery times. Networking opportunities with other food entrepreneurs can also arise from sharing the space.

However, there are some drawbacks to consider. Scheduling conflicts can occur, especially in popular kitchens, making it difficult to secure the time slots a business may need, and they may have to work during off-peak hours. Sharing a kitchen means less control over the environment and potential conflicts with other users regarding cleanliness and kitchen etiquette. While rental fees are generally cheaper than setting up a new kitchen, they can add up if users need the kitchen frequently, and there may be additional costs for storage, equipment use, or cleaning services. Logistics can also be challenging, as businesses need to transport their ingredients and finished products to and from the kitchen, which can be time-consuming and costly. Limited storage space may require users to bring ingredients and supplies each time they use the kitchen. Finally, businesses may need to obtain liability insurance, which can be an additional expense, and they could be held financially responsible for any damage to equipment or the facility. Overall, using a commercial kitchen can be a great tool for entrepreneurs to start or grow their food business, but it is important to weigh the pros and cons to determine if it is the right fit for their needs.

Kitchen Incubators



A kitchen incubator, also known as a culinary incubator, is a specialized facility designed to support food entrepreneurs by providing access to certified kitchen spaces and offering a range of culinary training and business development services. Users have access to high-quality, industrial-grade equipment which is highly beneficial for the research and development of new products. These kitchens provide expert guidance on various aspects of running a food business, from recipe development to financial management. Some incubators offer tiered membership plans that provide different levels of access and benefits. Having access to these resources allows food entrepreneurs to focus their efforts on creating innovative products while the incubator helps navigate the complexities of running a successful food business. These services can include:

- Personalized business coaching and mentorship from experienced industry professionals, providing guidance on starting and growing a food business.
- Educational resources such as low-cost business classes and on-demand training sessions covering essential topics like marketing, financial management, and regulatory compliance.
- Regulatory assistance to help entrepreneurs navigate complex registration and licensing processes and obtain necessary certifications.
- Marketing and branding support including developing marketing strategies, creating promotional materials, and establishing a strong brand identity.
- Packaging and labeling assistance, to ensure products are professionally presented and compliant with legal standards.
- Financial support can be provided through access to funding opportunities, financial management training, and assistance with budgeting and cash flow management.
- Networking opportunities connect entrepreneurs with potential investors, distributors, and industry professionals, fostering a supportive community.
- Logistical support such as food truck parking and help with establishing distribution channels ensures efficient operations.
- Regular workshops and networking events connecting entrepreneurs with industry professionals, potential investors, and other food business owners, to foster a collaborative and supportive community.

These services listed can help entrepreneurs build a solid foundation for their businesses. However, there are challenges to using a kitchen incubator that a business should consider. One of these reasons is scheduling conflicts due to high demand. As a small business owner, time is limited, and the available hours of the kitchen incubator may not fit the needs of the business. This shared space dynamic requires adaptability from all parties involved. The costs of membership fees, insurance, and logistical challenges related to transporting ingredients and products are another factor that business owners should consider. While these services can be greatly beneficial to a business, owners should weigh the opportunity cost of investing in other aspects of their business. By weighing these pros and cons, food entrepreneurs can determine if a kitchen incubator is the right fit for their needs and leverage the available resources to grow their businesses successfully.

Shared Use Kitchens

According to a 2022 USDA survey, shared kitchens are defined as "licensed commercial spaces that provide a pathway for food entrepreneurs—ranging from chefs, caterers, food truck operators, and bakers, to value-added producers and packaged food and beverage makers—to launch and grow their businesses."[13]



Shared use kitchens encompass both commercial kitchens and kitchen incubators to support every aspect of the startup food businesses. These facilities provide a legally compliant, regularly available space for cooking and preparation, as well as offer professional development and training to help new food enterprises flourish. USDA goes on to report that the shared kitchen sector is relatively new but has been growing rapidly. Many of these kitchens have been established in the last five years, reflecting a rising demand for such facilities. They play a crucial role in supporting early-growth food businesses by providing both the necessary infrastructure and resources. This integrated approach not only supports individual businesses but also strengthens the overall food ecosystem by promoting innovation, collaboration, and sustainable growth.

Just as commercial kitchens and kitchen incubators have their pros and cons for users, shared use kitchens do as well. Some of these drawbacks include limited facility access leading to scheduling conflicts and restricted availability. Coordinating space with other users can also result in overcrowding and difficulty organizing ingredients and equipment. Privacy can also be

[13] https://localfoodeconomics.com/wp-content/uploads/2022/08/Shared-Kitchen-Survey-Insights_Survey-Overview-1.pdf

a concern in shared use kitchens, as this space combines both innovators and multiple other businesses that can see what is taking place; This is not ideal for developing proprietary recipes or business practices. Lastly, while shared kitchens can be cost-effective initially, the costs can add up over time, especially if users need more frequent access or additional storage as the business grows. Despite these challenges, shared-use kitchens can still be a great option for many food businesses, particularly those just starting out.

Local Examples Include:

Observing local examples is crucial when starting a shared use kitchen business because it provides real-life insight into the specific needs and preferences of a community. By studying successful local models, a new business owner can identify best practices, understand regulatory requirements, and gauge market demand. This localized knowledge helps tailor services to better fit the community, fostering stronger relationships with local food entrepreneurs and increasing the likelihood of a business's success. Likewise, learning from local examples can help a new venture avoid common pitfalls and adapt more effectively to the unique challenges of an area. Below is a list of local examples from across Virginia. Many of these kitchens have very helpful and relevant information publicly posted such as pricing structure, equipment lists, and more.

Kitchens In VA	Location	Use Structure
Carver Food Enterprise Center	Culpeper, VA	Shared Use Kitchen
Chiknegg	Goochland, VA	Kitchen Incubator
The Ghost Kitchen	Roanoke, VA	Commercial Kitchen
My Commissary Kitchen	Norfolk, VA	Commercial Kitchen
The BEACON Kitchen Pilot	Charlottesville, VA	Kitchen Incubator
Millstone Kitchen	Blacksburg, VA	Shared Use Kitchen
G.A.T.E. Center	Grayson, VA	Commercial Kitchen
Spencer Penn Kitchen	Martinsville, VA	Commercial Kitchen
The Lab	Virginia Beach, VA	Shared Use Kitchen
Bent Mountain Center	Bent Mountain, VA	Commercial Kitchen
Phobe Needles Hall	Rocky Mount, VA	Commercial Kitchen
LEAP Kitchen	Roanoke, VA	Shared Use Kitchen
Frontier Kitchen	Chantilly, VA	Commercial Kitchen

STARTUP PROCEDURE

Starting a shared-use kitchen involves several key steps. First, extensive research is necessary to understand the community's needs, the shareholders goals, and the potential success of the project. This includes conducting market studies and interest surveys to gauge demand and identify potential users. Next, securing funding is crucial, which can come from grants, loans, or community fundraising efforts. Finding a suitable location is another important step, whether

retrofitting an existing facility or building a new one. Partnerships with local organizations, universities, and businesses will provide valuable support and resources. Additionally, compliance with food safety regulations and obtaining the necessary licenses are essential to ensure the kitchen operates legally and safely. Finally, developing a solid business plan that outlines the kitchen's objectives, operations, and financial projections will help guide the project to success.

Traditional Funding Sources

Securing funding for a startup shared-use kitchen can be a multifaceted process, involving various sources to ensure the project has the necessary capital to launch and sustain operations. Some potential funding sources to consider are:

Loans and Microloans

Traditional bank loans and microloans are a viable option for funding a shared-use kitchen. While bank loans typically require a solid business plan and collateral, they can provide significant capital to cover startup costs. Microloans, on the other hand, are smaller loans offered by non-profit organizations and community lenders, designed to help small businesses that may not qualify for traditional bank loans. Organizations like the Small Business Administration (SBA) offer microloan programs with favorable terms and lower interest rates, making them accessible to new entrepreneurs.



Crowdfunding

Crowdfunding has become an increasingly popular way to raise funds for startup ventures. Platforms like Kickstarter, Indiegogo, and GoFundMe allow entrepreneurs to pitch their business ideas to a broad audience and raise small amounts of money from a large number of people. This method not only provides funding but also helps build a community of supporters and potential customers. Successful crowdfunding campaigns often offer rewards or incentives to backers, such as free products, discounts, or exclusive access to events, which can help generate interest and support for a shared-use kitchen venture.

Investors and Partnerships

Attracting investors or forming partnerships can provide substantial funding and valuable expertise for a startup. Angel investors and venture capitalists are individuals or firms that invest in early-stage businesses in exchange for equity. They can provide significant capital and often bring industry knowledge and connections that can help a business grow. Additionally, forming partnerships with local businesses, such as restaurants, catering companies, or food producers, can provide both financial support and a steady stream of clients for a shared-use kitchen. These

partnerships can be mutually beneficial, as they allow local businesses to access kitchen space while providing the startup with a reliable revenue stream. By exploring these diverse funding sources, stakeholders can secure the necessary capital to launch and sustain a shared-use kitchen, ensuring it becomes a valuable resource for the community.

Grant Based Funding Sources

In order to supplement traditional funding sources, government grants and programs have become one of the most common sources of funding for community-oriented projects like shared-use kitchens. Many local, state, and federal programs offer grants specifically aimed at supporting small businesses, food security initiatives, and community development projects. These grants can fund a substantial percentage of the necessary capital without the need for repayment, making them an attractive option for startups. Below are several funding opportunities that could pertain to potential shared use kitchen ventures in Virginia:

AFID Planning Grant

The Virginia Agriculture and Forestry Industries Development (AFID) Planning Grant program is designed to support innovative local efforts that assist agriculture- and forestry-based businesses. The program encourages collaboration between local governments and the agriculture/forestry community to better integrate these industries into the overall economic development of the community. Key features of the AFID Planning Grant include:

- Funding Amounts: The program awards matching grants of up to $20,000 for single locality applications and up to $35,000 for multi-locality applications.
- Eligible Activities: Grants can be used for a variety of activities, including:
    - Developing strategic plans, feasibility studies, business or marketing plans, or local ordinances.
    - Generating policies or programs for the preservation of working lands.
    - Creating local plans or initiatives that support agriculture and/or forestry-based businesses.
    - Funding innovative entrepreneurship and business development efforts.
- Matching Requirements: The program requires a 1:1 match, but reduced match requirements are available for economically distressed localities.

The primary goal of the AFID Planning Grant program is to promote and support agriculture and forestry through strategic planning and development initiatives. By funding these efforts, the program aims to enhance the economic viability and sustainability of Virginia's agriculture and forestry sectors.

For more information, visit: *https://www.vdacs.virginia.gov/agriculture-afid-planning-grants.shtml*

AFID Facility Grant

The Virginia Agriculture and Forestry Industries Development (AFID) Facility Grant is a discretionary, performance-based economic development incentive designed to support agriculture and forestry value-added or processing projects. The program aims to promote the

growth and development of agribusinesses in Virginia. It supports a wide range of projects, including those in produce, dairy, meat and poultry processing, specialty food and beverage manufacturing, greenhouse operations, and forest product manufacturing.

The grant is awarded to political subdivisions (such as counties, cities, or towns) for the benefit of a company. The expectation is that the grant will be critical to the success of the new or expanding facility. Certain industries are given priority for support by the AFID program, including:

- Controlled environment agriculture (indoor farming)
- Meat processing
- Aquaculture (e.g., oyster production)
- Forestry

The grant amount and terms are determined by the Secretary of Agriculture and Forestry and approved by the Governor. For more information visit: *https://www.vdacs.virginia.gov/agriculture-afid-facility-grants.shtml*

AFID Infrastructure Grant

The Virginia Agriculture and Forestry Industries Development (AFID) Infrastructure Grant program is designed to support strategic infrastructure investments that benefit small-scale farmers and food producers. The grant aims to enhance local food production and forestry by funding capital projects that build and improve community food and farming infrastructure. This includes new and existing food hubs, farmers' markets, commercial kitchens, and other value-added facilities used for processing and packaging Virginia-grown products.

The grants are awarded to political subdivisions of the Commonwealth, such as counties, cities, towns, industrial and economic development authorities, or planning district commissions. Eligible projects must directly support local food production and demonstrate a broad community benefit. The maximum award per grant is $50,000 and the grant requires an equal cash match from the locality, with reduced match requirements available for economically distressed localities.

The AFID Infrastructure Grant program has two funding rounds each fiscal year. The application periods are in the fall and spring. Localities are encouraged to collaborate with small farmers, food producers, and local food systems advocates to develop suitable projects. For more information visit: *https://www.vdacs.virginia.gov/agriculture-afid-infrastructure-grants.shtml*

Virginia Tobacco Region Revitalization Commission Grants

The Virginia Tobacco Region Revitalization Commission offers several grant and loan programs aimed at promoting economic growth and development in eligible counties in Southern and Southwest Virginia.

1. Tobacco Region Opportunity Fund (TROF)

The TROF provides performance-based monetary grants and loans to localities in the tobacco region. These funds assist in creating new jobs and investments, whether through new business attraction or the expansion of existing businesses.

2. Education Grants
These grants support educational initiatives that enhance workforce development in the tobacco region. They fund projects that improve educational infrastructure, provide scholarships, and support training programs that align with the needs of local industries.

3. Community Revitalization Grants
These grants focus on revitalizing communities by funding projects that improve public infrastructure, support tourism, and enhance the quality of life for residents. This includes funding for downtown revitalization, public facilities, and recreational projects.

Eligible applicants include local governments, economic development organizations, and IRS-designated nonprofits. Funds that ultimately benefit a private entity must have a public purpose and flow through a public or nonprofit grantee, based on terms of a performance-based agreement. For more information, visit: *https://revitalizeva.org/*

Local Food Promotion Program
The LFPP is designed to assist in the planning, development, and growth of new food businesses that promote local food access and consumption. The Implementation Grant is focused on establishing local food businesses or expanding the activities of an existing business. Grant amounts range from $100,000 to $500,000 for implementation projects. Activities that can be funded under the Local Food Promotion Program's implementation grants can include but are not limited to:

- Training and technical assistance for the enterprise and/or affiliated producers
- Outreach and marketing to buyers and consumers
- Non-construction infrastructure improvements to facilities or information technology systems

Entities eligible for implementation grants through the LFPP include any operation that processes, distributes, aggregates, or stores locally produced food, including:

- Agricultural business
- Producer Networks
- CSAs
- Non-profits
- Economic Development Corporations
- Regional Farmers' Market Authorities
- Local Governments

For more information, visit: *https://www.ams.usda.gov/services/grants/lfpp*

Community Facilities Direct Loan & Grant
Available through USDA Rural Development, the Community Facilities Direct Loan & Grant program provides affordable funding options for the development of essential communities in rural areas. Funds can be used to purchase, construct, and/or improve essential community facilities, along with paying for other project-related expenses. Community facilities include local food systems such as community gardens, food pantries, community kitchens, food banks, food hubs, or greenhouses. The program provides low interest direct loans, grants, or a combination of the two. Applicants for a loan must have legal authority to borrow money and

must be unable to finance the project from their own resources or through commercial credit at reasonable rates.

The program's main focus is to provide funds for the sustainability and improvement of community facilities. Eligible applicants are public bodies, community-based nonprofit corporations, and federally recognized tribes. Projects must be located in rural areas such as cities, villages, and towns with no more than 20,000 residents and show substantial community support.

The grant funding amount is between 15% and 75% of project costs depending on location and median household income, while the loan amount is typically $300,000 at a state level. Applications are accepted on an on-going basis throughout the year. For more information, visit: *https://www.rd.usda.gov/programs-services/community-facilities-direct-loan-grant-program*

Community Food Projects Competitive Grant Program
The CFPCGP is intended to fund projects that tackle food insecurity through community food initiatives. This grant program is administered by the USDA National Institute of Food and Agriculture. Awarded funding can range from $10,000 to $400,000 over the course of one to four years. The primary goals of the CFP grant program are to:

- Meet the food needs of low-income individuals through food distribution, community outreach to assist in participation in Federally assisted nutrition programs or improving access to food as part of a comprehensive service.
- Increase the self-reliance of communities in providing for the food needs of the communities.
- Promote comprehensive responses to local food access, farm, and nutrition issues; and
- Meet specific state, local or neighborhood food and agricultural needs including needs relating to infrastructure.
- Planning for long-term solutions; or
- The creation of innovative marketing activities that mutually benefit agricultural producers and low-income consumers.

The grant is intended for private nonprofit entities that are seeking to create links across different sectors of the food system and build capacity for communities to address local food system needs long-term. For more information, visit: *https://nifa.usda.gov/program/community-food-projects-competitive-grant-program-cfpcgp*

Rural Business Development Grant (RBDG)
The RBDG is designed to provide grant funds to small and emerging rural businesses to aid their expansion and positive impact on rural communities. The USDA Rural Development administers this grant program. This program is divided into two categories: enterprise type and opportunity type. The enterprise category does not have a maximum award limit, but priority is given to smaller request amounts. Opportunity grants awards are capped at 10 percent of the RBDG's total annual funding.

Enterprise grant funds may be used for:

- Training and technical assistance

- Acquisition or development of property, facilities, and equipment
- Pollution control and abatement
- Capitalization of revolving loan funds
- Distance adult learning for job training and advancement
- Rural transportation improvement
- Community economic development
- Technology-based economic development
- Feasibility studies and business plans
- Leadership and entrepreneur training
- Rural business incubators
- Long-term business strategic planning

Opportunity grant funds can be used for:

- Community economic development
- Technology-based economic development
- Feasibility studies and business plans
- Leadership and entrepreneur training
- Rural business incubators
- Long-term business strategic planning

To be eligible under Rural Development programs, grant funds must be used to assist rural areas, and priority is given to projects located in or serving underserved areas. The grant is intended for public entities such as towns, communities, state agencies, regional authorities, nonprofit corporations, institutions of higher education, federally recognized tribes, and rural cooperatives that are organized as private nonprofit corporations. For more information, visit: *https://www.rd.usda.gov/programs-services/rural-business-development-grants/ga*

EDA Economic Development Assistance Program (EDAP)
EDAP opportunities are provided to support economic development, foster job creation, and attract investment in economically distressed areas. Funds from the program can be used for working capital, construction, planning, technical assistance, and revolving loan funds. Individuals and for-profit entities are not eligible for this program.

The program is divided into two sub-programs: Public Works and Economic Adjustment Assistance (EAA). Projects proposed under either program must be consistent with objectives identified in a region's Comprehensive Economic Development Strategy (CEDS). Strategy Grants are also available to develop or update a CEDS.

Projects under this program are intended to help build community resiliency and further develop local communities. Funding can range from $100,000 to $3 million and the typical match amount required is 50% of the total project costs. Match may be lowered based on the level of economic distress in the project area. Applications are accepted on an on-going basis for this program.

EDA Disaster Recovery

The goal of this program is to help communities and regions devise and implement long-term economic recovery strategies to address economic challenges in areas where a Presidential declaration of a major disaster was issued. Individuals and for-profit entities are not eligible for this program.

The EDA encourages applications for this program based on long-term, regionally oriented coordinated and collaborative economic development and redevelopment strategies that foster economic growth and resilience. The program offers both implementation and strategy grants. Implementation grants can be used for infrastructure and construction. Strategy grants provide funds to develop, update, or refine a Comprehensive Economic Development Strategy (CEDS) that alleviates long-term economic deterioration or a severe economic dislocation.

This program is composed similarly to grants, but the funding instrument is a cooperative agreement. Available funding varies by region and projects typically required a dollar-for-dollar match to requested funds. Match requirements may be lowered if projects are located in areas of high economic distress. Applications are accepted on an on-going basis depending on the availability of funding.

Urban, Indoor, and Emerging Agriculture (UIE)

The UIE program is intended to support research, education, and extension activity by providing grants to address significant issues of local, regional, and national significance that aid in the development of urban, indoor, and developing agricultural systems. Production, harvesting, transportation, aggregation, packing, distribution, and markets are among the steps of the food value chain that are covered by the program. The estimated total program funding for this project is $9,400,000 and has no cost sharing or matching requirement. Only organizations like State Agricultural Experiment Stations, colleges and universities, university research foundations, other research institutions and organizations, federal agencies, national laboratories, private organizations, foundations, corporations, individuals, or any group made up of two or more of the aforementioned entities may submit applications. The awards range from $50,000-$1,000,000.

For those who are unfamiliar with federal financial aid, NIFA's Grants Overview is a highly recommended source of information regarding grants and other tools for comprehending the procedure for federal awards. If an applicant provides duplicate or numerous submissions, NIFA will dismiss both applications. For more information visit: *www.nifa.usda.gov/grants/funding-opportunities/urban-indoor-emerging-agriculture*

Urban Agriculture and Innovation Production (UAIP)

UAIP grants fund urban agriculture and innovative production activities that increase access to fresh food in communities across the United States. UAIP supports the development of urban agriculture and innovative production activities by funding Planning Projects (PP) and

Implementation Projects (IP) led by nonprofit organizations, local or Tribal governments, and schools that serve any of the grades K-12 in areas of the United States
There are two categories under the Urban Agriculture and Innovative Production (UAIP) competitive grant opportunity: Planning Projects and Implementation Projects.

- Planning initiatives launch or amplify work by farmers, gardeners, citizens, public servants, educational institutions, and other stakeholders in urban and suburban areas. Projects may focus on issues including food access, education, business costs for beginning farmers, urban agroforestry or food forests, and the creation of zoning regulations and other requirements for urban agriculture.
- Implementation initiatives speed up established and new models of indoor, urban, and other farming methods that benefit numerous farms. Projects will increase local food accessibility, work with partner groups, and support infrastructural requirements, emerging technologies, educational initiatives, and the application of urban farming policies.

Funding for this program varies by year, but for 2022, approximately $14.2 million was available with an award ceiling of $300,000 and an award floor of $50,000. For more information visit *www.usda.gov/sites/default/files/documents/uaip-frequently-asked-questions-fy2022.pdf*

Specialty Crop Block Grant (SCBG)
The SCBG program is designed to enhance the competitiveness of specialty crops and address issues that are facing the specialty crop industry. Eligible crops must be intensively cultivated and used by people for food or medicinal purposes, and/or aesthetic gratification to be considered specialty crops. The program is intended to promote specialty crops by:

- Leveraging efforts to market and promote specialty crops
- Assisting producers with research and development
- Expanding availability and access to specialty crops
- Addressing local, regional, and national challenges

This grant is conducted at the state level. Selected applicants for the grant are sub-recipients to the state department of agriculture and must work with them throughout the funding period. Projects must be completed within three years.

Each state has an available grant allocation that is based on the average of the most recent available value of specialty crop cash receipts in the state and the acreage of specialty crop production in the state. The amount of available overall funding changes each year. For more information, visit: *https://www.vdacs.virginia.gov/sales-specialty-crop-competitive-grant-program.shtml*

Regional Food Systems Partnership (RFSP)

The RFSP program focuses on creating strong, viable, and resilient local or regional food systems. The program achieves this through aiding partnerships that link public and private resources to plan and develop these food systems. The USDA Agricultural Marketing Service administers the program. Eligible partnerships must consist of a minimum of one eligible entity and one eligible partner. Eligible entities include:

- Producers
- Producer networks or associations
- Farmer or rancher cooperatives
- Majority-controlled producer-based business ventures
- Food councils
- Local or tribal governments
- Nonprofit corporations
- Economic development corporations
- Public benefit corporations
- CSA networks or associations
- Regional farmers' market authorities

Eligible partners include:

- State agencies or regional authorities
- Philanthropic organizations
- Private corporations
- Institutions of higher education
- Commercial, federal, or farm credit system lending institutions

The program has two project categories: Planning and Design for partnerships that are in the early stages of developing a local food system and Implementation and Expansion for partnerships that are improving existing local food systems. The Planning and Design projects have an awards range of $100,000 to $200,000 and the Implementation and Expansion projects have an awards range of $250,000 to $1,000,000. The following highlights some of the eligible uses of funding under this program.

Planning and Design Projects

- Supports planning stages of partnerships
- Develop plans, feasibility studies, assessments, etc.
- Conduct research on infrastructure, markets, and policy

Implementation and Expansion Projects

- Conduct scopes as determined from planning
- Provide technical assistance
- Provide coordination along the value-chain

- Increase awareness of markets, resources, regulations, etc.

For more information, visit: https://www.ams.usda.gov/services/grants/rfsp

Socially Disadvantaged Groups Grant

The Socially Disadvantaged Groups Grant program is meant to aid socially disadvantaged groups by providing them technical assistance through cooperatives and Cooperative Development Centers. This program is administered through the USDA Rural Development. The maximum grant award is $175,000. Grant funds must be used to provide socially disadvantaged groups in rural area with technical assistance. Eligible technical assistance examples include:

- Feasibility Studies
- Business Plans
- Strategic Planning
- Leadership Training

Eligible applicants are Cooperatives and Cooperative Development Centers with a majority of board members who are members of a socially disadvantaged group. The cooperative or center's location does not matter but the assisted groups must be in an eligible rural area. For more information, visit: https://www.rd.usda.gov/programs-services/socially-disadvantaged-groups-grant

Farm to School Grant Program

The Farm to School Grant Program is intended to help communities incorporate local products into the school meal programs, integrate agricultural education into the classroom, and cultivate and expand school gardens. The USDA FNS Office of Community Food Systems administers this grant program. The goals of the Farm to School Grant Program are to improve access to local food in schools:

- Through distribution of funds
- By providing training and technical assistance
- By expansion of existing programs and opportunities based on dissemination of research and data

Funds may be used for developing partnerships, school gardens, farm to school programs, supporting operations, training, planning, and equipment purchases.

Sustainable Agriculture Research and Education Project (SARE)

Virginia SARE is part of the Southern division of the Sustainable Agriculture Research & Education Program (SARE). SARE's primary function is to support farmers, educators, and researchers in developing and implementing practices that promote land stewardship, profitability, social health, and economic growth. Grants and information dissemination are the primary methods through which SARE operates. The organization actively seeks innovative practices to support and fund that will not only benefit the grant recipient, but the broader

community as well. Eligible entities include farmers and ranchers, researchers, Extension agents and educators, and graduate students. SARE grant types relevant to this project include:

- Food Loss and Waste Training and Technical Assistance Grants - The purpose of this grant opportunity is to implement outreach, training, and technical assistance efforts to build capacity for food loss and waste initiatives.
- Education Grants - Education Grants allow applicants to conduct education and outreach activities for the benefit of the greater sustainable ag community, and promote efforts in farmer innovations, community resilience, business success, ag diversification, and best management practices.
- Producer Grants- This SARE project type is available in all four SARE regions. Its goal is to use on-farm experiments to test agricultural practices and systems.
- On-Farm Research Grants- This grant type is designed for agriculture professionals working directly with farmers and ranchers on sustainable agriculture efforts.
- Professional Development Program- Allows extension educators and other ag professionals to develop and offer various training programs.

For more information, visit: https://southern.sare.org/grants/

Location

Choosing the right location for a shared-use kitchen startup is a critical decision that can significantly impact the success of the business. Below are factors to consider when determining the location for the operation.

Market Demand

The most important step in choosing a location is to understand the target market in order to align with the needs and desires of potential clients. This process begins by identifying areas with a high concentration of food businesses. These businesses could include food trucks, caterers, small-scale food producers, and bakers. Areas with a vibrant food scene are likely to match this description and have a greater need for shared kitchen spaces, as many food entrepreneurs seek affordable and well-equipped facilities to start or expand their operations.

A recent study prepared for the Central Shenandoah Planning District Commission in 2021 assessed the feasibility of a local food hub center that would contain a commercial kitchen space.[14] Listed below are the findings of the study assessing Shenandoah community members willingness to travel to such a facility. The results show that 50% of respondents would be willing to travel 35 or less miles to have access to the proposed facility and 100% of respondents would be willing to travel 20 or less miles. A 20 mile radius would give a proposed facility a 1256 square mile reach, roughly the size of Rhode Island.

[14] https://www.cspdc.org/wp-content/uploads/2021/05/Shenandoah-Ag-Center-Feasibility-Study_Final-Report_05.07.2021.pdf

Figure #2: Willingness to Travel Statistics

Q62: Distance Willing to Travel to Food Hub	Count	%
20 miles	12	23%
25 miles	4	8%
30 miles	11	21%
35 miles	1	2%
40 miles	4	8%
50 miles	15	28%
55 miles	1	2%
60 miles	3	6%
70 miles	1	2%
75 miles	1	2%
Total Respondents	**53**	

Analyzing local population demographics can also provide valuable insights. For instance, urban areas with a growing population of young professionals and food enthusiasts may create a higher demand for new food businesses. Additionally, regions with a strong emphasis on local, organic, and sustainable food practices can be ideal, as these trends will drive the need for the innovative services provided by the kitchen.

Another important aspect is to look at the competition and existing shared kitchen facilities in the area. While some competition can indicate a healthy market, too many similar facilities might saturate the market, making it harder for a startup to attract clients. Conversely, an area with few or no shared kitchens but a high demand for food entrepreneurship can be an excellent opportunity.

Facility

One of the primary considerations for establishing a new shared use kitchen site is accessibility. The location itself should be easily reachable for both suppliers and clients. Proximity to major highways, public transportation, and commercial areas can facilitate smooth logistics and ensure that the kitchen is convenient for food entrepreneurs who will be using the space. Additionally, consider the availability of parking and loading zones. Parking is both a convenience for clients and a potential revenue stream for shared use kitchen, as they can provide rentable space for food trucks and delivery trucks. Loading zones are also crucial for a business that relies on frequent deliveries and pickups.

A potential site should have access to essential utilities like water and power. It should also have access to municipal sewer systems in urban areas or a localized septic system in rural areas. If these services are not available, ensure future access by establishing a plan with a local utility provider. Likewise, proper waste management systems should be available to handle future use.

The site should be within the working range of professional trash services to handle both renovation debris and future kitchen usage.

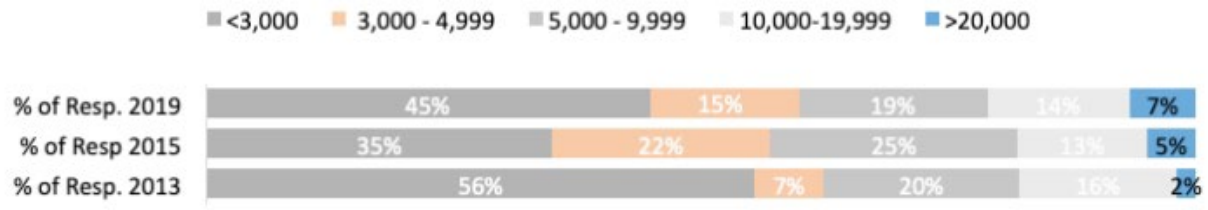
When the final location is agreed upon, the chosen site will fall under one of three categories: a new build site, an existing building to retrofit, or an existing kitchen facility. Each of these options will require different levels of initial capital requirements and likewise provide different benefits to the operation. The pros and cons of each option should be weighed against the other factors such as market demand, ongoing costs, and regulations.[15]

These renovation and build-out costs can determine the success of the project. Depending on the condition of the space, significant renovations may need to occur to prepare the space for commercial-grade appliances and fixtures. This can include updating plumbing, electrical work, and ventilation systems. Project leaders should work closely with local authorities to ensure their design complies with the necessary health and safety regulations. It is important to get detailed estimates and plan for these expenses in advance.

The building itself should have the necessary space to support a variety of culinary activities. This includes fitting commercial-grade ovens, mixers, storage spaces, and sanitation facilities into the chosen site. Space for potential future expansion should also be considered. A location that can accommodate a business as it grows can save the business from having to relocate too soon.

During the design process one should note that the kitchen must be large enough to give enough working space to all the primary users, but not too large as expenses can quickly mount. If the kitchen is too large, it can be difficult to find tenants or users to make that kitchen financially viable. Data provided by EConsult Solutions Inc. in their 2019 industry survey shows that while the average size of shared use kitchen facilities has grown over the years, most of these facilities are still relatively small, with 45% being under 3,000 square feet.[16]

Figure #3: Total Square Footage of Facilities



[15] https://www.leopold.iastate.edu/files/pubs-and-papers/2014-09-shared-use-kitchen-planning-toolkit.pdf
[16] https://econsultsolutions.com/wp-content/uploads/2020/01/Kitchen-Incubators-2019_1.14.20.pdf

Future Operational Costs

Both initial capital requirements and future operational costs should be considered when determining the location of a shared use kitchen. Potential ongoing expenses can include:

- **Rent -** The cost of renting a commercial space can vary significantly depending on the location, size, and amenities offered. Urban areas with high foot traffic and accessibility may command higher rents but can also provide greater visibility and convenience for a kitchen's client. It is essential to balance the benefits of a prime location with the associated costs to ensure it fits within the budget.[17]
- **Property Taxes -** Property taxes are another significant expense. These can vary widely in Virginia depending on the locality and the value of the property.
- **Utilities** - Utilities such as water, electricity, gas, and waste disposal can differ by region and should be considered. Shared use kitchens typically have high utility usage, so it is crucial to estimate these expenses accurately and include them in a budget.
- **Licensing Requirements -** Lastly, consider the cost of compliance with local and state regulations and licensing requirements. This can include fees for health inspections, permits, and other regulatory approvals necessary to operate a commercial kitchen. Ensuring that the location meets all legal requirements is essential to avoid fines and disruptions to the business.[18]

Before choosing the final site location of a shared use kitchen, project leaders should establish a working budget that includes costs for construction, renovation, equipment, permits, and an estimate of these ongoing operational expenses. Potential sources of funding like loans, grants, or investors may also affect this decision. Each of these controlling parties will have different standards and timelines for the project's cost and implementation.

Regulatory Environment

Lastly, the regulatory environment and potential community support for such an operation should be considered. Ensure that the facility complies with local and state health and safety regulations and that it is straightforward to obtain the necessary licenses and permits to operate a shared use kitchen. Local and state policies and incentives that support small businesses and food entrepreneurs can also significantly impact the success of the venture.

Assessing community support is a subjective factor but nonetheless can be extremely beneficial. Shared use kitchens thrive in environments where food entrepreneurs can collaborate, share resources, and support each other's growth. Choosing a location with a sense of community can enhance the chances of success for the shared-use kitchen startup as well as the long-term growth potential.

[17] https://www.upmenu.com/blog/restaurant-location-strategy/
[18] https://restaurant.lunchbox.io/how-to-choose-a-location-for-a-catering-business/

Establishment

After the plan for a shared use kitchen is formed, funding is secured, and a location is agreed upon, the interested parties can begin the implementation of the kitchen. Aspects that will need to be addressed include:

Layout

There are two prevailing layouts for kitchen incubators in the industry. The choice between each of these layouts is dependent upon many factors including available space, capital, perceived community demand, and the stakeholders' mutual goals.



The most prevalent floor plan option divides the kitchen space into distinct task-specific zones. This is a common layout for small to medium kitchen facilities. Zoning in a shared-use kitchen can maintain an organized and efficient workspace for multiple businesses at once. This includes a zone, or area, for preparation, cooking, cleaning, and storage. The preparation area is where ingredients are chopped, mixed, and prepped for cooking, ensuring that all necessary tools and surfaces are within easy reach. The cooking area houses stoves, ovens, and fryers, strategically placed to allow seamless movement from prep to cooking. The cleaning area includes sinks, dishwashers, and drying racks, positioned to facilitate easy cleanup and prevent cross-contamination. Lastly, the storage area contains refrigerators, freezers, and dry storage, organized to keep ingredients, and supplies readily accessible.

This zoning approach can work well for clients with large quantities of product that can spend a long period of time on a specific task. The kitchen will need to have strict scheduling hours to make this approach feasible for clients, but the large quantity of equipment available can make this an extremely efficient layout for both the clients and the kitchens stakeholders. By using this communal approach, the kitchen will be able to host a greater number of clients and remain efficient.

A second option is to have a segmented floor plan that contains multiple individual kitchens. This is a common design for larger, more established kitchens. These individual kitchen units would be designed to provide each user with a fully equipped, private workspace. Each unit includes essential appliances such as stoves, ovens, sinks, and refrigerators, allowing users to

perform all necessary cooking tasks independently. These units are separated by partitions or walls to prevent any overlap in client's production schedules. Within each unit, the layout follows zoning principles, with designated areas for preparation, cooking, cleaning, and storage. This organization helps maintain an efficient workflow for the individual clients and ensures that all tools and ingredients are available and within easy reach.

The individual kitchen unit layout can appeal to businesses that can run their operation out of a smaller space. This layout benefits businesses by allowing them more privacy when working with proprietary recipes and can give the business more control of their working hours. While spaces such as storage can remain communal, these individual kitchen spaces gives clients the ability to operate on agreements closer to a short term lease as opposed to an hourly working schedule. Another benefit would be preventing allergen contamination. Some food businesses models rely on allergen free production spaces and this multiple kitchen model can accommodate that better than the alternative zoning approach.

With both layout options, there should still be a distinct area for staff and clients to meet. What separates a shared use kitchen from a standard commercial kitchen is the ability to offer professional development and training to help new food enterprises flourish. There will need to be space for said training and other services.

The Food Corridor, a trusted shared kitchen management software company, recommends the use of a third party food service design firm to help design the layout, or at least look over all plans before finalizing the layout. Many of these firms are in Virginia and can be easily contacted here:

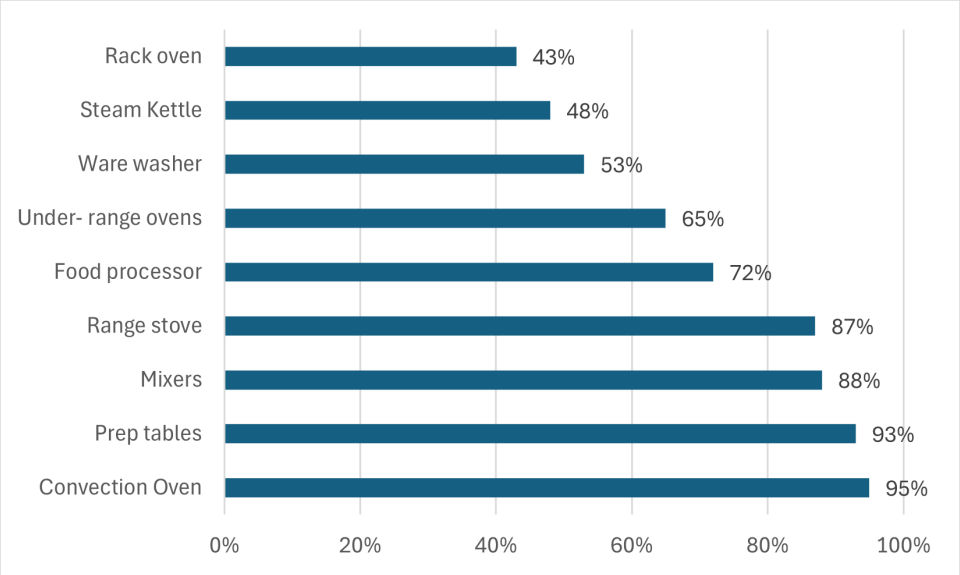
Table #1 – Foodservice Design Firms in Virginia

Foodservice Design Firm	Location (VA)	Email
Foodservice Solutions Design Consultants	Virginia Beach	contactus@fsdesignconsultants.com
Foodservice Consultants Studio	Richmond	ahegarty@foodservicestudio.com
First Thought Foodservice Consultants	Glen Allen	https://firstthoughtfoodservice.com/contact-us/
Foodservice Resources	Fredericksburg	JohnD@foodserviceresources.com

Equipment

Creating a well-equipped shared-use kitchen starts with ensuring access to the equipment necessary to meet the needs of various users. According to EConsult Solutions Inc. (ESI) report about the U.S. Kitchen Incubators in 2019, the most provided equipment in shared use kitchens are as follows: [19]

Figure #4: Most Commonly Provided Equipment in Shared Use Kitchens



For incorporating culinary courses/cooking classes in the kitchen space there are some basic requirements such as: shelves, tables, refrigerator, microwave, domestic dishwasher, cabinetry, and exhaust fans. Below is a more extensive list of some of the essential equipment that clients could need: [20] [21] [22]

Cooking Equipment

- Ranges and Ovens: Gas or electric ranges, convection ovens, and combi ovens.
- Grills and Griddles: Flat-top grills and char broilers.
- Fryers: Deep fryers and air fryers.
- Microwaves: Commercial-grade microwaves for quick heating.

Refrigeration and Storage

- Refrigerators and Freezers: Walk-in coolers, reach-in refrigerators, and freezers.
- Prep Tables: Stainless steel prep tables with under-shelf storage.
- Shelving Units: Adjustable shelving for dry storage and ingredients.

[19] https://econsultsolutions.com/wp-content/uploads/2016/03/U-S-Kitchen-Incubators-An-IndustryUpdate_Final.compressed.pdf

[20] https://atouchofbusiness.com/startup-ideas/moroccan-restaurant/
[21] https://www.leopold.iastate.edu/files/pubs-and-papers/2014-09-shared-use-kitchen-planning-toolkit.pdf
[22] https://therestaurantauthority.com/blogs/guides/what-do-you-need-for-a-commercial-kitchen

- Food Storage Containers: Various sizes of containers for storing ingredients and prepared foods.

Preparation Equipment

- Mixers: Stand mixers and planetary mixers for dough and batter.
- Food Processors: For chopping, slicing, and dicing.
- Blenders: High-powered blenders for smoothies and sauces.
- Cutting Boards and Knives: Various sizes of cutting boards and a range of knives (chef's, paring, serrated).

Cleaning and Sanitation

- Dishwashers: Commercial dishwashers for efficient cleaning.
- Sinks: Triple-compartment sinks for washing, rinsing, and sanitizing.
- Handwashing Stations: Separate sinks for handwashing.
- Cleaning Supplies: Mops, brooms, sanitizers, and detergents.

Smallware and Utensils

- Pots and Pans: Various sizes of pots, pans, and baking sheets.
- Utensils: Spatulas, tongs, ladles, whisks, and measuring cups.
- Bakeware: Mixing bowls, baking pans, and pastry tools.
- Thermometers: Instant-read and probe thermometers for food safety.

Specialty Equipment

- Ice Machines: For beverages and food preparation.
- Coffee Makers: Commercial coffee machines for beverages.
- Food Warmers: Heat lamps and warming drawers to keep food at serving temperature.
- Vacuum Sealers: For preserving ingredients and prepared foods.

Safety and Compliance

- Fire Extinguishers: Properly rated for kitchen use.
- First Aid Kits: Easily accessible in case of emergencies.
- Ventilation Systems: Hoods and exhaust systems to manage heat and fumes.
- Signage: Clear labeling for safety and hygiene practices.

Miscellaneous

- Carts and Racks: For transporting ingredients and dishes.
- Timers and Scales: For precise cooking and portion control.
- Labeling Supplies: Labels and markers for identifying ingredients and dates.

Permits and Licenses

Starting a shared-use kitchen in Virginia requires several permits and licenses to ensure compliance with local regulations and health standards. The list below gives an idea of some of the key permits and licenses a shared use kitchen will need before operating: [23] [24]

[23] https://pos.toasttab.com/blog/on-the-line/commercial-kitchen-requirements-in-virginia
[24] https://www.vdacs.virginia.gov/pdf/howtocommkitchen.pdf

- Certificate of Occupancy: This certifies that the building meets all local building codes and is safe for use.
- Food Handler's License (Food Service License): This license ensures that all individuals handling food have received proper training in food safety and sanitation.
- Seller's Permit: Required for businesses that sell tangible goods, allowing a business to collect sales tax.
- Catering Business License: If a business plans to offer catering services, this additional license is necessary.
- Food Facility Health Permit: Issued by the local health department, this permit confirms that the kitchen meets health and safety standards.
- Business License: Administered by a city or county, this license registers a business with the local authority and allows it to operate legally.
- Zoning Approval: Ensure that the businesses location is zoned properly. This may involve getting approval from local zoning authorities.
- Fire Safety Inspection: A kitchen will need to pass a fire safety inspection to ensure it meets all fire codes and regulations.
- Water Supply and Sewage Disposal Approval: A business must verify that its water supply and sewage disposal systems are compliant with local regulations.

As with any business open to the public, the facility will need to comply with applicable ordinances governing building safety, handicap access, parking, drinking water, and restrooms. Local zoning and building officials should be consulted about these requirements.

This document is not intended to provide legal advice but instead gives a general overview of the intricacies of starting a shared use kitchen. It is recommended to contact a legal professional before beginning any operation.

Staffing

Staffing is arguably the most important factor of whether or not a business succeeds, as the employees are the lifeblood of any organization. Staff are crucial to a business because they execute the company's vision, interact with customers, drive innovation, and ensure operational efficiency. A plan for staffing should be in place well before the kitchens open to allow for a smooth transition into full time operation.

For a small-scale shared use kitchen, the Kitchen Manager/Administrator will be the most important role. This individual may be a part of the ownership group or an employee. The Kitchen Manager's responsibility is to oversee daily operations, scheduling, and ensure compliance with health and safety regulations. This role will oversee all clients and all other potential staff members.

As the kitchen becomes larger, more staffing may be necessary to maintain efficiency. Some potential additional staff positions include:[25]

- Administrative Assistant: Handles bookings, customer service, and administrative tasks.
- Maintenance Manager: Responsible for the upkeep and repair of kitchen equipment and facilities.
- Cleaning Staff: Ensures the kitchen and building's common areas are clean and sanitary.
- Marketing/Communications Coordinator: Promotes the kitchen, manages social media, and handles public relations.
- Accounting Specialist: Manages finances, billing, and payroll.
- Program Director/Manager: An important role for offering incubation services, this role supports entrepreneurs and manages programs.
- Procurement Manager: Handles purchasing and inventory management.



Some kitchens also hire part-time or contract staff for specific tasks like marketing, bookkeeping, or fundraising to reduce the workload of full-time staff. They provide the flexibility needed to handle peak times, special events, and unexpected staff shortages, ensuring that the kitchen can maintain high service standards and efficiency. By bringing in temporary workers, the kitchen can scale up quickly to meet increased demand without overburdening the regular staff.

The quality of the kitchen's hired employees is equally as important as the number of staff members hired. When hiring for a shared-use kitchen, it is important to look for qualities such as flexibility, teamwork, and attention to detail. Employees should be able to adapt to varying tasks and schedules, work well with others, and follow safety protocols precisely. Strong customer service skills are also essential for interacting with clients. Additionally, problem-solving abilities and technical skills in kitchen equipment and food safety practices are valuable assets. Above all else, staff should have a genuine passion for food and the community to maintain high standards of service and safety.[26]

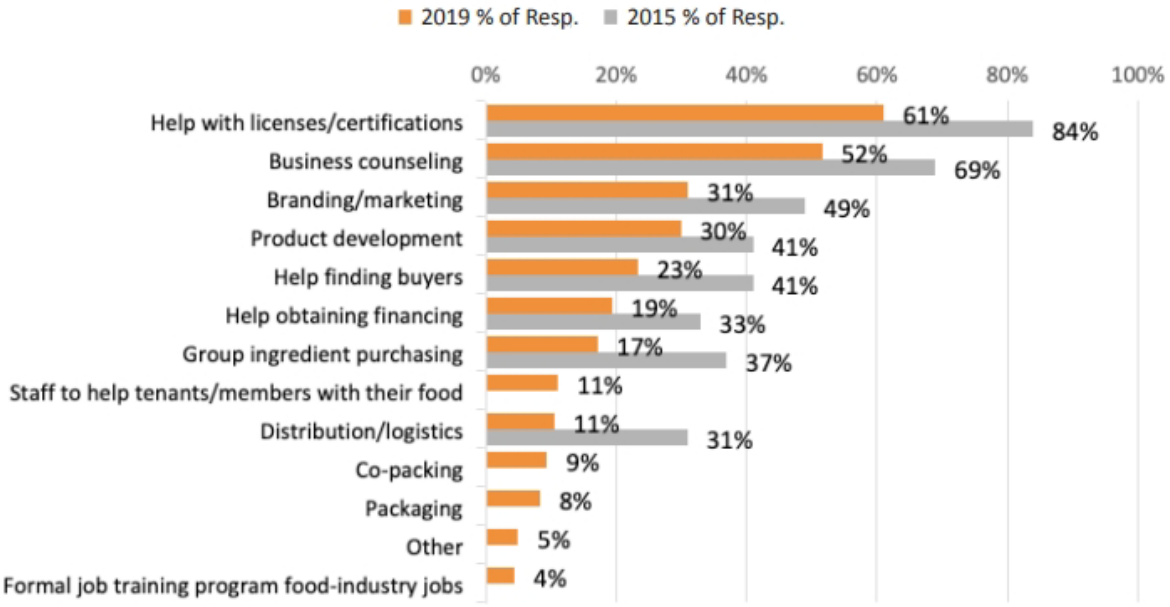
AVAILABLE SERVICES

Shared-use kitchens offer a wide range of services to support food businesses and entrepreneurs. These services provided vary greatly depending on the communities needs and wants. Below is a

[25] https://www.thefoodcorridor.com/blog/staffing-for-your-shared-use-kitchen/
[26] https://www.thefoodcorridor.com/blog/staffing-for-your-shared-use-kitchen/

list of services that shared use kitchen facilities surveyed in EConsult Solutions Inc. industry overview offered as of 2019.[27]

Figure #5: Services Provided by Shared Use Kitchen Facilities



Before a shared use kitchen of any kind is established, market research should be conducted to assess which services the community would benefit from. The pros and cons of offering a specific service should be weighed before significant capital investments are made. Below are further details regarding some of the potential services for consideration:

Production Space

Arguably the most notable service offered at a shared-use kitchen, offering rentable production space provides a valuable resource for local food entrepreneurs and small businesses. Clients will pay to rent this space in exchange for access to commercial-grade equipment and facilities for their businesses to work and grow. To effectively rent out space as a shared-use kitchen, a robust booking system and clear pricing structure are essential.

Implementing a reliable and user-friendly booking system is crucial for managing reservations and avoiding scheduling conflicts. Modern shared kitchen management software can automate bookings, invoicing, and payments, saving time and reducing administrative burdens.[28] These systems often allow users to view real-time availability, book equipment and space, and manage their schedules online.

[27] https://econsultsolutions.com/wp-content/uploads/2020/01/Kitchen-Incubators-2019_1.14.20.pdf
[28] https://www.spacebring.com/solutions/shared-kitchen-management-software



Likewise, a transparent and flexible pricing structure is necessary to cater to differing client needs. New shared use kitchens should consider offering hourly, daily, and monthly rates to accommodate various types of users, from occasional bakers to full-time caterers. Membership plans with detailed descriptions, pricing, credits, and discounts can attract long-term clients and provide steady revenue. Additionally, a kitchen might offer package deals or discounts for bulk bookings to encourage more frequent use of their kitchen space.

Renting this space will involve entering into a rental agreement. This contract should outline the terms and conditions of the rental, including the duration, costs, and responsibilities of both parties. Key elements often included in such agreements are rental terms specifying the duration (hourly, daily, monthly, or longer-term leases), payment details covering rental rates and additional fees, and a security deposit to cover potential damages or unpaid fees. The agreement should also include usage policies that outline health and safety regulations, cleaning responsibilities, and equipment usage, as well as insurance requirements for liability coverage. Additionally, it details the cancellation policy, any associated penalties, and defines access and scheduling procedures to ensure smooth operations. These contracts help maintain a clear understanding of obligations between the kitchen owner and the renter, fostering a professional and efficient relationship.[29] [30]

Storage Space

Offering storage space services goes hand in hand with production space services, but with a few nuances. Because storage space is needed on a longer term basis, separate agreements would need to be made with clients regarding this service. Storage services can encompass storage of ingredients and products, or it can be something like parking space for a food truck.

For product and ingredient storage space, the kitchen should start by assessing and organizing the available areas, including dry, refrigerated, and frozen storage. These spaces should be organized to maximize capacity and ensure easy access for renters. Clear guidelines should be established for storage usage, such as labeling, cleanliness, and access times, and these policies should be communicated clearly to renters. Similar to renting production space, a reliable booking system is used to manage storage space reservations, helping to avoid conflicts and ensure efficient use

[29] https://www.contractscounsel.com/t/us/commercial-kitchen-lease
[30] https://hivekitchen.com/HiveKitchenRentalAgreement2022.pdf

of space. Also, a pricing structure is needed based on the type and amount of storage requested, offering flexible options like daily, weekly, or monthly rates.[31]

For parking space, the kitchen should evaluate the number of available spots and their locations, ensuring the parking area is well-maintained and secure. This will mainly apply for food trucks but can be applicable for food businesses with trailers or trucks as well. The kitchen needs clear policies for parking space usage, including designated spots, time limits, and security measures, and needs to communicate these to renters. Parking space management can also be integrated into a booking system, allowing renters to reserve spots in advance and ensuring efficient use of the space. These parking spaces can be rented hourly, daily, or monthly, and the kitchen can offer package deals for long-term renters or those who also rent kitchen space.[32]

Innovation Services

Innovation services are essential for helping food businesses thrive in a competitive and ever-evolving industry. They provide the tools, support, and community needed to turn creative ideas into successful ventures. Shared use kitchens can provide these services in many ways. Depending on the goals of the stakeholders, these services can be offered for-profit or not-for-profit. For-profit services should follow the same rental principles as previously mentioned for production space. These services can be offered by the hour, weekly, monthly, or packaged together in a deal that makes sense for both parties. Not-for-profit organizations can offer these services with less restrictions and be open to the public.

These services will be organized by the kitchen manager staff role. The manager can either lead these classes/services or bring in qualified individuals to lead them instead. This can come in the form of hiring professionals for their time, or by coordinating with community members to have qualified volunteer led sessions.

Below are some of the main services offered by existing shared use kitchens:

Recipe Development

Recipe development is crucial for new food businesses because it allows them to create unique and high-quality products that stand out in the market. A recipe development class in a shared-use kitchen will start with an introduction to the basics of recipe development, including ingredient selection and cooking techniques. It is followed up with a step-by-step demonstration of the process,



[31] https://www.virtualfork.io/blog/shared-kitchens-101-outfitting-a-community-space-for-any-chef
[32] https://www.webstaurantstore.com/article/259/commissary-kitchens.html

explaining each step in detail. Clients engage in hands-on activities where they can experiment with their own recipe variations, providing guidance and feedback as needed. Clients can collaborate by sharing and critiquing each other's creations. The kitchen should provide written materials for participants to take home and offer follow-up support.[33] A good recipe development class begins with a good instructor that has experience in the industry and a passion for working with food. This instructor can be a paid staff member or a qualified volunteer from the community.

Business Development

Running a business development class in a shared-use kitchen involves several key steps to ensure it is informative and beneficial for participants. These workshops typically begin with an introduction that outlines the objectives and key topics, emphasizing the importance of business development for food entrepreneurs. It should involve interactive sessions covering business planning, marketing strategies, financial management, and regulatory compliance, using real-life examples and case studies to illustrate key points. Hands-on activities where participants can apply what they have learned, such as creating a business plan or developing a marketing strategy can be beneficial. Inviting guest speakers, like successful food entrepreneurs or industry experts, to share their experiences and insights adds variety and keeps participants engaged. Participants are encouraged to collaborate and network through group discussions, breakout sessions, and social breaks, fostering a sense of community. The kitchen can provide written materials and follow-up support, such as access to online forums or future workshops, to help participants continue their business development journey.

Marketing Services

Marketing classes for shared-use kitchen clients can be another great way to help food entrepreneurs grow their businesses. This service should start by identifying the specific marketing needs of current customers through surveys, which will help tailor the curriculum to their needs. The curriculum should cover basic marketing principles, digital marketing, branding, and content creation, with a focus on practical, hands-on activities. Engaging expert instructors and guest speakers can provide valuable insights and real-world experiences. Utilize digital tools like Zoom for virtual classes and introduce marketing software such as Canva, Hootsuite, and Mailchimp. Provide ongoing support with follow-up sessions and access to resources like templates and guides. Finally, gather feedback after the class to continuously improve future sessions.

[33] https://culinarybite.com/articles/the-art-of-recipe-development-creating-delicious-dishes/

OPERATIONAL PROCEDURES

Scheduling

One of the most efficient choices a shared-use kitchen facility can make is implementing a centralized booking system. This system allows users to easily view available time slots and book kitchen space online. A digital calendar showing real-time availability helps prevent double bookings and ensures all users have fair access to the facility. The booking system should also include features for managing cancellations and rescheduling, which can help maximize kitchen utilization and reduce downtime. An example of a booking system that satisfies this need for a shared use kitchen business is The Food Corridor. The Food Corridor is a platform designed to streamline the management of shared kitchen spaces and offers tools for scheduling, billing, and client management, making it easier for kitchen operators to handle their operations efficiently.[34]

While scheduling software can streamline these duties of a Kitchen Manager, regular communication with users is still needed to keep users informed of any changes to the schedule, maintenance activities, or new policies. Human communication helps maintain transparency and trust. Having a clear and accessible policy for handling conflicts or scheduling disputes can help resolve issues quickly and fairly. Gathering feedback from users about their scheduling experiences can provide valuable insights into potential areas for enhancement. Analyzing usage patterns and identifying peak times can help adjust the kitchen's schedule to better meet demand. By continuously refining the scheduling practices, a facility can ensure efficient operations and high user satisfaction.

Pricing

The most important factor in determining the pricing structure for the shared use kitchen will be to determine the stakeholders objectives for the business. For example, a non-profit organization will have vastly different goals than for-profit investors and each operation should tailor their pricing structures accordingly. Pricing structure will also vary depending on external factors including:

- Location: Urban vs. rural, neighborhood.
- Kitchen Size and Facilities: Square footage, equipment available.
- Usage Frequency: Hourly vs. monthly rates, peak vs. off-peak hours.
- Additional Services: Storage, cleaning, support services.
- Market Demand: Seasonal demand, local competition.
- Operational Costs: Utilities, maintenance.
- Insurance and Compliance: Liability insurance, regulatory compliance.

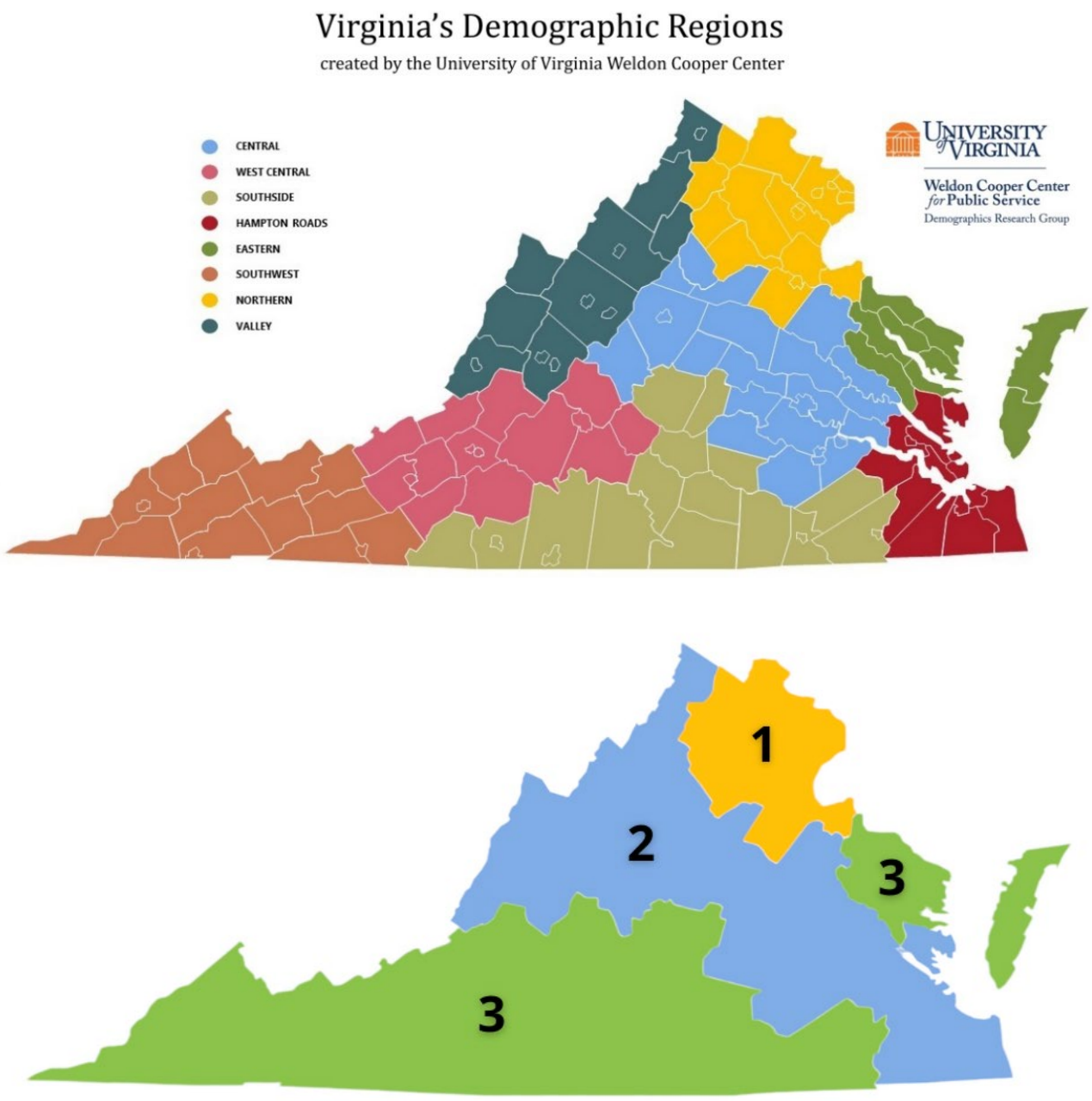
[34] https://www.thefoodcorridor.com/

A large factor that will be assessed in this study is the influence of the surrounding region. Virginia is a unique state with multiple distinct regions. Average rent prices in Virginia vary significantly depending on the region. In Northern Virginia, particularly in areas close to Washington, D.C., rent prices are among the highest in the country.[35] In contrast, Central Virginia, Hampton Roads, and the Valley see more moderate rent prices. Meanwhile, Southwest Virginia, West Central Virginia, Southside Virginia, and Eastern Virginia typically have the lowest rent costs in the state.[36] [37] Based on observable rental prices that have been publicly posted by shared use kitchens across Virginia, kitchen rental prices follow similar trends across these regions. For this study, the eight distinct regions of Virginia are grouped into three "Socioeconomic Groups" based on available rental price data. These groupings are as follows:

- **Socioeconomic Group #1 – Northern Virginia**
- **Socioeconomic Group #2 - Central Virginia, Hampton Roads, and The Valley**
- **Socioeconomic Group #3 - Southwest Virginia, West Central Virginia, Southside Virginia, and Eastern Virginia**

[35] https://constructioncoverage.com/research/cities-with-the-most-expensive-rents
[36] https://www.coopercenter.org/virginias-demographic-regions
[37] https://usafacts.org/answers/how-much-do-households-spend-on-rent/state/virginia/

Figure #6 – Viginia's Demographic Regions and Observed Socioeconomic Groups



University of Virginia Weldon Cooper Center. (2017). Virginia Regional Map. Retrieved from https://coopercenter.org/virginia-regions [38]

[38] https://www.coopercenter.org/virginias-demographic-regions

In order to personalize the findings of this study, the financial models below will project the feasibility of a small, shared use kitchen business hypothetically located in each of these "Socioeconomic Groups." Despite their distinct geographical locations, these areas are economically comparable, with similar levels of income and employment

Using data collected by contacting various shared kitchen spaces across Virginia, the following table shows the expected hourly rent price for each of these groups. The average high end prices typically represented the per hour rental price, while the lowest prices represented the per hour price that can be achieved through a membership.

Table #2 –Observed Hourly Rent Prices of Shared Use Kitchens Across Virginia

Group	Socioeconomic Group #1	Socioeconomic Group #2	Socioeconomic Group #3
Regions	Northern	Central, Hampton Roads, The Valley	Southwest, Southside, Eastern, West Central
Rent Price Achieved through Membership	$23.75	$14.88	$13.47
Hourly Rent Price	$37.56	$30.94	$19.94
Estimated Average	$30.65	$22.91	$16.70

Below are examples of publicly posted pricing structures from across the state that detail more of the services offered by existing kitchens. These examples are included to show range of prices across the state and the variance in how these businesses charge for their services.

Figure #7: Chiknegg Incubator Kitchen Pricing Structure (Goochland, VA)

Chiknegg Incubator Kitchen	https://chiknegg.com/fee-options/				
Affiliate Type	**Hours Per Month**	**Per Hour Rate**	**Overage Rate Per Hour**	**Base Amount**	**Security Deposit**
Pop Up		$43.75	$45/hr (anything over 8 hours)	$350.00	$300.00
Emerging Food Entrepreneurs	Up to 9 (min 4)	$25	$25 Peak Rate, $22.50 Off Peak	$100.00	$100.00
Part Time	10-20	$20	$25 Peak Rate, $22.50 Off Peak	$400.00	$100.00
Full Time	21-40	$17.50	$15 Peak and Off Peak Rate	$700.00	$100.00
Food Trucks	up to 4	$25	$28 Peak Rate, $22.50 Off Peak	$100/ 6 mo min	$100.00
Food Carts	up to 9	$25	$28 Peak Rate, $22.50 Off Peak	$100/ 6 mo min	$100.00
Caterers / Meal Prep Delivery Service	up to 9	$25	$22.50 Peak Rate, $17.50 Off Peak	$100/ 6 mo min	$100.00
Off-peak (10:00pm - 8:00am)		$22.50			
Dry Storage				$35/per mo	
Freezer & Fridge Storage				$35/per mo or $5/day	
Potable Water and Grey Water Dumping ONLY		$50/per mo			

Figure #8: My Commissary Kitchen Pricing Structure (Norfolk, VA)

My Commissary Kitchen	https://mycommissarykitchen.com/		
Non Members		**Members**	
Booking Fee	$50 per booking	Membership Fee	$250 Annually
Hourly Rate	$35/hr	Hourly Rate	$35/hr
		Up to 20 hrs	$500/ per mo
		Up to 50 hrs	$1000/ per mo
		Up to 80 hrs	$1200/ per mo
		Up to 120 hrs	$1500/ per mo
		Food Truck Affiliation	$150/ per mo
		Food Truck Parking	$200/ per mo
		Food Cart Affiliation	$100/ per mo

Figure #9: Millstone Kitchen Pricing Structure (Blacksburg, VA)

My Commissary Kitchen			
Application Fee	$50 one time	Water/Disposal for Mobile Food Units	$200/ per mo
Standard Membership	$150 Annually	Full Service for Mobile Food Units	$500/ per mo
Non Member Rate	$24/hr	Dry Storage Full Unit	$60/ per mo
Member Rate - Prep	$18/hr	Dry Storage Half Unit	$30/ per mo
Member Rate - Hot Line	$22/hr	Cooler Storage	$40/ per mo
		Freezer Storage	$40/ per mo

Accounting

Effective accounting practices are needed for the smooth operation of a shared-use kitchen facility. The most important of these practices is maintaining accurate and detailed financial records. Accounting software can streamline this process, ensuring that all transactions are recorded accurately and are quickly accessible for reporting and analysis. Regularly reconciling bank statements with financial records helps identify discrepancies early and maintain financial integrity. Kitchen Management Software used for scheduling clients and receiving payments is often compatible with dedicated accounting software systems. For example, The Food Corridor works closely with Intuit QuickBooks to seamlessly transition business transactions into an easily understandable format.[39]

Marketing

Online Presence

Creating a strong online presence is crucial for marketing any modern business. A professional website is often the first point of contact between a business and a potential client and should be designed to have a lasting impact. Social media platforms such as Instagram, Facebook, and LinkedIn are also crucial for engaging with the community, sharing updates, and posting photos and videos of the kitchen to attract potential clients. A website may require more resources and expense to create than a social media account. However, unlike social media accounts, the website owner has full control of its online content and visitor information. A website and social media accounts should be created to operate in tandem to maximize audience reach. Additionally, optimizing the website for local search terms and maintaining a Google My Business profile ensures that the facility is easily discoverable by people searching online, providing essential information such as hours, location, and contact details.[40]

[39] https://help.thefoodcorridor.com/en/articles/2030338-how-does-the-food-corridor-help-me-manage-my-quickbooks-online
[40] https://www.google.com/intl/en_us/business/

Content Creation

Content creation is a powerful tool for promoting a modern business. A shared use kitchen can attract and engage its target audience by creating relevant content, such as regular posts about development classes, new promotions, and highlighting clients success stories from the kitchen. Regularly updating a blog with insightful articles can help establish the facility as an authority in the culinary community. Email newsletters with updates, upcoming events, and special offers keep audiences informed and engaged. This consistent communication builds a loyal following and drives traffic towards websites and social media platforms.

Community Engagement



Engaging with the community is vital to marketing a shared-use kitchen facility. Hosting public workshops and events, such as cooking classes, food safety seminars, and networking gatherings can draw people into the space and highlight its benefits. These events showcase the facility and foster a sense of community among local food entrepreneurs. Partnerships with local food businesses, farmers' markets, and culinary schools can further enhance visibility and credibility. Joint marketing campaigns and cross-promotions with these partners can reach a wider audience and create mutually beneficial relationships.

Client Referrals

Client referrals are a highly effective marketing strategy for a shared use kitchen facility. Encouraging current clients to refer new users can be incentivized through referral programs offering discounts or free kitchen use hours. This rewards loyal clients and helps to attract new customers through trusted recommendations. Highlighting positive reviews and testimonials from satisfied clients on social media platforms or the business's website can further build trust and credibility. Potential clients are more likely to choose a facility their peers have reviewed positively. By leveraging the power of word-of-mouth marketing, a shared use kitchen can expand its client base and enhance its reputation in the local food industry.

Waste Management

Managing waste in a shared use kitchen facility involves several steps to ensure efficiency and regulation compliance. Clearly labeled and color-coded bins for recyclables, compostables, and general waste are needed to facilitate proper sorting. Recycling programs should be implemented if possible. Composting is another important aspect, where food waste can be collected in compost bins and sent to local farms or composting services. Educate staff and kitchen users on proper waste segregation and reduction practices are essential, supported by clear signage.

Implementing these strategies allows a shared-use kitchen to effectively manage waste, reduce environmental impact, and create a more sustainable operation.

Insurance

Operating a shared-use kitchen facility requires a range of insurance policies to safeguard against various risks. General liability insurance is necessary to protect the business from third-party claims of bodily injury, property damage, and personal injury. For example, if a client or visitor slips and falls within the facility, this insurance can cover medical expenses and legal fees. Many shared-use kitchens also require tenants to have a general liability policy.

Property insurance is another essential coverage for the building owner, as it protects the facility and its contents from damage from fire, theft, or vandalism. This ensures the kitchen can quickly recover and resume operations after an incident. This type of insurance covers tools and equipment in transit or stored off-site, safeguarding against loss or damage. Additionally, if the facility employs any staff, workers' compensation insurance is required to cover medical expenses and lost wages in the event of any injured employees.

Forward Planning

Tenant Retention

Forward planning and tenant retention are important factors in the sustainable success of any shared use kitchen. According to a 2019 survey of shared use kitchen facilities from EConsult Solutions Inc., 20% of tenants stay less than a year, 66% stay 1-3 years, and only 14% of tenants stay longer than three years. Losing tenants is an inherent part of this industry as the kitchens main purpose is to help foster young food businesses. Some of these young businesses will fail and some will succeed and grow to a point where their production and storage needs outpace the kitchens capacity. Kitchen managers should be aware of the high turnover rate of the industry and plan accordingly. Turnover impacts can be mitigated by developing close relationships with regular tenants and continuing to advertise and remain visible even when the kitchen is near capacity.

Financial Planning

Other important practices include budgeting and financial planning. Developing a comprehensive budget that outlines expected income and expenses helps manage cash flow and make informed financial decisions in the future. Regularly reviewing and adjusting the budget based on actual performance can help ensure the facility remains financially viable. This also involves setting aside funds for unexpected expenses and future investments, such as equipment upgrades or facility improvements.

Regular financial reporting and analysis also help monitor the facility's financial health. Generating monthly or quarterly financial statements, such as income statements, balance sheets, and cash flow statements, provides insights into the facility's financial performance. Analyzing these reports helps to identify trends, make informed decisions, and plan for future growth. Consulting with an accountant or financial advisor provides additional expertise and ensure compliance with financial regulations and standards.

COMMUNITY IMPACT

Environmental Impact

Shared use kitchens provide several environmental advantages to the local area. The foremost of these benefits is the reduction in resource consumption. By bringing multiple food businesses together in one location, these kitchens can make more efficient use of energy, water, and space. This happens through the shared use of appliances and equipment, which decreases the overall demand for these resources. Instead of each business operating its own oven or refrigerator, a shared kitchen can run fewer units more efficiently, resulting in lower energy consumption and reduced greenhouse gas emissions.

Another major environmental benefit of shared use kitchens is the reduction in food waste. Kitchens can implement systems to manage and minimize waste, such as composting programs and collaborations with food recovery organizations.[41] Kitchen tenants can also collaborate and coordinate bulk ordering of ingredients to purchase perishable items more efficiently. This will in turn lower food waste as well as reduce the environmental impact of shipping.

Shared use kitchens also inherently encourage sustainable urban development. By offering affordable kitchen space for small food businesses, they encourage local entrepreneurship and reduce the need for new construction. This can help preserve natural spaces and limit urban sprawl. Additionally, the networking opportunities provided by shared use kitchens can lead to an increase in sustainable practices, such as sourcing local and organic ingredients, which further supports environmental sustainability.

Charitable Efforts

Shared use kitchen business are poised with a unique opportunity to become a leader in combating local hunger. These businesses can encourage their tenants to donate extra food or supplies to those in need rather than discard it. Kitchen management can coordinate donation efforts to maximize the effect of the individual businesses.

[41] https://refed.org/downloads/Restaurant_Guide_Web.pdf

Depending on the mission of the ownership, shared use kitchen facilities can also donate their time and space to further support community food security. The kitchen could opt to allow non-profit organizations to use the kitchens services for a discounted price, or for no cost at all.

Economic Impact

In addition to the direct economic impacts through the employment of local individuals, local food businesses have an expanded impact through their inter-industry transactions and connections. Numerous studies have looked at different ways these impacts can be measured. These indirect and induced changes in economic activity result from what are commonly known as 'multiplier' effects."[42] The direct impacts are those jobs and sales created from the demand for local food product or services; indirect impacts are those created in other sectors that are due to the direct impacts such as jobs at the food trucks using the kitchen; while induced impacts are additional effects that are the result of the additional jobs and income that is created through direct and indirect impacts being spent within the local economy such as the suppliers that food entrepreneurs or local farmers purchase their goods from. A Cornell University study found that for each dollar of direct impact from food businesses, an additional $0.82 of output is produced in the related industries (indirect $0.56 + induced effects $0.26). This figure could be larger when looking at the direct and associated impacts of future activities.

MODEL FINANCIAL PROJECTIONS AND METHODS

This report contains developed business financial models for a small, shared use kitchen facility for each of the three socioeconomic groups discussed above. The data was modeled in Excel spreadsheets and the results are presented on an annual basis. This model is based on assumptions that have been derived both from the consultant's experience working in rural development, as well as research data and interview results gathered throughout the process of conducting this study. The following models do not account for any grant funding opportunities.

If these conditions are met, the operations described here will have a chance at long-term success and sustainability. More detail on the calculations and industry data that were used by the consultants to determine the assumptions that make up the financial model presented in this section can be found in the Appendices.

Financing

Down payment amounts and financing amounts are estimated to be 10% down/90% financed with an interest rate of 7.5% for all business loans. Equipment loans will assume a 15 year term while Facility Renovation loans will assume a 20 year term. It should be noted that interest rates and building material costs are variable factors and will continue to change in the future. This

[42] https://www.sare.org/wp-content/uploads/Cornell_Food_Hub_Report_12_13_2013_FINAL-1.pdf

could present a significant impact on overall financing for the operation. The actual circumstances for the purchase of the equipment and facility will likely vary from what is described here.

Facility

For these models, 1,000 square feet will be the standard size for each scenario. This assumes that two food businesses can operate in this space simultaneously. This 1,000 square-foot space accounts for the kitchen area as well as the storage area. For this scenario, the models assume that financing for the purchase of the building is not necessary as there would be too large of a variance depending on the facilities location and size. This model will only account for generic renovations to existing structures such as:

- Structural Modifications
- Ventilation and HVAC
- Plumbing and Electrical Upgrades
- Security Systems
- Ample Storage Space
- Safety and Compliance

$50,000 will be appropriated for these generic renovations to all models. This expense will help to prepare existing space for the installation of new equipment and ensuring the existing structure is up to code. The upfront down payment will total ($5,000) and the recurring annual payments will be ($4,414).

Equipment

The necessary equipment to begin a shared use kitchen facility will vary depending upon the wants and needs of the surrounding community. Before purchasing equipment for the facility, assess the needs of current and potential clients. Surveys or interviews are a useful tool to determine equipment needs. The equipment costs for this model have been based off of Chiknegg's current facility in Goochland, VA. Chiknegg is a 900 square foot shared use kitchen facility founded in 2014. The equipment list for the Chiknegg facility is posted publicly on the business's website.[43] Prices were gathered from KitchenAll.com and WebRestaurant.com and are displayed below. [44] [45]

[43] https://chiknegg.com/equipment-list/
[44] https://www.kitchenall.com/
[45] https://www.webstaurantstore.com/

Table #3: Price of Kitchen Equipment for 1,000 Square Foot Facility

Item	Item Price	Quantity	Total Price
Four-burner range w/grill & Double Oven	$4,472.00	1	$4,472.00
Four-burner range w/Single Oven (can switch to Convection)	$2,569.00	1	$2,569.00
Five-shelf Convection Oven	$2,395.00	1	$2,395.00
Portable Convection Ovens – Half Sheet Pan Sized	$1,351.00	2	$2,702.00
Proofer	$1,249.00	1	$1,249.00
Three-door Commercial Freezer	$2,912.00	1	$2,912.00
Commercial Refrigerators	$1,995.00	3	$5,985.00
8 x 12 Walk-in Freezer	$9,138.00	1	$9,138.00
Meat Slicer	$539.00	1	$539.00
Meat Grinder	$649.00	1	$649.00
Table-top Mixers	$1,100.00	2	$2,200.00
20-qt Hobart Floor Mixer	$5,623.00	1	$5,623.00
Immersion Blender	$389.00	1	$389.00
Microwave	$296.00	1	$296.00
Stainless Nesting/Mixing Bowls	$155.00	2	$310.00
Baker's Racks	$143.00	3	$429.00
Baking Sheets	$102.00	5	$510.00
Rolling Carts for transporting goods in/out of vehicle	$179.00	3	$537.00
Small Food Warmer	$222.00	1	$222.00
Stainless Steel Prep Tables	$184.00	5	$920.00
Two-minute Cycle Dish Washer	$5,311.00	1	$5,311.00
Commercial Salad Spinner	$103.00	1	$103.00
Rice Cooker	$180.00	2	$360.00
Total			**$49,820.00**

The estimated equipment cost equals ($49,820). The model will include an additional 10% for shipping costs and taxes, ($4,982), and another 10% for installation costs, ($4,982). This will result in a total upfront equipment cost of ($59,784) for the business. Assuming the same loan conditions as above, the business will incur an upfront cost of ($5,978) and annual loan payments of ($6,095) for equipment.

Rentable Hours

Each model assumes the kitchen will operate on the schedule below. This will total 56 open hours per week or 242 hours per month, with a month equaling 4.33 weeks. Assuming a 1,000 square foot build will have sufficient kitchen space for two food businesses to operate simultaneously, there will be 484 rentable hours per month for each model.

Table #4: Model Kitchen Schedule

Day	Available Hours
Monday	9:00am – 5:00pm
Tuesday	9:00am – 5:00pm
Wednesday	9:00am – 5:00pm
Thursday	9:00am – 5:00pm
Friday	9:00am – 5:00pm
Saturday	9:00am – 5:00pm
Sunday	9:00am – 5:00pm

Pricing Structure

Using the observed hourly rent prices of shared use kitchens across Virginia from Table #2 each socioeconomic group will assume a different pricing structure seen below. The standard membership rate is based on the average lowest available rental rates within the region. The hourly rate is based on the observed high end hourly rental rates. Membership will include access to the kitchen for the corresponding number of hours per month. Storage fees will be charged separately and will remain constant across all models at the monthly rate below.

Table #5: Socioeconomic Group 1 Pricing Structure

Description	Associated Price	Associated Hours
Standard Monthly Membership	$950	40
Hourly Rental Cost (Non-Member)	$38	1
Development Classes	$80	1

Table #6: Socioeconomic Group 2 Pricing Structure

Description	Associated Price	Associated Hours
Standard Monthly Membership	$595	40
Hourly Rental Cost (Non-Member)	$31	1
Development Classes	$80	1

Table #7: Socioeconomic Group 3 Pricing Structure

Description	Associated Price	Associated Hours
Standard Monthly Membership	$539	40
Hourly Rental Cost (Non-Member)	$20	1
Development Classes	$80	1

Table #8: Virginia Monthly Storage Costs

Description	Monthly Price
Dry Storage	$25
Cold Storage	$25

Staffing

A 2019 survey by EConsult Solutions Inc. shows that the majority (32%) of shared use kitchen businesses only have one full time employee.[46] The next leading response categories were: zero full time employees (31%), meaning that the kitchen is run by a collection of part time employees or volunteers, and 2-5 full time employees (28%). The following financial models will assume only one employee: A full time Kitchen Manager. This position will work 40 hours per week to schedule kitchen bookings and development classes, maintain health and safety standards, controls costs, collaborate with local partners and work to schedule development classes for tenants. The salary of the position will vary depending on the location of the kitchen.

[46] https://econsultsolutions.com/wp-content/uploads/2020/01/Kitchen-Incubators-2019_1.14.20.pdf

Table #9: Local Wages for First-Line Supervisors of Food Preparation

Location	Hourly Median [47]	Socioeconomic Group
Southwest Virginia nonmetropolitan area	$17.35	3
Blacksburg-Christiansburg-Radford, VA	$17.75	3
Charlottesville, VA	$21.46	2
Harrisonburg, VA	$19.16	2
Kingsport-Bristol-Bristol, TN-VA	$17.08	3
Lynchburg, VA	$17.26	3
Northeast Virginia nonmetropolitan area	$17.98	1
Northwest Virginia nonmetropolitan area	$18.11	2
Richmond, VA	$18.79	2
Roanoke, VA	$17.93	3
Southside Virginia nonmetropolitan area	$17.76	3
Staunton-Waynesboro, VA	$17.66	2
Virginia Beach-Norfolk-Newport News, VA-NC	$17.90	2
Washington-Arlington-Alexandria, DC-VA-MD-WV	$22.25	1
Winchester, VA-WV	$18.33	2

Source: Bureau of Labor Statistics 2023 wage data - https://www.bls.gov/oes/

Table #10: Average Wage by VA Socioeconomic Group

Socioeconomic Group	Region Average	Annual Equivalent
3	$17.52	$36,445
2	$18.77	$39,048
1	$20.12	$41,839

An additional 10% of the annual equivalent salary will be added to the labor costs to account for employee benefits such as health insurance and retirement benefits. Labor costs will increase at a larger rate than other listed expenses to retain employees and create supportive work culture. Staff salary and staff benefits costs will increase by 5% per year in every model.

Utilities

Utilities such as electricity, water, and gas are essential for maintaining daily operations, and their costs tend to scale with the level of business activity. As kitchen usage increases, the demand for utilities will rise proportionally. Utility expenses will be calculated at a rate of 5% of sales revenue in each model.

[47] https://www.onetonline.org/link/summary/35-1012.00

Waste Management

According to Hometown Dumpster Rental, "Trash and recycling services for your business can range in price from $90-$300+ per month for one container."[48] Given that this shared use kitchen model is smaller than the average restaurant and the small business occupants will likely be more cautious of food waste, this model will use $89 as the monthly waste management fee. This will cover a 2 Yard Dumpster that should easily fit this business's needs.

Repairs and Maintenance

The National Restaurant Association estimates that approximately 1.5% of a restaurant's total sales each year will be spent on maintenance and repairs.[49] This metric will be applied to our shared use kitchen models as well.

Cleaning Supplies

According to US Foods Chef Store, a small business can anticipate monthly cleaning supply expenses ranging from $63 to $200.[50] For the purpose of these models, $200 per month will be the assumed cost if the facility were to run at full capacity. Current capacity will be multiplied by this cost to project the monthly cleaning expense. This includes supplies such as sanitizing wipes, dish soap, microfiber cloths, all-purpose cleaner, trash bags, and all other disposable cleaning necessities.



Office Supplies

A small business will typically spend between $17 and $83 per month per employee on office supplies. This includes supplies such as paper, pens, printer ink, letters, stamps, and other essential supplies to manage a business. The following models will assume a $25 monthly cost for such supplies.

Software

Scheduling software is needed to ensure efficient and profitable management of shared-use kitchens. The Annual Plan from The Food Corridor is designed to provide maximum value for kitchens managing a growing client base.[51] This plan is priced at $206 per month, or $2,472

[48] https://www.hometowndumpsterrental.com/blog/what-can-I-expect-to-pay-for-dumpster-service-costs
[49] https://s3.amazonaws.com/s3.documentcloud.org/documents/291534/t288-nrarept2010.pdf
[50] https://www.chefstore.com/about/blog/cleaning-supplies-may-be-costing-you-more-than-you-think/?srsltid=AfmBOoo3sHVvHx_h2HD9BMaGAzNNTNfy-Aa-zaLtUr6oUq204n44QRhJ
[51] https://www.thefoodcorridor.com/pricing/

annually. An unlimited number of clients can be managed under this plan, making it suitable for expanding operations. All models below will assume this plan for an annual cost of $2,472.

Marketing

The industry rule of thumb is that a business with a B2C (business to consumer) sales model should spend at least 5% of its annual revenue on marketing expenses.[52] This cost covers a combination of physical and digital marketing focused on attracting food businesses owners to utilize the kitchens services. As the business grows, the return on advertising investment ratio will decrease and more will have to be spent on advertising to reach a further target market. Properly investing in marketing is necessary even in times of plenty to build a consistent customer base and maintain the cash flow of the business. The models below will spend 5% of sales volume on marketing expenses.

Regulatory

One of the important regulatory costs for a shared use kitchen business will be obtaining a Food Facility Health Permit. In Virginia, a business will need to submit a $40 fee for a plan review and another $40 fee for the permit itself, totaling $80 in Year One.[53] Additionally, there may be costs for follow-up inspections if any issues are found during the initial inspection, and the permit needs to be renewed annually, typically at the same cost of $40.

A Food Handler's License is also required in Virginia to ensure that food service workers are knowledgeable about food safety practices. The cost of a license per employee is $15. With only one employee in these models, it will cost the business $15 annually.

Insurance

Virginia requires most small businesses to carry Workers Compensation Insurance. The most recent annual report from the National Academy of Social Insurance estimates that Workers Compensation Insurance costs Virginia employers $0.61 per $100 of payroll expenses.[54]

General Liability Insurance is not typically required by state law but is highly recommended for any business. General Liability Insurance can range from $400 to $600 annually for a small business.[55] The following models will assume a $500 annual cost.

[52] https://www.bdc.ca/en/articles-tools/marketing-sales-export/marketing/what-average-marketing-budget-for-small-business
[53] https://www.vdh.virginia.gov/environmental-health/food-safety-in-virginia/foodapplication/
[54] https://www.nasi.org/research/workers-compensation-2/
[55] https://www.simplyinsurance.com/how-much-is-general-liability-insurance/

Depending on whether the business owns the kitchen facility, Commercial Property Insurance may be encouraged as well. Commercial Property Insurance will not be factored into the following models as there is too large of a variance depending on the facilities, location, and size.

Unforeseen and Miscellaneous

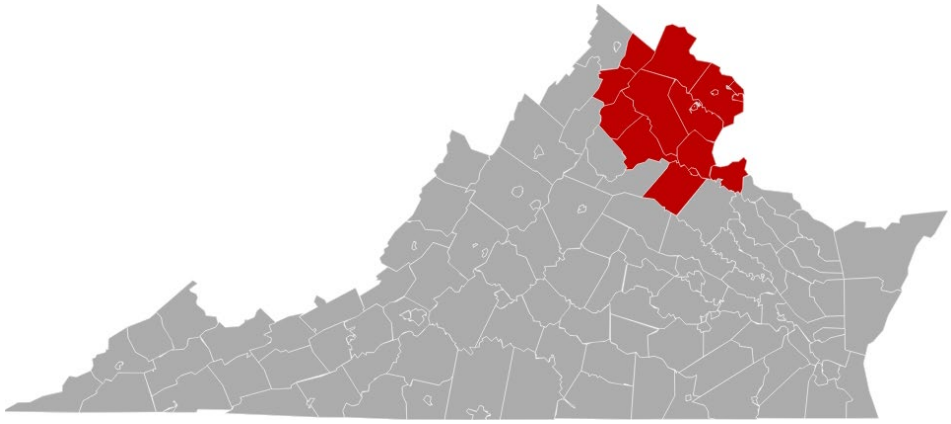
For each of the following models, 1% of annual sales revenue will be allocated towards unforeseen costs and another 1% will be allocated for miscellaneous costs. The purpose of this cost category is to ensures a business can handle small, unexpected expenses without disrupting its overall financial plan.

Depreciation

Depreciation plays a crucial role in reflecting the gradual reduction of a kitchen's assets over time. Major assets such as kitchen equipment and facility improvements will be depreciated in the following models using a straight line depreciation method. Including depreciation in these models provides a more accurate representation of facilities current worth, lowers taxable income, and helps to budget for future kitchen improvements.

The following models attempt to be as realistic as possible while still permitting ease in interpretation. Though attempts have been made to make the tables as transparent as possible, several key project descriptions will be presented here. Due to the unique nature of this proposed venture, actual revenues and expenses are likely to be different when the facility goes into operation. The analysis presented here is intended to be estimates only, based upon industry research, similar-sized operations, and the consultant's knowledge.

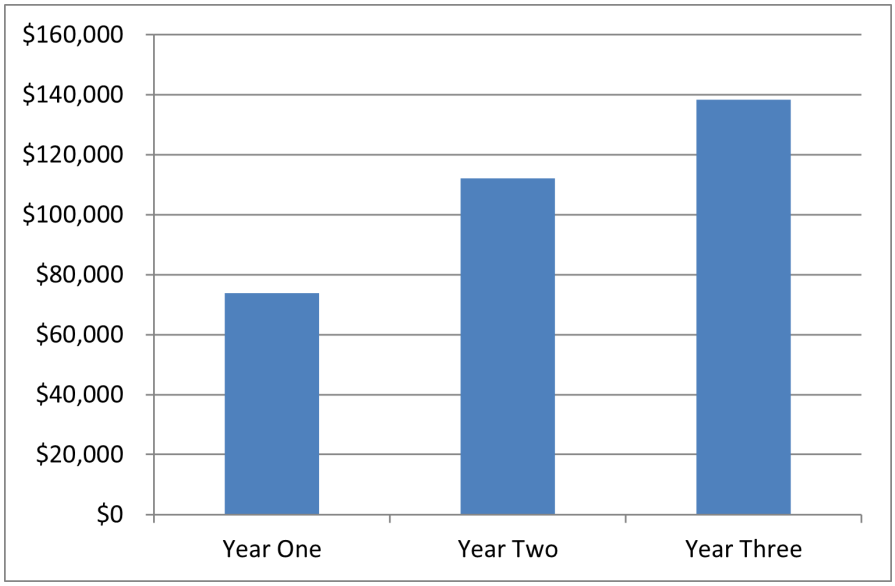
Small Scale Shared Use Kitchen in Socioeconomic Group #1 (Northern VA)



Income

The facility will have revenue streams in all three years of operation. It is anticipated that the facility will see revenue grow each year as the business continues to become more established and attracts a growing number of clients, seeing sales rise from $73,824 in year one to $138,336 in year three.

Figure #10: Annual Income of a Shared Use Kitchen in Socioeconomic Group #1



The majority of this income will come from Standard Memberships sales. Standard Memberships will account for 77.2% of all income in year one and rise to 82.4% in year three.

The next largest income category will be Hourly Rentals. Hourly Rentals will make up 12.2% of revenue in year one and fall to 9.8% in year three as membership sales grow at a faster rate. Development Class revenue will follow a similar trend as it will make up 6.5% of revenue in year one and fall to 3.5% in year three. The number of Development Classes will remain consistent through all three years of the model with five classes monthly. Storage Costs (both Dry and Cold) will increase over time from 4.1% in year one to 4.3% in year three as they are tied to the number of memberships.

Expenses

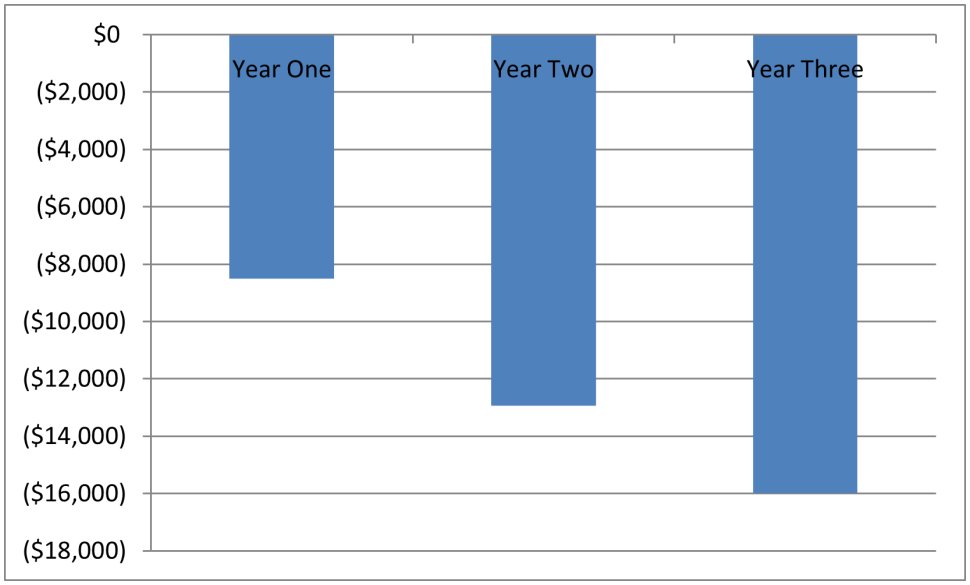
The shared use kitchen facility depicted in this model will see total expenses grow each year as the business establishes itself in the community and sees an increase in total usage. The business will see total expenses rise from ($62,255) in year one to ($76,090) in year three.

This section presents expenses associated with the variable and fixed costs of the business. These expenses are based on operations detailed previously in the document, and the consultant's assumptions presented in the appendix and the beginning of the financial section. Variable costs are those which change with production and are directly associated with sales. Fixed costs are the overhead costs required for the venture to exist and function.

Variable Expenses

The amount spent by the facility to cover variable costs increases from year to year as sales grow and the facilities usage increases, rising from ($8,498) in year one to ($15,991) in year three. Costs categorized as variable in this economic model include utilities, cleaning supplies, and marketing expenses.

Figure #11: Variable Costs of a Shared Use Kitchen in Socioeconomic Group #1

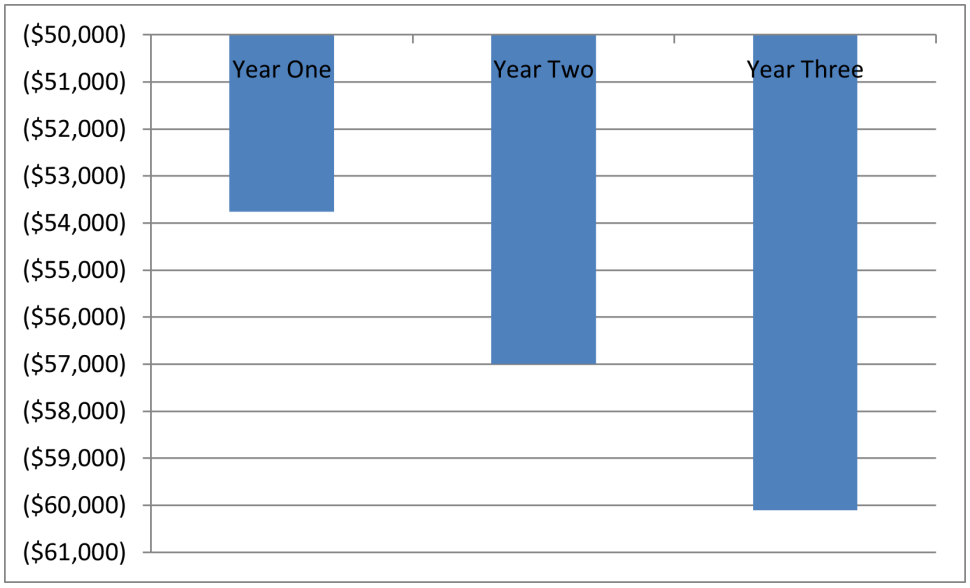


Two variable expense categories that are tied to total revenue are utility costs and promotional expenses, both representing 5% of total sales. Utility costs will equate to ($3,691) in year one and grow to ($6,917) by year three. Likewise, promotional expenses will equate to ($3,691) in year one and grow to ($6,917) by year three. Cleaning supplies represent the final category in variable expenses and fluctuates depending upon the facilities capacity. Cleaning supplies are expected to cost ($1,116) in year one and grow to ($2,157) as the usage of the facility increases.

Fixed Expenses

Fixed costs are the largest expense the business will incur in all three years of the plan. Unless overwise stated, fixed costs items will increase by 3.0% each year to account for inflation. In year one, fixed costs total ($53,757) and increase to ($60,100) by the third year. For the purposes of this study, the main fixed expense categories that will be considered are Equipment Repairs, Labor, Fringe and Overhead, Legal and Accounting Expenses, Office Supplies, Waste Management, Licensing and Permits, Pest Management, Business Insurance, and Unforeseen Costs.

Figure #12: Fixed Costs of a Shared Use Kitchen in Socioeconomic Group #1



Of these fixed expenses, the largest category is labor and labor benefits. Total labor costs, including benefits, amount to ($46,023) in year one. To retain employees, wages and benefits will increase by 5% each year and will be ($50,740) in year three. Despite the increase in the expense category, labor costs will represent a decreasing amount of total revenue, falling from 62.3% of revenue in year one, to 36.7% of revenue in year three.

Other notable fixed costs include Equipment Repairs, Legal and Accounting Expenses, Office Supplies, Waste Management, Licensing and Permits, Pest Management, and Business

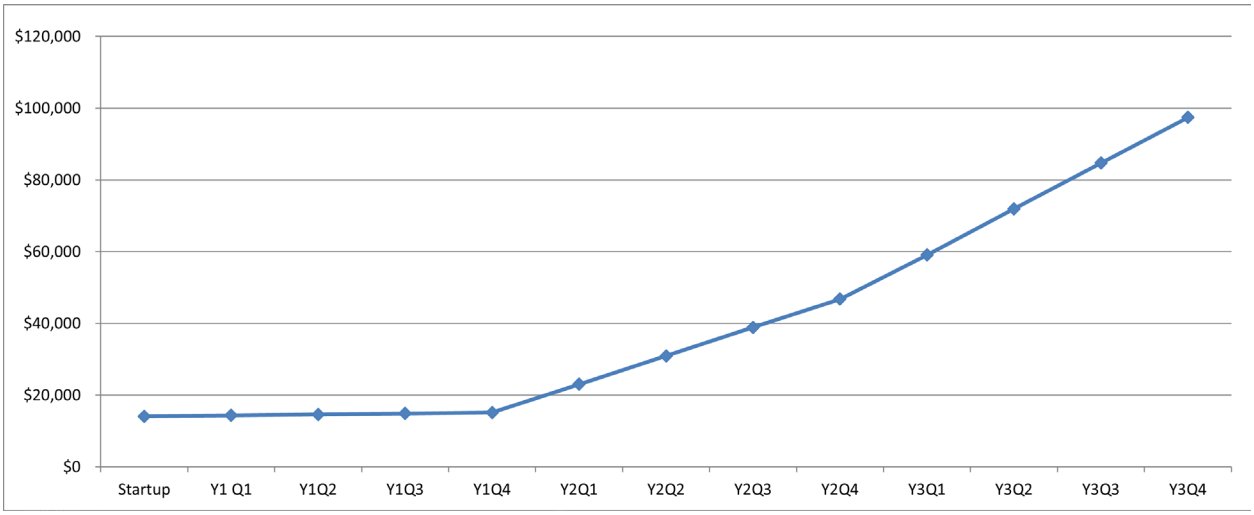
Insurance. Each of these expenditures will grow at a rate of 3% each year, growing from ($4,690) in year one to ($4,929) in year three.

Unforeseen and contingency costs have also been included in the model and are meant to provide a reserve for any unexpected costs, or other expenses such as customers who are in default. Unforeseen and contingency expenses are calculated as 2% of sales each year. This expense will be ($1,476) in year one, rising to ($2,767) by year three.

Cash Flow

Cash on hand and cash flow are critical factors to any projects success. A cash infusion of $20,000 will be needed at the beginning of the project to ensure an industry recommended number of days cash on hand will be available during the entire three year period. This does not include the cash needed to make the downpayments for facility upgrades and equipment purchases. This cash can come from a variety of sources including grants, donations, investors, and more. This small reserve will be available for any cash shortfalls that may occur during normal operations and will be necessary to cover costs during the startup period.

Figure #13: Cash Flow of a Shared Use Kitchen in Socioeconomic Group #1



The initial infusion is included in the “Startup” period and all costs incurred before opening are subtracted. This infusion is necessary to prevent the business from having a cash negative position at any point during operations. Cash infusions remedy these situations until the operation can sustain itself through revenue generation. The consultant has taken the simplifying assumption of having all cash remain with the business for the entire period of the model.
As shown above, cash on hand increases steadily as facility usage increases over time. Because memberships are yearly agreements and are paid in monthly installations, there is no standard seasonality for a shared use kitchen’s cash flow. With the initial influx of cash, cash on hand remains positive throughout all 12 quarters presented in the model. Cash on hand increases

steadily from $14,095 in the startup period and reaches its highest value at $97,449 in year three, quarter four.

Pro Forma

The Pro Forma operating statement is presented below and in the Appendix. This statement shows the annual sales, expenses, and income of the operation over the three years included in the financial model and discussed in the sections above. Years one shows a slight loss of net income before years two and three show increasing net gains for the facility.

Table #11: Shared Use Kitchen in Socioeconomic Group #1 Pro Forma Statement

	Startup	Y1	Y2	Y3
Revenues (Sales)	$-	$73,824	$112,080	$138,336
Total Variable Operating Costs	$(708)	$(8,498)	$(12,944)	$(15,991)
Variable Margin (Loss)	$(708)	$65,326	$99,136	$122,345
Total Equipment Costs	$-	$(1,107)	$(1,141)	$(1,175)
Total Facilities Costs	$(156)	$(1,868)	$(1,924)	$(1,982)
General and Administrative Expenses	$(4,104)	$(49,305)	$(51,682)	$(54,176)
Unforeseen and Contingency Expenses	$(62)	$(1,476)	$(2,242)	$(2,767)
Earnings EBITDA (Loss)	$(5,030)	$11,569	$42,148	$62,246
Interest Expense	$(618)	$(7,410)	$(7,178)	$(6,928)
Depreciation Expense	$(406)	$(4,869)	$(4,869)	$(4,869)
Net Income (Loss)	$(6,053)	$(711)	$30,101	$50,449

The shared use kitchen business will have estimated startup expenses of ($6,053). The assumption is the operation will begin setting up the facility, purchasing equipment, hiring, and training an employee, conducting some test marketing, and more during the lead into the official opening of the facility. These expenses are estimated to be about one month worth of operating expenses.

Year one annual sales total $73,824. Once all variable costs have been accounted for, the model reports a variable margin close to $65,326. Operational income (loss), also known as EBITDA, is defined as earnings or losses before interest, taxes, depreciation, and amortization. EBITDA in year one of the facility operations is $11,569. Once the two non-cash expenses of interest and

depreciation are accounted for, this net loss in year one totals ($711). Profit (loss) margin in year one is about -1.0%.

Sales grow in year two, reaching $112,080 for the year as the facility attracts more tenants. Variable margins grow moderately, reaching a total of about $99,136. EBITDA for year two is $42,148. After non-cash expenses have been subtracted from year two EBITDA, year two net gains are about $30,101. Profit (loss) margin for year two of operations grow significantly to 26.9% as the fixed expenses of running the facility remain relatively consistent while the usage increases greatly.

The third year of operations for the plant show sales of $138,336. The variable margin for this third year of operations is $122,345. EBITDA and net income in year three are $62,246 and $50,449, respectively. Profit (loss) margin increases to 36.5% in the third year of operation.

Total sales for this facility over the three year period total $324,240. From an operational perspective, shared use kitchens of similar size in this region of Virginia would experience net operational gains totaling nearly $115,963 across three years of operations. Once non-cash expenses such as interest and depreciation are considered, there would be total net gains across the three years of operation of $79,839.

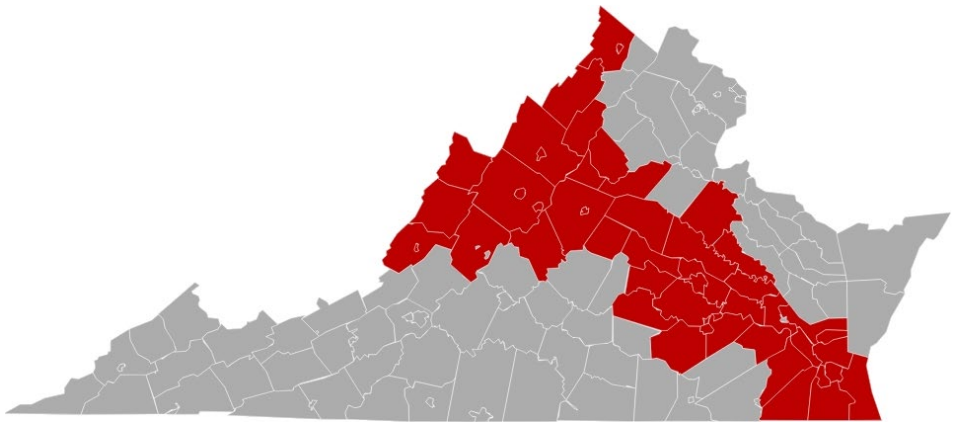
Balance Sheet

Table #12: Shared Use Kitchen in Socioeconomic Group #1 Balance Sheet

	Y1	Y2	Y3
Assets			
Cash and Equivalents	$15,154	$46,792	$97,449
Accounts Receivables	$6,152	$9,340	$11,528
Total Current Assets	$21,306	$56,132	$108,977
Buildings and Equipment, Net of Depreciation	$104,915	$100,046	$95,177
Other Assets, Net of Amortization	$0	$0	$0
Total Assets	$126,221	$156,178	$204,153
Liabilities and Members' Equity			
Current Liabilities			
Accounts Payable and Accrued Expenses			
Accrued Interest	($7,410)	($7,178)	($6,928)
Current Maturities of Long-Term Debt	($3,332)	($3,582)	($3,850)
Total Current Liabilities	($10,742)	($10,760)	($10,778)
Long-term Debt			
Senior Debt	$95,706	$92,375	$88,793
Less Current Maturities of Long-Term Debt	($3,099)	($3,332)	($3,582)
Members' Equity			
Member Equity and Equity Equivalents	$45,066	$47,794	$79,272
Dispersed Member Equity	$0	$0	$0
Retained Earnings (Losses)	($711)	$30,101	$50,449
Total Liabilities and Current Members' Equity	$126,221	$156,178	$204,153

As discussed above, the business will need a cash infusion at the beginning of the project to sustain operations until the facility can become self-sufficient. Cash and cash equivalents increase each year as sales increase. Building renovations and equipment fall slightly year over year as depreciation occurs. Senior debt falls each year as payments are made for the building renovations and equipment. Retained earnings (losses) coincide with the net income (losses). These are increased each year as the facility increases usage and becomes more efficient in its practices. Total liability and member's equity increase throughout the plan in conjunction with assets.

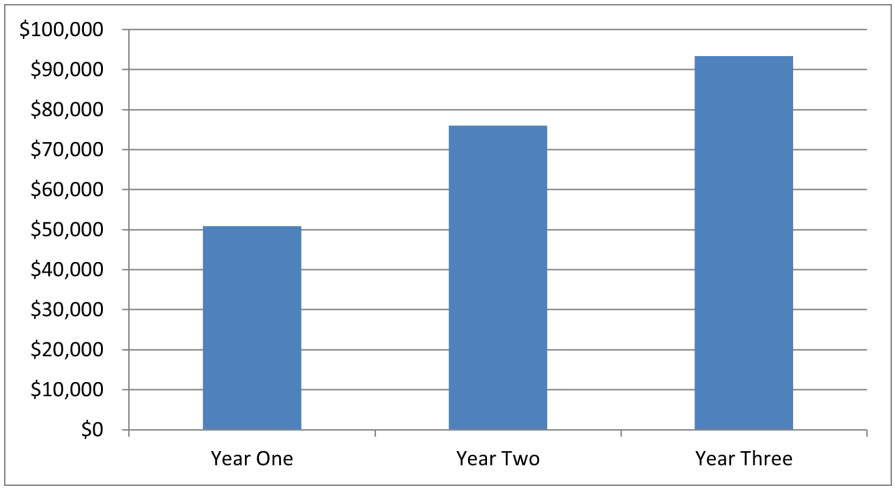
Small Scale Shared Use Kitchen in Socioeconomic Group #2 (Central VA, Hampton Roads VA, Shenandoah Valley VA)



Income

The facility will have revenue streams in all three years of operation. It is anticipated that the facility will see revenue grow each year as the business continues to become more established and attracts a growing number of clients, seeing sales rise from $50,916 in year one to $93,324 in year three.

Figure #14: Annual Income of a Shared Use Kitchen in Socioeconomic Group #2



Most of this income will come from Standard Memberships sales. Standard Memberships will account for 70.1% of all income in year one and rise to 76.5% in year three. The next largest income category will be Hourly Rentals. Hourly Rentals will make up 14.6% of revenue in year

one and fall to 11.9% in year three as membership sales grow at a faster rate. Development Class revenue will follow a similar trend as it will make up 9.4% of revenue in year one and fall to 5.1% in year three. The number of Development Classes will remain consistent through all three years of the model with five classes monthly. Storage Costs (both Dry and Cold) will increase over time from 5.9% in year one to 6.4% in year three as they are tied to the number of memberships.

Expenses

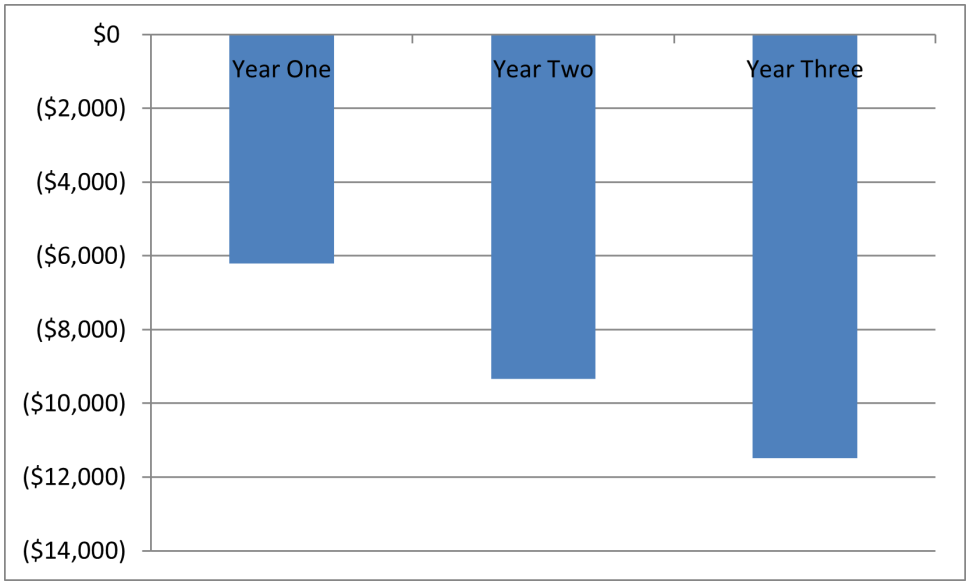
The shared use kitchen facility depicted in this model will see total expenses grow each year as the business establishes itself in the community and sees an increase in total usage. The business will see total expenses rise from ($56,075) in year one to ($66,922) in year three.

This section presents expenses associated with the variable and fixed costs of the business. These expenses are based on operations detailed previously in the document, and the consultant's assumptions presented in the appendix and the beginning of the financial section. Variable costs are those which change with production and are directly associated with sales. Fixed costs are the overhead costs required for the venture to exist and function.

Variable Expenses

The amount spent by the facility to cover variable costs increases from year to year as sales grow and the facilities usage increases, rising from ($6,207) in year one to ($11,489) in year three. Costs categorized as variable in this economic model include utilities, cleaning supplies, and marketing expenses.

Figure #15: Variable Costs of a Shared Use Kitchen in Socioeconomic Group #2

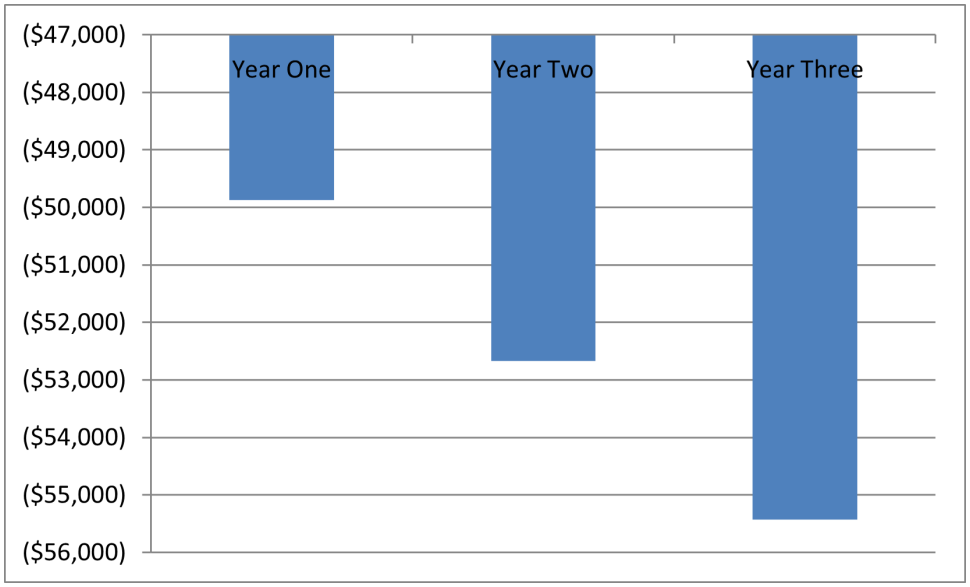


Two variable expense categories that are tied to total revenue are utility costs and promotional expenses, both representing 5% of total sales. Utility costs will equate to ($2,546) in year one and grow to ($4,666) by year three. Likewise, promotional expenses will equate to ($2,546) in year one and grow to ($4,666) by year three. Cleaning supplies represent the final category in variable expenses and fluctuates depending upon the facilities capacity. Cleaning supplies are expected to cost ($1,116) in year one and grow to ($2,157) as the usage of the facility increases.

Fixed Expenses

Fixed costs are the largest expense the business will incur in all three years of the plan. Unless overwise stated, fixed costs items will increase by 3.0% each year to account for inflation. In year one, fixed costs total ($49,868) and increase to ($55,433) by the third year. For the purposes of this study, the main fixed expense categories that will be considered are Equipment Repairs, Labor, Fringe and Overhead, Legal and Accounting Expenses, Office Supplies, Waste Management, Licensing and Permits, Pest Management, Business Insurance, and Unforeseen Costs.

Figure #16: Fixed Costs of a Shared Use Kitchen in Socioeconomic Group #2



Of these fixed expenses, the largest category is labor and labor benefits. Total labor costs, including benefits, amount to ($42,953) in year one. To retain employees, wages and benefits will increase by 5% each year and will be ($47,355) in year three. Despite the increase in the expense category, labor costs will represent a decreasing amount of total revenue, falling from 84.4% of revenue in year one, to 50.7% of revenue in year three.

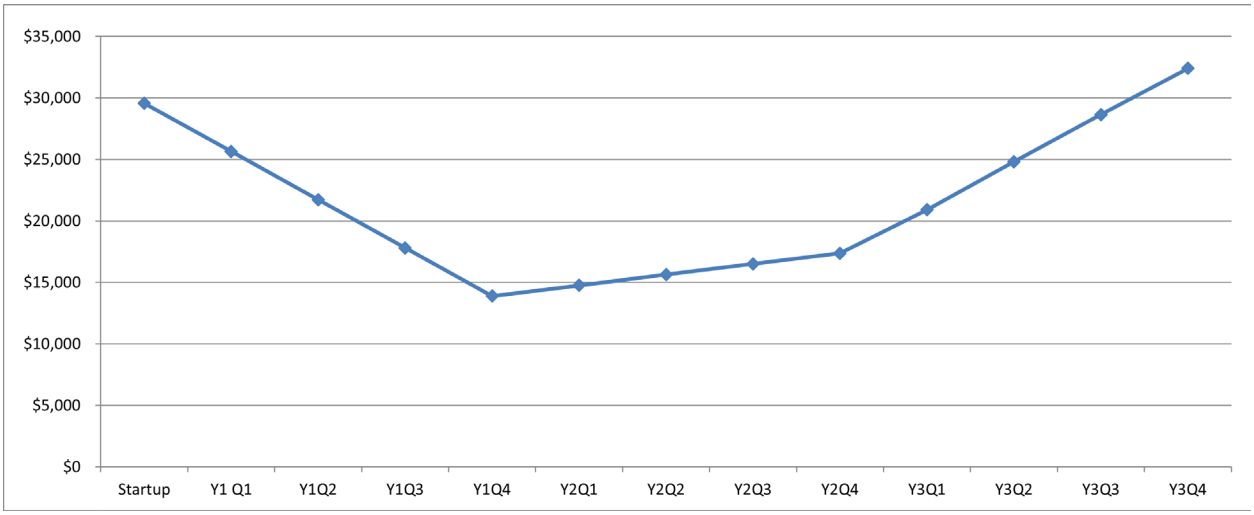
Other notable fixed costs include Equipment Repairs, Legal and Accounting Expenses, Office Supplies, Waste Management, Licensing and Permits, Pest Management, and Business Insurance. Each of these expenditures will grow at a rate of 3% each year, growing from a total of ($4,329) in year one to ($4,548) in year three.

Unforeseen and contingency costs have also been included in the model and are meant to provide a reserve for any unexpected costs, or other expenses such as customers who are in default. Unforeseen and contingency expenses are calculated as 2% of sales each year. This expense will be ($1,018) in year one, rising to ($1,866) by year three.

Cash Flow

Cash on hand and cash flow are critical factors to any projects success. A cash infusion of $35,000 will be needed at the beginning of the project to ensure an industry recommended number of days cash on hand will be available during the entire three year period. This does not include the cash needed to make the downpayments for facility upgrades and equipment purchases. This cash can come from a variety of sources including grants, donations, investors, and more. This small reserve will be available for any cash shortfalls that may occur during normal operations and will be necessary to cover costs during the startup period.

Figure #17: Cash Flow of a Shared Use Kitchen in Socioeconomic Group #2



The initial infusion is included in the “Startup” period and all costs incurred before opening are subtracted. This infusion is necessary to prevent the business from having a cash negative position at any point during operations. Cash infusions remedy these situations until the operation can sustain itself through revenue generation. The consultant has taken the simplifying assumption of having all cash remain with the business for the entire period of the model.

As shown above, cash on hand decreases throughout the first year of operation. Years two and three, cash on hand increases steadily as facility usage begins to increase. Because memberships are yearly agreements and are paid in monthly installations, there is no standard seasonality for a shared use kitchen’s cash flow. With the initial influx of cash, cash on hand remains positive throughout all 12 quarters presented in the model. Cash on hand begins at $29,562 after startup expenses are subtracted and decreases to a low point of $13,893 at the end of year one. Cash reserves begin to increase steadily from this trough and will reach its highest value at $32,402 in year three, quarter four.

Pro Forma

The Pro Forma operating statement is presented below and in the Appendix. This statement shows the annual sales, expenses, and income of the operation over the three years included in the financial model and discussed in the sections above. Years one shows a significant loss of net income before years two and three show increasing net gains for the facility.

Table #13: Shared Use Kitchen in Socioeconomic Group #2 Pro Forma Statement

	Startup	Y1	Y2	Y3
Revenues (Sales)	$-	$50,916	$75,990	$93,324
Total Variable Operating Costs	$(517)	$(6,207)	$(9,335)	$(11,489)
Variable Margin (Loss)	$(517)	$44,709	$66,655	$81,835
Total Equipment Costs	$-	$(764)	$(787)	$(810)
Total Facilities Costs	$(156)	$(1,868)	$(1,924)	$(1,982)
General and Administrative Expenses	$(3,847)	$(46,218)	$(48,441)	$(50,775)
Unforeseen and Contingency Expenses	$(42)	$(1,018)	$(1,520)	$(1,866)
Earnings EBITDA (Loss)	$(4,562)	$(5,159)	$13,984	$26,402
Interest Expense	$(618)	$(7,410)	$(7,178)	$(6,928)
Depreciation Expense	$(406)	$(4,869)	$(4,869)	$(4,869)
Net Income (Loss)	$(5,586)	$(17,439)	$1,936	$14,604

The shared use kitchen business will have estimated startup expenses of ($5,586). The assumption is the operation will begin setting up the facility, purchasing equipment, hiring, and training an employee, conducting some test marketing, and more during the lead into the official opening of the facility. These expenses are estimated to be about one month worth of operating expenses.

Year one annual sales total $50,916. Once all variable costs have been accounted for, the model reports a variable margin close to $44,709. Operational income (loss), also known as EBITDA, is defined as earnings or losses before interest, taxes, depreciation, and amortization. EBITDA in year one of the facility operations is ($5,159). Once the two non-cash expenses of interest and depreciation are accounted for, this net loss in year one totals ($17,439). Profit (loss) margin in year one is -34.3%.

Sales grow in year two, reaching $75,990 for the year as the facility attracts more tenants. Variable margins grow moderately, reaching a total of about $66,655. EBITDA for year two is $13,984. After non-cash expenses have been subtracted from year two EBITDA, year two net gains are about $1,936. Profit (loss) margin for year two of operations grow significantly to 2.5% as the fixed expenses of running the facility remain relatively consistent while the usage increases greatly.

The third year of operations for the plant show sales of $93,324. The variable margin for this third year of operations is $81,835. EBITDA and net income in year three are $26,402 and $14,604, respectively. Profit (loss) margin increases to a far more sustainable 15.6% in the third year of operation.

Total sales for this facility over the three year period total $220,230. From an operational perspective, shared use kitchens of similar size in this region of Virginia would experience net operational gains totaling nearly $35,226 across three years of operations. Once non-cash expenses such as interest and depreciation are considered, there would be total net loss across the three years of operation of ($898).

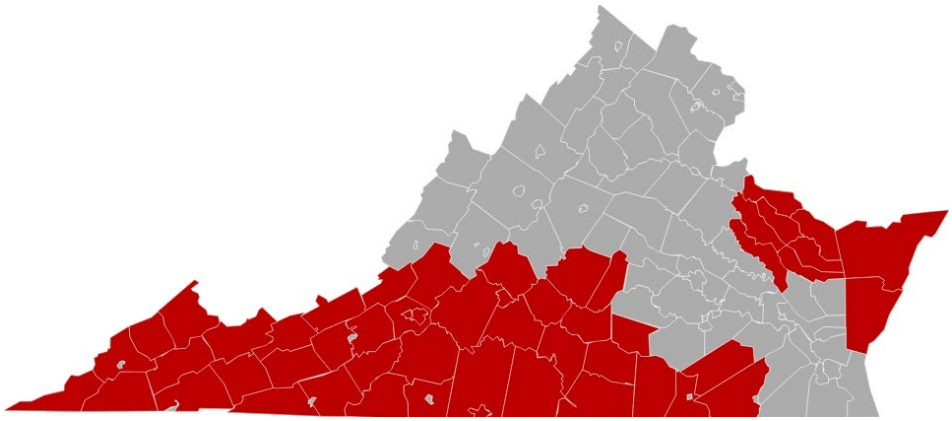
Balance Sheet

Table #14: Shared Use Kitchen in Socioeconomic Group #2 Balance Sheet

	Y1	Y2	Y3
Assets			
Cash and Equivalents	$13,893	$17,367	$32,402
Accounts Receivables	$4,243	$6,333	$7,777
Total Current Assets	$18,136	$23,699	$40,179
Buildings and Equipment, Net of Depreciation	$104,915	$100,046	$95,177
Other Assets, Net of Amortization	$0	$0	$0
Total Assets	$123,051	$123,745	$135,356
Liabilities and Members' Equity			
Current Liabilities			
Accounts Payable and Accrued Expenses			
Accrued Interest	($7,410)	($7,178)	($6,928)
Current Maturities of Long-Term Debt	($3,332)	($3,582)	($3,850)
Total Current Liabilities	($10,742)	($10,760)	($10,778)
Long-term Debt			
Senior Debt	$95,706	$92,375	$88,793
Less Current Maturities of Long-Term Debt	($3,099)	($3,332)	($3,582)
Members' Equity			
Member Equity and Equity Equivalents	$58,625	$43,525	$46,318
Dispersed Member Equity	$0	$0	$0
Retained Earnings (Losses)	($17,439)	$1,936	$14,604
Total Liabilities and Current Members' Equity	$123,051	$123,745	$135,356

As discussed above, the business will need a cash infusion at the beginning of the project to sustain operations until the facility can become self-sufficient. Cash and cash equivalents increase each year as sales increase. Building renovations and equipment fall slightly year over year as depreciation occurs. Senior debt falls each year as payments are made for the building renovations and equipment. Retained earnings (losses) coincide with the net income (losses). These are increased each year as the facility increases usage and becomes more efficient in its practices. Total liability and member's equity increases slightly from year one to two, before taking a more impactful jump in year three.

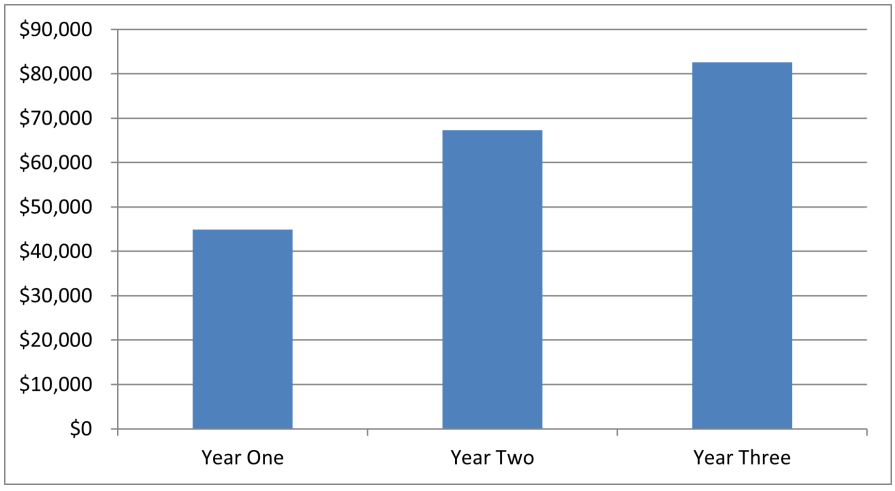
Small Scale Shared Use Kitchen in Socioeconomic Group #3 (Southwest VA, Southside VA, Eastern VA, West Central VA)



Income

The facility will have revenue streams in all three years of operation. It is anticipated that the facility will see revenue grow each year as the business continues to become more established and attracts a growing number of clients, seeing sales rise from $44,897 in year one to $82,606 in year three.

Figure #18: Annual Income of a Shared Use Kitchen in Socioeconomic Group #3



Most of this income will come from Standard Memberships sales. Standard Memberships will account for 72.0% of all income in year one and rise to 78.3% in year three. The next largest income category will be Hourly Rentals. Hourly Rentals will make up 10.6% of revenue in year one and fall to 8.7% in year three as membership sales grow at a faster rate. Development Class

revenue will follow a similar trend as it will make up 10.7% of revenue in year one and fall to 5.8% in year three. The number of Development Classes will remain consistent through all three years of the model with five classes monthly. Storage Costs (both Dry and Cold) will increase over time from 6.7% in year one to 7.3% in year three as they are tied to the number of memberships.

Expenses

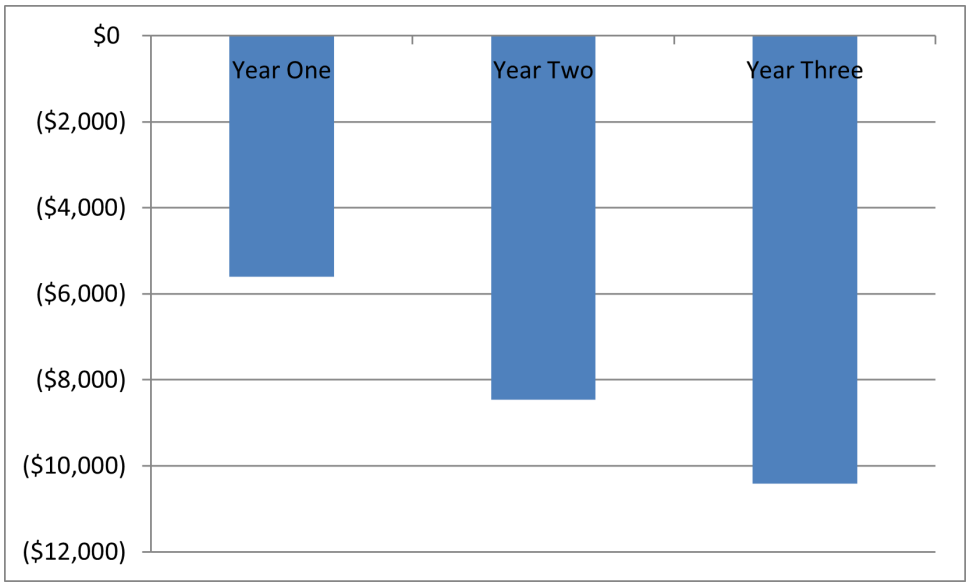
The shared use kitchen facility depicted in this model will see total expenses grow each year as the business establishes itself in the community and sees an increase in total usage. The business will see total expenses rise from ($52,384) in year one to ($62,368) in year three.

This section presents expenses associated with the variable and fixed costs of the business. These expenses are based on operations detailed previously in the document, and the consultant's assumptions presented in the appendix and the beginning of the financial section. Variable costs are those which change with production and are directly associated with sales. Fixed costs are the overhead costs required for the venture to exist and function.

Variable Expenses

The amount spent by the facility to cover variable costs increases from year to year as sales grow and the facilities usage increases, rising from ($5,605) in year one to ($10,418) in year three. Costs categorized as variable in this economic model include utilities, cleaning supplies, and marketing expenses.

Figure #19: Variable Costs of a Shared Use Kitchen in Socioeconomic Group #3

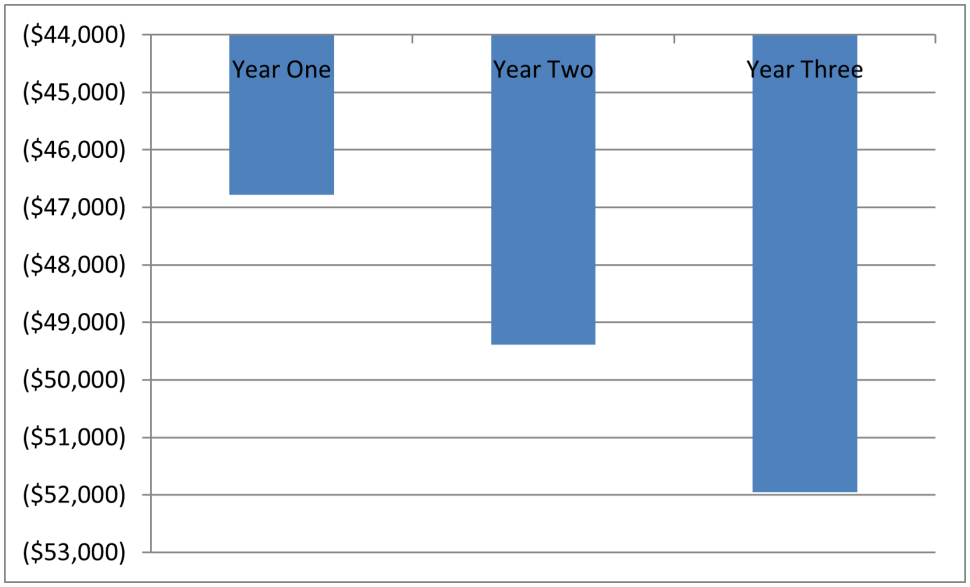


Two variable expense categories that are tied to total revenue are utility costs and promotional expenses, both representing 5% of total sales. Utility costs will equate to ($2,245) in year one and grow to ($4,130) by year three. Likewise, promotional expenses will equate to ($2,245) in year one and grow to ($4,130) by year three. Cleaning supplies represent the final category in variable expenses and fluctuates depending upon the facilities capacity. Cleaning supplies are expected to cost ($1,116) in year one and grow to ($2,157) as the usage of the facility increases.

Fixed Expenses

Fixed costs are the largest expense the business will incur in all three years of the plan. Unless overwise stated, fixed costs items will increase by 3.0% each year to account for inflation. In year one, fixed costs total ($46,778) and increase to ($51,950) by the third year. For the purposes of this study, the main fixed expense categories that will be considered are Equipment Repairs, Labor, Fringe and Overhead, Legal and Accounting Expenses, Office Supplies, Waste Management, Licensing and Permits, Pest Management, Business Insurance, and Unforeseen Costs.

Figure #20: Fixed Costs of a Shared Use Kitchen in Socioeconomic Group #3



Of these fixed expenses, the largest category is labor and labor benefits. Total labor costs, including benefits, amount to ($40,090) in year one. To retain employees, wages and benefits will increase by 5% each year and will be ($44,199) in year three. Despite the increase in the expense category, labor costs will represent a decreasing amount of total revenue, falling from 89.3% of revenue in year one, to 53.5% of revenue in year three.

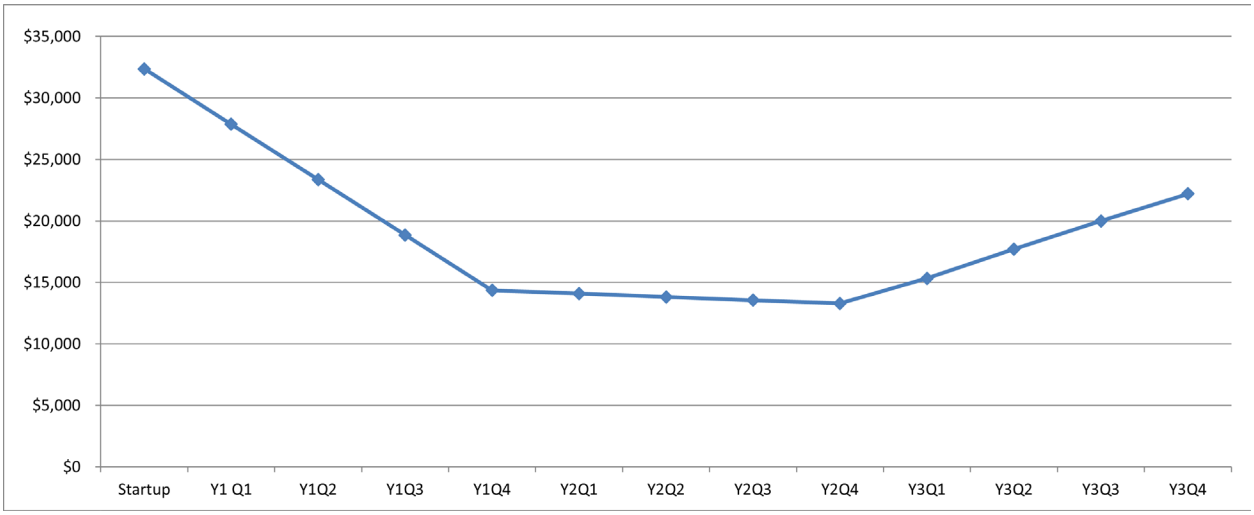
Other notable fixed costs include Equipment Repairs, Legal and Accounting Expenses, Office Supplies, Waste Management, Licensing and Permits, Pest Management, and Business Insurance. Each of these expenditures will grow at a rate of 3% each year, growing from a total of ($4,223) in year one to ($4,436) in year three.

Unforeseen and contingency costs have also been included in the model and are meant to provide a reserve for any unexpected costs, or other expenses such as customers who are in default. Unforeseen and contingency expenses are calculated as 2% of sales each year. This expense will be ($898) in year one, rising to ($1,652) by year three.

Cash Flow

Cash on hand and cash flow are critical factors to any projects success. A cash infusion of $37,500 will be needed at the beginning of the project to ensure an industry recommended number of days cash on hand will be available during the entire three year period. This does not include the cash needed to make the downpayments for facility upgrades and equipment purchases. This cash can come from a variety of sources including grants, donations, investors, and more. This small reserve will be available for any cash shortfalls that may occur during normal operations and will be necessary to cover costs during the startup period.

Figure #21: Cash Flow of a Shared Use Kitchen in Socioeconomic Group #3



The initial infusion is included in the “Startup” period and all costs incurred before opening are subtracted. This infusion is necessary to prevent the business from having a cash negative position at any point during operations. Cash infusions remedy these situations until the operation can sustain itself through revenue generation. The consultant has taken the simplifying assumption of having all cash remain with the business for the entire period of the model.
As shown above, cash on hand decreases throughout the first two years of operation. Cash on hand does not increase until year three despite facility usage continually increasing. Because memberships are yearly agreements and are paid in monthly installations, there is no standard seasonality for a shared use kitchen’s cash flow. With the initial influx of cash, cash on hand remains positive throughout all 12 quarters presented in the model. Cash on hand begins at $32,357 after startup expenses are subtracted and decreases to a low point of $13,288 at the end

of year two. Cash reserves begin to increase steadily in year three and will recover to reach $22,210 in year three, quarter four.

Pro Forma

The Pro Forma operating statement is presented below and in the Appendix. This statement shows the annual sales, expenses, and income of the operation over the three years included in the financial model and discussed in the sections above. Year one shows a significant loss of net income while year two shows a slight loss. Year three does show positive net gains for the facility.

Table #15: Shared Use Kitchen in Socioeconomic Group #3 Pro Forma Statement

	Startup	Y1	Y2	Y3
Revenues (Sales)	$-	$44,897	$67,283	$82,606
Total Variable Operating Costs	$(467)	$(5,605)	$(8,464)	$(10,418)
Variable Margin (Loss)	$(467)	$39,291	$58,819	$72,188
Total Equipment Costs	$-	$(673)	$(694)	$(714)
Total Facilities Costs	$(156)	$(1,868)	$(1,924)	$(1,982)
General and Administrative Expenses	$(3,607)	$(43,339)	$(45,419)	$(47,602)
Unforeseen and Contingency Expenses	$(37)	$(898)	$(1,346)	$(1,652)
Earnings EBITDA (Loss)	$(4,267)	$(7,487)	$9,437	$20,238
Interest Expense	$(618)	$(7,410)	$(7,178)	$(6,928)
Depreciation Expense	$(406)	$(4,869)	$(4,869)	$(4,869)
Net Income (Loss)	$(5,290)	$(19,766)	$(2,610)	$8,441

The shared use kitchen business will have estimated startup expenses of ($5,290). The assumption is the operation will begin setting up the facility, purchasing equipment, hiring, and training an employee, conducting some test marketing, and more during the lead into the official opening of the facility. These expenses are estimated to be about one month worth of operating expenses.

Year one annual sales total $44,897. Once all variable costs have been accounted for, the model reports a variable margin close to $39,291. Operational income (loss), also known as EBITDA, is defined as earnings or losses before interest, taxes, depreciation, and amortization. EBITDA in

year one of the facility operations is ($7,487). Once the two non-cash expenses of interest and depreciation are accounted for, this net loss in year one totals ($19,766). Profit (loss) margin in year one is -44.0%.

Sales grow in year two, reaching $67,283 for the year as the facility attracts more tenants. Variable margins grow moderately, reaching a total of about $58,819. EBITDA for year two show a positive figure of $9,437. However, after non-cash expenses have been subtracted from year two EBITDA, year two net gains are about ($2,610). Profit (loss) margin for year two of operations improve significantly to -3.9% as the fixed expenses of running the facility remain relatively consistent while the usage increases greatly.

The third year of operations for the plant show sales of $82,606. The variable margin for this third year of operations is $72,188. EBITDA and net income in year three are $20,238 and $8,441, respectively. Profit (loss) margin turns positive in year three to a far more sustainable 10.2% margin.

Total sales for this facility over the three year period total $194,786. From an operational perspective, shared use kitchens of similar size in this region of Virginia would experience net operational gains totaling nearly $22,188 across three years of operations. Once non-cash expenses such as interest and depreciation are considered, there would be total net loss across the three years of operation of ($13,936).

Balance Sheet

Table #16: Shared Use Kitchen in Socioeconomic Group #2 Balance Sheet

	Y1	Y2	Y3
Assets			
Cash and Equivalents	$14,361	$13,288	$22,210
Accounts Receivables	$3,741	$5,607	$6,884
Total Current Assets	$18,102	$18,895	$29,093
Buildings and Equipment, Net of Depreciation	$104,915	$100,046	$95,177
Other Assets, Net of Amortization	$0	$0	$0
Total Assets	$123,017	$118,941	$124,270
Liabilities and Members' Equity			
Current Liabilities			
Accounts Payable and Accrued Expenses			
Accrued Interest	($7,410)	($7,178)	($6,928)
Current Maturities of Long-Term Debt	($3,332)	($3,582)	($3,850)
Total Current Liabilities	($10,742)	($10,760)	($10,778)
Long-term Debt			
Senior Debt	$95,706	$92,375	$88,793
Less Current Maturities of Long-Term Debt	($3,099)	($3,332)	($3,582)
Members' Equity			
Member Equity and Equity Equivalents	$60,918	$43,267	$41,396
Dispersed Member Equity	$0	$0	$0
Retained Earnings (Losses)	($19,766)	($2,610)	$8,441
Total Liabilities and Current Members' Equity	$123,017	$118,941	$124,270

As discussed above, the business will need a cash infusion at the beginning of the project to sustain operations until the facility can become self-sufficient. Cash and cash equivalents decrease from years one to two, before increasing in year three. Building renovations and equipment fall slightly year over year as depreciation occurs. Senior debt falls each year as payments are made for the building renovations and equipment. Retained earnings (losses) coincide with the net income (losses). These are increased each year as the facility increases usage and becomes more efficient in its practices. Total liability and member's equity decreases slightly from year one to two, before slightly increasing in year three.

OBSERVATIONS

The purpose of evaluating the feasibility of shared-use kitchen businesses in Virginia is to determine the viability and potential success of establishing such facilities. As previously discussed, these metrics of success will greatly vary depending on the mission and structure of the business. For example, a non-profit will have vastly different takeaways from this study than a for profit operation. These models are intended to provide rough estimates of future revenue streams and expenses so that stakeholders can make informed decisions about whether to proceed with a project. The consultants observations for each of the scenarios will be detailed below.

Shared Use Kitchen Feasibility in Socioeconomic Group #1 (Northern VA)

Facility Size: 1,000 sqft

Employees: 1 Full Time

Average Wage Costs: $41,839

Building Renovation Cost: $50,000

Equipment Cost: $59,784

Starting Cash Needed: $30,978

Hourly Rate: $37.56

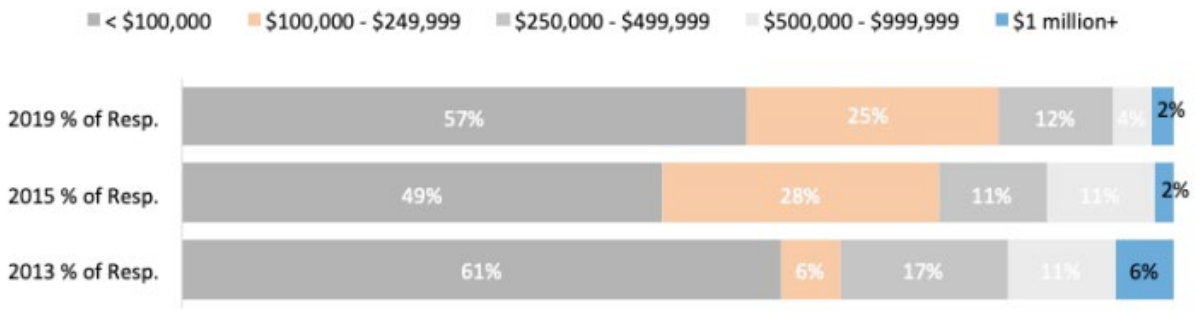
Membership Hourly Rate: $23.75

Net Income After 3 Years: $79,839

- The above models are dependent upon the potential interested party already owning a suitable location for a shared use kitchen facility. Actual scenarios will vary greatly depending on current ownership.
- A shared use kitchen in this region of Virgina would be considered the most profitable due to the ability to charge much higher amounts for rent.
- Despite the higher rent prices, the average wage costs in the region do not vary greatly from the rest of the state and allow for a high profit margin.
- A shared use kitchen facility in this region of Virginia would be well poised for success, as the business would still be profitable even with a large variance in facility usage.
- For-Profit investors would find this a suitable region of Virgina to begin a shared use kitchen facility as there is projected to be a net positive income after three years. In year three of the model, the 36.5% profit margin is well above industry standard.
- Non-Profit associations would also find this a suitable region of the state to operate. A shared use kitchen facility in this region would be a sustainable option to bring food security to local communities for years to come. Rental prices can be lowered to meet the mission of the organization.
- **Available grant funding can greatly improve the financial picture of a potential business in this region.**

- Given the profit potential of a shared use kitchen facility in this region, interested parties would likely be interested in a larger facility than the 1,000 square foot kitchen that is modeled.
- An annual operating budget of ($76,090) by year three falls well within the expected range of outcomes for a facility this size. EConsult Solutions Inc.'s data from 2019 shows that 57% of shared use kitchen businesses have an annual operating budget of less than ($100,000).[56]

Figure #22: Annual Operating Budget of Shared Use Kitchens



Shared Use Kitchen Feasibility in Socioeconomic Group #2 (Central VA, Hampton Roads VA, Shenandoah Valley VA)

- The above models are dependent upon the potential interested party already owning a suitable location for a shared use kitchen facility. Actual scenarios will vary greatly depending on current ownership.
- A shared use kitchen in these regions of Virgina would begin to turn a profit after year two of operations.
- Despite turning a profit after the second year of operation, the business still sees negative net income, ($898), after three years.
- A shared use kitchen facility in these regions of Virginia would have to find a way to become more profitable in order to be sustainable. This could include increasing the facilities usage at a faster rate or increasing rent.

Facility Size: 1,000 sqft

Employees: 1 Full Time

Average Wage Costs: $39,048

Building Renovation Cost: $50,000

Equipment Cost: $59,784

Starting Cash Needed: $45,978

Hourly Rate: $30.94

Membership Hourly Rate: $14.88

Net Income After 3 Years: ($898)

[56] https://econsultsolutions.com/wp-content/uploads/2020/01/Kitchen-Incubators-2019_1.14.20.pdf

- Compared to Groups #1 and #3, the population demographics within this group are very diverse. Group #2 contains both very populated areas such as Virgina Beach, Richmond, and Harrisonburg as well as more rural areas. It is a benefit that a kitchen located in these regions would be able to attract customers from both rural and urban areas.
- For-Profit investors would find this a more challenging region of Virgina to begin a shared use kitchen facility as the projected profit margin in Year three is expected to be 15.6%. This is slightly lower than industry standards.
- Non-Profit associations would find this a suitable region of the state to operate. A shared use kitchen facility in this region would be generally sustainable and is viable as a long term option to bring food security to local communities. Rental prices are much lower than those found in Group #1 and the space should be more affordable for businesses in need. Prices can be lowered to meet the mission of the organization after Year three.
- **Available grant funding can greatly improve the financial picture of a potential business in this region.**
- If there is shown to be significant demand in the area, involved parties would likely be interested in a larger facility than the 1,000 square foot kitchen that is modeled.
- An annual operating budget of ($66,922) by year three falls well within the expected range of outcomes for a facility this size. EConsult Solutions Inc.'s data from 2019 shows that 57% of shared use kitchen businesses have an annual operating budget of less than ($100,000) as seen in Figure #22.

Shared Use Kitchen Feasibility in Socioeconomic Group #3 (Southwest VA, Southside VA, Eastern VA, West Central VA)

- The above models are dependent upon the potential interested party already owning a suitable location for a shared use kitchen facility. Actual scenarios will vary greatly depending on current ownership.
- A shared use kitchen in these regions of Virgina would begin to turn a profit after three years of operation.
- Despite turning a profit after the third year of operation, the business still sees negative net income, ($13,936), over the three year period.
- A shared use kitchen facility in these regions of Virginia would have to find a

Facility Size: 1,000 sqft

Employees: 1 Full Time

Average Wage Costs: $36,445

Building Renovation Cost: $50,000

Equipment Cost: $59,784

Starting Cash Needed: $48,478

Hourly Rate: $19.94

Membership Hourly Rate: $13.74

Net Income After 3 Years: ($13,936)

way to become more profitable to be sustainable. This could include increasing the facilities usage at a faster rate or increasing rent.

- Group #3 also contains both rural and urban areas. It is a benefit that a kitchen located in these regions would be able to attract customers from both populations.
- For-Profit investors would find this a more challenging region of Virgina to begin a shared use kitchen facility. The projected profit margin in Year three is expected to be 10.2%. This is lower than industry standards and the facility would have to charge substantially higher rent prices or utilize outside funding opportunities to draw for-profit interest.
- **Non-Profit associations should be very interested in this region of the state to operate**. A shared use kitchen facility in this region would be affected by fluctuations in demand but is viable as a long term option to bring food security to local communities. Rental prices are much lower than those found in Groups #1 and #2 so the space would be more affordable for businesses in need. Prices can be lowered to meet the mission of the organization after Year three.
- **Available grant funding can greatly improve the financial picture of a potential business in this region.**
- If there is shown to be significant demand in the area, involved parties would likely be interested in a larger facility than the 1,000 square foot kitchen that is modeled.
- An annual operating budget of ($62,368) by year three falls well within the expected range of outcomes for a facility this size. EConsult Solutions Inc.'s data from 2019 shows that 57% of shared use kitchen businesses have an annual operating budget of less than ($100,000) as seen in Figure #22.

APPENDICES

Appendix A: Revenues and Expenses

Y1 Revenue and Expenses (Group #1)	Startup	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y1 Annual Total
Standard Membership	0	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	4,750	57,000
Hourly Rentals	0	752	752	752	752	752	752	752	752	752	752	752	752	9,024
Development Classes	0	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Dry Storage	0	125	125	125	125	125	125	125	125	125	125	125	125	1,500
Cold Storage	0	125	125	125	125	125	125	125	125	125	125	125	125	1,500
Total Sales All Types	**0**	**6,152**	**6,152**	**6,152**	**6,152**	**6,152**	**6,152**	**6,152**	**6,152**	**6,152**	**6,152**	**6,152**	**6,152**	**73,824**
Variable Costs														
Utilities	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(3,691)
Promotional Expenses	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(3,691)
Cleaning Supplies	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(1,116)
Total Variable Operations	**(708)**	**(708)**	**(708)**	**(708)**	**(708)**	**(708)**	**(708)**	**(708)**	**(708)**	**(708)**	**(708)**	**(708)**	**(708)**	**(8,498)**
Variable Margin	**(708)**	**5,444**	**5,444**	**5,444**	**5,444**	**5,444**	**5,444**	**5,444**	**5,444**	**5,444**	**5,444**	**5,444**	**5,444**	**65,326**
Fixed Costs														
Equipment Repairs	0	(92)	(92)	(92)	(92)	(92)	(92)	(92)	(92)	(92)	(92)	(92)	(92)	(1,107)
Labor	(3,452)	(3,452)	(3,452)	(3,452)	(3,452)	(3,452)	(3,452)	(3,452)	(3,452)	(3,452)	(3,452)	(3,452)	(3,452)	(41,421)
Fringe and Overhead (10%)	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(4,602)
Legal and Accounting Expenses	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(2,472)
Office Supplies	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(300)
Waste Management	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(1,068)
Licensing and Permits	0	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(55)
Pest Management	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(500)
Business Insurance Expenses	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(755)
Total Fixed Costs	**(4,260)**	**(4,357)**	**(4,357)**	**(4,357)**	**(4,357)**	**(4,357)**	**(4,357)**	**(4,357)**	**(4,357)**	**(4,357)**	**(4,357)**	**(4,357)**	**(4,357)**	**(52,280)**
Unforeseen/Contingency														
Unforeseen Expense	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(738)
Bad Debt of Sales	0	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(738)

Y1 Revenue and Expenses (Group #1) Continued	Startup	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y1 Annual Total
Total Fixed Costs and Unforeseen	**(4,321)**	**(4,480)**	**(4,480)**	**(4,480)**	**(4,480)**	**(4,480)**	**(4,480)**	**(4,480)**	**(4,480)**	**(4,480)**	**(4,480)**	**(4,480)**	**(4,480)**	**(53,757)**
EBITDA	**(5,030)**	**964**	**964**	**964**	**964**	**964**	**964**	**964**	**964**	**964**	**964**	**964**	**964**	**11,569**
Depreciation	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(4,869)
Equipment Loan Interest	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(7,410)
Net Income	**(6,053)**	**(59)**	**(59)**	**(59)**	**(59)**	**(59)**	**(59)**	**(59)**	**(59)**	**(59)**	**(59)**	**(59)**	**(59)**	**(711)**

Y2 & Y3 Revenue and Expenses (Group #1)	Y2Q1	Y2Q2	Y2Q3	Y2Q4	Y3Q1	Y3Q2	Y3Q3	Y3Q4	Annual Total Y2	Annual Total Y3
Standard Membership	22,800	22,800	22,800	22,800	28,500	28,500	28,500	28,500	91,200	114,000
Hourly Rentals	2,820	2,820	2,820	2,820	3,384	3,384	3,384	3,384	11,280	13,536
Development Classes	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	4,800	4,800
Dry Storage	600	600	600	600	750	750	750	750	2,400	3,000
Cold Storage	600	600	600	600	750	750	750	750	2,400	3,000
Total Sales All Types	**28,020**	**28,020**	**28,020**	**28,020**	**34,584**	**34,584**	**34,584**	**34,584**	**112,080**	**138,336**
Variable Costs										
Utilities	(1,401)	(1,401)	(1,401)	(1,401)	(1,729)	(1,729)	(1,729)	(1,729)	(5,604)	(6,917)
Promotional Expenses	(1,401)	(1,401)	(1,401)	(1,401)	(1,729)	(1,729)	(1,729)	(1,729)	(5,604)	(6,917)
Cleaning Supplies	(434)	(434)	(434)	(434)	(539)	(539)	(539)	(539)	(1,736)	(2,157)
Total Variable Operations	**(3,236)**	**(3,236)**	**(3,236)**	**(3,236)**	**(3,998)**	**(3,998)**	**(3,998)**	**(3,998)**	**(12,944)**	**(15,991)**
Variable Margin	**24,784**	**24,784**	**24,784**	**24,784**	**30,586**	**30,586**	**30,586**	**30,586**	**99,136**	**122,345**
Fixed Costs										
Equipment Repairs	(285)	(285)	(285)	(285)	(294)	(294)	(294)	(294)	(1,141)	(1,175)
Labor	(10,873)	(10,873)	(10,873)	(10,873)	(11,417)	(11,417)	(11,417)	(11,417)	(43,492)	(45,666)
Fringe and Overhead (10%)	(1,208)	(1,208)	(1,208)	(1,208)	(1,269)	(1,269)	(1,269)	(1,269)	(4,832)	(5,074)
Legal and Accounting Expenses	(637)	(637)	(637)	(637)	(656)	(656)	(656)	(656)	(2,546)	(2,623)
Office Supplies	(77)	(77)	(77)	(77)	(80)	(80)	(80)	(80)	(309)	(318)

Y2 & Y3 Revenue and Expenses (Group #1) Continued	Y2Q1	Y2Q2	Y2Q3	Y2Q4	Y3Q1	Y3Q2	Y3Q3	Y3Q4	Annual Total Y2	Annual Total Y3
Waste Management	(275)	(275)	(275)	(275)	(283)	(283)	(283)	(283)	(1,100)	(1,133)
Licensing and Permits	(14)	(14)	(14)	(14)	(15)	(15)	(15)	(15)	(57)	(58)
Pest Management	(129)	(129)	(129)	(129)	(133)	(133)	(133)	(133)	(515)	(530)
Business Insurance Expenses	(189)	(189)	(189)	(189)	(189)	(189)	(189)	(189)	(755)	(755)
Total Fixed Costs	**(13,687)**	**(13,687)**	**(13,687)**	**(13,687)**	**(14,333)**	**(14,333)**	**(14,333)**	**(14,333)**	**(54,747)**	**(57,333)**
Unforeseen/Contingency										
Unforeseen Costs	(280)	(280)	(280)	(280)	(346)	(346)	(346)	(346)	(1,121)	(1,383)
Bad Debt (0.01) of Sales	(280)	(280)	(280)	(280)	(346)	(346)	(346)	(346)	(1,121)	(1,383)
Total Fixed Costs	**(14,247)**	**(14,247)**	**(14,247)**	**(14,247)**	**(15,025)**	**(15,025)**	**(15,025)**	**(15,025)**	**(56,988)**	**(60,100)**
EBITDA	**10,537**	**10,537**	**10,537**	**10,537**	**15,561**	**15,561**	**15,561**	**15,561**	**42,148**	**62,246**
Depreciation	(1,217)	(1,217)	(1,217)	(1,217)	(1,217)	(1,217)	(1,217)	(1,217)	(4,869)	(4,869)
Equipment Loan Interest	(1,794)	(1,794)	(1,794)	(1,794)	(1,732)	(1,732)	(1,732)	(1,732)	(7,178)	(6,928)
Net Income	**7,525**	**7,525**	**7,525**	**7,525**	**12,612**	**12,612**	**12,612**	**12,612**	**30,101**	**50,449**

All Revenue and Expenses (Group #1)	Y1 Monthly Avg.	Y1 Annual Total	% of Revenue	Quarterly Averages Y2 & Y3	Annual Total Y2	% of Revenue Y2	Annual Total Y3	% of Revenue Y3
Standard Membership	4,750	57,000	77%	25,650	91,200	81%	114,000	82%
Hourly Rentals	752	9,024	12%	3,102	11,280	10%	13,536	10%
Development Classes	400	4,800	7%	1,200	4,800	4%	4,800	3%
Dry Storage	125	1,500	2%	675	2,400	2%	3,000	2%
Cold Storage	125	1,500	2%	675	2,400	2%	3,000	2%
Total Sales All Types	**6,152**	**73,824**	**100.00%**	**31,302**	**112,080**	**100.00%**	**138,336**	**100.00%**
Variable Costs								
Utilities	(308)	(3,691)	(5.0%)	(1,565)	(5,604)	(5.0%)	(6,917)	(5.0%)
Promotional Expenses	(308)	(3,691)	(5.0%)	(1,565)	(5,604)	(5.0%)	(6,917)	(5.0%)
Cleaning Supplies	(93)	(1,116)	(1.5%)	(487)	(1,736)	(1.5%)	(2,157)	(1.6%)
Total Variable Operations	**(708)**	**(8,498)**	**(11.5%)**	**(3,617)**	**(12,944)**	**(11.5%)**	**(15,991)**	**(11.6%)**
Variable Margin	**5,444**	**65,326**	**88.49%**	**27,685**	**99,136**	**88.45%**	**122,345**	**88.44%**
Fixed Costs								
Equipment Repairs	(92)	(1,107)	(1.5%)	(289)	(1,141)	(1.0%)	(1,175)	(0.8%)
Labor	(3,452)	(41,421)	(56.1%)	(11,145)	(43,492)	(38.8%)	(45,666)	(33.0%)

All Revenue and Expenses (Group #1) Continued	Y1 Monthly Avg.	Y1 Annual Total	% of Revenue	Quarterly Averages Y2 & Y3	Annual Total Y2	% of Revenue Y2	Annual Total Y3	% of Revenue Y3
Fringe and Overhead (10%)	(384)	(4,602)	(6.2%)	(1,238)	(4,832)	(4.3%)	(5,074)	(3.7%)
Legal and Accounting Expenses	(206)	(2,472)	(3.3%)	(646)	(2,546)	(2.3%)	(2,623)	(1.9%)
Office Supplies	(25)	(300)	(0.4%)	(78)	(309)	(0.3%)	(318)	(0.2%)
				(279)				
Licensing and Permits	(5)	(55)	(0.1%)	(14)	(57)	(0.1%)	(58)	(0.0%)
Business Insurance Expenses	(63)	(755)	(1.0%)	(189)	(755)	(0.7%)	(755)	(0.5%)
Total Fixed Costs	**(4,357)**	**(52,280)**	**(70.8%)**	**(14,010)**	**(54,747)**	**(48.8%)**	**(57,333)**	**(41.4%)**
Unforeseen/Contingency								
Unforeseen Costs	(62)	(738)	(1.0%)	(313)	(1,121)	(1.0%)	(1,383)	(1.0%)
Bad Debt (0.01) of Sales	(62)	(738)	(1.0%)	(313)	(1,121)	(1.0%)	(1,383)	(1.0%)
Total Fixed Costs	**(4,480)**	**(53,757)**	**(72.8%)**	**(14,636)**	**(56,988)**	**(50.8%)**	**(60,100)**	**(43.4%)**
EBITDA	**964**	**11,569**	**15.7%**	**13,049**	**42,148**	**37.6%**	**62,246**	**45.0%**
Depreciation	(406)	(4,869)	(6.6%)	(1,217)	(4,869)	(4.3%)	(4,869)	(3.5%)
Equipment Loan Interest	(618)	(7,410)	(10.0%)	(1,763)	(7,178)	(6.4%)	(6,928)	(5.0%)
Net Income	**(59)**	**(711)**	**(1.0%)**	**10,069**	**30,101**	**26.9%**	**50,449**	**36.5%**

Y1 Revenue and Expenses (Group #2)	Startup	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y1 Annual Total
Standard Membership	0	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975	2,975	35,700
Hourly Rentals	0	618	618	618	618	618	618	618	618	618	618	618	618	7,416
Development Classes	0	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Dry Storage	0	125	125	125	125	125	125	125	125	125	125	125	125	1,500
Cold Storage	0	125	125	125	125	125	125	125	125	125	125	125	125	1,500
Total Sales All Types	**0**	**4,243**	**4,243**	**4,243**	**4,243**	**4,243**	**4,243**	**4,243**	**4,243**	**4,243**	**4,243**	**4,243**	**4,243**	**50,916**
Variable Costs														
Utilities	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(2,546)
Promotional Expenses	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(2,546)
Cleaning Supplies	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(1,116)

Y1 Revenue and Expenses (Group #2) Continued	Startup	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y1 Annual Total
Total Variable Operations	**(517)**	**(517)**	**(517)**	**(517)**	**(517)**	**(517)**	**(517)**	**(517)**	**(517)**	**(517)**	**(517)**	**(517)**	**(517)**	**(6,207)**
Variable Margin	**(517)**	**3,726**	**3,726**	**3,726**	**3,726**	**3,726**	**3,726**	**3,726**	**3,726**	**3,726**	**3,726**	**3,726**	**3,726**	**44,709**
Fixed Costs														
Equipment Repairs	0	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(764)
Labor	(3,221)	(3,221)	(3,221)	(3,221)	(3,221)	(3,221)	(3,221)	(3,221)	(3,221)	(3,221)	(3,221)	(3,221)	(3,221)	(38,658)
Fringe and Overhead (10%)	(358)	(358)	(358)	(358)	(358)	(358)	(358)	(358)	(358)	(358)	(358)	(358)	(358)	(4,295)
Legal and Accounting Expenses	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(2,472)
Office Supplies	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(300)
Waste Management	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(1,068)
Licensing and Permits	0	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(55)
Pest Management	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(500)
Business Insurance Expenses	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(62)	(738)
Total Fixed Costs	**(4,003)**	**(4,071)**	**(4,071)**	**(4,071)**	**(4,071)**	**(4,071)**	**(4,071)**	**(4,071)**	**(4,071)**	**(4,071)**	**(4,071)**	**(4,071)**	**(4,071)**	**(48,850)**
Unforeseen/Contingency														
Unforeseen Expense	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(509)
Bad Debt of Sales	0	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(509)
Total Fixed Costs and Unforeseen	**(4,045)**	**(4,156)**	**(4,156)**	**(4,156)**	**(4,156)**	**(4,156)**	**(4,156)**	**(4,156)**	**(4,156)**	**(4,156)**	**(4,156)**	**(4,156)**	**(4,156)**	**(49,868)**
EBITDA	**(4,562)**	**(430)**	**(430)**	**(430)**	**(430)**	**(430)**	**(430)**	**(430)**	**(430)**	**(430)**	**(430)**	**(430)**	**(430)**	**(5,159)**
Depreciation	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(4,869)
Equipment Loan Interest	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(7,410)
Net Income	**(5,586)**	**(1,453)**	**(1,453)**	**(1,453)**	**(1,453)**	**(1,453)**	**(1,453)**	**(1,453)**	**(1,453)**	**(1,453)**	**(1,453)**	**(1,453)**	**(1,453)**	**(17,439)**

Y2 & Y3 Revenue and Expenses (Group #2)	Y2Q1	Y2Q2	Y2Q3	Y2Q4	Y3Q1	Y3Q2	Y3Q3	Y3Q4	Annual Total Y2	Annual Total Y3
Standard Membership	14,280	14,280	14,280	14,280	17,850	17,850	17,850	17,850	57,120	71,400
Hourly Rentals	2,318	2,318	2,318	2,318	2,781	2,781	2,781	2,781	9,270	11,124

Y2 & Y3 Revenue and Expenses (Group #2) Continued	Y2Q1	Y2Q2	Y2Q3	Y2Q4	Y3Q1	Y3Q2	Y3Q3	Y3Q4	Annual Total Y2	Annual Total Y3
Development Classes	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	4,800	4,800
Dry Storage	600	600	600	600	750	750	750	750	2,400	3,000
Cold Storage	600	600	600	600	750	750	750	750	2,400	3,000
Total Sales All Types	**18,998**	**18,998**	**18,998**	**18,998**	**23,331**	**23,331**	**23,331**	**23,331**	**75,990**	**93,324**
Variable Costs										
Utilities	(950)	(950)	(950)	(950)	(1,167)	(1,167)	(1,167)	(1,167)	(3,800)	(4,666)
Promotional Expenses	(950)	(950)	(950)	(950)	(1,167)	(1,167)	(1,167)	(1,167)	(3,800)	(4,666)
Cleaning Supplies	(434)	(434)	(434)	(434)	(539)	(539)	(539)	(539)	(1,736)	(2,157)
Total Variable Operations	**(2,334)**	**(2,334)**	**(2,334)**	**(2,334)**	**(2,872)**	**(2,872)**	**(2,872)**	**(2,872)**	**(9,335)**	**(11,489)**
Variable Margin	**16,664**	**16,664**	**16,664**	**16,664**	**20,459**	**20,459**	**20,459**	**20,459**	**66,655**	**81,835**
Fixed Costs										
Equipment Repairs	(197)	(197)	(197)	(197)	(203)	(203)	(203)	(203)	(787)	(810)
Labor	(10,148)	(10,148)	(10,148)	(10,148)	(10,655)	(10,655)	(10,655)	(10,655)	(40,590)	(42,620)
Fringe and Overhead (10%)	(1,128)	(1,128)	(1,128)	(1,128)	(1,184)	(1,184)	(1,184)	(1,184)	(4,510)	(4,736)
Legal and Accounting Expenses	(637)	(637)	(637)	(637)	(656)	(656)	(656)	(656)	(2,546)	(2,623)
Office Supplies	(77)	(77)	(77)	(77)	(80)	(80)	(80)	(80)	(309)	(318)
Waste Management	(275)	(275)	(275)	(275)	(283)	(283)	(283)	(283)	(1,100)	(1,133)
Licensing and Permits	(14)	(14)	(14)	(14)	(15)	(15)	(15)	(15)	(57)	(58)
Pest Management	(129)	(129)	(129)	(129)	(133)	(133)	(133)	(133)	(515)	(530)
Business Insurance Expenses	(185)	(185)	(185)	(185)	(185)	(185)	(185)	(185)	(738)	(738)
Total Fixed Costs	**(12,788)**	**(12,788)**	**(12,788)**	**(12,788)**	**(13,392)**	**(13,392)**	**(13,392)**	**(13,392)**	**(51,152)**	**(53,567)**
Unforeseen/Contingency										
Unforeseen Costs	(190)	(190)	(190)	(190)	(233)	(233)	(233)	(233)	(760)	(933)
Bad Debt (0.01) of Sales	(190)	(190)	(190)	(190)	(233)	(233)	(233)	(233)	(760)	(933)
Total Fixed Costs	**(13,168)**	**(13,168)**	**(13,168)**	**(13,168)**	**(13,858)**	**(13,858)**	**(13,858)**	**(13,858)**	**(52,672)**	**(55,433)**
EBITDA	**3,496**	**3,496**	**3,496**	**3,496**	**6,600**	**6,600**	**6,600**	**6,600**	**13,984**	**26,402**
Depreciation	(1,217)	(1,217)	(1,217)	(1,217)	(1,217)	(1,217)	(1,217)	(1,217)	(4,869)	(4,869)
Equipment Loan Interest	(1,794)	(1,794)	(1,794)	(1,794)	(1,732)	(1,732)	(1,732)	(1,732)	(7,178)	(6,928)
Net Income	**484**	**484**	**484**	**484**	**3,651**	**3,651**	**3,651**	**3,651**	**1,936**	**14,604**

All Revenue and Expenses (Group #2)	Y1 Monthly Avg.	Y1 Annual Total	% of Revenue	Quarterly Averages Y2 & Y3	Annual Total Y2	% of Revenue Y2	Annual Total Y3	% of Revenue Y3
Standard Membership	2,975	35,700	70%	16,065	57,120	75%	71,400	77%
Hourly Rentals	618	7,416	15%	2,549	9,270	12%	11,124	12%
Development Classes	400	4,800	9%	1,200	4,800	6%	4,800	5%
Dry Storage	125	1,500	3%	675	2,400	3%	3,000	3%
Cold Storage	125	1,500	3%	675	2,400	3%	3,000	3%
Total Sales All Types	**4,243**	**50,916**	**100.00%**	**21,164**	**75,990**	**100.00%**	**93,324**	**100.00%**
Variable Costs								
Utilities	(212)	(2,546)	(5.0%)	(1,058)	(3,800)	(5.0%)	(4,666)	(5.0%)
Promotional Expenses	(212)	(2,546)	(5.0%)	(1,058)	(3,800)	(5.0%)	(4,666)	(5.0%)
Cleaning Supplies	(93)	(1,116)	(2.2%)	(487)	(1,736)	(2.3%)	(2,157)	(2.3%)
Total Variable Operations	**(517)**	**(6,207)**	**(12.2%)**	**(2,603)**	**(9,335)**	**(12.3%)**	**(11,489)**	**(12.3%)**
Variable Margin	**3,726**	**44,709**	**87.81%**	**18,561**	**66,655**	**87.72%**	**81,835**	**87.69%**
Fixed Costs								
Equipment Repairs	(64)	(764)	(1.5%)	(200)	(787)	(1.0%)	(810)	(0.9%)
Labor	(3,221)	(38,658)	(75.9%)	(10,401)	(40,590)	(53.4%)	(42,620)	(45.7%)
Fringe and Overhead (10%)	(358)	(4,295)	(8.4%)	(1,156)	(4,510)	(5.9%)	(4,736)	(5.1%)
Legal and Accounting Expenses	(206)	(2,472)	(4.9%)	(646)	(2,546)	(3.4%)	(2,623)	(2.8%)
Office Supplies	(25)	(300)	(0.6%)	(78)	(309)	(0.4%)	(318)	(0.3%)
				(279)				
Licensing and Permits	(5)	(55)	(0.1%)	(14)	(57)	(0.1%)	(58)	(0.1%)
Business Insurance Expenses	(62)	(738)	(1.4%)	(185)	(738)	(1.0%)	(738)	(0.8%)
Total Fixed Costs	**(4,071)**	**(48,850)**	**(95.9%)**	**(13,090)**	**(51,152)**	**(67.3%)**	**(53,567)**	**(57.4%)**
Unforeseen/Contingency								
Unforeseen Costs	(42)	(509)	(1.0%)	(212)	(760)	(1.0%)	(933)	(1.0%)
Bad Debt (0.01) of Sales	(42)	(509)	(1.0%)	(212)	(760)	(1.0%)	(933)	(1.0%)
Total Fixed Costs	**(4,156)**	**(49,868)**	**(97.9%)**	**(13,513)**	**(52,672)**	**(69.3%)**	**(55,433)**	**(59.4%)**
EBITDA	**(430)**	**(5,159)**	**(10.1%)**	**5,048**	**13,984**	**18.4%**	**26,402**	**28.3%**
Depreciation	(406)	(4,869)	(9.6%)	(1,217)	(4,869)	(6.4%)	(4,869)	(5.2%)
Equipment Loan Interest	(618)	(7,410)	(14.6%)	(1,763)	(7,178)	(9.4%)	(6,928)	(7.4%)
Net Income	**(1,453)**	**(17,439)**	**(34.3%)**	**2,068**	**1,936**	**2.5%**	**14,604**	**15.6%**

Y1 Revenue and Expenses (Group #3)	Startup	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y1 Annual Total
Standard Membership	0	2,693	2,693	2,693	2,693	2,693	2,693	2,693	2,693	2,693	2,693	2,693	2,693	32,321
Hourly Rentals	0	398	398	398	398	398	398	398	398	398	398	398	398	4,776
Development Classes	0	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Dry Storage	0	125	125	125	125	125	125	125	125	125	125	125	125	1,500
Cold Storage	0	125	125	125	125	125	125	125	125	125	125	125	125	1,500
Total Sales All Types	**0**	**3,741**	**3,741**	**3,741**	**3,741**	**3,741**	**3,741**	**3,741**	**3,741**	**3,741**	**3,741**	**3,741**	**3,741**	**44,897**
Variable Costs														
Utilities	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(2,245)
Promotional Expenses	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(187)	(2,245)
Cleaning Supplies	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(93)	(1,116)
Total Variable Operations	**(467)**	**(467)**	**(467)**	**(467)**	**(467)**	**(467)**	**(467)**	**(467)**	**(467)**	**(467)**	**(467)**	**(467)**	**(467)**	**(5,605)**
Variable Margin	**(467)**	**3,274**	**3,274**	**3,274**	**3,274**	**3,274**	**3,274**	**3,274**	**3,274**	**3,274**	**3,274**	**3,274**	**3,274**	**39,291**
Fixed Costs														
Equipment Repairs	0	(56)	(56)	(56)	(56)	(56)	(56)	(56)	(56)	(56)	(56)	(56)	(56)	(673)
Labor	(3,007)	(3,007)	(3,007)	(3,007)	(3,007)	(3,007)	(3,007)	(3,007)	(3,007)	(3,007)	(3,007)	(3,007)	(3,007)	(36,081)
Fringe and Overhead (10%)	(334)	(334)	(334)	(334)	(334)	(334)	(334)	(334)	(334)	(334)	(334)	(334)	(334)	(4,009)
Legal and Accounting Expenses	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(206)	(2,472)
Office Supplies	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(300)
Waste Management	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(1,068)
Licensing and Permits	0	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(55)
Pest Management	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(500)
Business Insurance Expenses	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(722)
Total Fixed Costs	**(3,763)**	**(3,823)**	**(3,823)**	**(3,823)**	**(3,823)**	**(3,823)**	**(3,823)**	**(3,823)**	**(3,823)**	**(3,823)**	**(3,823)**	**(3,823)**	**(3,823)**	**(45,880)**
Unforeseen/Contingency														
Unforeseen Expense	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(449)
Bad Debt of Sales	0	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(449)
Total Fixed Costs and Unforeseen	**(3,800)**	**(3,898)**	**(3,898)**	**(3,898)**	**(3,898)**	**(3,898)**	**(3,898)**	**(3,898)**	**(3,898)**	**(3,898)**	**(3,898)**	**(3,898)**	**(3,898)**	**(46,778)**

Y1 Revenue and Expenses (Group #3) Continued	Startup	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y1 Annual Total
EBITDA	**(4,267)**	**(624)**	**(624)**	**(624)**	**(624)**	**(624)**	**(624)**	**(624)**	**(624)**	**(624)**	**(624)**	**(624)**	**(624)**	**(7,487)**
Depreciation	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(406)	(4,869)
Equipment Loan Interest	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(618)	(7,410)
Net Income	**(5,290)**	**(1,647)**	**(1,647)**	**(1,647)**	**(1,647)**	**(1,647)**	**(1,647)**	**(1,647)**	**(1,647)**	**(1,647)**	**(1,647)**	**(1,647)**	**(1,647)**	**(19,766)**

Y2 & Y3 Revenue and Expenses (Group #3)	Y2Q1	Y2Q2	Y2Q3	Y2Q4	Y3Q1	Y3Q2	Y3Q3	Y3Q4	Annual Total Y2	Annual Total Y3
Standard Membership	12,928	12,928	12,928	12,928	16,160	16,160	16,160	16,160	51,713	64,642
Hourly Rentals	1,493	1,493	1,493	1,493	1,791	1,791	1,791	1,791	5,970	7,164
Development Classes	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	4,800	4,800
Dry Storage	600	600	600	600	750	750	750	750	2,400	3,000
Cold Storage	600	600	600	600	750	750	750	750	2,400	3,000
Total Sales All Types	**16,821**	**16,821**	**16,821**	**16,821**	**20,651**	**20,651**	**20,651**	**20,651**	**67,283**	**82,606**
Variable Costs										
Utilities	(841)	(841)	(841)	(841)	(1,033)	(1,033)	(1,033)	(1,033)	(3,364)	(4,130)
Promotional Expenses	(841)	(841)	(841)	(841)	(1,033)	(1,033)	(1,033)	(1,033)	(3,364)	(4,130)
Cleaning Supplies	(434)	(434)	(434)	(434)	(539)	(539)	(539)	(539)	(1,736)	(2,157)
Total Variable Operations	**(2,116)**	**(2,116)**	**(2,116)**	**(2,116)**	**(2,604)**	**(2,604)**	**(2,604)**	**(2,604)**	**(8,464)**	**(10,418)**
Variable Margin	**14,705**	**14,705**	**14,705**	**14,705**	**18,047**	**18,047**	**18,047**	**18,047**	**58,819**	**72,188**
Fixed Costs										
Equipment Repairs	(173)	(173)	(173)	(173)	(179)	(179)	(179)	(179)	(694)	(714)
Labor	(9,471)	(9,471)	(9,471)	(9,471)	(9,945)	(9,945)	(9,945)	(9,945)	(37,885)	(39,779)
Fringe and Overhead (10%)	(1,052)	(1,052)	(1,052)	(1,052)	(1,105)	(1,105)	(1,105)	(1,105)	(4,209)	(4,420)
Legal and Accounting Expenses	(637)	(637)	(637)	(637)	(656)	(656)	(656)	(656)	(2,546)	(2,623)
Office Supplies	(77)	(77)	(77)	(77)	(80)	(80)	(80)	(80)	(309)	(318)
Waste Management	(275)	(275)	(275)	(275)	(283)	(283)	(283)	(283)	(1,100)	(1,133)

Y2 & Y3 Revenue and Expenses (Group #3) Continued	Y2Q1	Y2Q2	Y2Q3	Y2Q4	Y3Q1	Y3Q2	Y3Q3	Y3Q4	Annual Total Y2	Annual Total Y3
Licensing and Permits	(14)	(14)	(14)	(14)	(15)	(15)	(15)	(15)	(57)	(58)
Pest Management	(129)	(129)	(129)	(129)	(133)	(133)	(133)	(133)	(515)	(530)
Business Insurance Expenses	(181)	(181)	(181)	(181)	(181)	(181)	(181)	(181)	(722)	(722)
Total Fixed Costs	**(12,009)**	**(12,009)**	**(12,009)**	**(12,009)**	**(12,575)**	**(12,575)**	**(12,575)**	**(12,575)**	**(48,037)**	**(50,298)**
Unforeseen/Contingency										
Unforeseen Costs	(168)	(168)	(168)	(168)	(207)	(207)	(207)	(207)	(673)	(826)
Bad Debt (0.01) of Sales	(168)	(168)	(168)	(168)	(207)	(207)	(207)	(207)	(673)	(826)
Total Fixed Costs	**(12,346)**	**(12,346)**	**(12,346)**	**(12,346)**	**(12,988)**	**(12,988)**	**(12,988)**	**(12,988)**	**(49,382)**	**(51,950)**
EBITDA	**2,359**	**2,359**	**2,359**	**2,359**	**5,059**	**5,059**	**5,059**	**5,059**	**9,437**	**20,238**
Depreciation	(1,217)	(1,217)	(1,217)	(1,217)	(1,217)	(1,217)	(1,217)	(1,217)	(4,869)	(4,869)
Equipment Loan Interest	(1,794)	(1,794)	(1,794)	(1,794)	(1,732)	(1,732)	(1,732)	(1,732)	(7,178)	(6,928)
Net Income	**(653)**	**(653)**	**(653)**	**(653)**	**2,110**	**2,110**	**2,110**	**2,110**	**(2,610)**	**8,441**

All Revenue and Expenses (Group #3)	Y1 Monthly Avg.	Y1 Annual Total	% of Revenue	Quarterly Averages Y2 & Y3	Annual Total Y2	% of Revenue Y2	Annual Total Y3	% of Revenue Y3
Standard Membership	2,693	32,321	72%	14,544	51,713	77%	64,642	78%
Hourly Rentals	398	4,776	11%	1,642	5,970	9%	7,164	9%
Development Classes	400	4,800	11%	1,200	4,800	7%	4,800	6%
Dry Storage	125	1,500	3%	675	2,400	4%	3,000	4%
Cold Storage	125	1,500	3%	675	2,400	4%	3,000	4%
Total Sales All Types	**3,741**	**44,897**	**100.00%**	**18,736**	**67,283**	**100.00%**	**82,606**	**100.00%**
Variable Costs								
Utilities	(187)	(2,245)	(5.0%)	(937)	(3,364)	(5.0%)	(4,130)	(5.0%)
Promotional Expenses	(187)	(2,245)	(5.0%)	(937)	(3,364)	(5.0%)	(4,130)	(5.0%)
Cleaning Supplies	(93)	(1,116)	(2.5%)	(487)	(1,736)	(2.6%)	(2,157)	(2.6%)
Total Variable Operations	**(467)**	**(5,605)**	**(12.5%)**	**(2,360)**	**(8,464)**	**(12.6%)**	**(10,418)**	**(12.6%)**
Variable Margin	**3,274**	**39,291**	**87.51%**	**16,376**	**58,819**	**87.42%**	**72,188**	**87.39%**
Fixed Costs								
Equipment Repairs	(56)	(673)	(1.5%)	(176)	(694)	(1.0%)	(714)	(0.9%)
Labor	(3,007)	(36,081)	(80.4%)	(9,708)	(37,885)	(56.3%)	(39,779)	(48.2%)
Fringe and Overhead (10%)	(334)	(4,009)	(8.9%)	(1,079)	(4,209)	(6.3%)	(4,420)	(5.4%)

All Revenue and Expenses (Group #3) Continued	Y1 Monthly Avg.	Y1 Annual Total	% of Revenue	Quarterly Averages Y2 & Y3	Annual Total Y2	% of Revenue Y2	Annual Total Y3	% of Revenue Y3
Legal and Accounting Expenses	(206)	(2,472)	(5.5%)	(646)	(2,546)	(3.8%)	(2,623)	(3.2%)
Office Supplies	(25)	(300)	(0.7%)	(78)	(309)	(0.5%)	(318)	(0.4%)
				(279)				
Licensing and Permits	(5)	(55)	(0.1%)	(14)	(57)	(0.1%)	(58)	(0.1%)
Business Insurance Expenses	(60)	(722)	(1.6%)	(181)	(722)	(1.1%)	(722)	(0.9%)
Total Fixed Costs	**(3,823)**	**(45,880)**	**(102.2%)**	**(12,292)**	**(48,037)**	**(71.4%)**	**(50,298)**	**(60.9%)**
Unforeseen/Contingency								
Unforeseen Costs	(37)	(449)	(1.0%)	(187)	(673)	(1.0%)	(826)	(1.0%)
Bad Debt (0.01) of Sales	(37)	(449)	(1.0%)	(187)	(673)	(1.0%)	(826)	(1.0%)
Total Fixed Costs	**(3,898)**	**(46,778)**	**(104.2%)**	**(12,667)**	**(49,382)**	**(73.4%)**	**(51,950)**	**(62.9%)**
EBITDA	**(624)**	**(7,487)**	**(16.7%)**	**3,709**	**9,437**	**14.0%**	**20,238**	**24.5%**
Depreciation	(406)	(4,869)	(10.8%)	(1,217)	(4,869)	(7.2%)	(4,869)	(5.9%)
Equipment Loan Interest	(618)	(7,410)	(16.5%)	(1,763)	(7,178)	(10.7%)	(6,928)	(8.4%)
Net Income	**(1,647)**	**(19,766)**	**(44.0%)**	**729**	**(2,610)**	**(3.9%)**	**8,441**	**10.2%**

Appendix B: Pro Formas

Pro Forma Operating Statement (Group #1)	Startup	Y1	Y2	Y3
Revenues (Sales)	$ -	$ 73,824	$ 112,080	$ 138,336
Total Variable Operating Costs	$ (708)	$ (8,498)	$ (12,944)	$ (15,991)
Variable Margin (Loss)	$ (708)	$ 65,326	$ 99,136	$ 122,345
Total Equipment Costs	$ -	$ (1,107)	$ (1,141)	$ (1,175)
Total Facilities Costs	$ (156)	$ (1,868)	$ (1,924)	$ (1,982)
General and Administrative Expenses	$ (4,104)	$ (49,305)	$ (51,682)	$ (54,176)
Unforeseen and Contingency Expenses	$ (62)	$ (1,476)	$ (2,242)	$ (2,767)
Earnings EBITDA (Loss)	$ (5,030)	$ 11,569	$ 42,148	$ 62,246
Interest Expense	$ (618)	$ (7,410)	$ (7,178)	$ (6,928)
Depreciation Expense	$ (406)	$ (4,869)	$ (4,869)	$ (4,869)
Net Income (Loss)	$ (6,053)	$ (711)	$ 30,101	$ 50,449

Pro Forma Operating Statement (Group #2)	Startup	Y1	Y2	Y3
Revenues (Sales)	$ -	$ 50,916	$ 75,990	$ 93,324
Total Variable Operating Costs	$ (517)	$ (6,207)	$ (9,335)	$ (11,489)
Variable Margin (Loss)	$ (517)	$ 44,709	$ 66,655	$ 81,835
Total Equipment Costs	$ -	$ (764)	$ (787)	$ (810)
Total Facilities Costs	$ (156)	$ (1,868)	$ (1,924)	$ (1,982)
General and Administrative Expenses	$ (3,847)	$ (46,218)	$ (48,441)	$ (50,775)
Unforeseen and Contingency Expenses	$ (42)	$ (1,018)	$ (1,520)	$ (1,866)
Earnings EBITDA (Loss)	$ (4,562)	$ (5,159)	$ 13,984	$ 26,402
Interest Expense	$ (618)	$ (7,410)	$ (7,178)	$ (6,928)
Depreciation Expense	$ (406)	$ (4,869)	$ (4,869)	$ (4,869)
Net Income (Loss)	$ (5,586)	$ (17,439)	$ 1,936	$ 14,604

Pro Forma Operating Statements (Group #3)	Startup	Y1	Y2	Y3
Revenues (Sales)	$ -	$ 44,897	$ 67,283	$ 82,606
Total Variable Operating Costs	$ (467)	$ (5,605)	$ (8,464)	$ (10,418)
Variable Margin (Loss)	$ (467)	$ 39,291	$ 58,819	$ 72,188
Total Equipment Costs	$ -	$ (673)	$ (694)	$ (714)
Total Facilities Costs	$ (156)	$ (1,868)	$ (1,924)	$ (1,982)
General and Administrative Expenses	$ (3,607)	$ (43,339)	$ (45,419)	$ (47,602)
Unforeseen and Contingency Expenses	$ (37)	$ (898)	$ (1,346)	$ (1,652)
Earnings EBITDA (Loss)	$ (4,267)	$ (7,487)	$ 9,437	$ 20,238
Interest Expense	$ (618)	$ (7,410)	$ (7,178)	$ (6,928)
Depreciation Expense	$ (406)	$ (4,869)	$ (4,869)	$ (4,869)
Net Income (Loss)	$ (5,290)	$ (19,766)	$ (2,610)	$ 8,441

Appendix C: Cash Flows

Cash Flows Y1 (Group #1)	Ongoing	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year 1
Operating Activities														Annual
Net Income (Loss)	($6,053)	($59)	($59)	($59)	($59)	($59)	($59)	($59)	($59)	($59)	($59)	($59)	($59)	($711)
Non-cash charges to net income (loss)														
Depreciation	$406	$406	$406	$406	$406	$406	$406	$406	$406	$406	$406	$406	$406	$4,869
(Increase) Decrease in current assets														$0
Accounts Receivable	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Increase (decrease) in current liabilities														$0
Accounts payable and accrued expenses														$0
Accrued interest	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($7,410)
Net Cash Provided by (used in) Operating Activities	($6,265)	($271)	($271)	($271)	($271)	($271)	($271)	($271)	($271)	($271)	($271)	($271)	($271)	($3,252)
Investing Activities														$0
Purchases of property and equipment	($109,784)													$0
Financing Activities														$0
Member contributions (distributions)	$30,978													$0
Other contributions	$618	$618	$618	$618	$618	$618	$618	$618	$618	$618	$618	$618	$618	$7,410
Net borrowings (payments) on short-term loans or notes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Principal payments on long-term loans	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($3,099)
Proceeds from long-term debt borrowings	$98,806													$0
Net Cash Provided by (used in) Financing Activities	$20,359	$359	$359	$359	$359	$359	$359	$359	$359	$359	$359	$359	$359	$4,311
Net Increase in Cash	$14,095	$88	$88	$88	$88	$88	$88	$88	$88	$88	$88	$88	$88	$1,059
Cash -beginning of period	$0	$14,095	$14,183	$14,271	$14,359	$14,448	$14,536	$14,624	$14,713	$14,801	$14,889	$14,977	$15,066	$14,095
Cash - end of period	$14,095	$14,183	$14,271	$14,359	$14,448	$14,536	$14,624	$14,713	$14,801	$14,889	$14,977	$15,066	$15,154	$15,154

Years 2-3 Cash Flow (Group #1)	Y2 Q1	Y2 Q2	Y2 Q3	Y2 Q4	Y3 Q1	Y3 Q2	Y3 Q3	Y3 Q4	Annual Total Y2	Annual Total Y3
Operating Activities										
Net Income (Loss)	$7,525	$7,525	$7,525	$7,525	$12,612	$12,612	$12,612	$12,612	$30,101	$50,449
Non-cash charges to net income (loss)									$0	$0
Depreciation	$1,217	$1,217	$1,217	$1,217	$1,217	$1,217	$1,217	$1,217	$4,869	$4,869
(Increase) decrease in current assets									$0	$0
Accounts Receivable		$0	$0	$0	($656)	$0	$0	$0	$0	($656)
Increase (decrease) in current liabilities									$0	$0
Accounts payable and accrued expenses									$0	$0
Accrued interest	($1,794)	($1,794)	($1,794)	($1,794)	($1,732)	($1,732)	($1,732)	($1,732)	($7,178)	($6,928)
Net Cash Provided by (used in) Operating Activities	$6,948	$6,948	$6,948	$6,948	$11,441	$12,097	$12,097	$12,097	$27,792	$47,733
Investing Activities										
Purchases of property and equipment	$0				$0				$0	$0
Sale of Property and Equipment					$0				$0	$0
Financing Activities										
Member contributions (distributions)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other contributions	$1,794	$1,794	$1,794	$1,794	$1,732	$1,732	$1,732	$1,732	$7,178	$6,928
Net borrowings (payments) on short-term loans or notes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Principal payments on long-term loans	($833)	($833)	($833)	($833)	($895)	($963)	($1,035)	($1,112)	($3,332)	($4,005)
Proceeds from long-term debt borrowings	$0								$0	$0
Net Cash Provided by (used in) Financing Activities	$962	$962	$962	$962	$837	$769	$697	$620	$3,846	$2,923
Net Increase in Cash	$7,910	$7,910	$7,910	$7,910	$12,278	$12,867	$12,795	$12,717	$31,639	$50,656
Cash -beginning of period	$15,154	$23,064	$30,973	$38,883	$46,792	$59,070	$71,937	$84,732	$15,154	$46,792
Cash - end of period	$23,064	$30,973	$38,883	$46,792	$59,070	$71,937	$84,732	$97,449	$46,792	$97,449

Cash Flows Y1 (Group #2)	Ongoing	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year 1
Operating Activities														Annual
Net Income (Loss)	($5,586)	($1,453)	($1,453)	($1,453)	($1,453)	($1,453)	($1,453)	($1,453)	($1,453)	($1,453)	($1,453)	($1,453)	($1,453)	($17,439)
Non-cash charges to net income (loss)														
Depreciation	$406	$406	$406	$406	$406	$406	$406	$406	$406	$406	$406	$406	$406	$4,869
(Increase) Decrease in current assets														$0
Accounts Receivable	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Increase (decrease) in current liabilities														$0
Accounts payable and accrued expenses														$0
Accrued interest	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($7,410)
Net Cash Provided by (used in) Operating Activities	($5,797)	($1,665)	($1,665)	($1,665)	($1,665)	($1,665)	($1,665)	($1,665)	($1,665)	($1,665)	($1,665)	($1,665)	($1,665)	($19,980)
Investing Activities														$0
Purchases of property and equipment	($109,784)													$0
Financing Activities														$0
Member contributions (distributions)	$45,978													$0
Other contributions	$618	$618	$618	$618	$618	$618	$618	$618	$618	$618	$618	$618	$618	$7,410
Net borrowings (payments) on short-term loans or notes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Principal payments on long-term loans	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($3,099)
Proceeds from long-term debt borrowings	$98,806													$0
Net Cash Provided by (used in) Financing Activities	$35,359	$359	$359	$359	$359	$359	$359	$359	$359	$359	$359	$359	$359	$4,311
Net Increase in Cash	$29,562	($1,306)	($1,306)	($1,306)	($1,306)	($1,306)	($1,306)	($1,306)	($1,306)	($1,306)	($1,306)	($1,306)	($1,306)	($15,669)
Cash -beginning of period	$0	$29,562	$28,256	$26,950	$25,645	$24,339	$23,033	$21,727	$20,422	$19,116	$17,810	$16,504	$15,199	$29,562
Cash - end of period	$29,562	$28,256	$26,950	$25,645	$24,339	$23,033	$21,727	$20,422	$19,116	$17,810	$16,504	$15,199	$13,893	$13,893

Years 2-3 Cash Flow (Group #2)	Y2 Q1	Y2 Q2	Y2 Q3	Y2 Q4	Y3 Q1	Y3 Q2	Y3 Q3	Y3 Q4	Annual Total Y2	Annual Total Y3
Operating Activities										
Net Income (Loss)	$484	$484	$484	$484	$3,651	$3,651	$3,651	$3,651	$1,936	$14,604
Non-cash charges to net income (loss)									$0	$0
Depreciation	$1,217	$1,217	$1,217	$1,217	$1,217	$1,217	$1,217	$1,217	$4,869	$4,869
(Increase) decrease in current assets									$0	$0
Accounts Receivable		$0	$0	$0	($433)	$0	$0	$0	$0	($433)
Increase (decrease) in current liabilities									$0	$0
Accounts payable and accrued expenses									$0	$0
Accrued interest	($1,794)	($1,794)	($1,794)	($1,794)	($1,732)	($1,732)	($1,732)	($1,732)	($7,178)	($6,928)
Net Cash Provided by (used in) Operating Activities	($93)	($93)	($93)	($93)	$2,703	$3,136	$3,136	$3,136	($372)	$12,112
Investing Activities										
Purchases of property and equipment	$0				$0				$0	$0
Sale of Property and Equipment					$0				$0	$0
Financing Activities										
Member contributions (distributions)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other contributions	$1,794	$1,794	$1,794	$1,794	$1,732	$1,732	$1,732	$1,732	$7,178	$6,928
Net borrowings (payments) on short-term loans or notes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Principal payments on long-term loans	($833)	($833)	($833)	($833)	($895)	($963)	($1,035)	($1,112)	($3,332)	($4,005)
Proceeds from long-term debt borrowings	$0								$0	$0
Net Cash Provided by (used in) Financing Activities	$962	$962	$962	$962	$837	$769	$697	$620	$3,846	$2,923
Net Increase in Cash	$868	$868	$868	$868	$3,540	$3,906	$3,834	$3,756	$3,474	$15,035
Cash -beginning of period	$13,893	$14,761	$15,630	$16,498	$17,367	$20,906	$24,812	$28,646	$13,893	$17,367
Cash - end of period	$14,761	$15,630	$16,498	$17,367	$20,906	$24,812	$28,646	$32,402	$17,367	$32,402

Cash Flows Y1 (Group #3)	Ongoing	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year 1
Operating Activities														Annual
Net Income (Loss)	($5,290)	($1,647)	($1,647)	($1,647)	($1,647)	($1,647)	($1,647)	($1,647)	($1,647)	($1,647)	($1,647)	($1,647)	($1,647)	($19,766)
Non-cash charges to net income (loss)														
Depreciation	$406	$406	$406	$406	$406	$406	$406	$406	$406	$406	$406	$406	$406	$4,869
(Increase) Decrease in current assets														$0
Accounts Receivable	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Increase (decrease) in current liabilities														$0
Accounts payable and accrued expenses														$0
Accrued interest	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($618)	($7,410)
Net Cash Provided by (used in) Operating Activities	($5,502)	($1,859)	($1,859)	($1,859)	($1,859)	($1,859)	($1,859)	($1,859)	($1,859)	($1,859)	($1,859)	($1,859)	($1,859)	($22,308)
Investing Activities														$0
Purchases of property and equipment	($109,784)													$0
Financing Activities														$0
Member contributions (distributions)	$48,478													$0
Other contributions	$618	$618	$618	$618	$618	$618	$618	$618	$618	$618	$618	$618	$618	$7,410
Net borrowings (payments) on short-term loans or notes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Principal payments on long-term loans	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($258)	($3,099)
Proceeds from long-term debt borrowings	$98,806													$0
Net Cash Provided by (used in) Financing Activities	$37,859	$359	$359	$359	$359	$359	$359	$359	$359	$359	$359	$359	$359	$4,311
Net Increase in Cash	$32,357	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)	($17,996)
Cash -beginning of period	$0	$32,357	$30,857	$29,358	$27,858	$26,358	$24,859	$23,359	$21,859	$20,359	$18,860	$17,360	$15,860	$32,357
Cash - end of period	$32,357	$30,857	$29,358	$27,858	$26,358	$24,859	$23,359	$21,859	$20,359	$18,860	$17,360	$15,860	$14,361	$14,361

Years 2-3 Cash Flow (Group #3)	Y2 Q1	Y2 Q2	Y2 Q3	Y2 Q4	Y3 Q1	Y3 Q2	Y3 Q3	Y3 Q4	Annual Total Y2	Annual Total Y3
Operating Activities										
Net Income (Loss)	($653)	($653)	($653)	($653)	$2,110	$2,110	$2,110	$2,110	($2,610)	$8,441
Non-cash charges to net income (loss)									$0	$0
Depreciation	$1,217	$1,217	$1,217	$1,217	$1,217	$1,217	$1,217	$1,217	$4,869	$4,869
(Increase) decrease in current assets									$0	$0
Accounts Receivable		$0	$0	$0	($383)	$0	$0	$0	$0	($383)
Increase (decrease) in current liabilities									$0	$0
Accounts payable and accrued expenses									$0	$0
Accrued interest	($1,794)	($1,794)	($1,794)	($1,794)	($1,732)	($1,732)	($1,732)	($1,732)	($7,178)	($6,928)
Net Cash Provided by (used in) Operating Activities	($1,230)	($1,230)	($1,230)	($1,230)	$1,212	$1,595	$1,595	$1,595	($4,919)	$5,999
Investing Activities										
Purchases of property and equipment	$0				$0				$0	$0
Sale of Property and Equipment					$0				$0	$0
Financing Activities										
Member contributions (distributions)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other contributions	$1,794	$1,794	$1,794	$1,794	$1,732	$1,732	$1,732	$1,732	$7,178	$6,928
Net borrowings (payments) on short-term loans or notes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Principal payments on long-term loans	($833)	($833)	($833)	($833)	($895)	($963)	($1,035)	($1,112)	($3,332)	($4,005)
Proceeds from long-term debt borrowings	$0								$0	$0
Net Cash Provided by (used in) Financing Activities	$962	$962	$962	$962	$837	$769	$697	$620	$3,846	$2,923
Net Increase in Cash	($268)	($268)	($268)	($268)	$2,049	$2,365	$2,293	$2,215	($1,073)	$8,922
Cash -beginning of period	$14,361	$14,092	$13,824	$13,556	$13,288	$15,337	$17,702	$19,994	$14,361	$13,288
Cash - end of period	$14,092	$13,824	$13,556	$13,288	$15,337	$17,702	$19,994	$22,210	$13,288	$22,210

Appendix D: Balance Sheets

Balance Sheet (Group #1)	Y1	Y2	Y3
Assets			
Cash and Equivalents	$15,154	$46,792	$97,449
Accounts Receivables	$6,152	$9,340	$11,528
Total Current Assets	$21,306	$56,132	$108,977
Buildings and Equipment, Net of Depreciation	$104,915	$100,046	$95,177
Other Assets, Net of Amortization	$0	$0	$0
Total Assets	$126,221	$156,178	$204,153
Liabilities and Members' Equity			
Current Liabilities			
Accounts Payable and Accrued Expenses			
Accrued Interest	($7,410)	($7,178)	($6,928)
Current Maturities of Long-Term Debt	($3,332)	($3,582)	($3,850)
Total Current Liabilities	($10,742)	($10,760)	($10,778)
Long-term Debt			
Senior Debt	$95,706	$92,375	$88,793
Less Current Maturities of Long-Term Debt	($3,099)	($3,332)	($3,582)
Members' Equity			
Member Equity and Equity Equivalents	$45,066	$47,794	$79,272
Dispersed Member Equity	$0	$0	$0
Retained Earnings (Losses)	($711)	$30,101	$50,449
Total Liabilities and Current Members' Equity	$126,221	$156,178	$204,153

Balance Sheet (Group #2)	Y1	Y2	Y3
Assets			
Cash and Equivalents	$13,893	$17,367	$32,402
Accounts Receivables	$4,243	$6,333	$7,777
Total Current Assets	$18,136	$23,699	$40,179
Buildings and Equipment, Net of Depreciation	$104,915	$100,046	$95,177
Other Assets, Net of Amortization	$0	$0	$0
Total Assets	$123,051	$123,745	$135,356
Liabilities and Members' Equity			
Current Liabilities			
Accounts Payable and Accrued Expenses			
Accrued Interest	($7,410)	($7,178)	($6,928)
Current Maturities of Long-Term Debt	($3,332)	($3,582)	($3,850)
Total Current Liabilities	($10,742)	($10,760)	($10,778)
Long-term Debt			
Senior Debt	$95,706	$92,375	$88,793
Less Current Maturities of Long-Term Debt	($3,099)	($3,332)	($3,582)
Members' Equity			
Member Equity and Equity Equivalents	$58,625	$43,525	$46,318
Dispersed Member Equity	$0	$0	$0
Retained Earnings (Losses)	($17,439)	$1,936	$14,604
Total Liabilities and Current Members' Equity	$123,051	$123,745	$135,356

Balance Sheet (Group #3)	Y1	Y2	Y3
Assets			
Cash and Equivalents	$14,361	$13,288	$22,210
Accounts Receivables	$3,741	$5,607	$6,884
Total Current Assets	$18,102	$18,895	$29,093
Buildings and Equipment, Net of Depreciation	$104,915	$100,046	$95,177
Other Assets, Net of Amortization	$0	$0	$0
Total Assets	$123,017	$118,941	$124,270
Liabilities and Members' Equity			
Current Liabilities			
Accounts Payable and Accrued Expenses			
Accrued Interest	($7,410)	($7,178)	($6,928)
Current Maturities of Long-Term Debt	($3,332)	($3,582)	($3,850)
Total Current Liabilities	($10,742)	($10,760)	($10,778)
Long-term Debt			
Senior Debt	$95,706	$92,375	$88,793
Less Current Maturities of Long-Term Debt	($3,099)	($3,332)	($3,582)
Members' Equity			
Member Equity and Equity Equivalents	$60,918	$43,267	$41,396
Dispersed Member Equity	$0	$0	$0
Retained Earnings (Losses)	($19,766)	($2,610)	$8,441
Total Liabilities and Current Members' Equity	$123,017	$118,941	$124,270