Financial Presentation for Proposed Building Purchase

Morrisville Food Co-op Annual Meeting October 2026

We would like to thank Robert and Susan Titterton for creating the opportunity for the Morrisville Food Cooperative to purchase the 46 Pleasant Street building where it currently rents space.

The Tittertons have been extraordinarily generous supporters of the Co-op from the idea stage through the doors opening in 2017, the early days of store learning and adjustment to pandemic disruptions, its current turnaround, and now – as we consider our future as part of the historic downtown.

We have the opportunity to purchase the building, including a first-floor retail and storage space as well as four rental apartments, for $605,000 against a value that has been valued at $925,000 and $860,000 in assessments commissioned by the Tittertons and by the Co-op Board respectively. The purchase would be seller financed at the minimum allowable rate of just over 5% interest, for 15 years.

This is a unique opportunity for the Co-op at a critical time for the store's growth. Ownership will enable us to make further improvements to the store and provide a stable horizon for our costs as well as an additional rental revenue stream. We would not be able to obtain financing for such a purchase on commercial terms at this point in our trajectory as a business.

Although **our by-laws do not require a membership vote on a building purchase**, the Board would prefer that the membership make the decision on a commitment of this magnitude.

History

When the co-op first opened its doors in 2017, the capital campaign had not raised enough money to fund the purchase of the building. **To make the co-op a reality, Robert and Susan Titterton stepped up and purchased the building.** They rented most of the ground floor to the co-op with the hope that it would not be long until the co-op was in a position to purchase it from them.

The first five years of the co-op did not live up to the financial projections in the business plan, and the co-op was not in any position to purchase the building. In 2021, in order to keep the doors open, we negotiated an SBA (Small Business Administration) loan with the expectation this infusion of capital would put the co-op on a solid footing for expansion.

Although this loan, on top of the existing member loans, created a much larger debt load than we were happy with, the co-op was able to execute a very successful turnaround. In the last 5 years, our sales have increased by 92%; our

debt load has been reduced by 31%; and we have built a capital repayment fund in order to retire all of our remaining member loans when due. We have demonstrated our ability to operate at a larger scale and with more complex operations by renting an additional 926 square feet to enable optimization of purchasing and storage and renovating the café kitchen and new space in the last year without having to borrow money. We were accepted by NCG (National Co-op Grocers) as a member, giving us access to significant vendor discounts and management support and training.

Building Purchase Proposal

The Morrisville Food Co-op has always had the right of first refusal to purchase the building in which we currently rent space.

Over the past 2.5 years, we have evaluated options for the store location and growth. **We are not aware of other suitable and affordable locations for the Co-op.** We have conducted extensive discussions with the building owners on possible trajectories for the Co-op.

The expansion of the store into the back apartment on the first floor was one outcome of those discussions and allowed us to optimize storage, add much-needed working space for staff, and expand retail space for a wider product line and more pleasant shopping experience.

In the last year, we have conducted a building appraisal and inspection, obtained legal and tax opinions, reviewed our finances and prepared a 5 year income statement, balance sheet and cash flow projections to evaluate the feasibility of the purchase.

The Board has also reviewed the commercial property market in Morrisville and **do not believe it would be in the co-op's best interest to move its location in the foreseeable future.** There are a significant number of residential properties within walking distance, and the adjacent municipal parking lot is an important asset. Several development projects planned for Pleasant St will increase the foot traffic in the area in the next few years.

The building also has four apartments on the second floor which provides rental income. The co-op now occupies all of the ground floor and the front patio of the building. There are more opportunities for creative space expansion in this front area.

The Tittertons have owned the building for 12 years and are ready to sell it. They would prefer to sell to the co-op and have been discussing proposals with the Board for the last year. **We believe we have come to a mutually beneficial agreement.**

To make sure we limit our liability as much as possible, **the co-op will form an LLC** with the Morrisville Food Co-op as the single member.

This LLC will purchase the building for $605,000 with a mortgage provided by the Tittertons of no downpayment and an interest rate that we anticipate to be 5.12%. The final rate is subject to change if the Long-Term Applicable Federal Rate changes before closing. This is an extremely generous proposal for the co-op and we do not want to lose the opportunity, nor do we want someone else to buy the building. **We would never be able to get a bank loan on terms like this.**

Operational Plans

Our current staff is fully occupied in running the co-op and will not be involved in the building operations. We will be contracting with a building manager to manage day-to-day repairs along with the management of insurance, leases, utilities, taxes and rent collection.

Financial Position

The following pages show our five-year projections for the co-op and the LLC. **They reflect our confidence that, despite a significant debt load, the co-op is managing the expense responsibly and will continue to thrive.** However, no investment is without risk, such as a reduction in members paying equity, reduction in shoppers willing to pay for organic and local products, difficulty in finding staff, increased expenses due to tariffs and fuel pricing, construction impacts on foot traffic, etc. We believe that we have incorporated conservative estimates in our projections, reflecting the likelihood of these risks.

Sales – T**he Sales graph reflects the reality that our sales growth has far outstripped inflation in the past years.** By continually adding local vendors, more variety in our products, expanding the café and bulk sections, adding new members, etc., we have kept a very healthy sales growth. We expect growth to continue, although likely at a somewhat lower rate.

Profit – The Net Operating Profit shows some significant changes over the years. **We went from having a loss each year up through June 2022, profitable years 2023-2025, and then a breakeven year.**

There were specific reasons for this 2026 downturn that should not continue into the future. We made a significant upgrade to the kitchen facilities and renovated the ground floor back apartment into office and storage space. Like many renovations, it took more time and cost than expected. The disruption to operations was significant and resulted in less sales growth and higher staff expenses. Additionally, we made a significant time investment in staff training and margin re-evaluation.

We have just finished the first quarter of the new fiscal year and the results of this investment are apparent in the Profit & Loss statement that shows the last 5 quarters. **July-September 2026 posted a very healthy operating profit.**

LLC projections – Because this new entity will be starting off with a building, no equity and no cash, the co-op proposes loaning it the start up costs. We can provide that through our current cash flow. By the 5th year of ownership, the building should be equalizing income and expenses, thus putting it in a position to start repaying the co-op for that start-up loan. Because of the very favorable interest rate and short mortgage period, by the 5th year, the equity in the building will equal 25%.

We believe that this is an investment for the co-op that will allow us to operate comfortably in downtown Morrisville for the foreseeable future.