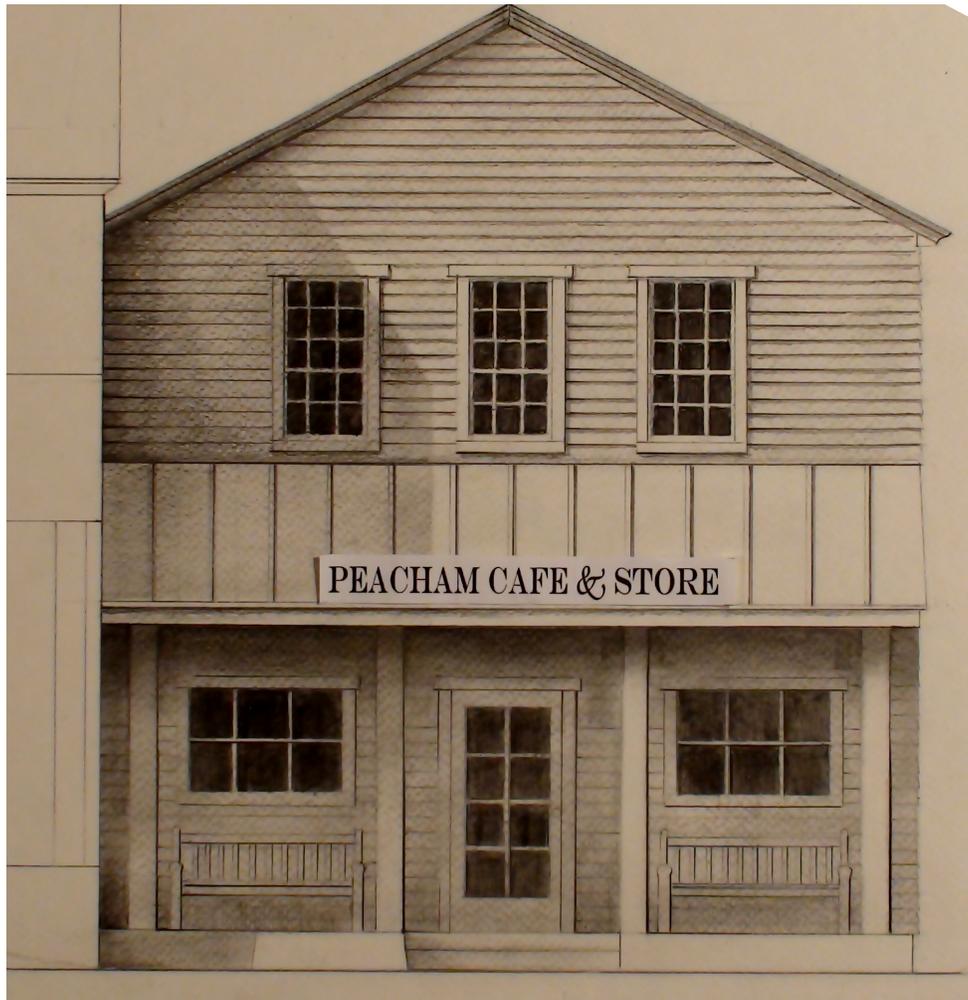


Peacham Café

A Community-Supported Enterprise



Business Plan
March 2014

Table of Contents

	Page
Introduction	3
Mission of the Café	4
Organizational Structure	5
Café Manager	9
Schedule for the Project	10
Cost of Project	11
Project Budget	12
Revenues	13
Café Operator's Business Plan	14
Café Cash Flow	15
LLC Cash Flow	16
PCH – LLC Financial Relationship	17
Promotion and Marketing	17
The Market for the Café	18
Permitting and Regulations	19
Cooperation with the Peacham General Store	19
Competition	19
Contingencies	20
Frequently Asked Questions	21

**Business Plan
Peacham Café
Peacham Café Group, LLC
March 2014**

Introduction

It doesn't take much imagination to envision a small café in an active little village like Peacham, Vermont. A picturesque hill town, home to dairy farms, a few small businesses, senior apartments, and a citizenry actively involved in town government and a host of civic organizations – all combine to create the perfect context for a gathering-place in the town center. But there is no such gathering place, and that is what this business plan is about. A group of residents is planning to open a café in the heart of Peacham village, which will cater not only to the local residents, especially seniors, but will also serve tourists at Fall Foliage, the annual Peacham Acoustic Music Festival, the July 4 gala with its famous tractor parade, the farmers market, plus a steady stream of summer visitors who make Peacham a tourist destination despite the lack of commercial establishments.

People coming together on a regular basis, enjoying old friendships and creating new ones, is what community is all about. The idea for a café/store in town has been brewing for over ten years, ever since out-of-state owners closed the popular and successful Bayley-Hazen Store in South Peacham, leaving the town with no gathering place and no place to buy staple groceries. It was a loss for everyone, particularly for seniors with limited transportation.

Peacham Community Housing (PCH), a local volunteer organization supporting affordable senior housing, expanded its mission to include providing services - such as the weekly farmers market - for seniors. The farmers market has been very successful, but more is needed. A year-round café and store in the village became a priority for PCH. Slowly but resolutely, steps have been taken to turn this idea into a reality.

The first step was to acquire a centrally located building for the new enterprise. Town residents voted to sell the old town office (now Craft Guild) and adjoining building to PCH for one dollar for purposes of opening a store/café. The adjoining building was a store - the Union Store - in the 19th century. It is located directly across the street from the library.

An Interim Planning Team raised \$30,000 from foundations and local donors. These preliminary funds were spent on having Black River Design Architects do a complete structural analysis of the building (cost: \$500, paid for with a grant from the Preservation Trust of Vermont); hiring an architect and engineer to create a feasibility report and interior and exterior designs (cost: \$10,000, from the Vermont Community Foundation); and having the electrical systems updated, the building repainted, and an interim septic

tank installed (\$20,000 from Diana and Jerry Senturia). The Senturias also bought store equipment from the now-closed West Barnet Store.

As a result of these preliminary studies PCH applied for and received a \$40,000 pledge from the Preservation Trust of Vermont (PTV) for money to help renovate the historic Union Store building.

During the past three years, a local collaboration of town organizations also took on the café/store as a priority issue and set in motion the gradual establishment of an organizational structure to oversee the project. This resulted in the formation of a Limited Liability Corporation (LLC) to operate on a model successfully used in the town of Hardwick for its community-supported restaurant, Claire's. , a lawyer who was involved in the Hardwick, VT project, assisted in the formation of the Peacham Café Group LLC and in designing the financial relationship among PCH, owner of the building; the LLC, which would raise money and oversee the renovation and fitting-up of the building; and the eventual operator of the café. The LLC is a for-profit subsidiary of PCH and will protect PCH from liability related to the conversion of the building and the operation of the café.

For almost two years, the LLC was engaged in finding a suitable land-based wastewater system for the café. Such a site has been secured, a design has been prepared, and a state wastewater permit was granted in early 2014. Simultaneously, the Cafe Group sought and received building and zoning permits from Peacham's Development Review Board. With these crucial steps forward, PCH now is moving ahead to renovate its historic building and open the Peacham Café.

In this day and age, the old entrepreneurial model for retail establishments in small rural markets is no longer viable. The closing of countless village stores and eateries attests to this fact. No longer can an entrepreneur establish a coffee shop or grocery store in a rural village and expect to turn a profit. A new model, of community ownership and volunteer support, is taking hold across Vermont. With this new model, small, rural communities are once again enjoying the vitality and economic benefits of a gathering place in their own neighborhood.

Our business plan is based on this new model. It reflects a can-do attitude, mirroring the enthusiasm of all the people and groups that are making this dream come true. But it is couched in a thoughtful, carefully planned, and appropriately cautious approach.

Mission of the Café

The mission of the Café is two-fold:

- To create a financially sustainable, community-supported café in Peacham that meets the community's needs for a local eatery, gathering place, and staple grocery; and
- To provide a market for local food producers in Peacham and surrounding communities by selling their produce and incorporating them as much as possible in the café menu.

In addition to defining the above mission, the Peacham Café LLC has taken the further step of defining what we will consider to be "success." There are several criteria:

1. A café is operating in Peacham by summer 2014.
2. The café provides at least breakfast, lunch, and afternoon tea/coffee/snacks.
3. The store provides staples such as milk, bread, and eggs, as much as possible from local sources.
4. The café is pleasant and welcoming with high quality offerings. People choose to spend time there.
5. The café is perceived to be "appropriate" for Peacham, in that it
 - Uses quality materials and design (and local workers);
 - Embodies values of thrift, respect for the earth, and support of local enterprises.
6. The café operates in a way that is sustainable indefinitely. That would mean it:
 - Complies with relevant laws and regulations;
 - Is cash-flow positive on a quarterly basis, at least after 2-3 quarters;
 - Produces a profit after deduction of operating expenses plus a realistic accrual for periodic replacement/refurbishment of equipment and facilities;
 - Pays a salary that is sufficient to keep the manager happy.

This list will likely be modified over time, but it provides the LLC and others who become involved with the project with the practical and philosophical basis for the endeavor. Discussions with others in town have identified a range of other practical uses for the café. These include a venue for literary, musical and game events; displays of art; senior meals; and themed dinners.

Organizational Structure

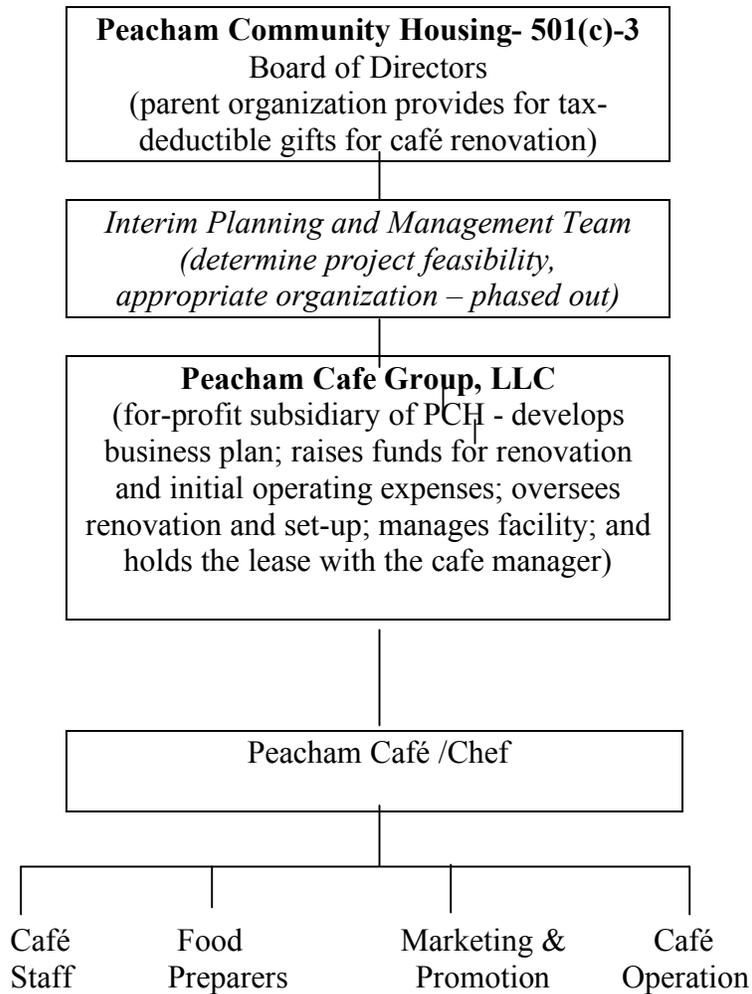
The organizational structure was developed through a thoughtful process considering basically three options: non-profit cooperative; for-profit commercial; and a combination of the two. We canvassed similar communities in Vermont and New Hampshire to see what their experiences could teach us. The Preservation Trust of Vermont has had an active hand in many of these community projects, and its leader Paul Bruhn provided invaluable advice for us. He confirmed that our proposed organizational structure - a

combination non-profit/for-profit, with the non-profit PCH as the parent, a for-profit LLC as the operating group, and a store manager to run the business – made sense based on others’ experience (Putney Store, Brattleboro’s Latchis Theatre, Hardwick’s Claire’s, for examples). Bruhn stressed that PCH should own the building and the equipment. That way, if a store manager leaves, the infrastructure is in place for another manager to step in, ensuring continuity of the operation.

One of the important features of the proposed structure is that it provides a mechanism for individuals to make tax-deductible donations to the project through PCH. PCH will then pass along the gift to the LLC for use in renovating the building and purchasing equipment. The expectations for funding are covered in another section on financing. However, it is assumed that a considerable amount of local funding will be raised through this method of tax-deductible gift-giving.

The organizational structure is illustrated in the chart on the next page. It includes an Interim Planning and Management Team that was phased out with the creation of the LLC.

Peacham Café



The nine members of the Peacham Café LLC are:

Joe Alper
Charles Byron
Dave Edwards
Bob Fuehrer
Barry Lawson
Ruth Marceau
Susan McClellan
Betsy McKay
Mary Ellen Reis

Each of these individuals brings relevant skills, experience and enthusiasm to the team. They have overseen café/store design, obtained cost estimates, located a site for a wastewater system, and solicited foundations for grants. They are well into a local fundraising campaign, having developed a strategy and created a brochure, a website, and a Facebook page.

As part of its wastewater plan, the café group received permission from the local water board to use up to 780 gallons of water per day from the public supply. With the assistance of a USDA Rural Development Business Grant the LLC hired a Clerk-of-the-Works (Allan Marceau) and parking and landscape consultants (Pine Garden Nursery and David Jacobs). The Café Group is recruiting a café operator and volunteers and is organizing the work schedule. Throughout, the Group has been carefully documenting the process for the historical record and so that other communities can learn from our experience.

The LLC members have developed the following committees to spread the workload:

- Financial and Accounting
- Volunteer/Operator Recruitment
- Marketing and Promotion
- Interior Renovation and Design
- Fundraising
- Documentation

Paid professionals involved with the project are listed below. Some of them discounted their rates as a contribution to the project. A second list includes people who have donated their services outright.

Paid Professionals

- Patrick Kane, architect
- Steve Pitkin, engineer and cost estimator
- Kristina Michelsen, lawyer and advisor
- Don Marsh, sanitary engineer
- Ed Shields, local building contractor
- Neal Gombas, local building contractor
- Allen Thresher, local excavator
- Karen Joyce, preliminary website design
- Robert Pelosi, State Wastewater Engineer
- Jim Brown and Esther Brown, Pine Garden Nursery
- David Jacobs, Landscape Design
- Paul Cornell, Cornell Plumbing and Heating
- Matt Pettigrew Electric
- Vermont Department of Corrections, St. Johnsbury
- Eric Page, Page Concrete
- Fred's Propane and Heating

- Allan Marceau, Clerk-of-the-Works
- Chris and Heidi Townsend, café operators in the Stowe area
- Brad Charron, State Fire Marshal

In-kind Contributors

- Rusty Barber, architect
- Richard Brown, photographer
- Paul Bruhn, advisor
- Mike Bruton, deed research
- Jean Clark, property easement
- Tony Cuda, restaurant consulting
- Neal Gombas, construction advice
- Craig Harrison, logo & website design
- Kempton Farms, property easement
- Julie Lang, film script
- Tim McKay, woodworker
- Dean Schoolcraft, scaffolding
- Diana & Jerry Senturia, many & varied contributions
- Ed Shields, construction advice
- Weidmann Technologies, floor protector
- Robert Van Vranken, artist & filmmaker

Café

The Café LLC is responsible for selecting a capable manager for the new enterprise. Several criteria have been developed. They include experience in cooking and baking; a friendly personality; strong business acumen; and a passion for the collaborative nature of this project, its community-minded mission, and using local products.

With help from architect Patrick Kane and Chris and Heidi Townsend, café operators from Stowe, a conceptual floor plan for the café/store has been designed. These plans were also influenced by the designs and experiences of many cafes the Group has visited during the past year. Tony Cuda, local baker and caterer, helped us conceive possible menus and prices. We have researched equipment, including used equipment. A Program Committee created three possible versions for opening hours for the café.

A Request-for-Proposals from prospective operators/chefs has been prepared, and recruiting is underway.

Schedule for the Project

The LLC has created a schedule for the completion of the project, to the point where the café/store opens for business. The schedule takes into account availability of funds, availability of volunteers, scope of the renovations, and other intangibles.

Estimated Project Renovation Schedule

By December 30, 2012	Get Challenge Grant(s)
	Do Initial Design Work
	Create Organizational Structure
	Develop Business Plan
	Research Permits, Infrastructure
	Select Historical Exterior Design
	Produce Brochure
	Develop Fund-Raising Plan
By June 30, 2013	Find a Feasible Wastewater System
	Clean Out Building
	Begin Interior Demolition
	Begin Permitting Process
	Complete Business Plan
	Refine Project Costs
	Begin Quiet Fund-raising
By September 30, 2013	Design Logo
	Design Website & Facebook Page
By December 31, 2013	Expand Fund-Raising to Community
	Seek Outside Grants for Planning Work
	Rough in Plumbing, Water, Radiant Heating
By February 28, 2014	Receive All Necessary Permits
	Continue Fund-Raising and Pursuit of Grants
By April 30, 2014	Level Floor and Pour Concrete
	Install Studs, Wallboard, Insulation
	Install Electrical, Plumbing, Heat
	Plan Public Events to Advertise Plans and Progress
	Complete Plan for Landscaping and Exterior Appearance
	Advertise for Café Operator
By June 30, 2014	Select Café Operator
	Install Windows, Doors and Build Porch
	Finish Interior Work, including Cabinets, Equipment, Appliances
By July 4, 2014	GRAND OPENING

Cost of Project

The remaining cost to renovate and fit up the old Union Store for use as the new Peacham Café is estimated at \$177,000. (See budget on next page.) Volunteer efforts and low-cost labor will make a substantial but difficult-to-quantify dent in the total project cost. We are using low-cost labor for the construction work, and the LLC has taken on many of the responsibilities of Clerk-of-the-Works. Other construction work may be volunteered as well. A professional landscape designer has prepared a comprehensive parking plan, and we will implement it as funds become available.

The Peacham Café Group LLC is very frugal. We have considerably scaled down the project from its original conception as a full-fledged grocery store and café combining the Craft Guild building and the Union Store building. This proved too ambitious and expensive. What we have now is a simple design, a basic renovation, a limited grocery, a small café, in one building. However, we also believe that the quality of the renovation and the café/store equipment should not be compromised to save a few dollars. Those “saved” dollars will only have to be spent later on fixing or replacing or otherwise dealing with cheap materials or workmanship. We believe that the energy-efficient, simple, yet attractive ambience of the café will contribute to its success.

Peacham Café Budget		3/25/14		
EXPENSES				
Category	Cost	Item		Cost
Preliminary Costs	\$1,500	Legal/Professional Architect		\$1,000 \$500
Fund-raising	\$5,000	Fund-Raising		\$5,000
Wastewater System	\$34,400	Wastewater System Tree Removal		\$33,000 \$1,400
Permits	\$3,900	Fire Marshal & Septic & Building Permits		\$3,900
Demolition	\$2,470	Demolition (Labor, Dumpster)		\$2,470
Planning	\$7,000	Clerk of the Works, Parking and Landscape Design		\$7,000
Basic Construction	\$31,900	Construction Labor Construction Materials		\$15,700 \$16,200
Floor	\$13,800	Concrete Floor Propane Heater Acid Wash, Floor		\$8,500 \$1,300 \$4,000
Insulation	\$5,800	Insulation		\$5,800
Plumbing & Heating	\$17,250	Plumbing, Heating & Bath		\$17,250
Electricity	\$7,000	Electricity		\$7,000
Balcony	\$11,200	Balcony, Stairs, Windows Balcony Furniture, Lighting Balcony Labor		\$6,700 \$1,000 \$3,500
Site Work	\$2,500	Landscaping Parking		\$2,000 \$500
Kitchen Equipment	\$19,600	Miscellaneous Kitchen and Lighting Equipment		\$2,000 \$17,600
Furniture	\$4,400	Chairs, Tables, Sofa(s) Cabinets, Counters, Shelves		\$2,000 \$2,400
Telephone	\$500	Telephone		\$500
Contingency	\$9,000	Contingency		\$9,000
Total Expenses	\$177,220			\$177,220
REVENUES				
Contributions (as of 3/25/14)	\$69,860			
Pledges	\$9,135			
Preservation Trust of Vermont	\$40,000			
Vermont Community Foundation	\$2,500			
NCIC	\$4,900			
Remaining to be Raised	\$50,825			
Total Revenue	\$177,220			

Revenues

Funds for Renovation

Before discussing the funds for renovations, it's important to note the in-kind contributions of many people that have resulted and will result in significantly reduced renovation costs. Many of the professionals that we have worked with discounted their fees. Some charged no fee (please see list of in-kind donors above). Kempton Farms and Jean Clark donated easements on their properties for our wastewater system. These generous donors are as responsible for making the project happen as are those who donate money directly.

Direct funding for renovation costs are coming from grants and local donors. While we use the term *donors*, these contributors are also *investors* in their community. The goal is to raise approximately one-half each from grants and local donors. We anticipate the following breakdown:

Preservation Trust of Vermont	\$ 40,000 (pledged)
Vermont Community Foundation	\$ 2,500 (received)
Northern Community Investment Corporation	\$ 4,900 (received)
Other Vermont/New England grants	<u>\$ 41,000 (pending)</u>
Total Grant Support	\$88,400
One (1) major local donor	\$ 25,000 (received)
Seven lead local donors @ \$5,000 plus	\$ 35,000 (mostly pledged)
Multiple smaller supporters	\$ 30,000 (mostly received)
Total Local Support	\$ 90,000
Total Renovation Revenue	\$178,400

A brokerage account for the receipt of securities from donors has been established at Edward Jones in St. Johnsbury, as well as a PayPal account for online donations through our website www.peachamcafe.org.

Funds for Operating Costs

We envision raising initial operating funds (utilities and insurance, for example) for a short start-up period until the operator is "over the hump". We will follow a model used by other communities in Vermont - the Community Supported Restaurant (CSR) model. In the CSR model, customers buy certificates up-front, which they can use gradually (a certain amount per month) towards goods and products from the café/store over a pre-determined period of time. We propose something along the following lines.

Selling shares (certificates) for \$100, \$150, and \$200. Shareholders can redeem \$10 of their share each month until the value of the certificate is reached. Shareholders would have to use the \$10 each and every month, not being allowed to “hoard” shares for more than one month (although shareholders could give their monthly share to someone else). This would encourage people to use the café on a regular basis and would also ensure that the café operator does not lose significant income in any one month by shareholders redeeming large amounts at one time. We would also sell “Summer Shares” that would encourage the numerous people who only spend summers in Peacham to be able to support the café.

The LLC will help the café operator sell these certificates. After this initial boost, ongoing overhead costs will be the responsibility of the café manager.

The Café Operator’s Business Plan

The selected café operator will submit a business plan, including cash flow, to the LLC for review. The LLC may help the operator with this plan if desired.

The Program Committee will work with the operator to determine the opening hours for the café. The hours should meet the needs of the Peacham community as much as possible. It is anticipated that the initial hours will be roughly 7 a.m. to 3 p.m., at least five days per week. Based on this schedule, the operator will decide the menus to be offered.

In the first few years of operation, the rent charged to the operator will clearly favor the operator. The success of the café is the high priority, and getting off on an economically sound footing is essential to that success.

An expected, reasonable five-year cash flow for the café/store and for the LLC are provided in tables on the following pages. The general assumptions supporting these estimates are shown in yellow.

Café Cash Flow

	Café Business			Date Prepared:		1/20/12	
				Last Revised		3/6/14	
		Seasons?					
	Assumptions	2	4	↔			
							Totals
Year		2014 (6 mos.)	2015	2016	2017	2018	
Revenues							
	Cash Brought Forward	\$0	\$8,369	\$1,848	\$2,954	\$4,189	
	Sales	\$59,237	\$102,016	\$141,467	\$160,452	\$178,583	\$641,755
	TOTAL REVENUE	\$59,237	\$110,385	\$143,315	\$163,406	\$182,772	\$659,114
Expenses							
	Cost of Ingredients, and other products for sale	\$23,695	\$39,786	\$53,757	\$59,367	\$64,290	\$240,895
	Initial Capital Investment by Operator						
	Cost of Labor	\$9,100	\$24,960	\$39,312	\$49,920	\$56,160	\$179,452
	Café Owner Salary	\$15,000	\$30,000	\$31,000	\$32,000	\$33,000	\$141,000
	Rent to LLC	\$73	\$9,891	\$11,484	\$12,457	\$13,394	\$47,299
	Other operating costs****	\$3,000	\$3,150	\$3,308	\$3,473	\$3,647	\$16,577
	TOTAL EXPENSE	\$50,868	\$107,787	\$138,861	\$157,217	\$170,491	\$625,223
	Contribution to Reserve Fund (to LLC)	\$0	\$750	\$1,500	\$2,000	\$2,500	\$6,750
	Cash brought forward	\$8,369	\$1,848	\$2,954	\$4,189	\$9,781	
Assumptions							
		6-mo year					
		2014	2015	2016	2017	2018	
	Customers per day (average)	54.5	47.9	52	55	59	
	Average sales per customer	\$8.36	\$8.20	\$8.77	\$9.30	\$9.77	
	Weeks Open	26	52	52	52	52	
	Sales per Day (ave)	\$456	\$392	\$453	\$514	\$572	
	Days Per Week Open (ave)	5	5	6	6	6	
	Hours Per Day (ave)	7	8	9	10	10	
	Hourly Wage Paid (total, hired people, per hour)	\$10.00	\$12.00	\$14.00	\$16.00	\$18.00	

LLC Cash Flow

LLC							Date Prepared:	01/13/12	
							Date Revised:	03/06/14	
Year		2013	2014	2015	2016	2017	2018	Totals	
Revenues									
	Cash Brought Forward	\$0	\$56,500	\$22,898	\$21,442	\$18,077	\$16,928		
	Gifts-Donations	\$62,000	\$43,000	\$4,000	\$3,000	\$2,000	\$1,000	\$115,000	
	Grants (VCF, NCIC, USDA, PTV, plus)	\$0	\$83,500	\$2,500	\$0	\$0	\$0	\$86,000	
	Rent from Café	\$0	\$73	\$9,891	\$11,484	\$12,457	\$13,394	\$47,299	
	Contribution to Reserve Fund	\$0	\$0	\$750	\$1,500	\$2,000	\$2,500	\$6,750	
	TOTAL REVENUE	\$62,000	\$183,073	\$40,039	\$37,426	\$34,534	\$33,822	\$390,894	
Expenses									
	Construction, Equipment, Appliances & Furnishings	\$10,000	\$164,000	\$2,500	\$2,500	\$0	\$0	\$179,000	
	Other Costs - promotion, admin.	\$500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$13,000	
	Annual OH Costs		\$6,175	\$12,597	\$12,849	\$13,106	\$13,368	\$58,095	
	Minimum Payment to PCH (above costs)	\$0	\$0	\$1,000	\$1,500	\$2,000	\$2,500	\$7,000	
	Volunteer Labor (assumes none)	\$5,000	\$12,500	\$2,500	\$5,000	\$5,000	\$5,000	\$35,000	
	TOTAL EXPENSE	\$5,500	\$160,175	\$18,597	\$19,349	\$17,606	\$18,368	\$239,595	
	Cash brought forward	\$56,500	\$22,898	\$21,442	\$18,077	\$16,928	\$15,454		
Assumptions									
		2013	2014	2015	2016	2017	2018		
	Building Insurance	\$0	\$1,200	\$1,224	\$1,248	\$1,273	\$1,299		
	Water-Village	\$0	\$800	\$816	\$832	\$849	\$866		
	Property Tax	\$0	\$2,000	\$2,040	\$2,081	\$2,122	\$2,165		
	Septic Service	\$0	\$250	\$255	\$260	\$265	\$271		
	Electricity	\$0	\$2,000	\$2,040	\$2,081	\$2,122	\$2,165		
	Telephone	\$0	\$600	\$612	\$624	\$637	\$649		
	Internet	\$0	\$2,500	\$2,550	\$2,601	\$2,653	\$2,706		
	Propane Gas	\$0	\$3,000	\$3,060	\$3,121	\$3,184	\$3,247		
	Annual Increase	2%	TOTAL (to annual costs above)						
			\$12,350	\$12,597	\$12,849	\$13,106	\$13,368		
		per month	\$1,029.17	\$1,049.75	\$1,070.75	\$1,092.16	\$1,114.00		

PCH – LLC Financial Relationship

The collaboration between PCH (owner of the building) and the LLC is set up in such a way that the non-profit PCH is protected from liability by the for-profit LLC; the financial arrangement between the two entities will reflect that reality. For tax considerations, the LLC will not pay PCH rent for the space, but will distribute dividends that will at least cover any out-of-pocket expenses that PCH incurs for the building. This would include, for example, taxes, utilities, and insurance. With the eventual success of the café/store, this dividend would increase. The LLC, as the middle party (between PCH and the café operator), will carry the responsibility for capital investments in the café over time, using funds (from the operator's rent) set aside in reserve for such purpose.

Promotion and Marketing

One of the major tasks of the LLC is to promote the project in the town and local region. While there is already considerable enthusiasm for the venture among town residents and participants in both the summer and winter farmers markets, much work remains to be done to inform and encourage involvement in this community-building project. A committee of the LLC has been formed for the purpose of promotion.

A brochure has been prepared as part of the fund-raising program, and a version of the brochure will also serve the more general purpose of informing townspeople and others of the new facility and encouraging their support and patronage. The information in the brochure and other facts about the project are available on the cafe website www.peachamcafe.org. We also have a Facebook page, giving regular progress reports.

In addition, and particularly in light of the ongoing fundraising, a series of questions and answers has been developed to address a wide range of concerns that local supporters are likely to have. See the **Frequently Asked Questions** section at the end of this business plan and on our website.

When the café/store begins operation, its opening will be announced and broadcast locally and within the region and state through newspaper ads, posters, and short articles for the media. The name Peacham Café has been chosen to take advantage of the “brand” that Peacham represents throughout the state as a tourist destination boasting beautiful landscapes and historic village architecture, in addition to the various regularly scheduled events (e.g., July 4, Peacham Acoustic Music Festival, Fall Foliage) throughout the year.

The Market for the Café

Demographics

Peacham, Vermont is in Caledonia County, located in the northeast section of the state, at the southern edge of the Northeast Kingdom. The area is served principally by Interstate highway 91 (7 miles to the east), US highway 2 (6 miles north) and US highway 302 (9 miles south). It lies at the intersection of the two major black-topped roads in town.

The population of Peacham, according to the 2010 Census, was over 700 permanent residents. The population increases in the summer with seasonal residents arriving. Peacham is a family town, and children under 20 years make up about 30% of its population. The town also has many retired residents; more than 20% of the residents are over 60 years old. Its working population includes farmers, craftsmen, loggers, professionals, and other self-employed workers. Peacham has seven working farms and several small businesses.

Customer Mix

Local residents, year-round and seasonal, will be the foundation of our business. However, we recognize that the local population is not large enough to sustain a café, and we will rely on tourists to provide a critical part of the customer base. Peacham is a destination on state tour maps and is one of the most photographed villages in New England. The town sees many tourists and other travelers throughout the year. Peacham used to be a popular stop for tour buses and bicycle tours from around the United States as well as Canada, although these tours have declined in recent years with the lack of a reliable eating place. We anticipate that with the opening of the café, this business will revive. Harvey's Lake in West Barnet is located less than two miles from the café/store and Groton State Park lies partially within Peacham's boundaries. The café will draw visitors and tourists from these areas.

There are several categories of customers:

1. Local residents, including seniors, for groceries and the café.
2. Tourists for groceries and the café, including bike and bus tours groups.
3. Workers from Peacham and surrounding towns – including carpenters, plumbers, electricians, farmers and others – for morning coffee, pastry and lunch from the café.
4. Outdoor sports people for groceries and the café.

This range of clientele made the former Bayley-Hazen Store in South Peacham a successful operation, despite competition from at least one and sometimes two stores in West Barnet, only a few miles down the road. In its last year of operation, the Bayley-Hazen Store had revenues in excess of \$500,000. Admittedly, the store offered a much wider range of groceries and prepared foods than our café/store will be able to provide.

However, the Peacham Café will offer inside and (seasonal) outside seating, which the Bayley-Hazen Store could not provide. The café/store will also be the site of the winter farmers market, and will offer and use local food as much as possible.

The bottom line is that the café/store operator and the LLC must be able to lure customers with attractive pricing; good-quality coffee and food; food that people want and need; and an attractive, welcoming atmosphere.

Permitting and Regulations

We have received the following permits: state fire marshal permit, state wastewater permit, village water allocation, town building/zoning permit. A health certificate will be applied for at the appropriate time.

Collaboration with the Peacham General Store

The LLC has been discussing this project with the proprietors of the Peacham General Store. This store is currently a very part-time operation that specializes in gifts rather than food, but it does sell prepared lunches sporadically. While many people feel that this store would be an ideal location for the proposed café and store, it is not available and does not have a wastewater system permitted for indoor seating. We are working to develop a collaborative relationship with the proprietors that could result in a coordination of opening hours, the store owners providing some food for the new café, and cooperation on the redesign of the parking area serving both operations.

Competition

Competition for the café/store includes Marty's First Stop in Danville, a major magnet along Route 2 providing a wide range of groceries and non-food items, take-out deli, gasoline, a bank, and a small hardware store. Marty's is very successful and is patronized by many Peacham residents. It is ten miles away.

Bentley's is a bakery/café in Danville that provides breakfasts and lunches as well as bakery products. It is ten miles away.

The West Barnet Quick Stop four miles away is a dependable and convenient destination for convenience food, take-out deli, gasoline, and some non-food items.

The Peacham General Store in the center of Peacham, as mentioned, is rarely open. In the summer, a take-out lunch menu is offered irregularly.

The Peacham Café will not attempt to compete in any meaningful way with the more comprehensive grocery stores in the area. People will not be able to do their main

grocery shopping at the café/store. Grocery items will be limited, and will be attractive to the person who just needs to grab a gallon of milk, some bread and cheese, local produce, or eggs. We envision it being the home of the winter farmers market.

Contingencies

We recognize that there are risks involved in starting an operation such as the café/store. We have set out to identify those risks and to prepare contingency plans in the case of problems. The following is a list of the most obvious problems that could arise and our intended response.

What if the necessary funds are not raised within a reasonable amount of time?

Enough funds have been raised to have a heated, finished interior with a public bathroom, seating, and basic kitchen. We are confident that as people see material progress on the café building and begin to envision the café opening, the remaining funds needed to complete the cafe will be forthcoming.

What if volunteer labor fails to materialize?

Our \$178,000 cost estimate assumes no volunteer labor. Whatever volunteer labor we use will reduce our estimated cost.

What if the costs are underestimated and there is not enough money to finish?

Although we have hired professionals to do the estimating, there is always a risk of cost overruns, and we will continue to refine the estimates as necessary. The project budget includes \$9,000 for contingencies.

What if needed permits are not granted, or not granted in a timely manner?

We've received all the necessary permits to proceed.

What if there are delays in the construction work?

Delays are inevitable, and the use of volunteer labor would increase the likelihood that work will not proceed as quickly as it might with a fully paid workforce. We have set an opening date of summer 2014, but are prepared to extend that if necessary. It will be important, however, to capture as much of the summer business as possible.

What if you lose the café/store operator?

Our business model is set up to give the café operator every financial advantage to make a go of the business. The manager will be able to operate without any mortgage debt or

debt for equipment, and the rent paid to the LLC will be minimal. The rent will be subsidized in the early going. In this way, we greatly reduce the financial burden on the business and increase the likelihood of success. However, the manager may leave for other reasons than financial failure. In that case, because the building and equipment will be owned by PCH, a new manager can step in and start up quickly, with little capital expense.

What if the situation at the Peacham General Store changes and becomes competition for the new café/store?

The Peacham General Store, located adjacent to the Peacham Café, has potential to be a full-time store as it used to be years ago, but it doesn't have a wastewater system adequate for indoor seating. If the current or future owners decided to open full-time as a store, we would hope that the two businesses would complement each other through product differentiation. For instance, the General Store could sell groceries, while the café concentrates on coffee, prepared food and sit-down breakfasts and lunches. Such a scenario could benefit both businesses. We are working cooperatively with the current owners of the General Store on issues of mutual interest (parking, landscaping) and have talked to them about the possibility of their selling prepared food at the café. We expect that that cooperative relationship will continue.

Frequently Asked Questions

1. Why do we need a café/store in Peacham?

Peacham has been without a store or gathering place since the Bayley-Hazen store in South Peacham closed over 10 years ago, and the town has missed the amenities that a café/store provides. Among these amenities are a place to socialize over a cup of coffee and a sandwich or pastry; a place to get take-out food; and a place to buy basic groceries like milk, eggs, and bread. This is especially important for our less-mobile seniors. By renovating the historic Union Store, the project will also enhance the look and vitality of the village, and provide limited jobs.

2. Is there a sufficient market for a café in Peacham, especially with Bentley's Café in Danville?

When it was open, the Bayley-Hazen store and deli in South Peacham did a brisk business in spite of two other similar stores in West Barnet three miles away. The Peacham Farmers Market also draws substantial business. So the market for a food outlet in Peacham exists. However, the café business will depend also on tourists and people from out of town who come here because Peacham is a tourist attraction.

3. *Why do you think this project will succeed when so many similar stores have been closing in towns around Vermont, including here in Peacham?*

The stores that have closed typically were based on the traditional business model where an entrepreneur invests in a building and equipment and tries to pay back the loans in addition to making a living by selling goods. In a small market, there isn't enough income to do this. Around the state of Vermont a different model has developed: a local non-profit organization raises money to buy and equip a building, then leases it at minimal cost to a manager to run the business. Without the burden of a mortgage or large debt, and with wide community support, the business has a good chance of success. We are following this model.

4. *Wouldn't it make more sense to use the existing Peacham Store?*

Peacham Community Housing (PCH) and the café group have explored the possibility of purchasing or leasing the Peacham Store, which is currently open only on a limited basis. The owners of the store are not interested in selling, plus there is not an adequate wastewater system for indoor seating, so we are working cooperatively with them as we go ahead with our plans to renovate the Union Store building.

5. *Won't this café conflict with the Library's Friday Coffee Hour?*

The library's popular and successful coffee hour on Friday is a great tradition that will continue. It operates one morning a week for 60-90 minutes, is free, and is geared toward locals. The café will be open much more often, will service the general public as well as locals, and will offer a selection of drinks and bakery products as well as basic groceries. The two operations are fundamentally different, yet not incompatible. Residents who come to the café may also be drawn to visit the library, and outsiders might shop for books at the ongoing library book sale. The café's baked goods could be a source of refreshments for the Friday Coffee Hour.

6. *Will Town money be used on this project?*

It is not anticipated that any public money will be used to renovate the café/store. Funds for renovation will come from a number of sources including private foundations, businesses, and local residents. Town cooperation will be sought, however, to define the parking area, revise the drainage basin, and coordinate snow plowing in the winter.

7. *Who will own and manage the café?*

Peacham Community Housing owns the building, and is leasing it to a group of residents who have formed a Limited Liability Corporation (LLC) to raise money

and oversee the renovations. When the building is ready, the LLC will lease the café business to an operator.

8. *Do you plan to hire people to work in the café?*

The café/store operator may hire additional staff if business can support it. This could be a great opportunity for part-time work, including for young people.

9. *What days/hours do you plan to be open?*

The exact schedule has not been determined, but we do plan to be open weekdays during the breakfast and lunch hours.

10. *What do you plan to sell at the café/store?*

We plan to sell cold and hot drinks (coffee, tea, espresso, cappuccino), pastries, sandwiches, and soup - for on-site consumption and for take-out. We also plan to sell basic groceries like milk, eggs, and bread. There are no plans to sell alcohol or tobacco at this time. We want to use and sell local food as much as possible.

11. *Aren't there limitations on restaurant seating because of the septic system?*

We have located a site for a land-based wastewater system, which is the requirement for indoor seating and a kitchen. We plan to be able to seat around 25 people inside and an additional 16 outside.

11. *Parking could be a real problem, and there is that telephone pole right in front of the building. How will you provide sufficient, safe parking?*

We are working with a landscape company to design the area in front of the café to maximize parking there. We have also received permission from the Congregational Church for customers to park in the church lot outside of church hours. We have investigated the possibility of moving the telephone pole. It is very expensive; it is on our wish list.

12. *How can people in the community be involved in the project?*

We welcome everyone's suggestions – financial, culinary, design, whatever - during the planning phase of the project. We'll likely need volunteers to help the operator at the café/store. When the café is closer to opening, you can buy a certificate for use over time, which will provide up-front money for operating costs. And, of course, we're counting on local donations to pay for the renovations. Please contact one of the LLC members (listed below) or visit our website www.peachamcafe.org if you want to contribute.

13. Who are the decision-makers on this project?

Peacham Community Housing, owners of the building, and the Peacham Café Group Limited Liability Corporation (LLC) are in charge of the project.

Peacham Community Housing

Joseph Barbieri
Olive Cheney
Mark Clough

Ross MacDonald, Chair
Diana Senturia
Dart Thalman

Peacham Café LLC

Joe Alper
Charlie Byron
Dave Edwards
Bob Fuehrer
Barry Lawson
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Susan McClellan
Betsy McKay
Mel Reis