

EastSide
Cafeteria



THE EASTSIDE CAFETERIA PROJECT

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EASTSIDE CAFETERIA PROJECT

Executive Summary

In 1990 Winston-Salem and Forsyth County had experienced many negative changes in its economic structure. Kolburg, Kravits & Roberts purchased RJ Reynolds Tobacco Company, in the largest Leveraged Buy-Out of the period, \$25 billion dollars. Winston-Salem was the headquarters of Piedmont Airlines, one of the most profitable airlines in the country and was purchased by USAirways in a very hostile takeover; and finally, Wachovia Bank & Trust Company, the largest financial institution in the area, moved its corporate headquarters to Atlanta, Georgia. The collective impact of these actions were devastating to an otherwise normally progressive community, whose unemployment rate had not exceeded 6% since the great depression of 1929.

However, the segment most affected by the economic reverses of the 1990's, the African American community, was still trying to grapple with jobs and opportunity for its residents, who were still feeling the affects of urban renewal of the late 60's and 70's. Because of this new economic reality and its negative impact, many residents of the East Winston community, began to think that it was time to be pro-active, and not to wait on someone else to solve their problems. East Winston Community Development Corporation (EWCDC) was the vehicle created to address the problems and issues confronting the community.

In the spirit of community, one of the first tasks of the EWCDC was to develop a forum for resident input and participation, the outcome was the first African American Summit. Seventy-five community leaders and residents were a part of a two-day retreat held in Charlotte, North

Carolina. During the Summit, problems were discussed and the solutions were prioritized into an action plan. The number one concern of the participants was economic access. Plans were being developed for the eventual commercial and economic revitalization of the communities where they lived. And of special concern was the lack choice and variety in available neighborhood restaurants. In June of 1995, the Ministers Conference of Winston-Salem & Vicinity (the Conference) agreed to participate in a weekend conference to focus on church involvement in, and support of various community issues. At the end of the conference they overwhelmingly voted to support a food service complex. A formal "Partnership" was formed between the Conference and EWCDC in September 1995.

The Partnership received a planning grant in 1996 and funding for implementation in 1998 for building a full-service cafeteria restaurant. However, negotiation involving project funding began to stall. Financial institutions were using traditional tools to evaluate the project and were not taking into consideration the unique aspects of culture in the operation of the business. The solution was to find ways to raise more equity capital for the project. In order to raise more equity, David Capital, Inc., (the holding company for the cafeteria) received permission from the Secretary of State to sell 100,000 shares of common stock under the adopted 504 ruling, by the state of North Carolina. Each share sold for \$10.00 per share.

The Victory Mutual Masonic Credit Union in East Winston set up a special loan program to help local people invest in the proposed EastSide Cafeteria, which aided in the development of the kind of cyclical partnership that are the essence of Community Economic Development. Participants must be members of the credit union to qualify for a loan to purchase stock, from \$2000 - \$30,000. The credit union will accept the purchased shares of stock as collateral--at 90 percent of the shares' value. The investor would be required to keep 10 percent of the loan value in a savings account at Victory.

After purchasing 5 1/2 acres of land the Board of Directors of David Capital agreed to expand the cafeteria project to include 5000 square feet of space for a banquet and meeting facility. This expansion was possible because of the commitment made by the local churches to host at least one annual event for their church that would include meals.

The EastSide Cafeteria and Banquet Center Project could possibly be one of the most dynamic and innovative economic initiatives to blossom out of community based development in a long time.

SECTION I: INTRODUCTIONS

A: The Road to Revitalization

As we have begun to think about economic development for our community, we have established certain goals and objectives. Our overall goal is to control more of the communities' financial resources in order to develop people and the community. Our objectives are to create jobs and benefits for residents, improve income distribution, produce and offer goods and services for residents, involve community resources in a self-sustained process, revitalize depressed local communities, and maintain self-reliance and interdependence by cultivating relationships with other public and private institutions that support our efforts.

The target area, including East Winston and the surrounding area, is approximately 15 square miles in the central and northeast sections of Winston-Salem. Two major expressways, a by-product of Urban Renewal, bisect the area and contribute to physically isolating many of the people and businesses located in the community from the remainder of the city. Railroad tracks and what used to be a major industrial corridor, previously housing the massive manufacturing operations of R.J. Reynolds Tobacco Company, also separate this community from downtown Winston-Salem.

Before racial desegregation in the City of Winston-Salem, N.C., African American businesses thrived and the community supported its own and other businesses. The forces of desegregation, cigarette industry

downsizing, manufacturing decline, plant closings and urban blight have made access to jobs, particularly those that provide a living wage, more difficult to obtain.

From 1980 to 1990, the target area lost over 13% of its population. The area now has about 36,711 people, about 25% of the city population. The area's population is 95% African-American. Of all target area residents 43% were below the poverty level in 1995. Disparities between East Winston and their neighbors include:

- Area unemployment has reached 13% compared to 4% City-wide
- 41% do not have a high school education, nearly twice the city rate.
- 52% are on some form of public assistance (8% for the county).
- Median household income is \$8,600, versus \$15,509 (city) and \$17,828 (county).
- Of almost 5,000 families with children under 18, a female heads 60% of households.
- Over 40% of these females live below the poverty level and account for only 25% of the total city population

Revolutionary changes of the following decades occurred, and so did changes take place in the ethnic and economic makeup of the eastern segment of the Winston-Salem neighborhood.

Businesses previously owned by community residents either closed or were bought out by other non-residential owners or city-owned interests, therefore, ownership was no longer vested in the neighborhood residents.

Winston-Salem has had a long history of racial divisiveness, primarily in three areas:

Physically: East Winston is made up, to a large degree, by the eastern part of the city. This is an area of the city separated, not only from the downtown by a highway system, but also by railroad tracks and what used to be a major industrial corridor, previously housing the massive manufacturing operations of R. J. Reynolds Tobacco Company.

Racially: African-Americans live, primarily, on the east side of the industrial corridor. On the West Side of the corridor, downtown developed and the white population lives. Thus, the East Side of the city has always been viewed as black, and the West Side, white, buffered by the old

manufacturing corridor. These conditions, although changed somewhat with the coming of desegregated housing, continue to affect racial attitudes.

Economically: Prior to integration, many residents of East Winston were gainfully employed by large manufacturing operations; among them, R. J. Reynolds and the Hanes Corporation, as well as large service and transportation operations including Carolina Linens and Piedmont Airlines (now USAir) were major employers. In the segregated society of that day, African Americans spent much of their disposable income in their own community. As a result, African-American businesses thrived with the community supporting its own bus and taxi companies, recreational facilities, restaurants, movie theaters, and other businesses. Many were located on the fringe of downtown along the manufacturing corridor.

Pockets of opportunity for redevelopment and new enterprise continued to arise with disparate efforts made to redress the conditions. Meanwhile, as various attempts both successful and unsuccessful - were made, a common vision of what was needed was yet to be developed. The need for change became evident in seven key areas: economic development, education, housing, criminal justice, healthcare, recreation, and youth participation.

SECTION II: COMMUNITY INVOLVMENT (What does it take?)

A. The East Winston Community Development Corporation

EWCDC was created by current Executive Director, James Grace and three other community residents, Joycelyn Johnson, Griff Morgan, and Luellen Curry, in 1989. Seeing a need for alternative solutions to poor housing or lack of housing, lagging employment rates, stagnant economic development and lack of revitalization of distressed areas of the community, EWCDC answered the call. Through EWCDC, low-to-moderate income residents were given a voice in the development of their neighborhoods. The purpose was to raise the standard of living and sense of well being among the residents of East Winston.

EWCDC's primary mission was *“to revitalize Forsyth County's low- and moderate-income neighborhoods in ways that benefit the whole community”*. The aim was to aid the economic, social and physical rebirth of Forsyth County and to participate in rebuilding the city's various infrastructures. The goal was economic self-sufficiency for EWCDC and for the individuals and families we serve. To achieve this goal, housing was developed and managed housing in the community, and human services were provided to residents of the community with special needs. (See Exhibit A)

The economic development initiative designed to involve the community in its own development and ownership was to foster additional commercial ventures and encourage entrepreneurship, yielding a lasting and positive impact. A comprehensive approach to community revitalization was the belief. Through the combination of housing, job creation and training, community empowerment, and human development; the hope was to stimulate self-sufficiency in a devastated community

The goals in this comprehensive approach:

- Help consumers become producers, social dependents become providers, and employees to become entrepreneurs;
- Improve training and job opportunities, services delivery, and personal security in target neighborhoods;
- Promote independence from external factors and to encourage self-help through partnerships with public and private entities;
- Provide decent and affordable housing, including housing for the elderly and people with special needs, that allows them to live independently, and
- Train tenants and potential homeowners in housing acquisition and maintenance.

B. Empowerment Conference

The first Empowerment conference was held on January 14-15, 1994. The conference was designed to give more information and guidance to people in order for them to make decisions for

themselves about the needs of their community, and how those needs can be met. Specifically, the goals of the empowerment conference were to involve a broad cross-section of people to share knowledge about building communities, identify the concerns, challenges and opportunities for community building. The intent was to assist and encourage community residents to increase their skill level, as a means of increasing self-sufficiency and enhancing self-improvement. (See Exhibit B-1)

The principal objectives of the empowerment Conference was to build personal relationships among neighborhoods, community leaders, residents, youth, ministers, church members, business people, property owners and manager, provide specific information on developing leadership, neighborhood associations, housing, businesses, and church/community relations. And also, opportunities were provided for open discussions on local neighborhood issues.

The Empowerment conference was able to set goals and priorities for their neighborhoods, and decisions were made to work together, especially, on common interest issues. Those who wished to strengthen their communities, motivate self, and who wish to broaden their involvement in the community were able to do so.

The Second Annual Empowerment Conference was held on February 3-4, 1995 at the Mount Zion Goodwin-File Enrichment Center on Martin Luther King Boulevard. (See Exhibit B-2)

C. African American Summit 1990 & 1994

The first African American Summit was held in Charlotte, North Carolina in February 1990. The second African American Summit was convened in March, 1994, and brought together over 200 residents of the African-American community in a cohesive, concerted effort to celebrate the history of African-American life and to orchestrate a vision that would move the community proactively into the 21st century. It was designed to align the spiritual, economic, educational, business, health, and political power within the community. A special focal point was the eager, dynamic youth, working side-by-side with the outstanding professional, academic, political,

community, and religious leaders to determine the future for the community's residents and its quality of life. At the Summit, there were five issues for which goals, objectives, and strategies were determined:

- Economic development
- Education
- Criminal justice
- Affordable Housing
- Youth Involvement.

This preliminary report incorporates the findings and recommendations in the composite vision and plan. (See Exhibit C)

D. The Enterprise Community

Winston-Salem Enterprise Community Revitalization Focus Groups were a series of four focus-group discussion meetings scheduled to further involve residents of the targeted area to participate in the Enterprise Community (EC) strategic planning process, involving area residents in determining how revitalization will proceed in the designated area. An orientation meeting was held in March 1994 to introduce all participants to the concepts of Economic Zones (EZ) and Enterprise Communities, as well as the documentation requirements. The schedule for further discussion meetings was determined and initial questions were addressed. As a result, two additional areas were added to those identified as issues at the 1994 African American Summit: Healthcare and Recreation. (See Exhibit D)

E. Community Process

The City of Winston-Salem sponsored an orientation meeting for residents of the targeted community in April 1994. Approximately 75-100 participants received an overview of the process involved in applying for the designation of "Enterprise Community", the multimillion dollar opportunity for community revitalization, and the documentation requirements and deadlines for meeting the qualification criteria. Just as the initial March Focus Group meeting, the participants were made aware that the success of the process for qualification depended

entirely on the decisions they make and that churches, civic groups, businesses, and residents play a vital role in how the federal monies would be spent.

Winston-Salem, North Carolina has defined an area of approximately 15 square miles in the central and northeast section of the city/county as its Enterprise Community. Over 36,000 people live in the area, one-third of who are living below the poverty level. About 80 percent of the residents are black. Unemployment is 13 percent, compared to 4 percent for the county. Two major interstate highways bisect the area and contribute to physically isolating many of the people and-businesses located in -the Enterprise Community from the remainder of the city. (See Exhibit E)

SECTION III: THE PARTNERSHIP

A. The Church & CED Conference

The purpose of this conference was to bring the Clergy and laity together with the East Winston CDC to form an alliance that would support community economic development at the neighborhood level. To develop and adopt strategies and tactics that better utilize the resources we control in the community, and gain access to those we don't control, and finally to energize and nurture people to participate in they're own self-determination.

Churches with a shared interest in developing their communities and improving the living conditions could combine their energies and potential political power to form a dynamic effect. In the present political environment the role to the church and congregational coalitions are of paramount importance. African American churches have always been at the forefront of community economic development and have always been the catalyst for numerous community initiatives.

This conference was the opportunity to celebrate past historical involvement of the local African American churches in Winston-Salem\Forsyth County where a tremendous advantage could be

gained over other neighborhoods and communities in North Carolina. The all important "process" of coming together began so that the quote by John S. Mbiti could be internalized:

"I am because we are, and since we are, therefore am."

B. The Mission Statement of the Partnership

"To further involve the African-American Church Community in the whole spectrum of humanitarian needs within and beyond its local presence and membership;

To identify and utilize the accumulating resources of the East Winston Community Development Corporation, in partnership with the Ministers Conference of Winston-Salem and Vicinity."

The ministers adopted economic development as part of their 1995 agenda and voted to support the efforts of East Winston Community Development Corporation's commercial development, specifically in the cafeteria project.

C. Cafeteria Idea Evolves

In December 1993, the ground breaking for a new shopping center in the East Winston community was held. A cafeteria-style restaurant was to be included in the complex. Despite high expectations and community support, plans for the cafeteria did not materialize. Constituents were disappointed.

The desire for a cafeteria in East Winston had been cited at the two Community Summits held in 1990 and 1994. The Church Partnership was an extension of that effort.

D. Pre-Development and Implementation Grant

The Ministers Conference of Winston-Salem and Vicinity and East Winston CDC created the Economic Development Partnership in July 1995, and it adopted the cafeteria as an economic project. The EWDC received a \$75,000 planning grant from the Office of Community Service (OCS), a division of the Department of Health and Human Services, in October 1996. The purpose of the grant was to develop a business plan, identify a site on which to locate the project,

and do a market and feasibility study. The Ministers' Conference made a commitment to raise \$250,000 dollars for the cafeteria through its member churches. (See Exhibit F)

SECTION IV: MARKET AND FEASIBILITY

A. Bell and Gardner Study: Preliminary Demographics

This study showed the results of estimates of population, total personal income, retail sales, "eating and drinking" sales and cafeteria sales for 1994 and 1999 within the one, two and three mile radii from the East Winston Shopping Center site at Martin Luther King, Jr. Drive and New Walkertown Road. Similar numbers were run for three sites and this site ranked first. The demographics used were from National Decision Systems and the key retail sales ratios used and based on sales figures from the 1992 Census of Retail Trade.

Estimated cafeteria sales in 1994 generated by residents within the one-mile radius were \$171,944 and \$531,904 within the two-mile radius. Both are insufficient to support a new cafeteria without "Sales inflow" representing too significant a share of total sales (\$1.5 million minimum sales required for 200 seat cafeteria with 10,000 square feet).

However, estimates of "eating and drinking" sales generated by residents are much higher and better reflect, in my opinion, a level of food and drink expenditures from which a cafeteria on site could realistically capture a sizable share. For example, 10 percent of the estimated \$11.6 million "eating and drinking" sales within the two mile radius of the site would be \$1.16 million, which is more than the sales estimates being achieved by any of the five fast food restaurants covered in the Survey. However, the expectation of a cafeteria on this site could easily capture the 10 percent figure and more when "sales inflow" was considered. The results of our Task 2 survey of major restaurant operations in the area that are competing for "eating and drinking" expenditures by East Winston residents indicate a preference for a cafeteria style restaurant.

In summary, the indicated sales figures were quite strong and above what I expected for the Burger King, the new Bojangle's and Kentucky Fried Chicken on New Walkertown Road. Sales estimates for the McDonald's and Kentucky Fried Chicken on Liberty and 12th Streets were disappointing but not surprising, particularly for the KFC given its location; McDonald's reportedly experienced some operating problems, "which is the, kiss of death" for a restaurant."

The sales figures are strong, even though Burger King, McDonald's and Kentucky Fried Chicken on Liberty and 12th are below "national sales averages," simply because most chains in the southeast also are below national averages. However, the store sizes (square feet) and number of seats at all five restaurants surveyed also were below national averages for each chain and this obviously is a significant, limiting factor to sales. Sales at Burger King and KFC on New Walkertown Road were particularly impressive, especially in view of limited seating. (See Exhibit G)

B. CAFETERIA NON-FINANCIAL DUE DILIGENCE REPORT

The existing business plan reflects considerable effort and preparation including a price/value position as well as a service and menu offering that are consistent with sound and viable cafeteria operations throughout the region and nation. In addition, the plan for marketing and support services appears thorough, indicating a team of professionals with sufficient business experience and food service industry knowledge to manage a competitive cafeteria staff-up.

The estimated likely trade area will be a 3 to 5 mile area surrounding the site within the city depending upon the time of day. Based on available data, customers within the trade area can be expected to spend an estimated \$2,678,325 per year for cafeteria food service.

C. Site Demographics

The surrounding neighborhood of low-income housing does not present an environment commensurate with a destination restaurant. Customers may have security concerns that will effect the times of day and frequency with which they visit. In our opinion, the proposed site at 1225 East 5th Street faces difficult challenges:

- Not located on the main thoroughfare.
- No adjoining businesses.
- Surrounding blocks present a poor dining occasion ambiance.

D. Existing Competition

Currently, there are several competing cafeterias and buffet concepts within the 5-mile trade area, including one K&W, a Country Buffet, a Golden Corral, a Chinese Buffet and the Bell Brothers. As a new entrant to the market, the CDC cafeteria will have the difficult business task of grabbing market share from the existing competitors - two were providing a premium, quality offering and at least one is covering the low price niche.

E. Key Risk Factors

- ♦ There will be insufficient funds to operate the cafeteria, during the start-up phase, while waiting for the area population and the sales volumes to build.
- ♦ Food quality and service will fall below customer expectations, as defined by K&W.
- ♦ The cafeteria will be built, but no other businesses will move into the neighborhood.
- ♦ The population continues to decline in size and spending power.
- ♦ The blocks neighboring the site do not improve upkeep.

The importance of virtually all of these factors diminishes considerably when the results of three market surveys¹ are analyzed.² These clearly show no need of other businesses nearby (62% do not visit other businesses before or after eating). Exactly 90% of the 300 respondents in Survey 1 would patronize a new cafeteria located near them in East Winston. If the cafeteria was owned

and operated by community residents, 32% would travel more than 15 minutes to use it, and the number jumps to **41%** if some of the profits were plowed back into the community. Finally, **99%** of K & W patrons-*not* primarily residents of East Winston-would eat at the EastSide cafeteria when it is in business! (The issue of under funding is not addressed directly but the results strongly suggest that-if the food quality and menu choices proposed here, especially the ethnic southern items are adhered to- there would be a rapid acceptance of the facility). (See Exhibit H) The conclusions from these are clear. There is *already* a large clientele for the cafeteria, willing to travel farther than it does now to use it, and much in favor of local ownership, especially with profit sharing. EWCDC is not perceived as just another business trying to get started. The goodwill generated by almost a decade of service to the community has produced people who will endorse the project from the outset. And the existing cafeteria (K & W) does *not* represent a threat to EastSide; on the contrary, EastSide threatens its business!

F. Key Assets

SITE LOCATION

- Current housing initiatives and planning for East Winston
- Acquisition and rehabilitation of the 5th Street corridor
- Proposal for additional housing on the site
- Four apartment buildings for the elderly located near the site

SITE DEMOGRAPHICS

- This site is available for walking traffic, which is heavy
- Business and commercial development is expected to increase
- New Forsyth Tech and Branch Library
- Acquire the property at 5th and Dunlieth
- Large volume of morning and evening traffic
- Population between 25,000 and 35,000

G. ADVANTAGES OVER EXISTING COMPETITION

- Quality of service (training program)
- Better and more varied food selection
- Health conscious menu items, nutrition education
- One/Half hour turnover of seating/service
- No other site in the New Walkertown area
- Time to develop our market share

POTENTIAL ASSETS

- Church Partnership, develop food programs to feed the hungry
- Management: 40 years of experience in the food service industry
- Below market capital
- Having a community asset developed, owned, and operated successfully

Special Opportunity

In order for EastSide cafeteria to be successful 260,000 meals must be sold annually by operating 364 days a year. Near the site there are 96 units of elderly housing that are supported by a food-service program that contracts out to feed the residents 2 healthy meals per day at \$5.00 per meal. Opportunities such as these can be sought to add significantly to our bottom line. This contract alone would be in excess of 75,000 meals annually, or \$375,000 in revenue. Other opportunities to provide meals to the elderly could earn additional revenue of \$225,000. (See Exhibit I)

SECTION V: PROBLEM STATEMENT and PROJECT GOALS

"If East Winston CDC is not successful in developing the EastSide Cafeteria Project within the next two years, the community will loose the initiative to participate in its own commercial revitalization."

A. Goal # 1: Develop a New Restaurant

The East Winston CDC will develop a full service cafeteria & banquet facility to meet the needs of its resident population.

The desire for additional restaurants in East Winston had been cited at two major Community Summits that were held in 1990 and 1994, attended by over 200 residents. People were frustrated because they have to drive at least 5 miles to a decent family style facility. (See Exhibit J)

Project Nomenclature

- 15,000 square feet cafeteria meeting/banquet facility
- \$2.5 Million development cost, new building
- Open 360 days a year
- Seating capacity 150, cafeteria, 250-300 banquet, and 450 meeting space
- Serving 350,000 cafeteria meals annually, average cost of \$4.79, and 110,000
- banquet meals, average cost meal is \$9.50.
- Will employ 60-75 full and part-time employees

B. Goal #2: David Capital Incorporated

The East Winston CDC formed a for-profit corporation on January 1999, organized under the laws of the State of North Carolina to operate a community-owned commercial cafeteria-style restaurant.

David Capital, Inc. (DCI) is a for-profit corporation organized under the laws of the State of North Carolina to own and operate a community-owned commercial cafeteria-style restaurant to be known as the *EastSide Cafeteria*. This project addresses the pressing need in the East Winston community for job creation, local ownership, moderately priced food service and development opportunities, as prioritized by the 1994 African American Summit. The project is an outgrowth of community support for the concept developed by a consortium of local churches.

DCI made the decision to expand the EastSide Cafeteria, based on the needs of its church partners for meeting and banquet space. Additional marketing and feasibility was done to validate the need to for expansion of 5000 square feet. The increase will house a new “Banquet, Catering, and meeting facility. The area will seat 300 people banquet style, with partitions that will allow at least 4 events to take place simultaneously, seating from 25 to 100 guests. The project will create 35 or more full-time equivalent jobs, at least 75% for low-income people, inspire confidence among other potential community investors, offer youth and adult training, and potentially lead to other local entrepreneurial opportunities for the project employees.

The project is an outgrowth of community support for the concept, which resulted from our partnership with fifty local churches.

EastSide Cafeteria will offer high-quality meals at prices that are affordable to the needs of the community. Typically, the convention center and other food service businesses not located conveniently to the target community, have a much higher margin of profit, making them not affordable. The Cafeteria will be available for morning, mid-day, and evening catered events and meeting space for groups of 10 to 300. The catering and banquet facility will generate \$1.5 million in sales in the first year of operation. More importantly, it will be a place where local groups, families, civic organization can dine based on what their needs are, in a safe and friendly environment. (See Exhibit K)

C. Goal # 3: Exempt Offering

The EWCDC will apply for a 504 Exempt Stock Offering from the Secretary of State of North Carolina, for the purpose of raising at least \$1M in capital. The stock prospectus offers subscriptions for a minimum of 25,000 shares up to a maximum of 100,000 shares of Common Stock of David Capital at a Subscription Price of \$10.00 Per share of common stock. If all the shares are sold, David Capital will have capital of \$1,000,000. Unless terminated earlier, subscriptions will be accepted until 5:00p.m. Eastern Standard Time, on December 31, 1999. If the Company fails to receive subscriptions for at least 25,000 shares of Common Stock during this period it will abandon the offering. (See Exhibit L)

D. Goal #4: Cafeteria Operations

To seek a partnership with an existing food service provider, with experience and a good track record in the commercial restaurant business.

EWCDC is fortunate that there is under contract to the EastSide Cafeteria, an experienced restaurant industry manager in Mr. Floyd Young, who will also manage the catering and banquet facility. Mr. Young is owner of FDY, Inc., a minority owned company, founded in 1982. To date, FDY employ's 300 career-minded men and women and serves an average of 7000 meals per day in the Charlotte, NC. Their experience is critical to achieving the goals in recruiting and training local residents for the project. The training will include both job-skills and life-skills. The project will not be considered a success unless the cycle of poverty can be broken, and provide these new employees acquire self-esteem and a means to build assets in the future for their families. (See Exhibit M)

SECTION VI: STOCK PURCHASES

The stock sale commenced on December 25, 1998. The goal of David Capital Inc., is to raise \$1M dollars through a stock offering. There are three phases of the stock sale.

A. Community Stock Sale

Market the project to the indigenous (grassroots) community. By utilizing all the tools of marketing, i.e., radio, television, newspaper, brochures and printed materials. The purpose of this effort is to make sure that the general public has enough material and information to make up their own minds whether or not to become investors in the Eastside Cafeteria Project. A three month period has been designated, December through the end of February, for the "minimum offer" of 10 shares of stock, @ \$10 per share or \$100 dollars.

B. Church Stock Sale

The second phase started February 1, 1999. This period will focus on the local churches. We are asking that each church, no how big or small, should decide how much it would like to invest and encourage its individual members to invest based on the fact that this is a community project, and to a greater degree benefits us all in one way or another. The challenge during this phase is to be able to give a presentation at each of the 300 + churches representing the African-American community. This strategy is the preferred way, and gets the maximum results, which is, getting individual members investing and getting the church to invest at a level at which it is comfortable, based on size, membership, and its annual budget. This works best when the pastor of this church has a comfort level and encourages its membership based on the needs of the community. Also, during this period we will endeavor to market the project to all groups and organizations in the community.

C. Stock Sale - Private Sector

The business community will be the last tier of the stock offering. Last because we expect that the level of investment will be much higher than the other two aforementioned strategies. At the community and church level total dollar investment is much lower than C. However, over the life of the project, we will have several hundred people that are investors and will support the cafeteria providing, of course, the entire vision is realized.

Selling stock to the community has been successful with approximately 225 investors from the community with an average investment of \$220 per investor. Churches have averaged approximately \$1000 per church. This is just a teaser in comparison to the statistical analysis that we will be able to do within the next 30 to 60 days, about the community, churches, groups of individual and organizations—as well as the effect of various media, both print and electronic. This data once entered into a database will be voluminous.

D. Concerns

The second quarter of 1999 will be very intense. East Winston CDC does not have the volunteer capacity to set a time frame for completion of the church phase. Any effort to get churches to come to another church for the presentation has not worked. Selling stock is very time intensive, the more time spent the more successful the outcome. There are at least 250 churches that we need to give the presentation by the end of June 1999. Many churches have not responded to our marketing thus far, that's not their problem, but ours, we have to double our efforts.

We have had extraordinary success with some of the local media. We are tracking each stockholder to learn where he or she obtained initial information about the cafeteria. We have been fortunate to have enough resources to use all segments of the media. Some have not been effective at all.

The most successful technique, by far, has been a 5 to 7 minute project presentations given during the regular church service on Sunday followed by a full presentation after the service, the response has been excellent. This really is dependent on the church leadership and whether enough time can be appropriated for Q & A. The church membership is very responsive to this format.

SECTION VII: JOB TRAINING

A. Empowering Employees

The overall goal of the training program is to provide customers with the highest possible level of service and satisfaction *and* to increase the skills of employees so that they can develop to their fullest potential.

For the cafeteria to be successful and competitive it must have employees who strive to improve work processes and enhance product quality. For employees to be effective, in addition to

technical skills, they need to know how to provide feedback, both written and oral, participate in problem analysis and solving, work as team members, and lead others in team supervisory situations. They also need to understand the concepts of quality and continuous improvement and how to attain quality and customer satisfaction.

Employees will be thoroughly trained in all of these subjects and must meet minimum performance standards on an ongoing basis. Training will also develop the employee's life skills. At the same time the project will serve larger goals. It not only revitalizes depressed community but also provides life and skills training for its employees. Winston-Salem State University will supplement pre-opening training for employees by 8 hours of monthly mandatory Continuing Education courses designed. EWDC is supported in this effort by Goodwill Industries, Job Link Office, Forsyth County Social Services, Forsyth Technical Community College, and the City of Winston-Salem. (See Exhibit N)

B. The Education and Training Modules

Total Quality Management

Organizational "culture"

Hygiene and Etiquette

Hygiene in Food Service Industry

C. Job Skills

Skills are matched with responsibilities for each job, promotion, and incentives.

Communication Skills

Oral Communications: Speech patterns and grammar reflects the TQM standards of the organization.

Interpersonal skills

D. Written Communications:

Writing skills and abilities reflect the TQM standards of the organization

Emergency Health and Safety

Cash Register Environment

The Eating Environment

E. Management Training:

Dedicated to training the existing staff of the EastSide Cafeteria for the purpose of developing a cadre of highly skill and competent employees who will one day be prepared to take advantage of opportunities in the food service industry.

Section VIII PROJECT ENHASEMENTS

A. Victory Masonic Mutual Credit Union

Victory MMCU and David Capital Inc. have united in an effort to increase community participation in the Eastside Cafeteria. As Winston-Salem's oldest black owned financial institution, Victory-MMCU has played a crucial role in assisting many in the black community to accumulate wealth and gain access to capital. Today, this desire to be of service to the community is evidenced through the "**David Capital Equity Accumulation Financing Program.**" (See Exhibit O)

Individuals, churches, businesses and non-profit organizations can purchase a greater number of shares in the cafeteria and reduce initial outlay of cash by financing their stock purchase through a loan from Victory Masonic Mutual Credit Union. The Equity Loan Features are:

Loan Amounts: \$2,000 through \$30,000

Loan terms: Up to 5 years

Interest Rate: 9.95 % Fixed

Application Fee: \$0

Loan Fees: \$0

Membership Fee: \$5

Collateral: David Capital Stock at 90% loan margin or other acceptable collateral

B. Million Dollar Day

On September 25, 1999 the EWCDC and the Conference sponsored the "**Million Dollar Investment Day.**" The purpose of the event is to extend an invitation to the faith-based community, and to all North Carolina residents, an opportunity to purchase stock in the EastSide Cafeteria. Also, to connect David Capital with the small investor and to give him/her the opportunity to be involved in capital formation and business development.

The activities for the event were:

- A play presented by the Montage Showcase Ensemble, written especially for the occasion
- A karaoke competition between teenagers from the community
- A special tent for the children activities
- Food vendors, prizes from area businesses, and entertainment for all
- Event broadcast live over WQMG, WSMX, and WSNC
- 10 of the most talented choirs and gospel groups from Winston-Salem will perform

Each church was asked to:

- Determine the amount your church wanted to invest and be prepared to make the commitment on or before September 25, 1999.
- Be prepared to make the commitment no later than September 25, 1999, "**Million Dollar Day**"
- If you do not have the actual check by September 25, 1999, be prepared to make a formal pledge by filling out a pledge form. Many churches have chosen to set-aside a certain amount each month for their contribution, others have invested based on the annual budget or the size of the membership.
- Encourage the church membership to invest separately from the church commitment.

C. New Hampshire College Participants

One of the most positive and rewarding experiences of the Million Dollar Investment Day was three visitors, graduates students who are enrolled in the Community Economic Development Program at New Hampshire College, and colleagues of James Grace, the executive director of EWDC. Brenda Scott from Cincinnati, Ohio, Miriam Cortez from Sicklerville, New Jersey, and Eva Colon from Bridgeport, Connecticut were able to car pool and travel by air in order to volunteer their time to work to make the investment day a success. This effort reaches to the very heart of what community development should be--people working to help one another no matter the obstacles, of distance, of time, or of circumstance. Their sincerity and dedication was only matched by the enthusiasm, exhibited when, at the end of a very long day, these very extraordinary women helped to load a two-ton truck with all of the event paraphernalia; food, tents, 10 foot tables, and hundreds of chairs. (See Exhibit P)

D. Event Successful

"Million Dollar Day" was a tremendous success. David Capital was able to institutionalize the cafeteria project by saturating the local media through advertising, flyers passed out on the public transportation routes, ads in the print media, television and radio talk shows, direct-mail and telemarketing to area churches. There were 150 new stockholders who bought 2500 shares and pledges of another 5000 shares. The planners and volunteers of the event all agree that it should be repeated in the near future. (See Exhibit Q)

SECTION IX: LESSONS LEARNED

A. Community Education

It is very important that the community, churches, ministers, community residents, the youth and the elderly, all understand, generally what your goals are for developing the project. Providing a medium for the community to become educated to your project is essential and necessary.

Unfortunately, financial institutions and other resources in the public and private domain have to be educated as well; the city and county elected officials, the planning and zoning boards, and foundations.

B. Time and Capacity

The EastSide Cafeteria had several components that are cutting edge; the 504 stock exemption, raising capital from the community and partnering with local churches, all takes a tremendous amount of time to reach your goals. However, the downside is that people get impatient and want to see progress, whether they understand the project or not. EWCDC did not have the staff nor did they comprehend the time it would take to work with over 200 churches, still a conservative estimate.

C. Goals of the Project

The primary goal of the cafeteria project was to engage the community in its development through ownership. Many of the poor and working poor, who purchased stock, typically ten shares, invariably commented on their reason for buying, most of the comments centered on the need to invest in the community and wanting their children to be better financially prepared than they are. Difference's in the level of education apparently does manifest different reasons for investing. The majority of individuals who have purchased stock, usually 10 shares, also comment on their reasons, that are; how much money will they make in the near future, most want a guarantee on the rate of return. The second concern of this group is "what is the strategy to keep the derelicts from harassing the customers. A very community minded inclination.

C. Church Leadership

Many pastors of the 200 churches that exists in our community seem to have a bias for not sharing information with their members, especially, if that information has an appeal or commitment of money.

SECTION X: ONLINE www.eastsidecafeteria.com

The website will be operational March 15, 2000.

SECTION XI: FINANCIAL PROFORMA

(See Exhibit R and S)

SECTION XII: CONCLUSION

The project is feasible because we have the backing of the community and an impressive array of local institutions who support EWCDCs effort to create this much needed economic development project. The project not only directly benefits the low-income residents who will be employed but creates additional benefits for the entire community.

The EWCDC has a history of integrating its programs and plans with both the public and private sectors. Relationships, partnerships, and collaboration are a hallmark of this project. The Ministers Conference has given the support beyond anyones expectations, but there is still much to do. Victory Mutual Masonic Credit Union, Goodwill, and FDY food service, just to name a few, will all help to make this project successful.

The costs of this project have been carefully reviewed and are based on a careful judgments of experts who have a proven track record for development success. The program costs are supported by the business plan and financial commitments that have been secured. However, the OCS grant has been critical to the financial viability and has assured that other parts of the deal come together. The David Capital board will closely monitor and evaluate progress during construction and operation.

The 504 Exempt Offering is one of the more innovative elements of the project. The potential for financing other projects by selling stock to community residents has created a lot of interest in

the non-profit arena in North Carolina. EWCDC is fortunate to have the organizational commitment of its Board of Directors, without them, none of this would have been possible.

SECTION XIII: EXHIBITS

- A. East Winston CDC Goals and Objectives
- B. Empowerment Conference
- C. African American Summit
- D. Enterprise Community
- E. Community Process
- F. Church and Community Economic Development Partnership
- G. Bell and Gardner Study
- H. Project Surveys
- I. Due Diligence Report
- J. Project Prospectus
- K. David Capital
- L. Prospectus
- M. FDY Food Management Company
- N. Job Application
- O. Victory Mutual Masonic Credit Union
- P. NHC Participants Million Dollar Day Pictures
- Q. Million Dollar Day
- R. Financial Proforma (Cafeteria) Phase I
- S. Financial Proforma (Banquet Meeting Facility) Phase II