

**River Valley Store
Johnson, Vermont**

Summary of Salient Facts & Conclusions			
Subject Property Name:	River Valley Store		
Property Type:	Convenience store with petroleum sales		
Location:	4495 Route 100C, Johnson, Vermont		
City/Town Reference:	Map 200, Lot 695		
Current Owner:	B&B Groceries, Inc.		
Prospective Owner:	MN Enterprises LLC		
Property Rights:	Fee Simple		
Client/Intended User:	People's United Bank		
Purpose of Appraisal:	Estimate market value		
Function (Use) of Appraisal:	To assist in collateral valuation and/or portfolio management		
Effective Appraisal Date:	April 15, 2013		
Site Area:	1.10± acre(s) / 47,916± SF		
Zoning:	None		
Total Building Area:	3,184± SF		
"As-Complete" Canopy:	864± SF Metal canopy with recessed lighting and fire suppression systems		
"As-Is" Canopy:	None		
"As-Complete" Fueling Islands:	Two islands		
"As-Is" Fueling Island:	Single fueling island		
"As-Complete" Dispensers:	Two gasoline and one diesel		
"As-Is" Dispensers:	Three older electronic pumps		
"As-Complete" Fueling Positions:	Four fueling positions		
"As-Is" Fueling Positions:	Two		
"As-Complete" Fuel Storage Capacity:	20,000 gallons		
"As-Is" Fuel Storage Capacity:	5,000 gallons		
Total Assessment:	\$184,000 (2012)		
Tax Rate:	\$1.8978 per \$100		
Tax Liability:	\$3,492		
Equalization Ratio:	105%		
Highest and Best Use:	Continued operation as a convenience store following fuel system upgrade		
Historic Financial Summary	—2012—	—2011—	—2010—
Months of Operation:	12 months	12 months	12 months
Total Petroleum Volume:	120,000	110,000	100,000
Total Revenues:	\$1,240,010	\$1,120,307	\$1,086,745
Cost of Goods:	<u>(1,117,546)</u>	<u>(1,002,990)</u>	<u>(934,253)</u>
Total Gross Profit:	\$122,464	\$117,317	\$152,492
Other Income:	\$0	\$0	\$0
Adjusted Labor	\$0	(\$16,898)	\$0
Adjusted Non-Labor:	<u>(70,009)</u>	<u>(67,579)</u>	<u>(53,512)</u>
EBITDA:	\$52,455	\$32,840	\$98,980
Value Opinions	"As-Complete"	"As-Is"	
Going Concern Market Value:	\$525,000	\$245,000	
Real Estate (Includes PEF):	\$455,000	\$175,000	
Petroleum Equipment Fixtures (PEF):	\$280,000	\$0	
Personal Property:	\$30,000	\$20,000	
Intangible Assets:	\$40,000	\$50,000	
Marketing/Exposure Period:	Twelve Months	Twelve Months	

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Location Analysis Summary

Certain economic factors influence the supply and demand for properties. Some of the pertinent factors on the physical characteristics, population, employment, labor force and political characteristics that determine the location's climate have been presented. Data supplied by Applied Geographic Solutions is presented on the following pages. Demographic data has been developed for a three mile radius around the subject site. The current labor force and unemployment rates for the Johnson area and other select areas are presented below.

Labor Force and Unemployment Rates			
	March 2013	February 2013	March 2012
United States Unemployment Rate	7.6%	8.1%	8.4%
New England Unemployment Rate	7.2%	7.4%	7.5%
State of Vermont			
Labor Force	349,700	349,300	355,400
Unemployment Rate	4.6%	4.7%	5.3%
Lamoille County			
Labor Force	15,750	15,750	16,050
Unemployment Rate	5.6%	5.7%	6.6%
Morristown-Stowe Labor Market			
Labor Force	20,400	20,400	20,700
Unemployment Rate	5.7%	5.8%	6.7%
Town of Johnson			
Labor Force	2,210	2,210	2,260
Unemployment Rate	5.2%	5.3%	6.9%

Traffic Patterns

Historic traffic volumes for the subject neighborhood, as reported by the Vermont Department of Transportation, have been researched. The most recent data is from 2010 with an estimated volume of 4,500 vehicles per day. Traffic volumes in the area have remained relatively unchanged and the average daily traffic currently passing the subject site on Routes 100/100C is estimated at 4,500± vehicles per day.

Demographic Data



Demographic and Income Profile - Appraisal Version

4495 Vt 100c, Johnson, VT, 05656
Ring: 3 mile radius

Prepared by Kenneth D. Currier, MAI
Latitude: 44.666199623
Longitude: -72.60655074

Summary	Census 2010	2012	2017			
Population	1,724	1,743	1,788			
Households	634	638	662			
Families	397	398	407			
Average Household Size	2.60	2.61	2.59			
Owner Occupied Housing Units	469	475	493			
Renter Occupied Housing Units	165	164	168			
Median Age	37.2	37.5	38.2			
Trends: 2012 - 2017 Annual Rate	Area	State	National			
Population	0.51%	0.13%	0.68%			
Households	0.74%	0.38%	0.74%			
Families	0.45%	0.13%	0.72%			
Owner H-Hs	0.75%	0.39%	0.91%			
Median Household Income	3.58%	2.70%	2.55%			
Households by Income	2012		2017			
	Number	Percent	Number	Percent		
<\$15,000	95	14.9%	91	13.7%		
\$15,000 - \$24,999	94	14.7%	72	10.9%		
\$25,000 - \$34,999	66	10.3%	57	8.6%		
\$35,000 - \$49,999	95	14.9%	80	12.1%		
\$50,000 - \$74,999	148	23.2%	180	27.2%		
\$75,000 - \$99,999	75	11.8%	105	15.9%		
\$100,000 - \$149,999	43	6.7%	49	7.4%		
\$150,000 - \$199,999	16	2.5%	19	2.9%		
\$200,000+	8	1.3%	8	1.2%		
Median Household Income	\$44,173		\$52,660			
Average Household Income	\$54,336		\$60,351			
Per Capita Income	\$22,039		\$24,710			
Population by Age	Census 2010		2012		2017	
	Number	Percent	Number	Percent	Number	Percent
0 - 4	110	6.4%	111	6.4%	114	6.4%
5 - 9	103	6.0%	103	5.9%	104	5.8%
10 - 14	99	5.7%	98	5.6%	101	5.6%
15 - 19	137	7.9%	134	7.7%	131	7.3%
20 - 24	151	8.8%	154	8.8%	147	8.2%
25 - 34	209	12.1%	214	12.3%	220	12.3%
35 - 44	224	13.0%	220	12.6%	221	12.4%
45 - 54	245	14.2%	240	13.8%	227	12.7%
55 - 64	218	12.6%	230	13.2%	246	13.8%
65 - 74	135	7.8%	145	8.3%	177	9.9%
75 - 84	68	3.9%	68	3.9%	72	4.0%
85+	25	1.5%	27	1.5%	29	1.6%

Data Note: Income is expressed in current dollars.
Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2012 and 2017.

April 08, 2013

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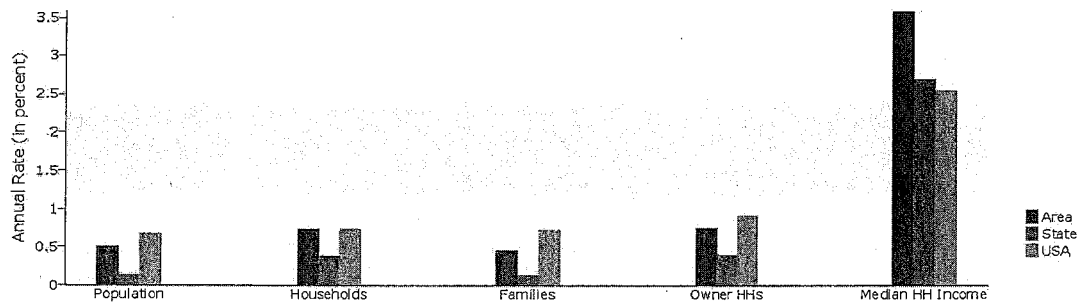


Demographic and Income Profile - Appraisal Version

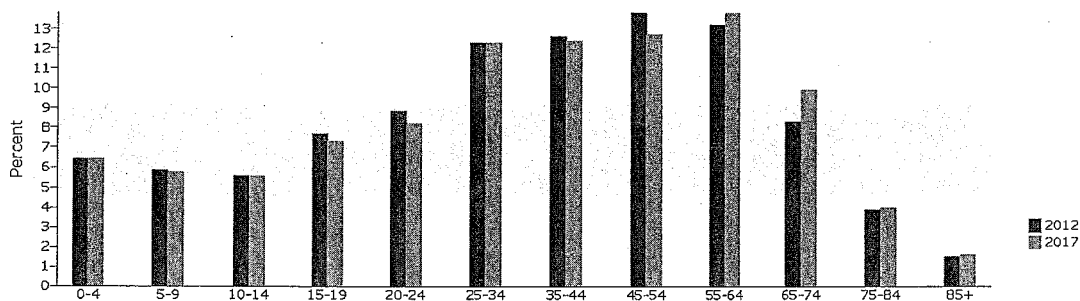
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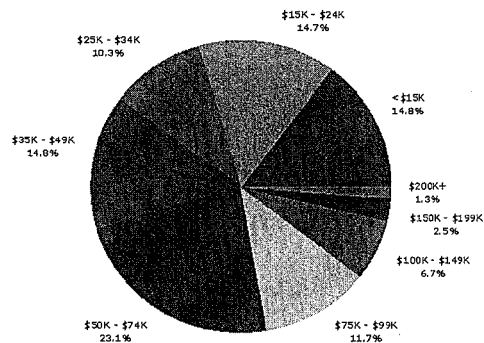
Trends 2012-2017



Population by Age



2012 Household Income



Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2012 and 2017.

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Convenience Store Industry Overview⁷

According to the National Association of Convenience Stores (NACS) Industry Overview, the convenience store industry continued to make gains in 2011. Overall, in-store revenue is up by 2.4 percent over 2010, and gross profit and EBITDA were up also. Increases in gross profit outpaced increases in expenses overall; but increases in credit card fees (21.6 percent in 2010 and another 23.3 percent in 2011) have surpassed all other expenses making it the second largest expense after labor for convenience stores. Much of the increase in revenues is due to escalations in petroleum prices. Given the continuing soft economy and a myriad of unknowns, the industry continues to show strength and some gains even in the face of volatile fuel pricing and national uncertainty.

Growth – Continuing upward. The industry continues to add new stores at a continued steady rate of 1.2% for the second year in a row. According to NACS statistics, construction of new convenience stores nationwide has increased year over year by the same rate of growth seen from 2009 to 2010. As before, this growth is likely to be evident only in certain regions of the country, as many areas are seeing little to no new growth. Northeast convenience store construction has been active with previous projections of investor construction coming to fruition. Overall, the northeast added 931 new petroleum sales outlets in 2011. In contrast, there is a stratum of existing stores that have gone into bankruptcy, especially in the states of Maine and Vermont. These are typically small "mom and pop" businesses that haven't been able to get the capital financing required to sustain them during this volatile period of quickly escalating fuel costs. On the upside, many of these properties are bought immediately when put up for auction by operators or investors who have access to the capital required to keep a good store in a good location running well. The economic downturn has created opportunities for the astute buyer who can separate the "winner" properties from the "losers". Another interesting fact that NACS reports is single-store operators grew over the last 3 years by 18.9% while chain stores increased by only 0.7%. Single-store operators make up 63% of all stores in the nation. There are also indications that operational factors are more favorable for single-store operators than larger sized firms. However, convenience store chains still in enjoy benefits of portfolio management allowing for acquisition of the best locations. NACS concludes that chain retailers can develop a dominant market position if an effective strategy and execution are developed with the capacity for advertising over large areas.

Petroleum revenue and volume – More uncertainty. Nationally, motor fuel revenue increased in 2011, up by 26.4 percent over last year, and actual gallons sold decreased by 0.4 percent. The volatility is attributed to several factors including the continuing soft economy resulting in consumers traveling less, a decrease in overseas production and shipping, and improvements in vehicle gas mileage with more consumers buying fuel efficient vehicles. The number of petroleum outlets in Northeast was also up from 28,118 in 2010 to 29,148 in 2011, an increase of 3.5 percent or 989 outlets⁸.

⁷ 2011 Industry Overview, Benchmark Store statistics and Industry Gross Margins, NACS State of the Industry Report , 2011 Data

⁸ Oil Price Information Service (OPIS) 2010 and 2011 Survey Data

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OPIS Northeast Data 2011 vs. 2010									
State	Number of Outlets		Change Number of Outlets	% Change, Outlets '10→'11	2011 Avg. Volume (gals.) per Outlet	2011 Margin* (¢/gal.)	2011 Annual Gross Profit per Store	Gross Profit '10→'11	Volume/ Outlet '10→'11
	2011	2010							
Connecticut	1,790	1,742	48	2.8%	866,679	26.3	\$228,048	22%	-1.6%
Massachusetts	2,535	2,440	95	3.9%	1,038,823	24.4	\$253,254	15%	-1.4%
Maine	1,029	955	74	7.7%	706,762	22.1	\$156,476	5%	0.2%
New Hampshire	790	761	29	3.8%	783,766	25.6	\$200,360	12%	-3.4%
Rhode Island	413	392	21	5.4%	959,388	21.2	\$203,705	14%	-4.7%
Vermont	683	625	58	9.3%	509,973	27.6	\$140,522	4%	-0.9%
Dist. Of Columbia	109	107	2	1.9%	1,062,915	41.9	\$445,361	1%	-8.1%
Delaware	328	324	4	1.2%	1,195,972	14.9	\$178,029	14%	-3.4%
Maryland	1,901	1,885	16	0.8%	1,354,935	21.1	\$286,019	4%	-2.3%
New Jersey	3,109	2,990	119	4.0%	1,317,593	24.4	\$321,078	15%	-1.0%
New York	5,836	5,612	224	4.0%	990,290	25.3	\$250,108	25%	-0.2%
Pennsylvania	5,144	4,946	198	4.0%	964,674	17.1	\$165,260	8%	0.7%
Virginia	4,289	4,188	101	2.4%	928,143	21.4	\$198,695	10%	-1.0%
West Virginia	1,192	1,151	41	3.6%	1,296,302	12.7	\$165,168	12%	6.1%
Northeast Totals:	29,148	28,118	989	3.5%	998,301	23.3	\$228,006	-	-

*Margin is Rack to Retail, excludes transportation

Petroleum gross profit margin – Showing strength. Despite the negatives associated with high motor fuel prices, the volatility has helped yield gross gas margins which were up by 11.5% over 2010 to a record-setting 18.4¢ per gallon on average nationally. Gross profit was up 11.1 percent to 5.3 percent of fuel sales; the preceding year gross profit was 6.1 percent of fuel sales and the average margin was 16.5¢ per gallon. The Northeast saw even better numbers with an average margin of 23.3¢ per gallon, suggesting an overall under-supply for the Northeast market.

In-store revenue and volume – Revenues increase and customer visits decrease. Total in-store revenue was up for the ninth consecutive year with a 2.4 percent increase over 2010. The top four sales categories in 2010 were: *cigarettes* at 39.6 percent, *foodservice* at 15.9 percent, *non-alcoholic packaged drinks* at 13.7 percent and *beer* at 7.1 percent. Over the previous year, in-store merchandise revenues increased by 2.0 percent and foodservice revenues were up by 10.7 percent. Inflation was evident in fuel prices and in many in-store items sold, evidenced when paired with the decrease in customer visits to convenience stores in 2011: down by 2.3 percent.

In-store gross profit margins – Food service holds 1st place. Foodservice is still the leading profit producer, contributing almost one-third of gross profit from in-store sales and comprising only 17.3 percent of those sales. The top four gross profit categories in 2011 from highest dollars to lowest are: *foodservice* with a 54.5 percent margin, *non-alcoholic packaged beverages* at 39.4 percent, *cigarettes* at 14.6 percent and *candy* at 48.5 percent. Together, these four categories make up 70.4 percent of all in-store gross profit. Merchandise, which includes all sales that are not foodservice (cigarettes, candy and non-alcoholic beverages etc.), only had a margin of 26.7 percent. Compared with 2010, gross profit from merchandise slightly declined by 0.32 percent and foodservice had a gain of 0.93 percent. A trend that is becoming more common with convenience store operators is to lease the foodservice business to a franchisee of a national food store chain, or *co-brand tenant*. The most common co-brand tenant

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franchises in northeast are Dunkin' Donuts and Subway followed by other local chains like Amato's deli. These arrangements can be very successful for a store operator who is not well-versed in this part of the business. Leasing out an area of the store for foodservice can produce a substantial profit to the store operator when the terms of the lease are based on a percentage of sales and the co-brand tenant runs the operation efficiently and produces a consistently decent food product with a quick turn-around to the customer.

Operating Expenses – It's all about credit card fees. In 2011, the top five expenses were: *labor* at 28.6 percent of total gross profit, *credit card fees* at 10.3 percent, *utilities* at 6.3 percent, *repairs and maintenance* at 4.6 percent and *real estate taxes, licenses and other taxes* at 2.7 percent. These five expenses make up 87.4 percent of total operating expenses. Labor saw an increase of only 0.5 percent over last year, which may indicate that jobs are costing less relative to inflation. Credit card fees however were up 23 percent over last year and continue to be the highest non-labor expense. The industry continues to fight for revised policy with the banks on these fees, but the outcome is uncertain. The credit card fee increases in 2011 can be attributed mainly to the rise in fuel prices, with most fees being based on total purchase price of a transaction.

Gross Profit and EBITDA – Healthy gains, outlook. In 2010 gross profit and EBITDA were up, reversing a negative trend over 2008-2009. In 2011, gross profit again was up by 6.6 percent over the previous year while EBITDA was up by 9.6 percent for the same period. These gains indicate stability with growth and show that convenience stores are successfully weathering a challenging economic period when some retailers are not.

Convenience Store Value –Continues to rise. Relating to EBITDA, convenience store value has also shown some gain. The EBITDA multiple is a tool to measure value using EBITDA as a factor to that value ($\text{Sale Price} \div \text{EBITDA} = \text{EBITDA Multiple}$). In analyzing the multiples of both bulk transactions and single property sales, multiples of 4.9 to 9.1 were tracked in 2011. The average multiple for a single property sale was 6.7 while bulk transactions were lower with an average multiple of 5.5.

The following chart highlights changes observed in the industry on a national level over the last three years.

PLEA

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State of the Convenience Store Industry						
National Highlights						
	2009	% change from '08	2010	% change from '09	2011	% change from '10
National Data						
Store Count	144,541	-0.2%	146,341	1.2%	148,126	1.2%
Same Store Performance (Benchmark Store)						
Petroleum Gallons	1,449,120	0.1%	1,490,076	2.8%	1,484,652	-0.4%
Petroleum Revenue	\$3,397,812	-25.4%	\$4,033,008	18.7%	\$5,125,968	27.1%
In-Store Merchandise Revenue	1,256,100	6.3%	1,260,612	0.4%	1,286,124	2.0%
In-Store Foodservice Revenue	<u>249,816</u>	-1.3%	<u>252,804</u>	1.2%	<u>279,972</u>	10.7%
Total Revenue	\$4,903,728	-18.1%	\$5,546,424	13.1%	\$6,692,064	20.7%
Cost of Goods	<u>(4,209,144)</u>		<u>(4,833,708)</u>		<u>(5,932,872)</u>	
Petroleum Gross Profit	\$204,288	-20.0%	\$245,868	20.4%	\$273,252	11.1%
In-Store Merchandise Gross Profit	353,208	6.8%	335,268	-5.1%	344,604	2.8%
In-Store Foodservice Gross Profit	<u>137,088</u>	2.9%	<u>131,580</u>	-4.0%	<u>141,336</u>	7.4%
Combined Gross Profit	\$694,584	-3.4%	\$712,716	2.6%	\$759,192	6.5%
Other Income	38,676	1.4%	41,352	6.9%	44,352	7.3%
Labor Expenses	(212,508)	-2.5%	(220,056)	3.6%	(221,076)	0.5%
Non-Labor Expenses	<u>(214,800)</u>	-1.3%	<u>(223,788)</u>	4.2%	<u>(242,472)</u>	8.3%
Total Operating Expenses	(\$427,308)	-1.9%	(\$443,844)	3.9%	(\$463,548)	4.4%
EBITDA	\$305,952	-5.0%	\$310,224	1.4%	\$339,996	9.6%
Gross Profit Margins						
Petroleum (¢ per gallon)	14.1		16.5		18.4	
Petroleum (%)	6.0%		6.1%		5.3%	
In-store Merchandise (%)	28.1%		26.6%		26.8%	
In-store Foodservice (%)	54.9%		52.0%		50.5%	
Combined (%)	14.2%		12.9%		11.3%	

Data taken from NACS State of the Industry 2011, Same-Firm Sample - Profit and Loss

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Supply and Demand Analysis

The data in this chart indicate whether the petroleum market area (each column) is oversupplied, undersupplied or in balance with respect to the larger Northeast market area.⁹

Petroleum Market Analysis				
	Lamoille County	Vermont	New England	Northeast
- 2011 -				
Number of Outlets	26	683	7,240	29,148
Annual Volume (in millions of gal.)	15,267	348,188	6,275,622	28,249,190
Avg. Volume per Outlet	587,203	509,793	866,799	969,164
Margin* (¢/gal.)	30.7¢	27.6¢	24.7¢	22.6¢
Annual Gross Profit per Store	\$180,271	\$140,522	\$214,034	\$218,756
<i>Petroleum Market Equilibrium</i>	<i>oversupplied</i>	<i>oversupplied</i>	<i>in balance</i>	<i>--</i>
- 2012 -				
Number of Outlets	27	654	7,074	28,758
Annual Volume (in millions of gal.)	12,888	329,460	6,001,117	27,875,826
Avg. Volume per Outlet	477,321	503,762	848,334	969,324
Margin* (¢/gal.)	32.9¢	26.5¢	23.2¢	22.2¢
Annual Gross Profit per Store	\$157,039	\$133,684	\$196,454	\$215,481
<i>Petroleum Market Equilibrium</i>	<i>oversupplied</i>	<i>oversupplied</i>	<i>in balance</i>	<i>--</i>

-Northeast: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Maryland, Delaware, Washington, D.C., Virginia, West Virginia.

The subject is located in Lamoille County which is oversupplied in comparison to the Northeast in 2012. The annual gross profit per store in Lamoille County is less than 90% of the annual gross profit per store for the Northeast. Furthermore, looking closely at the relationship between the annual gross profit per store for the State of Vermont and that of the Northeast, it is clear that Vermont is oversupplied in comparison to the Northeast's average gross profit per store.

Generally speaking for undersupplied regions, more petroleum outlets can be established and supported because of the "surplus" of gross profit in that region. For regions that are oversupplied, there is a gross profit deficit and the region will likely have difficulty sustaining the current number of petroleum outlets and the region will likely be unable to support any additional petroleum outlets. Every site is unique, however, and this market analysis is only one tool with which to evaluate the feasibility of an enterprise similar to the subject.

⁹ Data provided by OPIS (Oil Price Information Services, Gaithersburg, MD).

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Comparison to Industry

The following table details the financial characteristics of convenience stores by quartile. The quartiles are measured by operating income per store. (Note: In this analysis the expenses include real estate taxes that are currently paid by the landlord/property owner.)

In its current configuration the annual fuel volume totaled just 120,000 gallons, less than 10% of the volume achieved by the average 4th quartile store nationwide. And with an estimated 10¢ per gallon fuel margin, the resulting gross profit was just \$12,000 annually. In-store sales totaled \$796,000, equal to approximately 83% of the sales achieved by the average 4th quartile outlet. However, with a reported 14% in-store gross margin, gross profit totaled just \$110,000, or 37% of the amount achieved by the average 4th quartile outlet. The ratio of in-store sales to gallons sold was \$6.55, far above the ratio for most stores and evidence of the impact of the antiquated fueling equipment at the subject site. No other income was reported. The overall operating expenses were \$70,000, or 57.2% of gross profit earned, kept low by the fact that the owners reported no labor costs. The resulting EBITDA was \$52,000, well under all store results nationwide.

Performance Comparison: Industry 2011 vs. River Valley Store 2012					
Category	Top Quartile	Second Quartile	Third Quartile	Lowest Quartile	River Valley Store
Petroleum Performance					
Gallons Sold/Year	2,612,052	1,494,840	2,126,400	1,657,296	120,000
# Fueling Points/Store	9.09	6.77	9.33	6.45	4.0
Gallons/Fueling Point	287,354	220,804	227,910	256,945	30,000
Gross Petroleum Profit/Store	\$473,043	\$288,205	\$341,075	\$309,914	\$12,000
Gross Petroleum Profit/Gallon	\$0.181	\$0.193	\$0.160	\$0.187	\$0.100
In-Store Performance					
Gross Revenue	\$2,210,160	\$1,407,060	\$1,441,272	\$951,768	\$786,410
Gross In-Store Profit	\$683,052	\$481,296	\$369,204	\$284,712	\$110,464
Gross In-Store Profit Margin	30.9%	34.2%	25.6%	29.9%	14.0%
In-Store Revenue/Gallon	\$0.846	\$0.941	\$0.678	\$0.574	\$6.553
Other Income					
Total Other Income	\$48,684	\$42,120	\$44,556	\$52,068	\$0
% of Gross Profit	4.2%	5.5%	6.3%	8.8%	0.0%
Labor Management					
Adjusted Labor Expenses	\$320,808	\$179,160	\$225,360	\$186,720	\$0
In-Store Revenue/Labor	\$6.89	\$7.85	\$6.40	\$5.10	--
Labor % of Total Gross Profit	27.7%	23.3%	31.7%	31.4%	0.0%
Operating Expenses					
Total Operating Expenses ¹	\$625,308	\$407,268	\$483,336	\$395,532	\$70,009
% of Total Gross Profit	54.1%	52.9%	68.0%	66.5%	57.2%
Profitability Performance					
EBITDA/Store ²	\$579,471	\$404,353	\$271,499	\$251,162	\$52,455

¹ Adjusted for interest, depreciation, amortization, intra-company rents/leases, and personal expenses.

² Earnings before interest, taxes, depreciation and amortization.

Quartile data from NACS State of the Industry Report 2012

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Summary of Competitors

The subject property competes directly with three other operations. The Eden Mini Mart is located approximately 3 miles to the north on Route 100, while Stearn's Market and Blake's Service Station are located 4+ miles to the west in Johnson village. The following chart summarizes these competitors and ranks them in comparison to the subject in its upgraded condition.

Competitor Summary and Rank Comparison				
Site Name	Eden Mini Mart	Stearns Market	Blake's	River Valley Store
Gas Brand	Citgo	Mobil	Unbranded	Unbranded
Type	C-Store	C-Store	Garage w/Gas	C-Store
Gas Price Range & Diesel Price	\$3.65—\$0 \$3.65 Diesel	\$3.59—\$4.03 \$3.99 Diesel	\$3.67—\$3.91 \$4.11 Diesel	\$3.59
Service Type	self-serve	self-serve	self-serve	self-serve
Lot Location	In-Line	In-Line	In-Line	In-Line
Visibility	Good	Good	Good	Good
Positions	2	6	2	4
Site Ranking:				
Lot Size	4	4	2	3
Parking Spaces Count	3	3	2	3
Parking Proximity to Store	3	3	3	3
Circulation	3	3	3	3
Curb Cuts/Exterior Access	3	3	2	3
Landscaping	3	4	3	2
Exterior Appearance	3	4	3	3
Proximity to Interstate Highway	1	1	1	1
Improvements				
Building Size	2	2	2	3
Building Age	3	2	1	2
Construction Quality	3	3	3	3
Building Appearance	4	4	3	3
Canopy Appearance	3	4	3	3
Tank Capacity	2	3	2	3
Fueling Positions	1	2	1	3
Marketing Features				
Restroom Access	3	3	3	3
Gasoline Brand	3	4	2	2
Co-Brand Fast Food	3	3	2	3
Neighborhood Traffic Generators	3	4	4	2
Gasoline Pricing Structure	1	3	1	3
Total Score	54	62	46	54
Comptitor Comparison to Subject	+0%	+15%	-15%	--

**River Valley Store
Johnson, Vermont**

Traffic Capture Rate

The capture rate is the percentage of customers who visit the site versus the number of customers passing the site. This is the best method of determining a capture rate of a gasoline station. All petroleum customers must drive to the property and traffic is measured along the street.

The process begins by dividing the total annual volume of the subject by the average gallons purchased per customer visit.¹⁰ The result is the number of customers who visited the property throughout the year. The second step is to divide the total number of customers by the yearly traffic count. The result is the capture rate of passing traffic for the property.

Atlantic Valuation maintains a database of capture rates for convenience stores throughout the northeast. We have subdivided these stores into quartiles based on the total annual volume sold. The following table summarizes these 352 properties. This data indicates that top quartile stores sell an average of 2,072,000 gallons of gasoline and have capture rates of 2.0% to 5.7%, with an average of 3.5%. Conversely a fourth quartile store has annual volumes of 465,000 gallons of gasoline and captures 0.68% to 3.82% of the passing traffic.

Capture Rate Analysis - By Quartile									
	Count	Quartile Averages					Capture Rates		
		Avg Daily Traffic	Fueling Positions	Number Competitors	Store Area (SF)	Volume	Min	Average	Max
First Quartile	88	19,488	10.07	2.99	2,745	2,072,881	1.96%	3.51%	5.68%
Second Quartile	88	15,328	8.27	2.65	2,371	1,220,582	1.41%	2.74%	4.84%
Third Quartile	88	12,985	7.14	2.52	2,731	812,516	1.06%	2.22%	4.29%
Fourth Quartile	88	9,787	4.94	2.65	2,721	463,505	0.68%	1.80%	3.82%

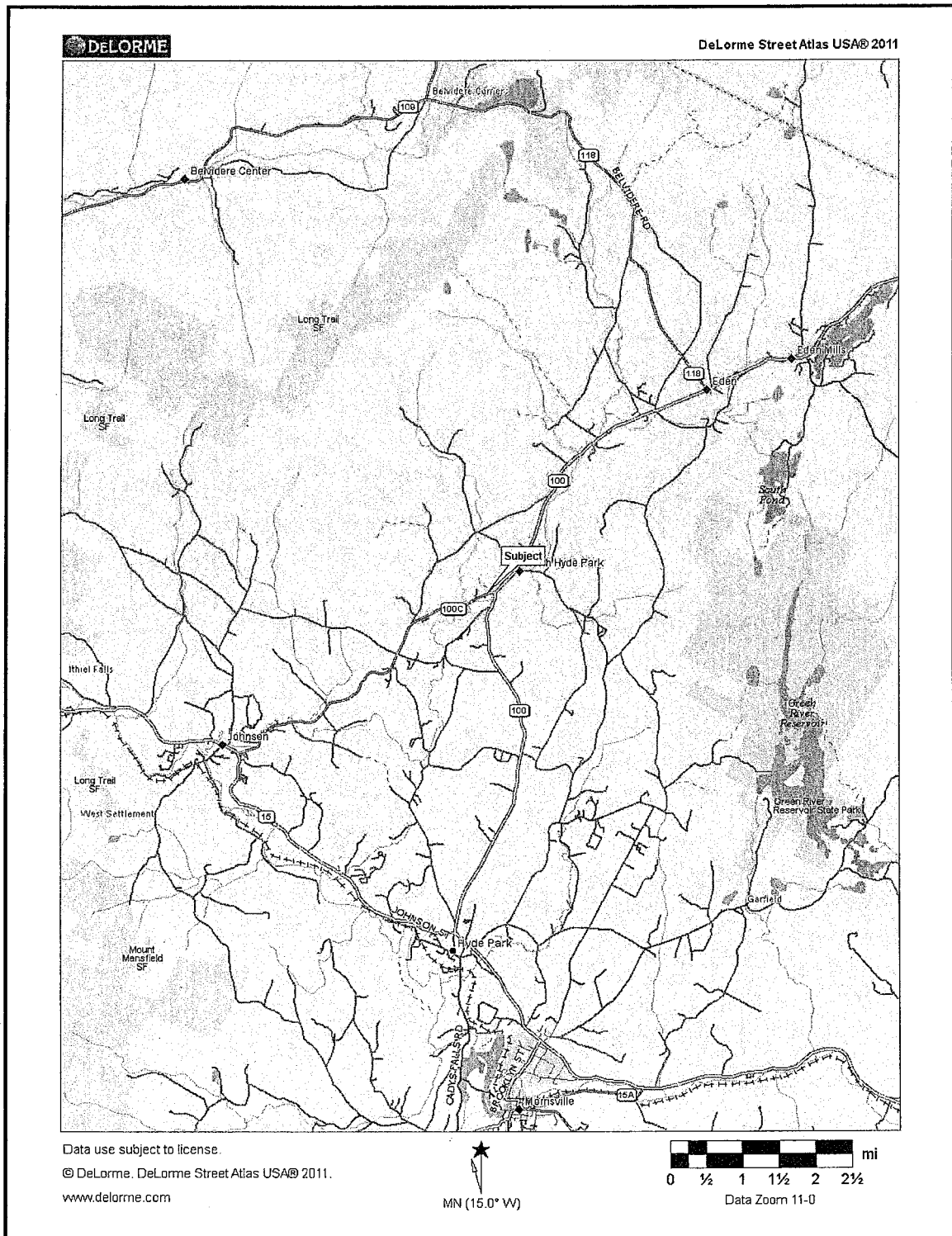
The gasoline capture rate for the subject property is calculated in the next table. As indicated the subject has achieved capture rates of 0.67% to 0.84%. Based on the historic gasoline volumes at the subject the subject is ranked as a lowest quartile outlet with capture rates at the lower end of the range in its present configuration. However, following the petroleum facility upgrade fuel volumes are projected by the owner to increase dramatically as does the corresponding capture rate.

Petroleum Capture Rate Analysis				
Year	"As-Complete"	—2012—	—2011—	—2010—
	12 Months	12 months	12 months	12 months
Vehicles per Day (Average)	4,500	4,500	4,500	4,500
Total Vehicles per Period	1,642,500	1,642,500	1,642,500	1,642,500
Petroleum				
Gasoline Volume (gallons)	270,000	120,000	110,000	100,000
Average Gallons per Customer	8.7	8.7	8.7	9.1
Total Number of Customers	31,034	13,793	12,644	10,989
Capture Rate	1.89%	0.84%	0.77%	0.67%

¹⁰ Reported by *Convenience Store News* as the average gallons sold per customer visit.

River Valley Store
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Area Map



**River Valley Store
Johnson, Vermont**

Zoning: The Town of Johnson has no zoning ordinance.

Site Characteristics	
Parcel Shape:	Triangular
Total Acres/ SF:	1.10± acre(s) / 47,916± SF
Useable Acres/SF:	0.99± acre(s) / 43,124± SF
Topography:	Mostly Level
Soil Conditions:	Soil conditions unknown
Road Frontage:	120' (est)± feet on VT Route 100C
Curb Cut(s):	Continuous curb cut(s) on VT Route 100C
Access:	Average
Visibility:	Good
Municipal Services:	On-site well and septic systems
Flood Zone:	The site is not located within a 100-year flood zone
Easements:	Property is subject to typical municipal and utility easements, none of which seriously impact the use of the site.
Functional Utility:	Site is adequate for uses allowed by municipal zoning ordinance
Abutting Uses:	Residential development to the rear of the subject and vacant undeveloped land to either side.
Detrimental Conditions:	No detrimental conditions exist on the property or within the immediate area.
Environmental:	An environmental study has not been provided. The Vermont Department of Environmental Conservation maintains a listing of all sites with known contamination issues. The subject property is not included on this list. The underground tanks currently installed at the property are in compliance with all local, state, and federal requirements. This appraisal report is based on the assumption that the site is in compliance with all state agencies.

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Improvement Characteristics	
Property Type:	Convenience store with petroleum sales
Building Area:	
Store Area	2,704± SF
Storage Shed	<u>480± SF</u>
Total Area	3,184± SF
Building Height:	single story
Construction:	
Frame	Wood frame
Quality	Average
Building Age:	Renovated in 1995
Condition:	Average
Exterior:	Vinyl clapboard
Roof:	Metal
Interior:	
Floors	Vinyl tile
Walls	Wood paneling
Ceiling	Painted tile
Electrical	400 Amp; single phase
Restrooms/Plumbing	Copper & PVC; single employee restroom
Heating	Oil-fired FWA
Cooling	Wall units
Security	CCTV, burglar, fire/smoke and motion detection systems
Walk-in Cooler/Freezer:	
Area/ No. of Display Doors	436± SF, 15 Cooler Doors

Underground Fuel Storage Tanks - "As-Complete"			
	Size	Construction	Installation Date
Tank 1:	10,000 gallons	Double-wall Split Compartment	2013
Tank 2:	10,000 gallons	Double-wall Fiberglass	2013
Total Storage:	20,000 gallons		

**River Valley Store
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Fuel Dispensers / Canopy / Parking - "As-Complete"	
Gasoline Dispensers:	
Number of Islands	Two Gasoline Island(s)
Number of Dispensers	Two Gasoline Dispenser(s)
Type of Dispenser	Multi-product with credit card
Number of Positions	4 Gasoline Fueling Position(s)
Diesel Dispensers:	
Number of Islands	Positioned on gasoline island
Number of Dispensers	One diesel dispenser
Type of Dispenser	Single product
Canopy:	
Size	864 ± SF
Description	Metal canopy with recessed lighting and fire suppression systems
Parking Spaces:	15± spaces available

Present Petroleum Equipment: The site is currently improved with two-2,000 and one-1,000 gallon single wall steel underground tanks. There is one fueling island with two gasoline and one diesel fuel dispenser. There is no canopy. The underground tanks are 27 years old. Due to the small tank sizes the site can only accept partial loads which are sold at increased prices. This diminishes the gross margin potential of the store. The dispensers and underground tanks have reached the end of their economic lives.

Debt Card Security Requirements: Visa has implemented new security standards for debit cards used at gasoline dispensers. Retailers who offer pay-at-the-pump with debit cards are required to upgrade the dispensers with new PIN processors. The new dispensers will have been upgraded to these new standards.

ADA Requirements: The facility was not designed to meet current ADA requirements.

Land to Building Ratio: The land to building ratio for the subject is 10:1 (43,124 SF usable land ÷ 3,184 primary structure + 864 SF canopy). This ratio is better than most other similar sites that are fully developed.

Assessment and Taxes: The Town of Johnson currently assesses the property at \$184,000. The current (2012) tax rate in Johnson is \$1.8978 per \$100 of assessed value, equating to an estimated current tax liability of \$3,492. The assessed value is comprised of land (\$48,500), building (\$125,300) and other (\$10,200). The equalization ratio is 105%.

Marketability/Appeal: The appeal for the subject property in its "as-complete" condition is considered good due to its location adjacent to the intersection of two important north country roadways, the presence of a modern fueling operation and the absence of a competitor in the immediate market. The layout of the site allows for ample maneuvering of vehicles between the fueling islands, the store and on-site parking. The interior of the store has been updated over time and meets modern standards. The deli area has ample room for employees and access by customers. Given the lack of nearby competition and availability of commercial land in the immediate area, competition in the future is a possibility, although this site is the favored location at the present time.

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PLEA

River Valley Store Historic Performance and Measures of Profitability				
	—2012— 12 months	—2011— 12 months	—2010— 12 months	Appraiser 12 months
Total Petroleum Gallons	120,000	110,000	100,000	300,000
Revenue				
Petroleum	\$453,600	\$399,300	\$287,000	\$1,125,000
In-Store ¹	786,410	721,007	799,745	1,000,000
Total Gross Revenue	\$1,240,010	\$1,120,307	\$1,086,745	\$2,125,000
Cost of Goods Sold	(1,117,546)	(1,002,990)	(934,253)	(1,840,000)
Gross Profit				
Petroleum	12,000	13,750	15,000	60,000
In-Store	110,464	103,567	137,492	225,000
Total Gross Profit	\$122,464	\$117,317	\$152,492	\$285,000
Adjusted Labor Expenses²	--	(16,898)	--	(90,000)
Adjusted Non-Labor Expenses³	(70,009)	(67,579)	(53,512)	(85,000)
EBITDA	\$52,455	\$32,840	\$98,980	\$110,000
Gasoline Capture Rate	0.84%	0.77%	0.67%	1.89%
In-Store Revenues/SF	\$291	\$267	\$296	\$370
In-Store Revenues/Gallon	\$6.55	\$6.55	\$8.00	\$3.33
Gross Profit Margins				
Petroleum Revenue (¢/gal.)	10.00	12.50	15.00	20.00
Petroleum	2.6%	3.4%	5.2%	5.3%
In-Store	14.0%	14.4%	17.2%	22.5%
Combined Gross Profit Margin	9.9%	10.5%	14.0%	13.4%
Other Income % of Gross Profit	0.0%	0.0%	0.0%	0.0%
Operating Expense % Gross Profit	--	-72.0%	--	-61.4%
Overall Profitability (EBITDA ÷ G.P.)	42.8%	28.0%	64.9%	38.6%

¹ In-Store Sales includes Merchandise, and Deli sales

² Adjusted for Officer Wages, Payroll Taxes on Officer Wages and Officer Health Insurance

³ Adjusted for Depreciation, Amortization, Interest, Income Taxes and Intra-Company Rent

Petroleum Volumes & Total Revenues

The subject property derives its gross revenue from two broad categories: petroleum revenue and in-store sales. Lottery commissions, ATM commissions and other income will be addressed separately. Each category will be examined and the stabilized revenue developed.

Petroleum Revenue The operation has indicated it will contract with Sandri Energy LLC for the supply of all petroleum products. The parameters of this supply agreement are as follows:

**River Valley Store
Johnson, Vermont**

Petroleum Supply Agreement	
Gasoline Brand:	Sunoco
Supplier:	Sandri Energy LLC
Commencement Date:	Summer 2013
Expiration Date:	2023 (or earlier)
Type of Agreement:	Distributor's rack price plus a fixed adder of 5.0¢ per gallon including equipment payback
Equipment Maintenance:	Property owner
Miscellaneous Terms:	Owner agrees to participate in Sunoco "Price Chopper Loyalty Program"

Over the past three years the prospective buyer purchased petroleum products from a variety of sources. The underground storage tanks are small (5,000 gallons total) and deliveries needed to be made with a retail delivery truck. This resulted in much higher costs than if the product was delivered by larger transport trucks. According to the prospective buyer petroleum volume at the site has averaged around 2,000 gallons per week over the past three years, with a small increase over time. We have estimated annual volume at 100,000 gallons in 2010, 110,000 gallons in 2011 and 120,000 gallons in 2012. This equates to an average gasoline capture rate of 0.76%. This rate is extremely low and is largely attributable to the antiquated dispensing equipment, the absence of a canopy and inconsistent retail pricing.

Under terms of the proposed supply agreement, the prospective buyer will purchase 3,000,000 gallons of petroleum product from Sandri Energy on a rack plus 5¢ per gallon basis. Sandri, in turn, will invest an estimated \$126,500 in the petroleum system upgrade and enroll the operator in Sunoco's "Price Chopper Loyalty Program" which has proven successful. The investment will be repaid by the store operator over time on a per gallon basis as part of the rack plus 5¢ pricing agreement.

Sandri has estimated volume at the site at 300,000 gallons per year. This reflects the introduction of the new dispensing equipment, the regional impact of the proposed Vermont National Guard maintenance facility being built nearby and more consistent retail pricing. At this volume level a gasoline capture rate of 1.89% will need to be achieved. This assumes that 10% of volumes are diesel fuel. Although this is two and one-half times present level it is still at the lower end of the range for most sites and considered realistic and achievable in this market. Based on these factors stabilized petroleum volumes have been estimated to be 300,000 gallons per year.

At the date of inspection the retail pricing at the subject was \$3.59 per gallon for regular gasoline, the only product being offered for sale. With the introduction of the new dispensing equipment the facility will offer three grades of gasoline plus diesel fuel. Based on prevailing retail pricing in this market, we have estimated a combined gasoline and diesel blended price of \$3.75 per gallon, yielding total revenues from petroleum sales estimated at \$1,125,000 (300,000 gallons x \$3.75/gallon).

In-Store Revenue In-store revenue includes cigarettes, groceries, soda, beer and wine, deli sales and general merchandise. Monthly in-store revenue for 2010 averaged \$67,000 (rounded). The average monthly revenue decreased to \$60,000 in 2011 before rebounding to \$66,000 in 2012. The majority of revenues are derived from tobacco products and groceries. The average convenience store nationally had in-store revenues equating to \$547 per square foot in 2011. The ratio at the subject in 2012 was \$291 per square foot of store area.

Another item of interest is the ratio of in-store revenue to petroleum volume sold. The subject's ratio has averaged well over \$6 per gallon over the past three years. This ratio is extremely high when compared to the 2011 national average of \$1.04 per gallon and indicates how far behind fuel sales are lagging.

Given the impact of added fuel customers plus those new customers who will be generated by the new National Guard base, total in-store revenue has been estimated to stabilize at \$1,000,000 per year

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(\$83,300 per month), or \$370 per square foot of store area and \$3.33 per gallon sold. This total is exclusive of lottery and other income which are discussed later in this report.

Gross Profit Margin

Based on data supplied the prospective buyer, the subject operation has an average petroleum gross profit of 12.5¢ per gallon over the analysis period. The next chart is an overview of the reported petroleum margins for Lamoille County and the State of Vermont for the past five years. These are rack-to-retail gross margins and do not account for costs associated with a particular petroleum supply agreement. The subject has a rack plus supply agreement with 5.0¢ per gallon being paid to the supplier. The operator has estimated that between 2010 and 2012 the subject operation had an average petroleum margin of 12.5¢ per gallon. This is 14.8¢ per gallon below the county average, after adjustment for the subject's supply terms (32.3¢ county average – 5.0¢ paid to supplier - 12.5¢ per gallon reported margin).

Gasoline Margin Analysis					
	2012	2011	2010	2009	2008
Lamoille County					
Number of Outlets	27	26	27	27	26
Annual Volume (in millions of gal.)	12,888	15,267	15,775	15,681	15,206
Avg. Volume per Outlet	477,321	587,203	584,244	580,762	584,856
Margin (¢/gal.)	32.9¢	30.7¢	27.2¢	28.6¢	42.3¢
Annual Gross Profit per Store	\$157,039	\$180,271	\$158,914	\$166,002	\$247,394
Vermont					
Number of Outlets	654	683	625	643	649
Annual Volume (in millions of gal.)	329,460	348,188	351,490	351,524	342,289
Avg. Volume per Outlet	503,762	509,793	562,383	546,693	527,410
Margin (¢/gal.)	26.5¢	27.6¢	23.9¢	24.3¢	36.6¢
Annual Gross Profit per Store	\$133,684	\$140,522	\$134,633	\$132,791	\$192,603

Based on the trends in gross margins both regionally and at the subject property, as well as the impact of more favorable rack pricing, the range of achievable margins is from 15¢ to 25¢ per gallon. An average margin of 20.0¢ per gallon is considered reasonable and achievable in this market. Stabilized petroleum gross profits equate to \$60,000 (300,000 gallons x 20¢ per gallon).

The subject operation achieved average in-store gross profit margins of 14.0% to 17.2% over the analysis period, based on the imputed margins developed in the analysis. The trend in gross profit margins is relatively flat. The industry average for in-store gross profit margin was 30.9% in 2011 and 30.6% in 2010 for sites with food service. Stores without food service had gross profit margins of 26.8% in 2011 and 26.6% in 2010.

Gross profit margins vary significantly between different categories. The average gross margin earned on the top five categories in 2011 were foodservice (54.5%), packaged non-alcoholic beverages (39.4%), cigarettes (14.6%), candy (48.5%) and beer (19.1%). The composition of revenues will have an effect on the total gross profit a store earns.

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The subject operation receives a majority of its in-store revenues from tobacco products, groceries and beer and wine. The imputed in-store gross margin for the subject is unrealistically low given the prevailing product mix. For these reasons, the stabilized gross profit margin for the in-store designation is estimated at 22.5% of in-store revenues, yielding an annual gross profit of \$225,000. While still low when compared to national norms, the in-store margin results are readily achievable.

Other Income

The subject operation currently does not offer lottery sales or ATM services. Both of these services would not only bring additional customers to the store, but would also provide added revenue. Due to the absence of any historical data we have not included other income in this analysis.

Operating Expense Analysis

The following table outlines the historic operating expenses for the subject property. These data were provided by the owner. Certain expenses reported by the property owner should not be included as an expense for valuation purposes. The expenses that should not be included are depreciation and owner's vehicle expense. Additionally, as this analysis is based on the current tenant purchasing and operator the facility, rental payments are also deducted. Such adjustments have been made and are reflected in the table below.

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River Valley Store Historic Operating Expenses			
Year	—2012— 12 months	—2011— 12 months	—2010— 12 months
Labor Expenses			
Wages	--	\$16,898	--
Labor % of Total Adjusted Expenses	0.0%	20.0%	0.0%
Labor % of Gross Profit	0.0%	14.4%	0.0%
Non-Labor Expenses			
Advertising & Promotions	\$300	\$27,400	\$51
Communication	2,250	--	--
Depreciation/Amortization	--	6,234	8,852
Insurance	3,971	2,582	2,480
Property Rent	25,200	27,400	23,100
Repair & Maintenance	--	1,590	8,607
Supplies	--	938	1,012
Taxes (Non-Labor)	35,815	3,500	3,500
Utilities	20,042	20,997	22,132
Other	7,631	14,535	29,170
Non-Labor Expenses Subtotal	\$95,209	\$105,176	\$98,904
Adjustments to Non-Labor Expenses			
Depreciation/Amortization	--	(6,234)	(8,852)
Intra-Company Rent	(25,200)	(27,400)	(23,100)
Vehicle Expense	--	(3,963)	(13,440)
Total of Adjustments to Non-Labor Expenses	(\$25,200)	(\$37,597)	(\$45,392)
Adjusted Non-Labor Expenses	\$70,009	\$67,579	\$53,512
Non-Labor % of Total Adjusted Expenses	100.0%	80.0%	100.0%
Non-Labor % of Gross Profit	57.2%	57.6%	35.1%
Total Adjusted Operating Expenses	\$70,009	\$84,477	\$53,512

The following table is a summary of industry average operating expenses divided by quartile. Total operating expenses account for 59.5% to 74.4% of gross profit. Six categories of expenses comprise 80% to 85% of all expenses. These six categories include labor, credit card fees, utilities, repair/maintenance, non-labor taxes and supplies. The subject is a lowest quartile store and the operating expenses at the subject have been compared to the operating expenses of this quartile.

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National Association of Convenience Stores				
Direct Store Operating Expenses - 2011				
Quartile	First	Second	Third	Fourth
Gross Profit	\$1,076,364	\$660,588	\$679,596	\$558,276
Operating Expenses				
Total Labor	\$320,808	\$179,160	\$225,360	\$186,720
Credit Card Fees	101,832	72,204	80,004	72,864
Utilities	42,912	55,128	36,204	33,048
Repairs/Maintenance	44,508	33,168	35,664	24,264
Taxes (non-labor)	22,296	21,636	21,420	14,604
Supplies	21,852	7,812	16,008	12,960
Other Expenses ¹	<u>86,688</u>	<u>99,456</u>	<u>91,224</u>	<u>52,680</u>
Total Operating Expenses	\$640,896	\$468,564	\$505,884	\$397,140
Operating Expenses Percent of Gross Profit				
Total Labor	29.8%	27.1%	33.2%	33.4%
Credit Card Fees	9.5%	10.9%	11.8%	13.1%
Utilities	4.0%	8.3%	5.3%	5.9%
Repairs/Maintenance	4.1%	5.0%	5.2%	4.3%
Taxes (non-labor)	2.1%	3.3%	3.2%	2.6%
Supplies	2.0%	1.2%	2.4%	2.3%
Other Expenses ¹	<u>8.1%</u>	<u>15.1%</u>	<u>13.4%</u>	<u>9.4%</u>
Total Operating Expenses	59.5%	70.9%	74.4%	71.1%

1 Excludes interest, income taxes, depreciation/amortization and intra-company rent

Labor Expenses: Adjusted labor expenses at the subject have ranged from \$0 to \$16,898 over the analysis period. This equates to a labor expense ratio 14.4%, based on the gross profit in 2011. These data indicate that for much of the time the tenant has absorbed the majority of the labor costs at the subject operation. While often essential in the early stages of a business, this is not a trend that can be sustained indefinitely. Stores in the 4th quartile have labor expenses equal to an average of 33.4% of their gross profit. Labor expenses at the subject have been stabilized at \$90,000, equating to 31.6% of stabilized gross profit.

Credit Card Fees: The store does not break out credit card fees separately. According to NACS 60% of all transactions at a convenience store are paid with a credit or debit card. As retail gasoline prices increase credit card usage has grown. Total revenues from both petroleum and in-store products has been stabilized at \$2,125,000. Transaction fees generally average 2.0% of the transaction amount. Based on the stabilized revenues credit card fees are estimated at \$25,000 (rounded).

Utility Expenses: Annual utility expenses for the subject have averaged approximately \$21,000 over the analysis period. This equates to a ratio of 16.3% of the average gross profit. This ratio is far higher than the results from a 4th quartile store average due mainly to the extremely low reported gross profit at the subject. Utility expenses will follow historic trends and have been stabilized at \$21,000.

Repair/Maintenance Expenses: Repair and maintenance expenses for the subject have averaged \$5,100 (rounded) per year in 2010 and 2010. This equates to 3.5% of the gross profit which is consistent with 4th quartile results. According to the prospective buyer, future repairs for the petroleum equipment will be

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the responsibility of the fuel supplier. Annual repair and maintenance expenses have been stabilized at \$5,000.

Taxes (non-labor): The Town of Johnson currently assesses the property at \$184,000. The current (2012) tax rate in Johnson is \$1.8978 per \$100 of assessed value, equating to an estimated current tax liability of \$3,492. With the introduction of the petroleum improvements the resulting real estate taxes can be expected to double to \$7,000, equating to 2.1% of the stabilized gross profit.

Supply Expenses: Expenses for store supplies have averaged \$1,000 per year. This equates to 0.8% of the gross profit. This is lower than a 4th quartile store average and utility expenses have been stabilized at \$3,000.

The remaining non-labor expenses for the subject have averaged \$24,322, equating to an average expense ratio of 19.4% from the gross profit. All remaining expenses for a 4th quartile store were 9.4% of gross profit in 2011, or \$52,680. Based on these data, the historic trends at the subject and the stabilized gross profit of the subject, all remaining expenses are stabilized at \$24,000.

Stabilized Operating Expenses: The stabilized operating expenses are:

Labor Expenses	\$90,000
Credit Card Fees	25,000
Utilities	21,000
Repair/Maintenance	5,000
Taxes (non-labor)	7,000
Supplies	3,000
Other	<u>24,000</u>
Total	\$175,000

EBITDA Development

The stabilized EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) of the subject operation is calculated in the prior table. The historic EBITDA has also been calculated. A profitability ratio for each year has also been developed. This is a ratio of the EBITDA to the gross profit. The stabilized EBITDA has been estimated at \$110,000. This equates to a profitability ratio of 38.6%, this ratio will be used as a measure of comparison in the sales comparison approach which follows.

Development of the EBITDA Multiple

Currently in the petroleum and c-store industry, operations are being valued on the basis of EBITDA. In contrast to net operating income, EBITDA includes neither corporate overhead nor capital reserves, but does include other income, such as rental income. Thus, EBITDA is a true characterization of the overall financial performance of a site. The relationship between the selling price of an operation and EBITDA is the EBITDA multiple: $(\text{Sale Price}) \div (\text{EBITDA}) = (\text{EBITDA multiple})$. The EBITDA multiple has become the most often cited matrix when determining the value of a convenience store.

The magazine CSP (Convenience Store/Petroleum)¹³ published an article in their September 2009 edition which interviewed several market participants and analysts regarding current transactions and EBITDA multiples. The report concluded that the majority of c-store-with-gas transactions in late 2008 and 2009 had EBITDA multiples between 5.0 and 6.0, with the sellers owning the land. Multiples decreased to 2.5 to 3.0 when the seller leased the land. Properties in prime locations or hot markets can achieve an EBITDA multiples 1.0 to 2.0 higher.

¹³ Convenience Store / Petroleum, September 2009.

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A second article published in CSP (Convenience Store/Petroleum)¹⁴ in October 2011 had industry professionals take note of current trends and also data from the past 6 years. EBITDA multiples from several chain c-store operations across the country were graphed from December 2005 to August of 2011. The highest was reported in 2006 at 9.7; the lowest was 5.3 in 2009. Between those two points in time was a marked decline in multiples with the contraction most evident in early 2009. From the later part of 2009 to the present, multiples began to rise again with the last reported multiple in August 2011 at 6.9, the highest since 2008.

A strong contributing factor to the upswing in multiples in 2010 and 2011 is that financing has become more favorable, for the time being. Financing of sale-leasebacks has been offered at lower lending rates and more loans are becoming available at 75% to 80% of value. Other factors affecting multiples include stronger fuel margins, higher in-store sales and costs that remain proportionate to gross profit. Financial institutions are looking at various options to provide financing and buyers are finding equity investors to help fund the gaps.

Recent regulations by the Office of Comptroller of the Currency (OCC) require banks to structure the loans based on real estate, FF&E and intangible assets. This may require a larger equity investment by the buyer. These regulatory requirements may cause multiples to contract in the near term.

Market Extracted *EBITDA Multiples* The following pages summarize recent sales of convenience stores throughout the northeast. The data has been separated into two categories; bulk or multi-site transactions and single store sale transactions.

The bulk sale transactions have EBITDA multiples range from 4.85 to 7.45. The average EBITDA multiple is 5.76. Single sites have sold at EBITDA multiples of 5.18 to 9.14, with an average of 6.66.

¹⁴ Convenience Store / Petroleum, October 2011.

River Valley Store
Going Concern Comparable Sales
Physical Characteristics

#	State	Type	Land Area (SF)	Total Bldg Area (SF)	C-Store Area (SF)	Age (years)	Condition	Fueling Positions	Fuel Storage (gallons)	Tank Install Date
1	VT	C-Store	17,000	2,568	2,568	70	average	4	20,000	1995
2	NH	C-Store	42,425	4,950	3,825	29	fair/average	2	14,000	1987
3	NH	C-Store	37,897	3,200	1,958	44	fair	4	14,000	1991
4	NH	C-Store	14,810	1,714	1,558	69	fair	4	18,000	1988
5	NH	C-Store	35,109	1,600	1,600	20	average	4	16,000	1997
6	NH	C-Store	86,684	3,640	1,860	20	good	2	17,000	1999
7	NH	C-Store	30,000	2,880	2,430	18	average	4	20,000	1990
8	MA	C-Store	23,348	2,520	1,500	21	good	4	16,000	1988
9	MA	Kiosk	16,556	336	250	35	fair	7	36,000	1995
10	VT	C-Store	19,166	3,500	3,000	21	average	3	21,000	1997
11	ME	C-Store	40,075	5,052	3,904	35	average/good	9	32,000	1986
12	NH	C-Store	17,424	6,019	2,400	165	above average	4	12,000	1999
13	NH	C-Store	74,488	2,066	2,066	42	average	8	37,000	1997
River Valley Store			43,124	3,184	2,704	Renovated 1995	Average	4	20,000	2013

**River Valley Store
Johnson, Vermont**

Contributory Value of Personal Property (FF&E)

The subject property has various items which are an integral part of the operation and are required to operate the property as a convenience store. These items are classified as personal property and include items such as the cash register system, deli equipment, shelving, ATM, car wash equipment, etc. The personal property items have economic lives shorter than that of the building and are classified separately.

The going concern market value of the property includes the real estate and personal property items. Petroleum equipment fixtures are part of the real estate market value. A listing of the store equipment was not provided. During the site inspection, store equipment (personal property) was noted as follows

Personal Property (FF&E)		
x ATM	x Griddle	Scale
Broiler	x Heat Lamp	x Shelving
x Cappuccino Machine	Hot Dog Merchandiser	Sign
x Cash Register	Ice Machine	x Slicer
x Coffee Maker	Menu Boards	Slush Beverage Dispenser
Cold Beverage Dispenser	x Microwave Oven	x Soft Serve Ice Cream
Convection Oven	Mixer (Countertop)	Steam Table
x Deli Case	Mixer (Floor)	Table (Stainless Steel)
Dishwasher	x Pizza Oven	x Vent Hood
Donut/Pastry Case	Prepared Food Case	x Meat Grinder
Food Display Cart	Produce Case	
Freezer	Range	
Frozen Food Case	Refrigerator	
x Fryer	Salad Bar	
Fryer Filter System	Sandwich Assembly Table	

The National Association of Convenience Stores reports that a new convenience store requires \$148,600 to \$156,600 for merchandise and technology equipment. With the exception of the new cash register system, the remaining store equipment has been in-place for five to ten years and is considered to be fully depreciated. The contributory value of these personal items has been estimated at **\$30,000**.

Contributory Value of Petroleum Equipment Fixtures (PEF)

In the case of a convenience store or gas station the real estate includes petroleum equipment. Petroleum equipment includes the underground tanks, piping, dispensers, canopy, leak monitoring systems and vapor recovery systems. This equipment is necessary to meet the intended use of the facility of selling gasoline and diesel fuel to the motoring public and is considered a fixture to the real estate. This is similar to an air-conditioning unit or water heater in an office building. This equipment is referred to as the Petroleum Equipment Fixtures (PEF) and is included with the real estate value. The PEF is separate from the fixtures, furniture and equipment (FF&E) located in the store.

The value of the petroleum equipment fixtures included in the real estate value is summarized below. The contributory value of each item has been developed using replacement cost and depreciation data provided by *Marshall and Swift* and construction estimates provided by the prospective purchaser.

River Valley Store
Johnson, Vermont

River Valley Store			
Petroleum Equipment Fixtures (PEF) - "As-Complete" Condition			
Petroleum Equipment			
Underground Tanks (1-10,000 gallon, DWFG 2-compartment)	Section 61, Page 5		\$55,500
Underground Tanks (1-10,000 gallon, double wall fiberglass)	Section 61, Page 5	+	44,100
Leak Monitoring System	Section 61, Page 5	+	<u>18,000</u>
Sub-total			\$117,600
Underground Tank Cost Multiplier to May 2013	Section 99, Page 3	x	1.020
Local Multiplier for Burlington, VT area	Section 99, Page 8	x	<u>1.060</u>
Underground Tank Sub-total			\$127,149
Piping	Section 64, Page 3	+	\$15,540
Pumps and dispensers (2 double sided w/CC plus 1 diesel w/CC)	Section 64, Page 3	+	70,150
Canopy w/ lighting and fire protection (864± SF)	Section 64, Page 2	+	<u>28,080</u>
Sub-total			\$113,770
Petroleum Equipment Cost Multiplier to May 2013	Section 99, Page 3	x	1.030
Local Multiplier for Burlington, VT area	Section 99, Page 8	x	<u>1.060</u>
Petroleum Equipment Sub-total			\$124,214
Total Petroleum Equipment Direct Cost			\$251,363
Petroleum Equipment Soft Cost		+	25,136
Petroleum Equipment Entrepreneurial Incentive		+	12,568
Total Petroleum Equipment Fixtures Cost			\$289,068
Depreciation			
Underground Tanks/Piping/Monitoring			\$0
Canopy		+	0
Dispensers		+	<u>0</u>
Total Physical Depreciation			\$0
Functional Obsolescence		+	0
Economic Obsolescence		+	<u>0</u>
Total Depreciation			\$0
Depreciated Value of Petroleum Equipment Fixtures			\$289,068
Rounded to			\$290,000

The owner's budget estimate is \$281,316 (\$126,500 for the Sandri portion plus \$154,816 for Star Construction). The owner's budget estimate includes an estimated \$9,000 for the new cash register system which has already been included in the FF&E. The resulting difference between the owner's estimate and the Marshall and Swift estimate is approximately \$16,700. We have utilized a value of \$280,000 for the proposed petroleum equipment upgrades.

Income Statement - MN Enterprises, LLC DBA River Valley Store

Income Statement				
Statement Date	12/31/2009	12/31/2010	12/31/2011	12/31/2012
Period Type	Tax Return	Tax Return	Tax Return	CoPrepared
Statement Type	Annual	Annual	Annual	Annual
Periods	12	12	12	12
Sales/Revenues	996,735	1,086,745	1,120,307	1,240,010
NET SALES/REVENUES	996,735	1,086,745	1,120,307	1,240,010
Cost of Sales/Revenues	817,361	934,253	1,002,990	1,117,546
TOTAL COST OF SALES/REVENUE	817,361	934,253	1,002,990	1,117,546
GROSS PROFIT	179,374	152,492	117,317	122,464
Lease/Rent Expense	23,100	23,100	27,400	25,200
Depreciation	2,096	8,852	6,234	0
Advertising	848	51	0	300
Automobile Expense	15,450	13,440	3,963	0
Insurance	1,183	2,480	2,582	3,971
Legal & Professional	250	0	250	0
Office & Other Supplies	2,466	1,012	938	0
Payroll Expense	0	0	16,898	0
6-9% VT Tax	0	0	0	32,315
Repairs & Maintenance	9,002	8,607	1,590	0
Telephone	0	0	0	2,250
Utilities	18,187	22,132	20,997	20,042
Other Operating Expenses	29,456	15,730	10,322	7,631
TOTAL OPERATING EXPENSE	137,611	129,383	98,128	91,709
NET OPERATING PROFIT	41,763	23,109	19,189	30,755
Interest Expense (-)	6,908	0	0	0
TOTAL OTHER INCOME (EXP)	(6,908)	0	0	0
PROFIT BEFORE TAXES	34,855	23,109	19,189	30,755
PROFIT BEFORE EXTRAORDINARY ITEMS	34,855	23,109	19,189	30,755
Net Profit	34,855	23,109	19,189	30,755
EBIT	41,763	23,109	19,189	30,755
EBITDA	43,859	31,961	25,423	30,755
EBIDA	43,859	31,961	25,423	30,755
COMPREHENSIVE INCOME	34,855	23,109	19,189	30,755
Total Income/Expenses	34,855	23,109	19,189	30,755

Gross profit declined each period of the review before flattening out in FY2012. The GPM deteriorated from 21.9% in FY2009 to 9.9% in FY2012. Since oil is a commodity the increase or decrease in sales in terms of dollars is not necessarily a notable item. In FY2012 gas sales represented 36.7% of total revenues.

Product:	\$ Amount	% of Revenue
Gas	\$410M	36.7%
Tobacco	\$234M	21.0%
Groceries	\$219M	19.6%
Beer	\$172M	15.4%
Soda	\$ 52M	4.3%
Deli	\$ 30M	3.0%
Totals:	\$1,117M	100%

It is anticipated when the antiquated gas pumps are replaced, that gas sales will significantly increase and become a larger portion of total revenues.

Rental expense was paid under the lease to own agreement and will no longer be required after purchase of the property. The company was able to control operating expenses to keep the reported bottom line profit consistent in FY2010 and FY2011, with a slightly increased bottom line profit reported in FY2012 that is likely to differing quality of statements (pre-year end adjustments).

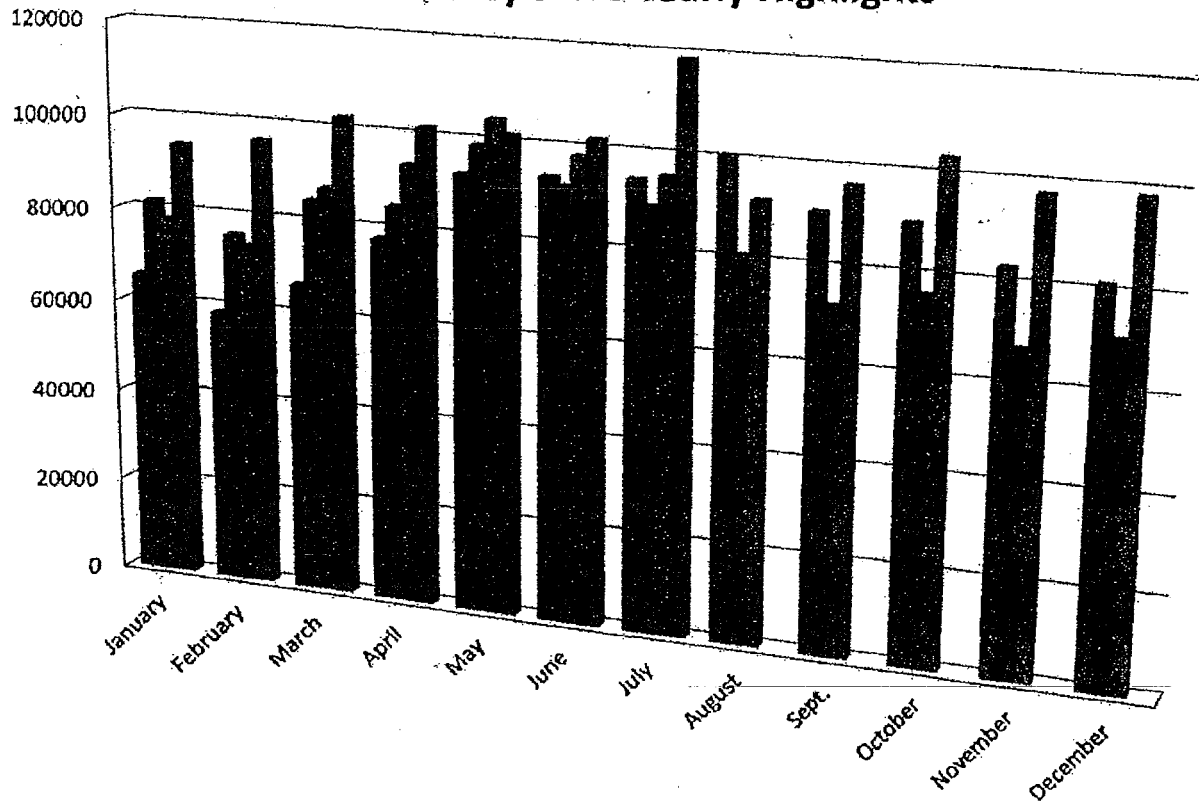
Income Statement - MN Enterprises, LLC DBA River Valley Store

Income Statement				
Statement Date	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Period Type	CoPrepared	Projection	Projection	Projection
Statement Type	Annual	Proforma	Proforma	Proforma
Periods	12	12	12	12
Sales/Revenues	1,240,010	1,426,011	1,511,572	1,602,267
NET SALES/REVENUES	1,240,010	1,426,011	1,511,572	1,602,267
Cost of Sales/Revenues	1,117,546	1,229,301	1,290,766	1,355,304
TOTAL COST OF SALES/REVENUE	1,117,546	1,229,301	1,290,766	1,355,304
GROSS PROFIT	122,464	196,710	220,806	246,963
Lease/Rent Expense	25,200	33,500	33,500	33,500
Depreciation	0	0	0	0
Advertising	300	400	500	550
Automobile Expense	0	0	0	0
Insurance	3,971	4,700	4,900	5,000
Legal & Professional	0	0	0	0
Office & Other Supplies	0	0	0	0
Payroll Expense	0	0	0	0
6-9% VT Tax	32,315	37,162	40,135	43,346
Repairs & Maintenance	0	0	0	0
Telephone	2,250	2,250	2,300	2,300
Utilities	20,042	22,000	22,000	22,300
Other Operating Expenses	7,631	8,496	8,500	8,651
TOTAL OPERATING EXPENSE	91,709	108,508	111,835	115,647
NET OPERATING PROFIT	30,755	88,202	108,971	131,316
Interest Expense (-)	0	0	0	0
TOTAL OTHER INCOME (EXP)	0	0	0	0
PROFIT BEFORE TAXES	30,755	88,202	108,971	131,316
PROFIT BEFORE EXTRAORDINARY ITEMS	30,755	88,202	108,971	131,316
Net Profit	30,755	88,202	108,971	131,316
EBIT	30,755	88,202	108,971	131,316
EBITDA	30,755	88,202	108,971	131,316
EBIDA	30,755	88,202	108,971	131,316
COMPREHENSIVE INCOME	30,755	88,202	108,971	131,316
Total Income/Expenses	30,755	88,202	108,971	131,316

The borrower did provide projections, which include general assumptions. They were prepared in typical P&L format. Throughout the projected periods, revenue increases are anticipated due to new gas pumps and canopies. The borrower has also indicated a military base is currently being constructed that is less than one mile from the store. The borrower will be the closest store to the new base. The base will be a consolidation of three army maintenance facilities into one big facility and will be the main training hub for Vermont. They have already made the store aware that at times they will be placing deli orders for 500 men (would give one weeks notice). In addition, the Price Chopper rewards program is expected to increase gas sales. In-store sales are expected to realize growth in all areas due to projected gas sales increases. Operating expenses indicate an increase in dollars but a decrease as a percentage of sales. They anticipate the bottom line to increase each period through FY2015.

Financial Considerations:

River Valley Store Yearly Highlights



	January	February	March	April	May	June	July	August	Sept.	October	November	December
■ 2009	65495.22	58694.55	66371.96	77940.96	93076.62	93812.89	94647.43	100787.41	91003.26	90271.49	83195.82	81437.58
■ 2010	81808.21	75874.63	84564.56	84837.86	99023.02	92025.96	89376.48	81114.68	72611.36	76356.67	67405.59	70988.71
■ 2011	78142.96	73736.22	87561.79	93943.92	104373.49	98437.39	95794.74	92252.75	96555.02	103369.9	97599.78	98538.54
■ 2012	94326.52	96439.35	102483.52	101594.28	101565.22	101946.88	118908.63					

Objectives:

These are the goals for the next three years at River Valley Store:

- Purchase the building located at 4495 VT route 100C in Johnson Vermont
- Finalize a partnership with Sandri and Price Chopper bringing an increase in gasoline sales, inside sales, as well as additional opportunities including wood pellets and bulk oils to better serve the community.
- Earn approximately \$1.8 million in sales by year three
- Build an addition bringing new retail space while utilizing current floor space as warehouse and possibly rental space for business's that would be mutually beneficial

SCHEDULE C

(Form 1040)

Profit or Loss From Business

(Sole Proprietorship)

OMB No. 1545-0074

2011

Attachment
Sequence No. 09

Department of the Treasury
Internal Revenue Service (99)

For information on Schedule C and its instructions, go to www.irs.gov/schedulec.
Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor

MICHAEL J. FARRELL

Social security number (SSN)

A Principal business or profession, including product or service (see instructions)

GROCERY STORE

B Enter code from instructions

445100

C Business name, if no separate business name, leave blank.

M N ENTERPRISES LLC

D Employer ID number (EIN), (see instrs)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other (specify) _____

G Did you 'materially participate' in the operation of this business during 2011? If 'No,' see instructions for limit on losses. ☒ Yes ☐ No

H If you started or acquired this business during 2011, check here

I Did you make any payments in 2011 that would require you to file Form(s) 1099? (see instructions) ☒ Yes ☐ No

J If 'Yes,' did you or will you file all required Forms 1099? ☒ Yes ☐ No

Part I Income

1a Merchant card and third party payments. For 2011, enter -0-	1a	0.
b Gross receipts or sales not entered on line 1a (see instructions)	1b	1,120,307.
c Income reported to you on Form W-2 if the 'Statutory Employee' box on that form was checked. Caution. See instructions before completing this line.	1c	
d Total gross receipts. Add lines 1a through 1c	1d	1,120,307.
2 Returns and allowances plus any other adjustments (see instructions)	2	
3 Subtract line 2 from line 1d	3	1,120,307.
4 Cost of goods sold (from line 42)	4	1,002,990.
5 Gross profit. Subtract line 4 from line 3	5	117,317.
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7 Gross income. Add lines 5 and 6	7	117,317.

Part II Expenses. Enter expenses for business use of your home only on line 30.

8 Advertising	8		18 Office expense (see instructions)	18	115.
9 Car and truck expenses (see instructions)	9	3,963.	19 Pension and profit-sharing plans	19	
10 Commissions and fees	10		20 Rent or lease (see instructions):		
11 Contract labor (see instructions)	11		a Vehicles, machinery, and equipment	20a	
12 Depreciation	12		b Other business property	20b	27,400.
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	6,234.	21 Repairs and maintenance	21	1,590.
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	823.
15 Insurance (other than health)	15	2,582.	23 Taxes and licenses	23	6,954.
16 Interest:			24 Travel, meals, and entertainment:		
a Mortgage (paid to banks, etc.)	16a		a Travel	24a	
b Other	16b		b Deductible meals and entertainment (see instructions)	24b	
17 Legal & professional services	17	250.	25 Utilities	25	20,997.
28 Total expenses before expenses for business use of home. Add lines 8 through 27a	28		26 Wages (less employment credits)	26	16,898.
29 Tentative profit or (loss). Subtract line 28 from line 7	29		27a Other expenses (from line 48)	27a	10,322.
30 Expenses for business use of your home. Attach Form 8829. Do not report such expenses elsewhere	30		b Reserved for future use	27b	
31 Net profit or (loss). Subtract line 30 from line 29.	31				

If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. If you entered an amount on line 1c, see instructions. Estates and trusts, enter on Form 1041, line 3.

If a loss, you must go to line 32.

32 If you have a loss, check the box that describes your investment in this activity (see instructions).

If you checked 32a, enter the loss on both Form 1040, line 12, (or Form 1040NR, line 13) and on Schedule SE, line 2. If you entered an amount on line 1c, see the instructions for line 31. Estates and trusts, enter on Form 1041, line 3.

If you checked 32b, you must attach Form 6198. Your loss may be limited.

32a ☐ All investment is at risk.

32b ☐ Some investment is not at risk.

3AA For Paperwork Reduction Act Notice, see your tax return instructions.

FOI20112 10/25/11

Schedule C (Form 1040) 2011

U.S. Department of the Treasury
Revenue Service (99)
Schedule C (Form 1040)
Profit or Loss From Business
(Sole Proprietorship)

Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074

2010

Attachment
Sequence No. 09

Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.
Attach to Form 1040, 1040NR, or 1041. See instructions for Schedule C (Form 1040).

Michael J. Farrell

Social security number (SSN)

A Principal business or profession, including product or service (see instructions)

GROCERY STORE

B Enter code from instructions

445100

C Business name, if no separate business name, leave blank.

M N ENTERPRISES LLC

D Employer ID number (EIN), if any

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other (specify)

G Did you 'materially participate' in the operation of this business during 2010? If 'No,' see instructions for limit on losses. ☒ Yes ☐ No

H If you started or acquired this business during 2010, check here

Part I Income

1	Gross receipts or sales. Caution. See instructions and check the box if: • This income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked, or • You are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax. Also see instructions for limit on losses.	<input type="checkbox"/>	1	1,086,745.
2	Returns and allowances		2	
3	Subtract line 2 from line 1.		3	1,086,745.
4	Cost of goods sold (from line 42 on page 2).		4	934,253.
5	Gross profit. Subtract line 4 from line 3.		5	152,492.
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		6	
7	Gross income. Add lines 5 and 6.		7	152,492.

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	8	51.	18	Office expense	18	834.
9	Car and truck expenses (see instructions)	9	13,440.	19	Pension and profit-sharing plans	19	
10	Commissions and fees	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions)	11		20a	a Vehicles, machinery, and equipment	20a	
12	Depletion	12		20b	b Other business property	20b	23,100.
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	8,852.	21	Repairs and maintenance	21	8,607.
14	Employee benefit programs (other than on line 19)	14		22	Supplies (not included in Part III)	22	178.
15	Insurance (other than health)	15	2,480.	23	Taxes and licenses	23	33,979.
16	Interest:			24	Travel, meals, and entertainment:		
a	Mortgage (paid to banks, etc.)	16a		24a	a Travel	24a	
b	Other	16b		24b	b Deductible meals and entertainment (see instructions)	24b	
17	Legal & professional services	17		25	Utilities	25	22,132.
28	Total expenses before expenses for business use of home. Add lines 8 through 27.	28		26	Wages (less employment credits)	26	
29	Tentative profit or (loss). Subtract line 28 from line 7.	29		27	Other expenses (from line 48 on page 2)	27	15,730.
30	Expenses for business use of your home. Attach Form 8829.	30					
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Form 1040, line 12, and Schedule SE, line 2 or on Form 1040NR, line 13 (if you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31	21,144.				

32 If you have a loss, check the box that describes your investment in this activity (see instructions).

• If you checked 32a, enter the loss on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13 (if you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3.

• If you checked 32b, you must attach Form 6198. Your loss may be limited.

32a ☐ All investment is at risk.

32b ☐ Some investment is not at risk.

AA For Paperwork Reduction Act Notice, see your tax return instructions.

Schedule C (Form 1040) 2010

FD-20112L 12/27/10

Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074

2009

Attachment
Sequence No. 09

The Treasury
and Service (99)

Partnerships, joint ventures, etc., generally must file Form 1065 or 1065-B.
Attach to Form 1040, 1040NR, or 1041. See instructions for Schedule C (Form 1040).

Proprietor

AEL J. FARRELL

Social security number (SSN)

Principal business, or profession, including product or service (see instructions)

GROCERY STORE

B Enter code from instructions

445100

Business name, if no separate business name, leave blank.

M N ENTERPRISES LLC

D Employer ID number (EIN), if any

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other (specify) _____

G Did you 'materially participate' in the operation of this business during 2009? If 'No,' see instructions for limit on losses: ☒ Yes ☐ No

H If you started or acquired this business during 2009, check here ☐ ☐

Part I Income

1 Gross receipts or sales. Caution. See the instructions and check the box if: • This income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked, or • You are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax. Also see instructions for limit on losses <input type="checkbox"/>	1	996,735.
2 Returns and allowances	2	
3 Subtract line 2 from line 1.	3	996,735.
4 Cost of goods sold (from line 42 on page 2).	4	817,361.
5 Gross profit. Subtract line 4 from line 3.	5	179,374.
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7 Gross income. Add lines 5 and 6.	7	179,374.

Part II Expenses. Enter expenses for business use of your home only on line 30.

8 Advertising	8	848.	18 Office expense	18	571.
9 Car and truck expenses (see instructions)	9	15,450.	19 Pension and profit-sharing plans	19	
10 Commissions and fees	10		20 Rent or lease (see instructions):		
11 Contract labor (see instructions)	11		a Vehicles, machinery, and equipment	20a	
12 Depletion	12		b Other business property	20b	23,100.
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	2,096.	21 Repairs and maintenance	21	9,002.
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	1,895.
15 Insurance (other than health)	15	1,183.	23 Taxes and licenses	23	35,573.
16 Interest:			24 Travel, meals, and entertainment:		
a Mortgage (paid to banks, etc.)	16a	6,908.	a Travel	24a	
b Other	16b		b Deductible meals and entertainment (see instructions)	24b	
17 Legal & professional services	17	250.	25 Utilities	25	18,187.
28 Total expenses before expenses for business use of home. Add lines 8 through 27	28	144,519.	26 Wages (less employment credits)	26	
29 Tentative profit or (loss). Subtract line 28 from line 7.	29	34,855.	27 Other expenses (from line 48 on page 2)	27	29,456.
30 Expenses for business use of your home. Attach Form 8829.	30	1,406.			
31 Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Form 1040, line 12, and Schedule SE, line 2 or on Form 1040NR, line 13 (if you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31	33,449.			

2 If you have a loss, check the box that describes your investment in this activity (see instructions).

• If you checked 32a, enter the loss on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13 (if you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3.

• If you checked 32b, you must attach Form 6198. Your loss may be limited.

32a ☐ All investment is at risk.

32b ☐ Some investment is not at risk.

A For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule C (Form 1040) 2009

Talk with RJ. about
Fire Suppression Requirements

PROPOSAL: The River Valley Store in Johnson,
VT. 05656

Building Permit?

March 12, 2013

Buyer (The River Valley Store) agrees to
Perform the following:

\$5000.00

1. Provide Seller with a \$10,000.00 Collateral Deposit to secure payment of motor fuel deliveries.
2. Credit terms: load to load or 8 days, whichever comes first.
3. Pay yearly fee for Ruby/Sapphire help desk, \$780.00 per year or \$65.00 per month.
4. Provide concrete base and electricity for 3 product Sunoco price sign.
5. Provide a broadband (DSL or Cable) communication line into the convenience store.
6. Provide for all maintenance of Buyer's buildings and equipment.
7. Participate in the Sunoco Price Chopper Loyalty Program
For the term of this Agreement or until such time
As Price Chopper terminates said Program. Buyer agrees to pay Seller \$.04 per gallon for each Price Chopper Loyalty Gallon sold to offset Seller's investment and costs associated with the Price Chopper Program.
10. Enter into a Ten (10) year Sales and Branded Supply Agreement with Seller. Buyer will be bound to Purchase from Seller 3,000,000 gallons of gasoline Over Ten (10) years or the term of the Agreement will be Extended until such time as Buyer has purchased the Required gallons.
11. Buyer agrees to purchase from Sandri, 1 Ruby Register system for \$9,000.00, Buyer agrees to finance the Ruby for prime plus 2 at rates posted at sellers Bank.

- 13. Buyer agrees to install and pay for fire suppression when And if any regulator requires this to be done.**
- 14. If Buyer sells his facility and the contract agreement is not fulfilled, Buyer will pay to Seller \$0.02 (two cent) per gallon liquidated damages for all unsold gallons.**
- 15. Buyer agrees to posted freight rates on full loads**
- 16. Buyer agrees to maintain diesel fueling unbranded or Sunoco brand through Seller only. Buyer agrees to no multiply branding.**
- 17. Buyer will be responsible for all underground piping, wiring and concrete work .**
- 18. Buyer will be responsible for all paving as provided by the estimate from Green Mtn. Paving & Sealcoating Co. dated 10/31/12.**
- 19. Follow the proposed quote by Star Cons't co. to R&R the (UST) Tanks and to upgrade the Petroleum Equipment and Monitoring System to be in compliance with all State and Federal Regulations.**

SELLER (Sandri Energy LLC.) AGREES TO PERFORM THE FOLLOWING:

- 1. Provide a TCF Canopy (24X36 with 2- column Canopy) as quoted by John W. Kennedy co. dated 2/14/12 Bid # \$1354665 for \$25780.82.**
- 2. Enter into a Ten (10) year Requirements Sales Agreement.**
- 3. Provide and install Excentus Rewards Link equipment associated with the Sunoco/Price Chopper Loyalty Program**
- 4. Provide (Price Chopper Loyalty Program) to Buyer for the period of the "Agreement" at a cost to Buyer of four Cents (\$.04) per gallon on only those gallons sold through the "Price Chopper Program".**
- 5. Provide branded motor fuels to Buyer at a cost equal to Four Cents (\$.04) over the Sunoco's rack price as posted each week night at 6:00 P.M. at Burlington, VT plus freight rate of \$.045 per gallon, plus all applicable Federal, State and local taxes. Freight rates will be**

Bid

adjusted annually based upon an agreed third party index at specific dates to be determined prior to final Agreements. Credit terms will be on a load to load basis or net eight (8) days whichever occurs first.

Payment shall be by ACH transfer from Buyer's bank Account or certified funds.

- 6. Provide 1 Ruby/Sapphire Register System for a cost of \$9,000.00 to Buyer. Seller agrees to finance for Buyer one Ruby/Sapphire Register System at an interested rate of Prime plus 2 points as posted at Sellers Bank.**
- 7. Provide on loan 1, 3 product Sunoco price sign, dealer to provide concrete base and electricity. Seller to install.**
- 8. Provide on loan 3 mpd's w/cardmatic, as approved by Sandri's contractor (Star Construction Inc.) and To set dispensers and Sandri will provide authorized Wayne/Sandri Technician to start system.**
- 9. Sandri pays \$0.02 cents per transaction fee for Price Chopper**
- 10. Sandri pays \$300 per month fee for the Price Chopper Program at The River Valley Store.**
- 11. Sandri provides maintenance on Ruby Sapphire equipment, Excentus Loyalty equipment and all other Equipment on loan from Sandri Energy, LLC.**
- 12. Sandri will supply and install six (6) LED canopy lights.**
- 13. Sandri will supply and install 2 LED yard lights on footings provided by owner**
- 14. Sandri will provide in excess of \$118,880.82 worth of equipment, labor and other considerations.**

Sandri Energy LLC.

The River Valley Store

Witness

Witness

Date

November 7, 2012

Sandri Request for a New Retail Location

***Proposal for The River Valley Store, Johnson,
VT.***

**3-New 585 Vista Pumps with cardmatic and valance which includes
2-Gasoline and 1-Diesel**

Price Chopper Loyalty Equipment

1-5'X 5' Gold Diamond Post Sign

Building Ban – Horizon Package

Wiring: Ruby System, Pumps and Gold Post Sign and training

**1-TFC Canopy (24X36 - 2 column Canopy) as quoted by John W.
Kennedy Co. dated 2/14/12 Bid # S1354665**

**Sandri will supply and install Six (6) LED Canopy Lights, Two (2) LED
Yard lights and Polls.**

**Ten (10) years for The River Valley Store to be in the Price Chopper
Program Estimated cost
\$ 36,000.00**

**Estimate from Brian Starr (He did the Waterbury, VT. Project) on the
concrete work and the underground piping (ADP Piping)**

Advertisement and Promotions

\$3,000.00

District Manager

A R Sandri Inc,

Thomas McGoff