

Community FOODS

YOUR LOCAL FRESH MARKET

formerly People's Community Market

Good Food
for Everyone

health & community



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OAKLAND**

equity & opportunity

Let's end
food deserts

feed the people



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THIS OFFERING IS ONLY OPEN TO CALIFORNIA RESIDENTS.



COMMUNITY FOODS MARKET, INC.

PREFERRED STOCK

OFFERING MEMORANDUM

COMMUNITY FOODS MARKET, INC.

A California Corporation

(Formerly People's Community Market)

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Contact: Brahm Ahmadi, CEO

Investing is often risky. You should not invest any funds in this offering unless you can afford to lose your entire investment. See Page 25 for a discussion of the risk factors that Management believes present the most substantial risks to you.

The effective date of this Offering Memorandum is March 13, 2018. Neither the delivery of this Offering Memorandum nor any sale of the Securities offered herein should be construed as creating any implication that there has been no change in the affairs of Community Foods Market, Inc. after the date hereof.

Our Social Mission

To build community in West Oakland, to enhance the health and quality of life of local families and to empower our customers with knowledge about food and health.

To nurture a thriving local economy, to create opportunity for local residents and to support the entrepreneurial culture that sustains the vitality of our community.

To connect our community to its regional food system and to reignite an appreciation for the producers, suppliers and workers who nurture and feed us.

Our Service Mission

We Nourish and Serve Our Community
With Pride, Purpose and Integrity by
Offering Quality, Healthy and Flavorful Foods and by
Providing Caring and Knowledgeable Service
That Puts People and Communities First.
We Create Unique and Enjoyable Experiences
For Our Customers and Our Employees
That Enrich and Improve Their Lives.

Our Core Values

- Pursue Higher Purpose
- Relationships Matter
- Teach and Learn Always
- Be of Service
- Expect People's Best
- Enable Participation
- Work Like Its Play
- Create Excitement

Letter to Our Supporters

Dear Friends,

In 2002, I co-founded People's Grocery in order to lay the groundwork necessary to open a full-service neighborhood food store, health resource center and social hub in West Oakland. The plan back then was that, by operating smaller-scale food projects, we would acquire the management experience and community relationships necessary to enable us to pursue a larger food enterprise.

The vision we conceived sixteen years ago, and the patient course we have taken, has worked well. With an entrepreneurial track record, strong community support, a wide breadth of knowledge and a seasoned management team, we have formed a compelling business plan and assembled the key assets necessary to create Community Foods Market (formerly People's Community Market).

Our Company has raised nearly \$1.7M through the sale of Series A Preferred Stock to over 525 California residents and entities headquartered in California. This is a significant accomplishment for our community-based project and a notable validation of the support we have among California's public. The success of this "community capital" campaign has enabled our Company to secure an additional \$7.4M in financing – over four times as much capital - in institutional grants and loans. This includes \$5.5M in construction loans, \$825,000 in Federal grants and \$970,000 in real estate funding.

Although we have raised most of the funding we need to build our food market, café and social hall, there is one important component that we still need to secure: *working capital*. Specifically, we need to raise capital for our starting inventory and for operating capital to cover business cash flow needs when the food market is running. Many startups struggle to secure working capital due to a lack of collateral for such financing. So we are turning to community and public investors who are compelled by our project's social purpose to help provide critical funding for our operating capital needs.

We have chosen a Direct Public Offering (DPO) as a community investment vehicle to allow a diversity of residents of California to become Founding Shareholders in Community Foods Market. Our desire is to reach out and build meaningful relationships and partnerships with people who care about investing with their values and want to help create an innovative, sustainable and community-based solution to West Oakland's nutritional, social and economic needs.

If you are a California resident who believes in our mission and values, and you fulfill the suitability requirements contained in this memorandum, you can invest in Community Foods Market and partner with us in this effort to create something that is fresh, different and very much needed today.

Sincerely,



Brahm Ahmadi
CEO/President

Community Foods Market, Inc.
Direct Public Offering Memorandum

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OFFERING MEMORANDUM
California Qualification by Permit

\$814,244
Preferred Stock

1. Brief Description of Offering

Community Foods Market, Inc. (“Community Foods”, “CFM” or the “Company”), is offering up to an aggregate of \$814,244 in preferred stock at \$2.00 per share (the “Securities”) to finance capital expenditures, inventory, working capital and operating expenses relating to the construction and operation of a retail grocery store in West Oakland. The minimum investment for each unaccredited Investor subscribing for the purchase of preferred stock is one thousand dollars (\$1,000) and the minimum investment for each accredited Investor¹ subscribing for the purchase of preferred stock is five thousand dollars (\$5,000).

In addition, any investor who invests at least \$10,000 in the aggregate may have their name inscribed on a tile mosaic placed prominently on a wall at the entrance of the store; and any investor who invests at least \$20,000 may, in addition, have a photo included on tile mosaic. There is no maximum investment, except as described in the section on Suitability Requirements.

The offering will terminate one year from the date of commencement, unless such termination date is extended, at the discretion of Management and subject to any required consent of the California Department of Business Oversight. The offering is limited to California residents.

¹An Accredited Investor is defined in Rule 501 of Regulation D as follows:

- (a) A bank, insurance company, registered investment company, business development company, or small business investment company;
- (b) an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of \$5 million;
- (c) a charitable organization, corporation, or partnership with assets exceeding \$5 million;
- (d) a director, executive officer, or general partner of the company selling the securities;
- (e) a business in which all the equity owners are accredited Investors;
- (f) a natural person who has individual net worth, or joint net worth with the person’s spouse, that exceeds \$1 million at the time of the purchase, excluding the value of the primary residence of such person;
- (g) a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year; or
- (h) a trust with assets in excess of \$5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

2. About the Company

Community Foods Market (formerly People's Community Market) is a new business in its pre-operating stage that will seize the market opportunity in West Oakland to sustainably pursue three primary social impact objectives:

1. Enhance the health and well being of local families by introducing healthier food options and increasing awareness about food, nutrition and health.
2. Improve economic outcomes for employees by providing fair wages, benefits, enhanced training and employee ownership opportunities.
3. Foster community building and positive relations across the diversity of West Oakland.

The Company's purpose is to create and operate a small-format, full-service neighborhood food market, café and social hall of approximately 14,000 SF to enable residents of West Oakland's McClymonds, Hoover-Foster, and Clawson neighborhoods – which have not had a supermarket since the 1970's – to shop from a wide selection of nutritious fresh foods, prepared foods and staple groceries at affordable prices in their own neighborhood. In addition to retailing fresh foods and groceries, Community Foods will offer information, resources and services to support customers in improving their health and provide a community venue in support of community building.

3. Target Market

The West Oakland Target Market (West Oakland) is a 2.5 square mile inner-city area with 25,250 residents who are predominantly African American and Latino. The majority (66%) of West Oakland households have incomes below the federal poverty level and area incomes in 2011 represented less than 60% of the City of Oakland's median and average incomes (US Census, 2011). However, median incomes rose by 82% between 1990 and 2000 and by 20% between 2000 and 2011, which was a faster income growth rate than for the City of Oakland as a whole. Significant area improvements, crime reduction, and growth in population and the local employment base over the next decade will likely enable household incomes to continue to increase and approach the City of Oakland's median income.

Although West Oakland is known today as a lower-income neighborhood, it has a rich and diverse history. Before the 1950's there were numerous grocery stores and supermarkets located throughout the neighborhood that offered a variety of groceries, produce and prepared foods. Many of these stores had a unique Southern character and catered to the special food desires of local customers. These stores also provided places for people to get together and socialize. But, beginning in the 1950's, many of the grocery stores in West Oakland shut down or relocated to new suburbs that could offer more profits and cheap land for bigger stores. It became virtually impossible to buy fresh produce or quality food products in the neighborhood. This problem persists today.

West Oakland residents spend over \$60 million a year on groceries. Despite this sizable buying power, there are few food retail outlets in West Oakland. As a result, 70% of the neighborhood's annual grocery expenditures, or \$42M, go to stores in surrounding areas. But West Oakland residents (many of whom do not own a vehicle and rely on public transportation) must travel far to get to distant supermarkets. The inconvenience, time and cost of these shopping trips leads many residents to regularly shop at nearby corner stores that carry mostly processed, poor quality foods sold at high prices.

These limited food choices are contributing to high rates of diet-related chronic disease in West Oakland. Today, forty eight percent (48%) of residents are obese or at an unhealthy weight and the

community's diabetes hospitalization rate is three times that of Alameda County. But many residents also understand the connection between diet and health and are increasingly demanding healthier food choices, more knowledge and information, and supportive social settings and services.

3.1 Trade Area

Community Foods retained Intalytics, a leading research firm, to survey the proposed store's marketing area, commonly known as the Trade Area, and evaluate its sales potential. Intalytics defines CFM's Trade Area as a 1.5-mile radius around the future store site (see section 4, Business Plan Summary, below), which includes all of West Oakland and portions of North Oakland, downtown Oakland and the City of Emeryville. This Trade Area is notably larger and economically stronger than West Oakland itself, with a population of 48,760, an average household income \$53,492 and 61% of residents employed in white-collar occupations. The weekly grocery expenditure for the Trade Area is \$2,229,251, or \$115,921,052 annually, which is nearly double the amount of grocery expenditures coming from West Oakland. Intalytics estimates that, while 90% of CFM's sales will come from the Trade Area, its potential to generate sales from beyond the Trade Area is above average as its site on San Pablo Avenue is along a major traffic corridor. CFM is expected to generate 38% of sales from beyond one mile from the store site, suggesting that its reach into areas with greater population, income and spending power will enhance its financial performance.

3.2 Competition

West Oakland has a limited competitive environment for food retail. No supermarkets or full-service grocery stores currently operate within the boundaries of CFM's Trade Area. While there are two supermarkets located approximately 1 mile from the Trade Area, many West Oakland residents are unable to frequently shop at these locations due to limited vehicle ownership and a reliance of walking and public transportation. There is an abundance of liquor stores in West Oakland that primarily sell snack foods, sugary beverages, alcohol and tobacco products. These stores carry limited grocery merchandise or produce and typically sell such items at high prices.

A 2,700 square foot natural foods coop, called Mandela Foods Cooperative, located on 7th Street, carries a limited selection of organic food items. A 5,000 square foot Produce Pro located on San Pablo Ave and 26th Street carries a small selection of conventional produce and a limited grocery assortment of primarily of Hispanic brands and food types. Despite these two stores and many convenience stores, CFM's research has determined that the existing food retail square footage per capita in West Oakland is 1.2 square feet, which falls well below the 3.0 square feet per capita that is considered to be a well-served area. A lack of existing food retail square footage underscores the highly limited competition.

Intalytics identified 12 conventional and specialty supermarkets serving portions of its defined 1.5-mile Trade Area. Besides a New Seasons Market (35,000 square feet) to open in Emeryville, Intalytics expects that there will be no new competition during its five-year forecast period. These 12 supermarkets currently capture 79.0% of the Trade Area's market share. The remaining 21% of the Trade Area's market share is primarily accounted for by a Costco in the City of San Leandro to the South and by smaller convenience stores located throughout the Trade Area.

The nearest supermarket to CFM's location is a 54,000 square foot Pak N Save (owned by Safeway), which is located 0.8 miles from CFM's site, generates 60% of its weekly sales (\$390,000) from within the Trade Area and accounts for 17.5% of market share within the Trade Area. The next two closest supermarkets are a 26,000 square foot Sprouts Farmers Market (1.3 miles away) and a 33,000 square

foot Grocery Outlet (1.4 miles away), which respectively generate 55% and 45% of their sales from the Trade Area and respectively account for 5.9% and 7.6% of market share within the Trade Area. While a 57,200 square foot Wholes Foods accounts for a notably large market share within the Trade Area (20.4%), the high-end supermarket only derives 35% of its sales from within the Trade Area. In contrast, while an 18,000 square foot Smart & Final accounts for 6.6% of Trade Area market share, it derives 65% of its sales from within the Trade Area. Based on the type of customers that each of these supermarkets targets, CFM considers the Pak & Save, Grocery Outlet and Smart & final to be its primary competitors regardless of their Trade Area market share or distance from CFM's store location.

4. Business Plan Summary

Community Foods Market is an outgrowth of People's Grocery, a nonprofit founded in 2002 that has operated numerous food projects (including the Mobile Market and the Grub Box), urban gardens and nutrition education programs. The Company is building on People's Grocery's thirteen years of food enterprise experience to develop and operate a full-service neighborhood food store, health resource center and community hub in West Oakland that supports local families to attain healthier and more socially connected lives. The Company will apply its understanding of the local area, as well as feedback and input gathered from community residents, to launch a retail solution that makes it easy to buy quality fresh foods at affordable prices in the neighborhood.

Business Model

Community Foods Market will implement a sustainable solution for West Oakland residents to buy nutritious and fresh foods, prepared foods and traditional groceries at great value in their own neighborhood, while also offering education, engagement and incentive programs that introduce customers to healthier food options and encourage them to adopt healthier eating habits over time.

Condensed Retail Format: CFM will operate a condensed retail store of approximately 14,000 square feet, which is small by industry standards. This smaller size reduces real estate acquisition, development costs and certain operating costs such as utilities and maintenance. The smaller size will also allow the Company to operate at a central location in a dense urban area with high population density, vehicular traffic and accessibility by foot and public transportation. While the store will be smaller than most supermarkets, it will carry an ample selection of approximately 15,000 items across all primary food shopping categories and will provide sufficient aisle width, checkout counters, seating, programs and other aspects that are important to customer experience and the Company's activities.

Fresh Foods Focus: Community Foods Market's offerings will focus on fresh and perishable foods that are currently the least available in West Oakland: produce, dairy, meats, poultry and seafood. Approximately 60% of total products will be perishable items. CFM believes that increasing access to fresh foods and encouraging customers to eat more fresh foods and foods made from whole ingredients (as well as eating less processed foods with high additive content) will be the most effective means of improving health in the West Oakland community. CFM has set a goal of marketing 1,000,000 pounds of fresh produce to West Oakland residents annually and increasing produce consumption among its customers by 30% within seven years. The store will accept WIC and CalFresh/SNAP electronic benefit cards in support of this goal. Community Foods has also secured a grant from the USDA to provide a 50% discount to customers using CalFresh/SNAP for qualified fruits and vegetables.

Approximately 70% of the initial fresh foods product mix will be conventional to reflect the primary demand in the neighborhood and to ensure availability of affordably priced fresh foods. Offerings of

organic and natural fresh food products will be increased as customer demand increases.

The produce department will offer a diverse selection including seasonal displays and ethnic items. Prices on select items will be reduced at daily time intervals in order to increase turn-rates and maintain optimal freshness. Value-added convenience products in the produce department will include salad kits, fresh-cut fruits, and vegetable meal solutions.

The meat and seafood department will offer a curated selection of fresh and safe meats, poultry and seafood at reasonable prices. The meat case will display top-selling conventional, organic and locally sourced cuts of choice and select grade beef, pork, lamb, and poultry. The seafood case will display a limited selection of wild and farmed fresh fish, crustaceans and shellfish. Customers will be able to order custom cuts of all selections from a single service clerk. The meat and seafood counters will feature value-added convenience products such as marinated, stuffed and encrusted items.

Prepared Foods: As the Trade Area also lacks quality prepared foods and meals, a full-service café, delicatessen and grab-&-go section will be a central offering. The prepared foods department will provide a variety of choices for eating in, taking out, purchasing an entire meal or purchasing meal components. All prepared foods will be made daily with fresh & whole ingredients. The cafe will offer ready-to-eat foods featuring fixed and rotating selections of Southern and Latin dishes that reflect local ethnic preferences. The cafe will also offer signature sandwiches, salads, soups and stews that are prepared daily. Hot breakfast foods will be offered in the mornings. A coffee kiosk will be located next to the cafe offering brewed and drip coffees and made-to-order hot beverages, smoothies and juices.

Seating for the cafe will be available in a social hall, called the Front Porch Social Hall, that will adjoin the store and have a separate entrance. There will be a service counter in the Front Porch where customers can order from the cafe, which will enable CFM to extend its food service beyond store operating hours and capture additional sales without absorbing unnecessary overhead. A dinner service will complement and enhance evening social events and performances offered in the Front Porch, which will also be utilized to offer family-style dinner events, supper clubs and Sunday BBQs.

Limited Grocery Assortment: Community Foods will utilize a limited assortment format, blended with warehouse format merchandising of pallet displays, for daily grocery staples, personal care and household products to cater to smaller, more frequent purchases that are characteristic of shoppers traveling by foot and public transportation. The Company will stock approximately 50% of the grocery inventory carried by supermarkets, offering a range of items for convenience while limiting the scope of products to the top selling items in a category. This approach will create a more efficient and manageable inventory that results in higher turn rates, lower carrying costs and lower shrinkage costs. It will also optimize CFM's merchandising and simplify its shopping experience, satisfying customers' desires for a selection of goods without overstocking or excess waste.

Pricing and Sourcing

Community Foods will offer a range of pricing options to cater to diverse customer segments and shopping budgets. The market's pricing strategy will strive to balance price enticements that lure customers looking for bargains, with higher-margin items often purchased out of impulse or convenience, to create an overall merchandising mix that generates sustainable gross margins.

While it will be important to price competitively and to maintain an accessible price image, CFM will not

attempt to compete with big box and discount retailers on price. The Company anticipates that its proximity and convenient location will enable it to compete against retailers such as Grocery Outlet and Smart & Final for shoppers who are time constrained and/or who have limited mobility and are willing to pay marginally higher prices for greater convenience and proximity to their homes.

Additionally, economic theory suggests that price competition has less of an effect on retailers that are viewed as distinctive. CFM will compete against low price retailers through its key points of differentiation, as well as through a distinctive product mix, social experiences and ancillary services.

However, the Company expects to price competitively against its most immediate competitors, which are nearby corner stores and the Pak 'n Save in Emeryville. Although the Pak 'n Save was once a discount retailer, a renovation of the store in 2015 by its parent company, Safeway, resulted in an increase in the store's pricing to the level of Safeway branded stores. Many local residents now complain that, while the Emeryville Pak 'n Save used to be the most affordable outlet nearest to West Oakland, they now struggle to afford its higher prices and often choose to travel further to shop at a lower price retailer. Community Foods will track its pricing against the Pak 'n Save store and make sure that its prices are consistently lower across all critical categories.

Community Foods Market will achieve competitive pricing through four primary strategies:

Low cost financing: The Company has secured and continues to pursue forms of financing that are mission aligned and, as a result, provide below market rate costs of capital. This includes nearly \$1.7M in financing at 3% interest through the sale of preferred stock and \$675,000 in financing at 0.75% interest through a loan from EBALDC that was enabled by a federal grant from the [Healthy Food Financing Initiative](#) (HFFI). Although the Company was not the direct recipient of a note made by a supporter for the purchase of the store site (see Section 4.5.1), that financing has provided significant benefit to its pro forma through free rent. These forms of capital reduce the pressures of debt service and rent expense, allowing the Company to invest in lower pricing.

Operational efficiencies: CFM's condensed retail footprint will reduce operating costs such as facilities maintenance and utilities. Utility costs will also be reduced through the use of technologies, equipment and processes that reduce energy and water consumption. The food market's limited assortment and warehouse formats in grocery will result in operational efficiencies related to inventory management, carrying costs, stocking labor and shrinkage. Community Foods will reduce marketing costs by relying on word-of-mouth marketing and utilizing the low-cost marketing services provided by the Independent Grocers Alliance (IGA). Labor costs will be reduced, in part, through cross training of employees in multiple departments, reducing the need for additional employees to fill limited shifts. CFM will also implement a culture of cost control at the management level by assigning P & L responsibility to department managers in which they create, control, monitor and meet department budgets.

Sourcing tactics: Community Foods will develop and implement sourcing tactics geared at reducing costs of goods and increasing gross margins. Sourcing tactics that will reduce cost of goods include: sourcing directly from producers; sourcing imperfect, odd lot and surplus products; purchasing in volume; and co-purchasing with institutions. CFM's Director of Store Operations will use his skills at aggressive negotiation to secure the best possible pricing from mainline distributors. This will include securing extended terms, free fills, guaranteed sales, promotional budgets and other special deals for initial set up to allow the store to price even more competitively in its first 2-3 months in order to

increase initial foot traffic and create impressions of Community Foods' price image.

Merchandising Tactics: Community Foods will offer segments of produce and packaged grocery through an everyday low price (EDLP) program, called Value Basics, to deliver an affordable basket of daily consumables to shoppers on a restricted budget. Shelf tags bearing the Value Basics label will make it easy for customers to identify CFM's EDLP offerings. Additionally, CFM's store layout includes a floor area adjacent where warehouse format pallet drops of select and promotional items will be merchandised. The grocery department will also feature a Wall of Values section located next to the where additional pallet drops will display special bargains and unique finds. These merchandising tactics will enable the business to concentrate its purchasing in grocery categories, thus boosting its bargaining power with suppliers, and to conduct opportunistic buying that requires larger volume purchases.

Membership and Incentives

CFM engaged the pro bono services of Seed Consulting Group to develop a strategy for integrating a rewards card into the Get Fresh Membership Program geared at increasing customer loyalty and encouraging the purchase and consumption of fresh perishable foods. The Get Fresh Rewards program will target incentives at fresh produce, perishable grocery and meat/seafood products. The rewards program is envisioned to expand over time into stages of increasing engagement with participating customers. Members will also be able to purchase a discounted Daily Dish at the café. And Get Fresh members paying with SNAP/CalFresh will receive a 5% discount on all non-sale perishable products. Members will also be able to access member-only classes and events. The Get Fresh Membership Program is being partly modeled off of the Carrot Club developed by Fare & Square Market in Chester, PA, which is a successful food market that serves a similar demographic population.

CFM is partnering with the Ecology Center of Berkeley to implement a pilot program in which customers using CalFresh (California's Food Stamp Program) can receive discounts on fruits and vegetables bearing the Market Match shelf label. Market Match currently provides dollar-for-dollar matching incentives to CalFresh recipients at over 250 farmers markets across the State. CFM will be the first pilot of the Market Match program in a retail setting. The Market Match incentive will be delivered through an immediate 50% discount at the register. To get the discount, customers using CalFresh benefits enroll in the Get Fresh Membership Program and receive a co-branded Get Fresh/Market Match card linking them to automated administration and tracking of the incentive. Participants must purchase a minimum of \$10.00 of qualifying fruits and vegetables to receive the discount. The discount is triggered when Market Match eligible produce is purchased in combination with scanning the co-branded Get Fresh/Market Match card and the usage of EBT for payment. A licensing agreement has been formed with the Ecology Center for use of the Market Match mark. The Ecology Center will provide technical assistance in planning and implementation, including training in best practices of the Market Match program; advisement on program design; guidance in evaluation; and assistance in the development of marketing and outreach strategies to SNAP recipients.

Education, Outreach and Community Building

Community Foods will support customers in improving their health, building community and becoming more socially connected. CFM will partner with community and health organizations to offer education programs on topics such as food, farming, nutrition and health, as well as health and nutrition services including screenings and dietary counseling will be provided to West Oakland residents who shop at the store. To effectively implement these programs, CFM has formed a nonprofit tax-exempt organization, called the Fresh Life Foundation, to undertake charitable activities that are essential to

CFM's goals. In addition to the delivery of health education and services, the Fresh Life Foundation will conduct outreach to increase community involvement in the store, including providing support and coordination to the Community Advisory Council (CAC). Formed in 2012, the CAC is composed of members who reflect the diversity and demographics of West Oakland and have been engaged in providing feedback and guidance to CFM's planning and development process. They have led outreach initiatives, organized community events, spoken with media and met with local political leadership on CFM's behalf. The CAC is important in developing and strengthening CFM's community relations and is a key source of CFM's knowledge and competitive advantage.

The Fresh Life Foundation will also organize and manage social activities and events in the Front Porch social hall that support community building and social cohesion among residents. The Front Porch will feature a stage, kids play area, and café service window for outdoor food ordering. It will be a space where customers can gather, enjoy a meal and freely socialize. The Front Porch will be used to host workshops, meetings and events such as poetry nights, live music and Sunday barbecues.

Marketing

CFM's marketing activities will concentrate on the West Oakland community in order to maximize local penetration in a cost-effective manner. While it may use some traditional advertising, the Company will invest most of its marketing resources into tactics that engage the local community. Marketing will initially focus on attracting new customers and then gradually shift as the store matures to retaining existing customers. Concentrating marketing on the local community and on existing customers who are already repeat shopping will likely result in the greatest return on CFM's marketing dollars.

CFM will join the [Independent Grocers Alliance](#) (IGA) to utilize its low-cost marketing services. IGA is the largest affiliation of independent grocers in the United States with over 4,000 member stores in the U.S. Many of IGA's stores operate in small town markets and are family owned and operated. IGA's primary goal is to ensure that independent grocery stores remain strong in the face of growing chain competition. Although IGA is known largely as a banner and a private label, the organization has in recent years shifted to primarily being a marketing partner to its members and providing an array of marketing programs and professionally designed marketing materials. These marketing programs provide independent grocers with significantly greater marketing capabilities and reach, while keeping costs low and allowing the member stores to maintain an independent identity.

Employee-ownership

It is a long-term goal of Community Foods to become an employee owned and controlled business. According to the [National Center for Employee Ownership](#) (NCEO), companies that are owned in whole or in part by their employees often provide more engaging and participative workplaces that tend to outperform traditional companies, preserve jobs, remain rooted in their communities, and stay in business longer. Although the Company has not yet implemented an employee-ownership plan, a general legal framework, organizational process and timeline for how the Company could potentially advance toward becoming an employee- owned business is being developed with assistance from NCEO. A central element of this process will be providing employees with either option grants or restricted stock awards on the basis of individual performance and merit. Employees would be eligible for such awards upon completion of their first full year of employment and a Certified Employee Owner (CEO) training program that trains employees to think and act like owners.

Location and Site Plan

CFM has entered into ground leases for two adjacent properties located on the San Pablo Avenue corridor in West Oakland. The specific locations, descriptions, lease agreements and redevelopment plans for each site are as follows:

3103 – 3105 Myrtle Street. This property is located where Myrtle Street adjoins San Pablo Avenue from the south, on the west side of San Pablo Ave. It is situated such that the majority of its length runs north-to-south along San Pablo Avenue, providing for sufficient sight-lines on the east side of the property along San Pablo Avenue, as well as for the construction of a prominent façade. The east side of the property has two drive curbs for ingress/egress onto San Pablo Avenue. The western side of the property abuts Filbert Street and has a drive curb for ingress/egress onto Filbert Street.

This property is in the CC-2 Community Commercial zone and the Community Commercial General Plan designation. It is 16,150 square feet in size and currently houses a building of 6,093 square feet in size. The building was previously owned and occupied by a marble and granite supply store. The property has several thousand square feet of open space and has zoning rights to construct structures up to the very edge of the property line in all four directions, also known as zero lot lines

Community Foods' community development partner, the [East Bay Asian Local Development Corporation](#) ("EBALDC"), purchased this property on March 21, 2016 for \$970,000 using funds provided by a supporter of CFM's project through a promissory note with a three year term and a de minimis interest rate of 0.75%. CFM concurrently executed a ground lease with EBALDC to construct and operate a full-service food market on the premises. The initial term of the ground lease is for three years in order to align with the term of the promissory note. However, the term of the ground lease will be increased to thirty years, with one option to renew for an additional ten years. CFM is responsible for all maintenance, taxes, utilities, and any other costs associated with the management and use of the property. CFM has a right of first refusal to purchase the property in the event EBALDC desires to sell the property, as well as an option to purchase the property for the original \$970,000 within the first three years of the term. Should the Company elect to exercise this purchase option, the \$970,000 purchase price may be below market value depending on the condition of the general real estate market at the time. Should the Company not elect to exercise its purchase option, EBALDC may choose to either repay the note from its own capital assets and remain the owner and landlord, or sell the property to a third party in such a way that CFM's lease shall remain legally binding and intact. CFM's lease has been recorded on the property's title to ensure that the any potential third party buyer is aware that they shall be bound by the terms of the lease, as shown in the public records.

CFM's plan is to construct a full-service food market of approximately 14,000 square feet in size, a permitted activity in the CC-2 zone. As the tenant and owner-operator of the proposed business, CFM is responsible for all costs associated with planning, permitting, demolition, construction, on-site and off-site improvements. CFM received its project entitlements in June 2017, and its building permit in December 2017. The permitting process entailed a Regular Design Review and a Minor Conditional Use Permit for a building height below the corridor minimum. CFM has secured the services of a project manager, architect, general contractor, and equipment planner, as well as legal counsel with expertise in real estate transactions, development and financing. The architect has secured all necessary services for civil, structural, MEP and other required engineering and construction drawings are currently 90% complete. The general contractor has secured all necessary sub-contractors for the construction.

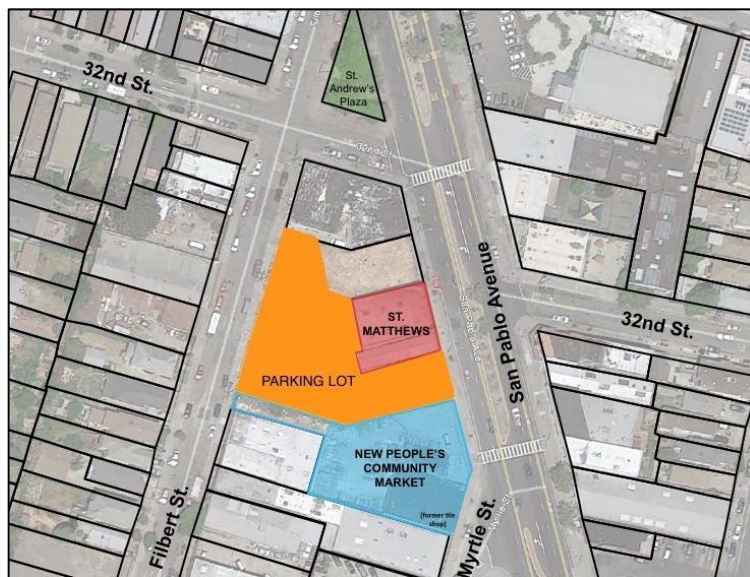
3117 – 3129 San Pablo Avenue. This property is located on the west side of San Pablo Avenue

immediately to the north of 3103 – 3105 Myrtle St. It shares a zero lot line with 3103 – 3105 Myrtle St. This property has a drive curb on San Pablo Avenue, providing the primary ingress/egress onto the property. It has two drive curbs on Filbert Street to the east, providing additional ingress/egress onto the property and circulation throughout the paved parking lot that accounts for the majority of the property.

This property is 26,457 square feet in size and currently houses a building of 5,813 square feet in size. The property is owned by St. Mathew Missionary Baptist Church (“St. Mathew”), a historic black church founded in 1955. St. Mathew utilizes the building for its religious services, offices and community programs. The remaining 20,644 square feet serves as a paved parking lot.

On March 11, 2016, CFM entered into a long-term ground lease with St. Mathew to lease the 20,644 square foot paved lot. Through the lease agreement, CFM will have the right to use all of the property except for the existing building, which will be for the exclusive use of St. Mathew. The term of the ground lease is for thirty years with one option to renew for an additional 4.5 years. CFM paid a starting rent of \$3,000 per month, with an annual rent increase of 3%. CFM is responsible for maintenance and upkeep of the portion of the property that it leases, as well as for utilities and expenses in connection with the operations of its business. St. Mathew is responsible for the maintenance of its building, the utilities of its building and property taxes. CFM has a right of first refusal to purchase the entire property in the event St. Mathew desires to sell the property.

CFM’s plan is to use the 20,644 square foot paved lot as the parking lot for its food market. CFM will make improvements including the re-grading, repaving and restriping of the parking lot; expanding or adjusting drive curbs; adding greenery and landscaping; adding fixtures, lighting posts and security cameras. The fencing along the southern perimeter that adjoins to 3103 – 3105 Myrtle St. will be removed in order to provide customer access between the store and the parking Lot.



Construction commenced in April 2018 and is expected to be completed in November 2018.

5. Management

Chief Executive Officer & President

Brahm is a co-founder of People's Grocery and was the Executive Director of the nonprofit for eight years. Brahm has first-hand experience in developing food enterprises, marketing healthy foods in the inner city and providing training and education to low-income residents. Brahm has an MBA in Sustainable Management from the Presidio Graduate School and is a Food and Community Fellow with the Institute for Agriculture and Trade Policy.

Chief Financial Officer

David Guendelman brings years of experience with start up companies that make a positive social impact in the world. In 2004, David was a member of the founding team as CFO of World of Good, which he led through two rounds of equity financing, helped to scale to become one of the leading fair trade product companies with a line in Whole Foods and a partnership with eBay, and then oversaw its sale to Ebay in 2010. David is the first CFO at Saveup.com, an online rewards program, as well as a financial consultant to Lotus Foods, which imports handcrafted and sustainably produced heirloom rices.

Operations

Larry Ferguson has decades of experience as an operations manager and store manager. Most recently, Larry was General Manager for Berkeley Bowl Marketplace (voted best Supermarket in California in 2016) where he managed day to day operations simultaneously for two high volume stores for a multimillion dollar independent, full service supermarket. He has been in executive and senior management positions at New Leaf Community Markets, Lunardi's Markets, Andronico's Community Markets and Petrini's Markets. Larry is CFM's interim Director of Store Operations and is leading in planning the Company's retail operations and recruiting a permanent Operations Manager.

Marketing

Michele Thorne has a background in food industry sales, marketing and graphic design, as well as food education and wellness services. Michele was the Sales and Marketing Manager for the David Rio beverage company in San Francisco, as well as the Wellness and Outreach Director for SOMA Beverage Company/Metromint. Before moving to the Bay Area, Michele was Executive Chef at the award winning Counter Restaurant in New York City. Michele is assisting in brand development, marketing and in-store programming. She is a member of CFM's Board of Directors and is currently the Board Secretary.

Treasurer

Ari Derfel is a serial food entrepreneur in the San Francisco Bay Area. In 2010, Ari co-founded Gather, an all-organic, sustainably designed restaurant, at the renowned David Brower Center in Berkeley, California. Ari also founded Back to Earth Organic Catering in 2003, the first organic catering company in the US. He is the former Executive Director of Slow Money USA. Ari is Treasurer of CFM's Board of Directors and is assisting in strategy and financing.

Food Service

Nancy Weimer is a Food Service Professional well versed in all aspects of the industry, from restaurants and retail to kitchen production and customer service. Nancy served as Food Service Director for New Leaf Community Markets from 1995 - 2014, where she oversaw the Deli, Kitchen, Cheese, Specialty, Juice Bars and Bakery Departments.

Produce

Bill Fujimoto is a fresh grocer and produce pioneer in the San Francisco with over 40 years of experience in the grocery business. Formerly at Monterey Market in Berkeley, where he built a highly successful fresh food market centered on direct procurement and unique promotional strategies, Mr. Fujimoto is working with CFM in the planning of the produce department and produce procurement.

Grocery

Joni Wong began as a Buyer in general merchandising at a small food store in Urbana, IL, known as the Common Ground Food Co-op. She later became the Grocery Department Manager and then the Co-Manager, assisted in expanding the store to a location that was three times the size of the original store. Joni moved to California in 2011 and currently works at a Trader Joe's store in Oakland in general merchandising. Joni is assisting CFM in planning its grocery department management and operations.

Workforce

Joe Rogoff began his natural foods career in Northern California in 1974, working at various co-ops and small retailers. In 2000 he joined Whole Foods Market through a merger and became Store Team Leader at three stores. Joe was promoted to Regional Vice President of Operations, then VP of Purchasing in Northern California and, finally in 2010, as Regional President of the Pacific Northwest and Western. Joe assists CFM in developing strategies for workforce development and workplace culture.

6. Plan of Distribution

This offering will be offered and sold on a no minimum basis, with a maximum aggregate offering amount of \$814,244. The offering will terminate one year from the date of commencement (unless such termination date is extended, at the discretion of Management and subject to the consent of the California Department of Business Oversight).

All offering activities will be conducted by Company employees, officers and directors. Specifically, offering activities will be conducted by Brahm Ahmadi, CEO and President, and David Guendelman, CFO. Some administrative tasks related to the offering may be conducted by other employees of the Company under the supervision of such officers. No person will receive any commission or other compensation for their distribution efforts. The Company will not use any broker-dealers or any other agents in connection with this offering.

The Company will advertise the offering in newsletters and email communications; in newsletters and email communications of other organizations and businesses; in newspaper and magazine ads and/or articles; on radio and television interviews; on the Company's web site and online social media sites; in online promotional videos; and at events, conferences and presentations. All communications will direct prospective Investors to the offering memorandum, which will be available in hardcopy and in digital format. The Company will offer and sell the Securities only to California residents.

7. Preferred Stock Attributes

CFM is offering up to four hundred seven thousand one hundred twenty-two (407,122) shares of non-voting, non-convertible Series A Preferred Stock (the "Preferred Stock") at a price of Two Dollars (\$2.00) per share (the "Purchase Price").

7.1 Dividends

The Preferred Stock shall be entitled to receive cumulative dividends at a rate of 3.00% per year, when, as, and if declared by the Board of Directors, prior and in preference to any payment of any dividend on the Common Stock. Cumulative dividend earnings shall begin to accrue on the first day following the completion of a purchase of stock. Unpaid and/or undeclared dividends shall continue to accrue each year. To the extent that dividends are not declared by the Board of Directors, they will continue to accrue, but no payments upon such accrued undeclared dividends will be due to the shareholders. The Board of Directors may choose to declare dividends, or not, at its sole discretion, subject to the requirements of the California Corporations Code.

Dividend rights shall be senior to the Common Stock. After the dividend preferences of the Preferred Stock have been paid in full for a given calendar year, all remaining dividends in such calendar year will be paid solely on the Common Stock.

7.2 Liquidation Preference

In the event of a "Liquidation Event" (including a liquidation, dissolution or winding up, merger or acquisition, consolidation or change in control, or a sale of substantially all of the Company's assets), holders of the Preferred Stock will be entitled to receive an amount equal to their original investment plus all accrued but unpaid dividends thereon, whether or not such dividends have been declared (the "Preference Amount").

After the Preference Amount has been paid to the holders of the Preferred Stock, all remaining funds and assets of the Company legally available for distribution to shareholders will be distributed pro rata among the holders of the Common Stock.

7.3 Conversion Rights

The Preferred Stock is NON-convertible.

7.4 Voting Rights

The Preferred Stock is NON-voting. Election of the Directors of the Company shall be by vote of Common Stock holders only.

7.5 Redemption

Subject to any legal restrictions on the Company's redemption of shares, at any time on or after the seventh (7th) full year of business operations from the date in which the Company opens its business to customers (the "Redemption Start Date"), the Company, at its option, may redeem the Preferred Stock held by all or any number of selected Investors, by payment to such Investors of the Preference Amount. Company shall provide all such Investors (whose Preferred Stock is to be redeemed) a sixty (60) day notice of its intent to redeem such Investor's Preferred Stock prior to effecting redemption.

Subject to any legal restrictions on the Company's redemption of shares, at any time on or after the Redemption Start Date, each Investor, at such Investor's option, shall have to right to require the Company to redeem all of such Investor's Preferred Stock by payment to such Investor of the Preference Amount. Any Investor seeking to exercise this redemption right shall provide the Company with at least sixty (60) day notice of such Investor's intent to exercise this redemption right.

7.6 Benefits to Preferred Shareholders

For so long as any Investor holds all shares of Preferred Stock originally purchased by such Investor prior to the Redemption Start Date, for any calendar year in which the Company conducts business operations, such Investor shall receive a store credit from the Company equal to one percent (1%) of the aggregate purchase price paid by such Investor for such shares of Preferred Stock; provided, however, that any portion of such store credit that is not used in such calendar year shall be forfeited. If any Investor, whether through sale, transfer, redemption or other transaction, no longer holds all shares of Preferred Stock originally purchased by such Investor prior to the Redemption Start Date, then such Investor shall have no further rights to receive or use such store credit.

In addition, any investor who, in the aggregate, invests at least \$10,000 in the Preferred Stock will have the opportunity to have their own name (or that of a person in whose honor the investment is made) inscribed on a tile mosaic placed prominently on a wall at the entrance of the store. Further, any investor who invests, in the aggregate, at least \$20,000 in the Preferred Stock will have an opportunity to have a photograph (or other graphical design) included along with their name on the tile mosaic. The Company may, in its sole discretion, impose length limitations, photograph parameters, and reasonable deadlines, and retains the right to reject any name, photograph, or image that it deems inappropriate or contrary to the Company's mission or on any other reasonable basis.

7.7 Company Right of First Refusal

The Company shall have a right of first refusal ("ROFR") to purchase any of the Preferred Stock that any Investor proposes to sell, transfer, gift, pledge, assign, distribute, encumber or otherwise dispose of to a third party, except for transfers which are part of an inheritance. Company's ROFR will be assignable by Company to any other Investor and/or shareholder of the Company. The ROFR will terminate upon a Liquidation Event.

7.8 Other Restrictions on Transferability

This offering is made pursuant to an exemption from federal registration requirements set forth in Rule 147A under the Securities Act of 1933, as amended (the "Securities Act"). As required by Rule 147A:

(i) for a period of six (6) months after an investor purchases the securities described herein, all resales of the securities, by any person, shall be made only to persons resident within the state of California (the "Rule 147A Resale Limitation");

(ii) the Company shall, in connection with any sales by it of the securities described herein, (x) place a legend on any certificate or other document evidencing such securities stating that such securities have not been registered under the Securities Act and setting forth the Rule 147A Resale Limitation, and (y) issue stop transfer instructions to the Company's transfer agent, if any, with respect to such securities, or, if the Company transfers its own securities, make a notation in the appropriate records of the Company ((x) and (y), collectively, the "Legending and Stop-Transfer Actions"); and

(ii) the Company shall, in connection with the issuance of new certificates for any of securities described herein that are presented for transfer during the time periods in which the Rule 147A Resale Limitation applies, take the Legending and Stop-Transfer Actions.

In addition to Company's (assignable) ROFR and any other restrictions imposed upon the

transfer of the Preferred Stock by securities or other laws, Company will restrict holders of the Preferred Stock from transfers of such shares to competitors or potential competitors.

The following will be imprinted on any stock certificates representing the Preferred Stock prohibiting their transfer except in accordance therewith:

“IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFORE, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF THE DEPARTMENT OF BUSINESS OVERSIGHT OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER’S RULES.”

For more information pertaining to the legend and the rules permitted by the Commissioner see Exhibit C California Code of Regulations Section 260.141.11., Restriction on Transfer, in Exhibit C to this Offering Memorandum.

The exemption for secondary trading under section 25104(h) of the California Corporations Code will be withheld, but other exemptions for secondary trading, including under section 25104(a) of the California Corporations Code (which covers private sales by a bona fide owner for his or her own account without advertising and without being effected by or through a broker dealer in a public offering), may be available.

8. Use of Offering Proceeds

The Company intends to use the proceeds from the sale and issuance of its Securities, along with the proceeds of a potential loan from one or more financial institutions as follows:

8.1 Selling Expenses

The selling expenses of this offering shall not exceed 15% of the aggregate offering amount. California regulations define selling expenses as the total underwriting and brokerage discounts and commissions (including fees of the underwriters’ attorneys paid by the issuer) paid in connection with the offering plus all other expenses incurred by the issuer relating to printing, mailing, salaries of employees while engaged in sales activity, charges of transfer agents, registrars, trustees, escrow holders, depositaries, and engineers and other experts, expenses of qualification of the sale of the securities under Federal and State laws, including taxes and fees, and any other expenses incurred by the issuer directly related to the offering and sale of the securities, but excluding accountants’ and the issuer’s attorneys’ fees and options to underwriters.

8.2 Scenario Analysis of Sources and Uses of Funds

During the one year period ending September 24, 2013, the Company raised \$762,148 through the sale of 381,074 shares of Series A Preferred Stock, at two dollars (\$2.00) per share, to California residents, made under a public securities offering qualification by permit issued on September 25th, 2012 under section 25113(b)(1) of the California Corporate Securities Law (the “2012 Offering”).

During the one year period ending September 23, 2014, the Company raised \$451,300 through the sale of 225,650 shares of Series A Preferred Stock, at two dollars (\$2.00) per share, and \$1,250 worth of pre-paid store credits, in each case to California residents, made under a public securities offering qualification by permit issued on September 24th, 2013 under section 25113(b)(1) of the California

Corporate Securities Law (the “2013 Offering”).

During the one year period ending January 29, 2016, the Company raised \$8,500 through the sale of 4,250 shares of Series A Preferred Stock, at two dollars (\$2.00) per share, to California residents, made under a public securities offering qualification by permit issued on January 30th, 2015 under section 25113(b)(1) of the California Corporate Securities Law (the “2015 Offering”).

During the one year period ending January 28, 2017, the Company raised \$433,208 through the sale of 216,604 shares of Series A Preferred Stock, at two dollars (\$2.00) per share, to California residents, made under a public securities offering qualification by permit issued on January 29th, 2016 under section 25113(b)(1) of the California Corporate Securities Law (the “2016 Offering”).

Pursuant to a public securities offering qualification by permit issued on April 13, 2017 under section 25113(b)(1) of the California Corporate Securities Law, the Company has, as of March 5, 2018, raised \$15,500 through the sale of 7,750 shares of Series A Preferred Stock, at two dollars (\$2.00) per share, to California residents (the “2017 Offering” and, together with the 2012 Offering, the 2013 Offering, the 2015 Offering, and the 2016 Offering, the “Prior Offerings”).

The following table represents the Company’s intended use of the combined proceeds from this offering, the Prior Offerings and other forms of financing that are secured or will be secured.

Sources of Funds		Uses of Funds	
DPO ## 1-5	\$1,685,756	Build Out	\$6,055,675
DPO #6 (current offering)	\$814,244	Furnishings, Fixtures & Equip.	\$1,750,000
Grants	\$210,000	Real Estate Acquisition	\$991,825
NMTC Financing ¹	\$2,200,000	IT Systems & Hardware	\$175,000
EBALDC Loan ²	\$675,000	Opening Inventory	\$350,000
Construction Loan	\$5,462,500	Pre-Operating Expenses	\$900,000
		Working Capital/Operating Cash	\$700,000
		Incentive & Workforce Programs	\$125,000
Total Sources of Funds	\$11,047,500	Total Uses of Funds	\$11,047,500

This budget scenario assumes that the Company is able to secure a total aggregate of \$2,500,000 in financing from Investors and, as a result, secure \$2,200,000 in financing from the New Market Tax Credit (NMTC) Financing program. All other financing included in the above budget is secured.

The Company is currently limited by its articles of incorporation to issue no more than 1,250,000

¹ The New Markets Tax Credit (NMTC) Program is a federal program that incentivizes private investment into distressed communities through the use of tax credits. Proceeds from NMTC funding will be used for acquiring the future store site, as well as for a majority of furnishings, fixtures and equipment.

² In September 2016, the East Bay Asian Local Development Corporation (EBALDC) was awarded a \$750,000 grant by the federal Healthy Food Financing Initiative (HFFI) in support of the creation of Community Foods Market. CFM has signed a loan agreement with EBALDC to borrow 90% of this grant award, or \$675,000, through a 22-year subordinated note.

shares of Preferred Stock, for an aggregate total of \$2,500,000. The Company may, at a subsequent date, call a meeting of shareholders to consider amending its articles of incorporation to increase the authorized number of shares of Preferred Shares that may be issued. If the Company's shareholders approve such an amendment, the Company may amend this offering, or conduct a subsequent offering to offer additional shares of Preferred Stock, which would result in a decrease in the amount of debt financing.

9. Financing to Date

CFM has been keeping its expenses to a minimum over the past five years in preparation to procure financing. During this time the Company has utilized the following capital infusions:

- 1) \$70,000 grant from the USDA Farmer's Market Promotion Program.
- 2) \$35,000 grant from the California FreshWorks Fund.
- 3) \$30,000 subordinated note from People's Grocery (repaid in 2013).
- 4) \$25,000 subordinated note from a private individual (repaid in 2013).
- 5) \$25,000 subordinated note from a private family foundation.
- 6) \$50,000 subordinated note from a private investment fund.
- 7) \$25,000 grant from the Northern California Community Loan Fund.
- 8) \$10,000 grant from Beneficial State Bank.

Additionally, as described above, the Company raised \$1,685,756 in the Prior Offerings. Proceeds from the Prior Offerings have been used to pay for selling expenses, pre-operating expenses including salaries and management fees, architectural and engineering services, and permit applications.

In December 2017, the Company was approved for and closed on a total of \$5,462,500 in construction loans by three lenders: the Northern California Community Loan Fund (NCCLF), a San Francisco-based nonprofit lender, for \$3,000,000; Self-Help Federal Credit Union, based in Durham, NC, for \$1,985,000; and the California FreshWorks Fund for \$477,500. These loans, together the Construction Loan, will fund the the demolition of the existing building on the property; site work such as grading, landscaping and paving; construction of the building core and shell; plumbing, HVAC and electrical; and the purchase and installation of refrigeration. The Construction Loan is secured by a first leasehold deed of trust on the properties described under Location and Site Plan in Section 4. The maturity date of the Construction Loan will be the earlier of: (i) twelve (12) months from the closing date, or (ii) the closing and funding of New Markets Tax Credit financing, whichever occurs first. The principal amount of the Construction Loan will accrue interest at the rate of four and sixty-five one hundredths of a percent (4.65%) per annum. The Construction Loan will be repaid through interest-only payments from the closing date through the maturity date, to be paid from an interest reserve and added to the principal balance of the Construction Loan. All outstanding principal and interest will be due on the maturity date. Loan disbursement requests will be submitted to the lender at the end of each month. The first disbursement request is anticipated to be submitted at the end of May 2018.

10. Additional Financing

The Company may require additional financing for its development and operations. Such financing may be secured in the form of loans from private financial institutions or in the form of grants from public governmental agencies or private foundations.

The Company intends to secure additional financing through the New Markets Tax Credit Program (NMTC), a federal program that incentivizes investment into distressed communities through the use of tax credits. The program is administered by the US Treasury Department's Community Development Financial Institutions (CDFI) Fund and allocated by local Community Development Entities (CDEs), which are domestic corporations or partnerships that act as intermediary vehicles for the provision of loans, investments, or financial counseling in low-income communities. Proceeds from NMTC financing secured by the Company will be used to refinance the Construction Loan and to fund the acquisition of the property from the East Bay Asian Local Development Corporation, as well as the majority of furnishings, fixtures and equipment items that are not funded by the Construction Loan. The Company anticipates that it will secure an executed reservation letter for an allocation of New Markets Tax Credits in May 2018 and will commence the transaction in June 2018, with an anticipated closing by the end of August 2018.

11. Financial Matters

The Company was incorporated in 2010. The Company's Fiscal Year ends January 31. Financial statements are attached as Exhibit A. The Company has also developed a financial model and pro forma forecast with assistance from financial and retail professionals that projects expected financial performance, operating costs and capital requirements. Management believes that its financial forecasts present a reasonable outlook. The Company's Consolidated Pro Forma Financial Statement is attached as Exhibit B.

12. Litigation and Legal Matters

The Company is not presently party to any litigation, nor to the knowledge of Management is any litigation threatened against the Company, any of its management, or any affiliate, which may materially affect operations or projected goals.

13. Management Ownership and Compensation

<u>Owner of Record</u>	<u>Amount</u>	<u>% Ownership</u>
Brahm Ahmadi	1,000,000 shares common stock	100%

The CEO, Brahm Ahmadi, received \$23,000 in compensation in 2010 for his general services in leading the Company through its formation, planning and pre-development. Beginning in August of 2013, the CEO received an annual salary of \$20,000 to compensate for 50% of his full-time work. Beginning in January of 2014, the CEO received an annual salary of \$40,000 to compensate for 100% of his full-time work. Beginning in April of 2016, the CEO received an annual salary of \$50,000 to compensate for 100% of his full-time work. He also received a \$10,000 bonus for securing the Company's real estate contracts. Beginning in January of 2018, the CEO received an annual salary of \$60,000 to compensate for 100% of his full-time work.

14. Investor Suitability Requirements

15.1 General

Investment in Securities is highly speculative, involves significant risks, and is suitable only for persons of adequate financial means who have no need for liquidity from the investment and who can bear the economic risk of a complete loss of their investment. This offering is made in reliance on the intrastate offering exemptions under the Securities Act and the public offering qualification under section

25113(b)(1) of the California Corporate Securities Law (“California Securities Laws”) and other applicable laws or regulations.

The Suitability Requirements discussed below represent minimum requirements for prospective Investors. The satisfaction of such requirements by a prospective Investor does not necessarily mean that the Securities are a suitable investment for such prospective Investor. Prospective Investors are encouraged to consult their financial advisors to determine whether an investment in the Securities is appropriate. The Company may reject subscriptions, in whole or in part, in its absolute discretion.

15.2 Suitability Requirements

The Suitability Requirements for the offering are as follows:

- (1) (a) if Investor is an individual, he or she resides in the state of California; and (b) if the Investor is an entity, then the entity’s principal place of business is located in the state of California;
- (2) Either:
 - a. Investor invests less than \$2,500 total in the Company, including any investments made during the prior 12 months; OR
 - b. Investor has a minimum net worth (exclusive of homes, home furnishings, and automobiles) of at least \$250,000 and minimum gross income of \$65,000 AND the investment does not exceed 10 percent of that net worth; OR
 - c. Investor has a minimum net worth (exclusive of homes, home furnishings, and automobiles) of \$500,000 AND the investment does not exceed 10 percent of that net worth; OR
 - d. Investor is an accredited investor (as defined in Rule 501 of Regulation D; see footnote 1 in Section 1 above) AND the investment does not exceed 10 percent of Investor’s net worth (exclusive of homes, home furnishings, and automobiles).
- (3) If Investor is purchasing Preferred Stock, (a) if Investor is an accredited investor (as defined in Rule 501 of Regulation D; see footnote 1 in Section 1 above), Investor’s subscription amount is not less than \$5,000, and (b) if Investor is not an accredited investor (as defined in footnote 1 above), Investor’s subscription amount is not less than \$1,000.

15.3 Other Requirements

Subscriptions will not be accepted from prospective Investors whom the Company has reason to believe may not meet the requirements described in above. Prospective Investors who wish to invest more than \$2500 (including prior investments by the same investor) may be required to complete a Suitability Questionnaire prior to issuance of a Preferred Stock Subscription Agreement for the purchase of Preferred Stock in order to provide certain necessary information to allow the Company to determine the satisfaction of the Suitability Requirements by such prospective Investors.

Each Investor will be required to make certain representations and warranties to the Company and to

agree to indemnify, hold harmless, and pay all fees and expenses that are incurred by, and all judgments and claims made against the Company, its affiliates and counsel, for any liability that is incurred as a result of any misrepresentation made by Investor.

15.4 No Revocation

Once a person has (a) executed a Preferred Stock Subscription Agreement and (b) submitted funds, such subscription may not be revoked without the consent of the Company.

15. How to Purchase Securities

1. Review this Offering Memorandum and all exhibits.
2. Complete the blank fields of the Suitability Questionnaire provided by the Company on its website (or paper copy by request), including the Signature Page of the Suitability Questionnaire, and submit to the Company for review.
3. Upon confirmation of the satisfaction of the Suitability Requirements, complete the blank fields of the Preferred Stock Subscription Agreement provided by the Company on its website (or paper copy by request), including the Signature Page of the Preferred Stock Subscription Agreement, and submit to the Company for review. If the Investor is an entity, the Preferred Stock Subscription Agreement must be executed by an agent authorized to bind the Investor.
4. Write a check payable to Community Foods Market for the number of shares of Preferred Stock desired for purchase (note: this amount must be at least \$1,000 for unaccredited and \$5,000 for accredited Investors). Mail the check to the Company at the address contained in the Preferred Stock Subscription Agreement and on the Company's website. All payments must be received within ten (10) business days from the date of execution of the Preferred Stock Subscription Agreement. Note: fractional shares will not be sold.
5. The Company will mail you a copy of your share certificate. Important: Your investment has not been accepted by the Company until you receive a share certificate from the Company. The Company reserves the right to reject any prospective investment for any reason.

In all cases, the Investor, not the Company, bears the responsibility of delivery of payment and any other documents required in order for the Investor to purchase Securities.

17. Risk Factors

AN INVESTMENT IN THE COMPANY IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK, INCLUDING THE POSSIBLE LOSS OF THE ENTIRE INVESTMENT, AND EACH INVESTOR SHOULD CAREFULLY READ AND CONSIDER THE FOLLOWING RISK FACTORS AND ALL MATTERS SPECIFIED IN THESE SUBSCRIPTION DOCUMENTS IN DETERMINING WHETHER OR NOT TO INVEST IN THE COMPANY AS SPECIFIED HEREIN. THE FOLLOWING FACTORS ARE NOT AN ALL-INCLUSIVE LIST OF POSSIBLE RISKS INHERENT IN THE OFFERING.

17.1 Risks Related to an Investment in our Company

Certain Factors May Affect Future Success

Any continued future success that the Company might enjoy will depend upon many factors, including factors beyond the control of the Company and/or which cannot be predicted at this time. These factors may include but are not limited to cost overruns in construction; the Company's ability to maintain a lease; changes in or increased levels of competition, including the entry of additional competitors and/or increased success by existing competitors; changes in general economic conditions; increases in labor and/or operating costs; the Company's ability to generate sufficient demand, expand its customer base and retain key customers; and reduced margins caused by competitive pressures, rising food costs and/or other increased operating costs. These conditions may have a material adverse effect upon the Company's business, operating results, and financial condition.

Dependence on Key Personnel

Much of the Company's success depends on the skills, experience, and performance of its key persons. The Company currently does not have a firm plan fully detailing how to replace any of these persons in the case of death or disability. The Company's success also depends on the Company's ability to recruit, train, and retain qualified personnel. The loss of the services of any of the key members of senior management, other key personnel, or the Company's inability to recruit, train, and retain senior management or key personnel, may have a material adverse effect on the Company's business, operating results, and financial condition.

Control of the Company

Control of the Company and all of its operations are solely with its managers and will remain with them. Investors must rely upon the judgment and skills of the managers.

No Guarantee of Return

No assurance can be given that an Investor will realize a substantial return on investment, or any return at all, or that an Investor will not lose a substantial portion or all of the investment. For this reason, each prospective Investor should carefully read this memorandum and all exhibits attached hereto and consult with an attorney, accountant, and/or business advisor prior to making any investment decision.

Tax Risks

No representation or warranty of any kind is made by the Company, the officers, directors, counsel to the Company, or any other professional advisors thereto with respect to any tax consequences of any investment in the Company. EACH PROSPECTIVE INVESTOR SHOULD SEEK THE INVESTOR'S OWN TAX ADVICE CONCERNING THE TAX CONSEQUENCES OF AN INVESTMENT IN THE COMPANY.

Revisions to Use of Proceeds

It is possible that the Company's use of the proceeds from this offering will be revised by its Management. If proceeds from this offering are insufficient to cover the actual start-up costs, the Company could experience financial problems, which may adversely affect its ability to implement its business plan. Management will have significant flexibility in applying the net proceeds of this offering. The failure of Management to apply such funds effectively could have a material adverse effect on the Company's business, prospects, financial condition, and results of operations.

Development Costs

The Company has procured architectural and construction plans and cost estimates. While cost

estimates are based on known assumptions and factors affecting construction costs, such as the cost of materials and the timetable for construction, there is risk that any one or more base assumptions affecting the cost estimates may be incorrect and/or may change in the future in a manner that the Company cannot anticipate. Such changes may cause an increase to the costs of construction in excess of the Company's finances, thus requiring additional capital or revision to the business plan.

Site Leases

The Company has secured a location for the retail store, as well as a location for vehicle parking, through two separate long-term ground leases. The Company has made its plans based on the assumption that the ground leases it has entered into are fully enforceable and will be performed by the landlords in accordance with their terms. The Company has also made its plans based on the assumption that the terms and provisions of the ground leases are satisfactory for purposes of obtaining additional required financing. There is a risk that either landlord may, with or without justification, choose to not uphold certain agreed upon terms, may demand different lease terms than have been agreed to, may attempt to prematurely terminate the lease, may attempt to sell the property to a third party without honoring the Company's right of first refusal to purchase the property, or may demand a purchase price that is beyond the Company's ability to pay. Such events may cause the Company to experience substantial delays in the project and/or in maintaining control of a location for the retail store.

Cost of Labor and Operations

The Company has developed a plan and forecast based on certain assumptions about the costs of labor and operations such as wages, benefits, utilities, taxes, and freight costs. While cost estimates are based on known assumptions and factors affecting labor and operating costs, there is a risk that one or more of the base assumptions affecting the cost estimates may be incorrect and/or may change in the future in a manner that the Company cannot anticipate. Such changes may cause an increase to the costs of labor and/or operations such that the Company may have to increase its prices, reduce its margins, and/or reduce its accrued distributable profits.

Operating Margins

The Company has developed a plan and forecast based on certain targets and base assumptions about the operating margins that the Company must achieve in order to remain financially solvent, produce sufficient retained earnings and accrue distributable profits. There is a risk that one or more of the base assumptions used to determine the target operating margins may be incorrect and/or may change in the future in a manner that the Company cannot anticipate. Such changes may cause the Company to not achieve its annual targets for operating margins, which may jeopardize the Company's financial solvency and/or its ability to pay its employees, vendors, shareholders and/or other parties.

Consumer Demand

The Company has developed a plan and forecast based on certain targets and base assumptions about the level of consumer demand, and the corresponding level of sales potential, that exist in the targeted Trade Area. There is a risk that one or more of the base assumptions used to determine the consumer demand in the Trade Area and/or the Company's sales potential may be incorrect and/or may change in the future in a manner that the Company cannot anticipate. Such changes may cause the Company to not achieve its annual targets for sales and operating margins, which may jeopardize the Company's financial solvency and/or its ability to pay its employees, vendors, shareholders and/or other parties.

Supply Chain Management

The Company has developed a plan and forecast based on certain targets and base assumptions about how it will manage its supply chain and cost effectively procure the desired product inventory and the desired pricing structure. There is a risk that one or more of the base assumptions for the Company's supply chain management and procurement strategy may be incorrect and/or may change in the future in a manner that Company cannot anticipate. Such changes may cause the Company to be unable to efficiently manage its supply chain and suppliers and cost effectively procure the desired products and the desired pricing, resulting in a different product mix, pricing scheme and/or operating margin than the Company had planned.

18. Restrictions and Warranties

18.1 Other Information Is Not Authorized.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION WITH RESPECT TO THE COMPANY OR THIS OFFERING EXCEPT SUCH INFORMATION AS IS CONTAINED IN THIS MEMORANDUM. ONLY INFORMATION OR REPRESENTATIONS CONTAINED HEREIN MAY BE RELIED UPON AS HAVING BEEN AUTHORIZED.

THE INFORMATION IN THIS MEMORANDUM SUPERSEDES AND REPLACES IN ITS ENTIRETY ANY INFORMATION PREVIOUSLY DISTRIBUTED TO, PROVIDED TO, OR VIEWED BY ANY INVESTOR.

18.2 Withdrawal, Cancellation or Modification

THIS OFFERING IS MADE SUBJECT TO WITHDRAWAL, CANCELLATION, OR MODIFICATION BY THE COMPANY WITHOUT NOTICE. OFFERS TO PURCHASE THESE SECURITIES MAY BE REJECTED IN WHOLE OR IN PART BY THE COMPANY AND NEED NOT BE ACCEPTED IN THE ORDER RECEIVED. THE COMPANY RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO ALLOT TO ANY PROSPECTIVE INVESTOR LESS THAN THE AMOUNT OF THE SECURITIES SUCH INVESTOR DESIRES TO PURCHASE. THE COMPANY SHALL HAVE NO LIABILITY WHATSOEVER TO ANY OFFEREE AND/OR INVESTOR IN THE EVENT THAT ANY OF THE FOREGOING SHALL OCCUR.

THE STATEMENTS IN THIS MEMORANDUM ARE MADE AS OF THE EFFECTIVE DATE UNLESS OTHERWISE SPECIFIED.

18.3 No Warranty of Projections or Assumptions

Projections concerning the business or financial affairs of the Company that may be provided to prospective Investors, including without limitation those set forth in this Memorandum and its exhibits, are for illustrative purposes only. These projections are based upon assumptions that Management of the Company believes to be reasonable. However, there can be no assurance that actual events will correspond to the assumptions, and the projections should be viewed merely as financial possibilities based on the assumptions stated and not as a prediction or guarantee of future performance. The assumptions upon which these projections are based should be carefully reviewed by each prospective Investor. Projections or conclusions regarding the financial condition of the Company, including projections regarding the profitability of the Company, may be substantially adversely affected by variances from the assumptions made by the Company.

18.4 Forward-Looking Statements

This statement is being included in connection with the safe harbor provision of the Private Securities Litigation Reform Act. THIS MEMORANDUM CONTAINS FORWARD LOOKING STATEMENTS. FROM TIME


TO TIME, ADDITIONAL WRITTEN FORWARD LOOKING STATEMENTS MAY BE MADE BY THE COMPANY. SUCH FORWARD LOOKING STATEMENTS ARE WITHIN THE MEANING OF THAT TERM IN SECTION 27A OF THE SECURITIES ACT AND MAY INCLUDE PROJECTIONS OF REVENUES, INCOME OR LOSS, CAPITAL EXPENDITURES, BUSINESS RELATIONSHIPS, FINANCINGS, PROPOSED FINANCINGS OR INVESTMENTS BY THIRD PARTIES, PRODUCT DEVELOPMENT, PLANS FOR FUTURE OPERATIONS, PLANS RELATING TO PRODUCTS OF THE COMPANY, AS WELL AS ASSUMPTIONS RELATING TO THE FOREGOING. SUCH STATEMENTS ARE BASED UPON MANAGEMENT'S CURRENT EXPECTATIONS, BELIEFS, AND ASSUMPTIONS ABOUT FUTURE EVENTS, AND ARE OTHER THAN STATEMENTS OF HISTORICAL FACT AND INVOLVE A NUMBER OF RISKS AND UNCERTAINTIES.

THE WORDS "BELIEVE," "EXPECT," "INTEND," "ANTICIPATE," "ESTIMATE," "PROJECT," AND SIMILAR EXPRESSIONS IDENTIFY FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE THE STATEMENT WAS MADE, BUT ARE NOT THE EXCLUSIVE MEANS OF IDENTIFYING SUCH STATEMENTS. FORWARD-LOOKING STATEMENTS ARE INHERENTLY SUBJECT TO RISKS AND UNCERTAINTIES, SOME OF WHICH CANNOT BE PREDICTED OR QUANTIFIED. FUTURE EVENTS AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN, CONTEMPLATED BY, OR UNDERLYING THE FORWARD-LOOKING STATEMENTS. STATEMENTS IN THIS MEMORANDUM -- INCLUDING THOSE CONTAINED IN THE SECTION ENTITLED "RISK FACTORS" -- DESCRIBE FACTORS, AMONG OTHERS, THAT COULD CONTRIBUTE TO OR CAUSE SUCH DIFFERENCES.

Exhibit A

Financial Statements

I, Brahm Ahmadi, Chief Executive Officer & President of Community Foods Market, Inc., hereby certify that, to my knowledge, the financial statements set forth in this Exhibit A have been prepared in accordance with United States generally accepted accounting principles.

Signed: 

Date: May 17, 2018

Consolidated Balance Sheets

As of January 31, 2016 As of January 31, 2017 As of January 31, 2018

ASSETS			
Checking Accounts	\$ 7,123	\$ 49,995	\$ 40,081
Savings Accounts	\$ 905,119	\$ 801,812	\$ 683,243
Other Current Assets	\$ 5,000	\$ 27,812	\$ 16,112
Fixed Assets	\$ 13,248	\$ 442,559	\$ 1,091,158
Other Assets	\$ 42,440	\$ 42,440	\$ 42,440
TOTAL ASSETS	\$ 1,072,930	\$ 1,364,618	\$ 1,873,034
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities	\$ 1,545	\$ 3,799	\$ 4,622
Long-Term Liabilities	\$ 75,000	\$ 75,000	\$ 750,000
Total Liabilities	\$ 76,545	\$ 78,799	\$ 754,622
Equity			
Paid-in Capital	\$ 1,000	\$ 1,000	\$ 1,000
Preferred Stock	\$ 1,222,948	\$ 1,656,156	\$ 1,685,656
Retained Earnings	\$ (146,869)	\$ (227,563)	\$ (371,337)
Net Income	\$ (80,694)	\$ (143,774)	\$ (196,906)
Total Equity	\$ 996,385	\$ 1,285,819	\$ 1,118,412
TOTAL LIABILITIES AND EQUITY	\$ 1,072,930	\$ 1,364,618	\$ 1,873,034

Notes:

1. Cash holdings in all years were acquired from the sale of preferred stock, pre-paid store credits, grants and subordinated promissory notes.
2. A portion of the proceeds of the Company's sale of securities has been used to repay the following short-term liabilities:
 - a. A promissory note for \$30,000 from People's Grocery that was made in 2010 and used to pay for the initial costs of forming the Company and conducting early business planning.
 - b. A deferment of \$14,350 in invoices from our C.F.O. for services provided in relation to the planning and conduct of the D.P.O. between January 23rd, 2012 and May 2nd 2013
3. A total of \$75,000 in long-term debt, evidenced by subordinated promissory notes, was assumed by the Company in 2013. The Burt Family Foundation made a loan of \$25,000 and the Gary Community Investment Company made a loan of \$50,000. Both loans accrue interest at 3% per year, with the principal due in full seven years after the Company opens its store for business. These loans were used to pay for a portion of the selling and marketing expenses of the D.P.O.

Consolidated Statements of Income

	Feb. 1, 2015 to Jan 31, 2016	Feb. 1, 2016 to Jan 31, 2017	Feb. 1, 2017 to Jan 31, 2018
Income			
Expense Reimbursement	\$ 1,171	\$ 10,284	\$ 1,105
Sales	\$	\$	\$
Interest Earned	\$ 6,800	\$ 4,462	\$ 1,641
Other Income	\$ 2,330	\$ 5,387	\$ 407
Total Income	\$ 10,301	\$ 60,133	\$ 3,153
Expenses			
Advertising and Promotion	\$	\$ 27,662	\$ 1,250
Bank Service Charges	\$ 240	\$ 250	\$ 478
Business Licenses and Permits	\$ 1,781	\$ 995	\$ 1,915
Computer, Phone, and Internet/IT	\$ 1,284	\$ 2,831	\$ 3,557
Dues & Subscriptions	\$ 995	\$	\$ 3,370
Insurance	\$ 4,977	\$ 5,132	\$ 7,298
Meals and Entertainment	\$ 55	\$ 1,149	\$ 35
Office Expenses & Equipment	\$ 450	\$ 824	\$ 403
Office Rent	\$ 4,003	\$ 4,123	\$ 4,246
Other General and Admin Expenses	\$ 3,378	\$ 1,414	\$ 3,275
Payroll Service Fees	\$ 770	\$ 715	\$ 351
Personnel	\$ 9,709	\$ 63,351	\$ 56,192
Professional Fees	\$ 5,310	\$ 7,408	\$ 39,119
Soft Costs	\$ 4,500	\$ 2,201	\$ 71,151
Stationery & Printing	\$	\$ 742	\$ -
Taxes & Licenses	\$	\$ 4,662	\$ 1,773
Travel	\$ 3,542	\$ 214	\$ 5,322
Utilities	\$	\$ 233	\$ 325
Total Expenses	\$ 90,995	\$ 203,907	\$ 200,061
Net Income	\$ (80,694)	\$ (143,774)	\$ (196,908)

Consolidated Statements of Cash Flows

Ending Cash \$ 923,222 \$ 1,203,930 \$ 1,360,222

Exhibit B

Pro Forma Consolidated Statement of Income

	Year 1 of Operation	Year 2 of Operation	Year 3 of Operation	Year 4 of Operation	Year 5 of Operation
Sales	\$ 7,508,800	\$ 7,909,200	\$ 8,309,600	\$ 8,577,400	\$ 8,845,200
Cost of Goods Sold	\$ 4,874,713	\$ 5,129,116	\$ 5,324,792	\$ 5,490,394	\$ 5,593,704
Gross Income	\$ 2,634,087	\$ 2,780,084	\$ 2,984,808	\$ 3,087,006	\$ 3,251,396
Gross Margin %	35.08%	35.15%	35.92%	35.99%	36.76%
Personnel Expenses	\$ 1,169,069	\$ 1,299,296	\$ 1,324,867	\$ 1,359,723	\$ 1,416,376
Operating Expenses	\$ 879,292	\$ 927,161	\$ 968,030	\$ 996,012	\$ 1,024,036
Operating Income	\$ 585,726	\$ 553,627	\$ 691,912	\$ 731,272	\$ 811,084
Operating Margin %	7.80%	7.00%	8.33%	8.53%	9.17%
Interest Expense	\$ 270,746	\$ 263,012	\$ 254,756	\$ 246,089	\$ 236,989
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation and Amortization	\$ 614,803	\$ 614,803	\$ 614,803	\$ 614,803	\$ 614,803
Net Income	\$ (299,824)	\$ (324,188)	\$ (177,648)	\$ (129,621)	\$ (40,709)
Net Margin %	-4.0%	-4.1%	-2.1%	-1.5%	-0.5%

Sales Forecast: The Company's sales forecast is based on a potential sales survey (PSS) conducted by Intalytics, a leading market research firm. The PSS was developed utilizing a regression and correlation model to analyze pertinent data such as consumer expenditures, demographics, competition and retail operations in analogous markets and, from that data, to estimate the target Trade Area's market size and of the Company's sales potential over five years. The sales forecast is based on the following primary factors:

- **Per Capita Expenditures and Market Size:** The average per capita weekly expenditure for food-at-home in in the Trade Area is \$45.72, or \$2,377 annually. Based on the estimated population size for the trade are, the aggregate annual food expenditure for food-at-home in West Oakland is approximately \$60.5M.
- **Per Capita Sales Potential:** The Company's annual capture rate is estimated to likely reach \$354 in per capita sales by the fifth year of operations. This accounts for 15.25% of the Trade Area market share. Given a high level of Trade Area expenditure leakage and a limited competitive environment, the Company's Management believes that this forecasts presents a reasonable outlook.
- **Revenue Per Square Foot (RPSF):** The Company utilizes RPSF to validate its sales forecast against industry standards and the performance of food stores in analogous markets. The Company projects that RPSF in years 1 and 2 will be below the industry average of \$593 and that RPSF in years 3-5, while above the industry average, will be below the RPSF attained by some analogous stores, which range from \$1,000 - \$1,500. The Company's Management believes that a RPSF projection at maturity that moderately outperforms the industry is achievable.
- **Transaction Size:** The Company's forecasted average per capita transaction size is estimated at \$31.92 by the fifth year of business. This per capita transaction forecast has been compared to transaction data gathered from independent retail stores and from industry sources and has been assessed to be consistent with average transaction sizes attained by retail stores in similar markets.

Gross Margin: The forecasted Cost of Goods Sold (COGS) of 63.20% by the fifth year of business is consistent with inventory and procurement costs incurred by analogous stores and cited by industry standards. The resulting Gross Margin of 36.76% is determined to be a sufficient margin target for the financial and operational requirements of the business and is reflective of factors that are specific to the Company's business plan and retail operating model, including:

- The product class that the Company intends to carry is anticipated to be able to produce gross margins in the range of 30-38%, as demonstrated by analogous retail operations in similar demographic areas with similar ranges in gross margins.
- The price markups that the Company intends to implement above its COGs are targeted to bring the gross margin into the forecasted range.
- The Company will implement a departmental margin strategy in which higher margin departments, such as the Deli, offset lower margin departments, such as produce, and enable the total store gross margin to reach the forecasted range.

Operating Margin: The Company's operating expenses, excluding personnel, are drawn from industry averages and analogous stores of similar size, operations and market demographics. The Company has targeted its total labor expense at 15% of sales, which is consistent with compensation rates for unionized retail markets. The resulting operating margin projection by the fifth year of operations is above the industry average of 6.85%. The Company has determined that the projected operating margin is realistic and sufficient to cover the operating cash needs of the business as well as its forecasted interest and tax expenses.

Pro Forma Consolidated Balance Sheets

	Year 1 of Operations	Year 2 of Operations	Year 3 of Operations	Year 4 of Operations	Year 5 of Operations
ASSETS					
Current Assets					
Cash & Cash Equivalents	\$ 28,665	\$ 30,243	\$ 156,946	\$ 428,168	\$ 779,652
Inventory	\$ 10,056	\$ 10,056	\$ 10,056	\$ 10,056	\$ 10,056
Credit Card Receivables	\$ 63,640	\$ 76,987	\$ 85,913	\$ 94,840	\$ 104,342
Total Current Assets	\$ 102,361	\$ 117,286	\$ 252,916	\$ 533,064	\$ 908,100
Long-term Assets					
Gross PP&E	\$ 933,702	\$ 933,702	\$ 933,702	\$ 933,702	\$ 933,702
Accumulated Depreciation	-\$ 15,925	-\$ 421,580	-\$ 1,027,235	-\$ 1,632,891	-\$ 2,238,546
Other Assets	\$ 1,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 27,000
Gross Preopening Costs	\$ 37,220	\$ 37,220	\$ 37,220	\$ 37,220	\$ 37,220
Accumulated Amortization (pre-opening)	-\$ 2,197	-\$ 1,345	-\$ 30,493	-\$ 9,641	-\$ 28,789
Total Long-term Assets	\$ 293,800	\$ 696,996	\$ 1,041,193	\$ 1,507,390	\$ 2,910,586
Total Assets	\$ 696,161	\$ 814,283	\$ 1,294,109	\$ 2,040,454	\$ 3,818,686
LIABILITIES					
Current Liabilities					
Inventory Payable	\$ 85,258	\$ 95,822	\$ 105,355	\$ 110,761	\$ 120,777
Other Accounts Payable	\$ 6,898	\$ 10,531	\$ 13,675	\$ 17,664	\$ 20,196
Taxes Payable	\$ 10,607	\$ 1,366	\$ 1,855	\$ 2,343	\$ 2,866
Total Current Liabilities	\$ 102,763	\$ 107,719	\$ 120,885	\$ 130,768	\$ 143,839
Long-term Liabilities					
Long-term Loans	\$ 920,039	\$ 734,733	\$ 538,553	\$ 333,740	\$ 119,864
Total Long-term Liabilities	\$ 920,039	\$ 734,733	\$ 538,553	\$ 333,740	\$ 119,864
Owners' Equity					
Common Stock	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Preferred Stock	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Additional Equity	\$ 29,954	\$ 29,954	\$ 29,954	\$ 29,954	\$ 29,954
Retained Earnings	-\$ 159,096	-\$ 470,624	-\$ 1,644,783	-\$ 2,766,509	-\$ 4,801,521
Total Owners' Equity	\$ 373,358	\$ 1,061,830	\$ 1,887,671	\$ 2,765,945	\$ 3,730,933
Total Liabilities & Owners' Equity	\$ 696,161	\$ 814,283	\$ 1,294,109	\$ 2,040,454	\$ 3,818,686

Pro Forma Consolidated Statements of Cash Flows

	Year 1 of Operations	Year 2 of Operations	Year 3 of Operations	Year 4 of Operations	Year 5 of Operations
Cash Flow from Operations					
Net Income	-\$ 51,462	-\$ 11,528	-\$ 74,160	-\$ 21,725	-\$ 5,012
Add Back Depreciation	\$ 5,655	\$ 5,655	\$ 5,655	\$ 5,655	\$ 5,655
Add Back Amortization	\$ 148	\$ 148	\$ 148	\$ 148	\$ 148
Operating Cash Flow	\$ 63,341	\$ 3,275	\$ 30,644	\$ 93,078	\$ 79,791
Changes in Working Capital					
Decrease (Increase) in Accounts Receivable	-\$ 3,347	-\$ 3,347	-\$ 8,927	-\$ 8,927	-\$ 9,502
Decrease (Increase) in Inventories	\$ -	\$ -	\$ -	\$ -	\$ -
Decrease (Increase) in Other Assets (prepaid rent etc)	-\$ 2,000	-\$ 8,000	-\$ 2,000	-\$ 8,000	-\$ 8,000
Increase (Decrease) in Taxes Payable	\$ 759	\$ 759	\$ 489	\$ 488	\$ 523
Increase (Decrease) in Inventory Payable	\$ 4,441	\$ 10,563	\$ 19,534	\$ 15,406	\$ 10,015
Increase (Decrease) in Other Accounts Payable	\$ 2,492	\$ 2,642	\$ 1,794	\$ 1,797	\$ 1,910
Increase (Decrease) in Short-term Borrowing	\$ -	\$ -	\$ -	\$ -	\$ -
Increase (Decrease) in Accrued Salaries, Benefits	\$ 7,076	\$ 991	\$ 1,350	\$ 1,192	\$ 523
Change in Working Capital	\$ 1,422	-\$ 6,392	-\$ 7,760	-\$ 7,043	-\$ 4,432
Cash Flow from Finances					
Commercial Loan	-\$ 9,092	-\$ 3,138	-\$ 7,392	-\$ 1,863	-\$ 6,563
Equipment Loan	-\$ 69,320	-\$ 2,867	-\$ 6,595	-\$ 8,514	-\$ 4,633
HFF Loan	\$ -	-\$ 9,300	-\$ 2,194	-\$ 2,436	-\$ 2,680
Cash Flow from Financing	-\$ 78,412	-\$ 15,305	-\$ 16,181	-\$ 12,813	-\$ 13,876
Increase (Decrease) in Cash	\$ 26,351	\$ 101,579	\$ 26,703	\$ 71,222	\$ 51,484
Cash, Beginning of Month/Year	\$ 2,314	\$ 28,665	\$ 30,243	\$ 156,946	\$ 428,168
Cash, End of Month/Year	\$ 28,665	\$ 30,243	\$ 156,946	\$ 428,168	\$ 779,652

Statements that are not based on historical fact are forward-looking statements. Although such statements are based on Management's current estimates and expectations, and currently available competitive, financial, and economic data, forward-looking statements are inherently uncertain. We, therefore, caution the reader that there are a variety of factors that could cause business conditions and results to differ materially from what is contained in our forward-looking statements.

Exhibit C

California Code of Regulations Section 260.141.11. Restriction on Transfer.

It is unlawful for the holder of [this] security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of these rules), except:

(1) to the issuer;

(2) pursuant to the order or process of any court;

(3) to any person described in Subdivision (i) of Section 25102 of the Code or Section 260.105.14 of these rules;

(4) to the transferor's ancestors, descendants or spouse, or any custodian or trustee for the account of the transferor or the transferor's ancestors, descendants, or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferee's ancestors, descendants or spouse;

(5) to holders of securities of the same class of the same issuer;

(6) by way of gift or donation inter vivos or on death;

(7) by or through a broker-dealer licensed under the Code (either acting as such or as a finder) to a resident of a foreign state, territory or country who is neither domiciled in this state to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities law of the foreign state, territory or country concerned;

(8) to a broker-dealer licensed under the Code in a principal transaction, or as an underwriter or member of an underwriting syndicate or selling group;

(9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioner's written consent is obtained or under this rule not required;

(10) by way of a sale qualified under Sections 25111, 25112, 25113, or 25121 of the Code, of the securities to be transferred, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;

(11) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;

(12) by way of an exchange qualified under Section 25111, 25112 or 25113 of the Code, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such

qualification;

(13) between residents of foreign states, territories or countries who are neither domiciled nor actually present in this state;

(14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state; or

(15) by the State Controller pursuant to the Unclaimed Property Law or by the administrator of the unclaimed property law of another state if, in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;

(16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities;

(17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision (f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.

Exhibits D & E

[Original files to be inserted]

Exhibit F

Consumer Guide to Small Business Investments

State laws have been relaxed to make it easier for small businesses to raise start-up and growth financing from the public. Many investors view this as an opportunity to "get in on the ground floor" of emerging businesses and to "hit it big" as these small businesses grow into large ones.

Statistically, most small businesses fail within a few years. Small business investments are among the most risky that investors can make. This guide suggests items to consider for determining whether you should make a small business investment.

Risks and Investment Strategy

A basic principle of investing in a small business is: NEVER MAKE A SMALL BUSINESS INVESTMENT THAT YOU CANNOT AFFORD TO LOSE ENTIRELY. Never use funds that might be needed for other purposes, such as college education, retirement, loan repayment or medical expenses. Instead, use funds that would otherwise be used for a consumer purchase, such as a vacation or a down payment on a boat or RV.

Above all, never let a commissioned securities salesperson or an officer or director of a company convince you that the investment is not risky. Any such assurance is almost always inaccurate. Small business investments are generally highly illiquid even though the securities may technically be freely transferable. Thus, you will usually be unable to sell your securities if the company takes a turn for the worse.

Also, just because the state has registered the offering does not mean the particular investment will be successful. The state does not evaluate or endorse the investment. (If anyone suggests otherwise to you, it is unlawful.)

If you plan to invest some large amounts of money in a small business, you should consider investing smaller amounts in several small businesses. A few highly successful investments can offset the unsuccessful ones. Even when using this strategy, **DO NOT INVEST FUNDS YOU CANNOT AFFORD TO LOSE ENTIRELY.**

Analyzing the Investment

Although there is no magic formula for making successful investment decisions, certain factors are often considered particularly important by professional venture investors. Some questions to consider are as follows:

1. How long has the company been in business? If it is a start up or has only a brief operating history, are you being asked to pay more than the shares are worth?
2. Consider whether management is dealing unfairly with investors by taking salaries or other benefits that are too large in view of the company's stage of development or by retaining an inordinate amount of the equity of the company compared with the amount investors will receive. For example, is the public putting up 80% of the money but only receiving 10% of the company shares?
3. How much experience does management have in the industry and in a small business? How successful were the managers in previous businesses?
4. Do you know enough about the industry to be able to evaluate the company and make a wise investment?
5. Does the company have a realistic marketing plan and do they have the resources to market the product or service successfully?

There are many other questions to be answered, but you should be able to answer these before you consider investing.

Making Money on Your Investment

The two classic methods for making money on an investment in a small business are resale in the public securities markets following a public offering and receiving cash or marketable securities in a merger or other acquisition of the company.

If the company is the type that is not likely to go public or be sold out within a reasonable time (i.e., a family owned or closely held corporation), it may not be a good investment for you irrespective of its prospects for success because of the lack of opportunity to cash in on the investment. Management of a successful private company may receive a good return indefinitely through salaries and bonuses but it is unlikely that there will be profits sufficient to pay dividends commensurate with the risk of the investment.

Other Suggestions

The Disclosure Document usually used in public venture offerings is the "Form U-7," which has a question and answer format. The questions are designed to bring out particular factors that may be crucial to the proper assessment of the offering. Read each question and answer carefully. If an answer does not adequately address the issues raised by the question, reflect on the importance of the issue in the context of the particular company.

Even the best venture offerings are highly risky. If you have a nagging sense of doubt, there is probably a good reason for it. Good investments are based on sound business criteria and not emotions. If you are not entirely comfortable, the best approach is usually not to invest. There will be many other opportunities. Do not let a securities salesperson pressure you into making a premature decision.

It is generally a good idea to see management of the company face-to-face to size them up. Focus on experience and track record rather than a smooth sales presentation. If at all possible, take a sophisticated business person with you to help in your analysis.

Beware of information that is different from that in the Disclosure Document or not contained in the Disclosure Document. If it is significant, it must be in the Disclosure Document or the offering will be illegal.

Conclusion

Greater numbers of public investors are "getting in on the ground floor" by investing in small businesses. When successful, these enterprises enhance the economy and provide jobs for its citizens. They can also provide new investment opportunities, but that must be balanced against the inherently risky nature of small business investments.

In considering a small business investment, you should proceed with caution, and above all, never invest more than you can lose.

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