

PROJECT GLACIER: VIRGINIA SITE SELECTION

Evergreen Advisors, LLC

Location Strategies

EXECUTIVE SUMMARY

- Challenge: Identify a suitable location for co-manufacturing and co-packing to situate new headquarters on east coast
- Most Relevant Criteria:
 1. Proximity to target market's corporate customers
 2. Lower startup costs
 3. Minimize utility and property taxes
 4. Optimize logistics and transportation
 5. Balance cost of labor with ability to recruit right skill set

EXECUTIVE SUMMARY

Winchester has

- Greater access to target markets
- Closer proximity to major highways, port, and airport
- Larger workforce

So. Boston has

- Fewer upfront costs
- Lower utility and property tax costs
- Less costly logistics
- Less costly labor, some experienced

Recommendation: So. Boston site is preferred

CLIENT NEEDS AND PRIORITIES

- 50,000 - 60,000 sq ft for manufacturing and warehousing in South Atlantic (Virginia)
- Minimize upfront startup costs, then operating costs
- Gain access to population centers containing corporate clients serving customers with disposable income
- Have optimal logistics and transportation options

SITE: SOUTH BOSTON, VIRGINIA



- 50,000 ft² (expandable)
- Built in 2020
- Needs \$2.5M in building improvements
- Needs \$600K in site improvements
- Lease: \$4/ft²
- Zoning: M2, Enterprise, Opportunity and HUB

1030 Confroy Drive, Halifax County

SITE: WINCHESTER, VIRGINIA



- 55,208 ft² (expandable)
- Built in 2008
- Needs \$2M in building improvements
- Needs \$300K in site improvements
- Lease: \$4.75/ft²
- Zoning: M1, no incentive zones

321 Apple Valley Dr, Frederick County

DEMOGRAPHIC OVERVIEW: SOUTH BOSTON

Median household income: \$45,408
(all Virginia: \$80,615)

High school graduates: 84%

57 Back Country Folks

Downscale Older Mostly w/o Kids

58 Golden Ponds

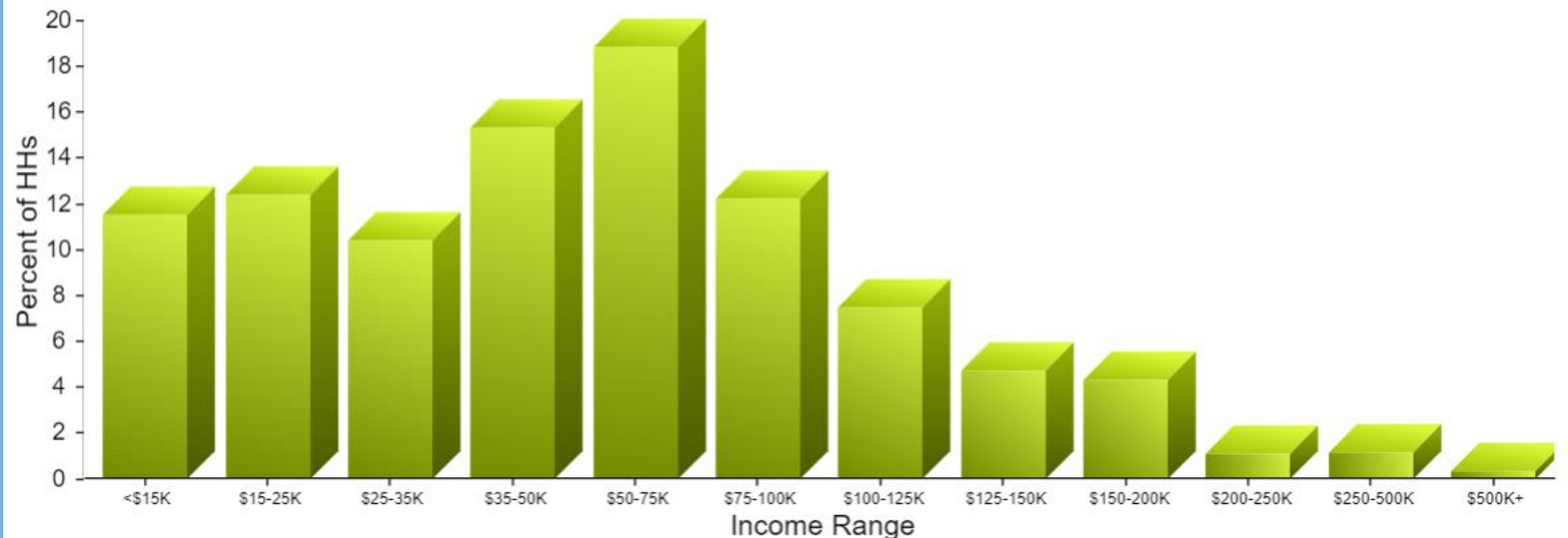
Downscale Older w/o Kids

44 Country Strong

Lower Midscale Middle Age Family Mix

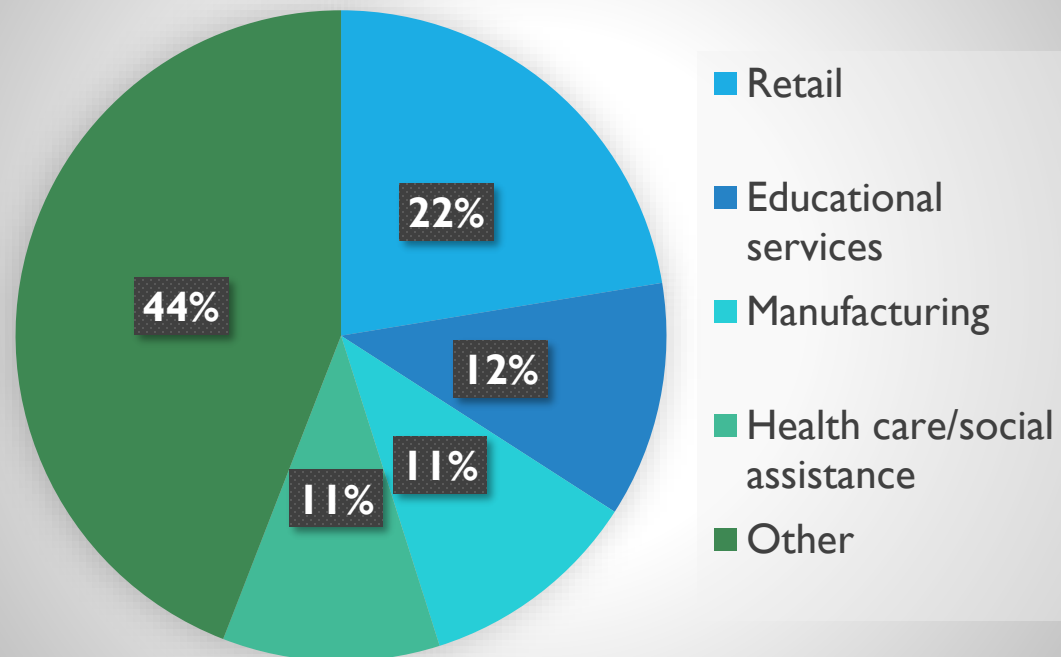
28 Country Casuals

Upper Midscale Older Mostly w/o Kids



WORKFORCE: SO. BOSTON

Most common occupation types



Household insights

- Largest segment by age is 65+
- 75% of households are 1 or 2 people
- 75% have no children (married, other)
- Average commute: 14 minutes

Population: 8, 008
(56, 059 in 20 mile radius)



DEMOGRAPHIC OVERVIEW: WINCHESTER

Median household income: \$61,321
(all Virginia: \$80,615)

High school graduates: 87%

44 Country Strong

Lower Midscale Middle Age Family Mix

11 Fast-Track Families

Upscale Middle Age Family Mix

18 Mayberry-ville

Upscale Older Mostly w/o Kids

12 Cruisin' to Retirement

Upscale Older Mostly w/o Kids

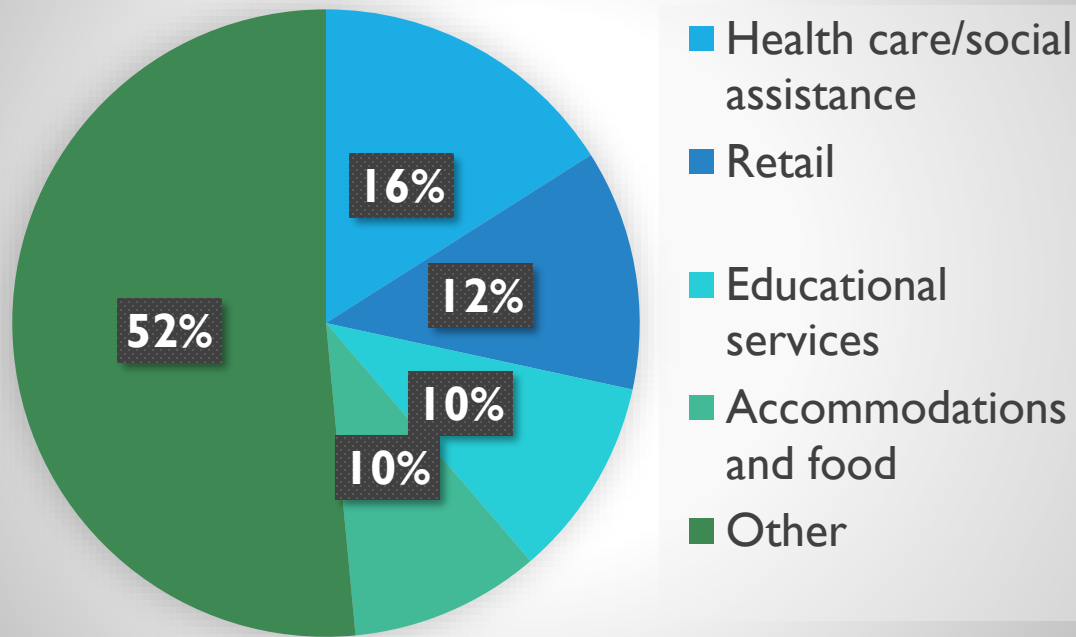
58 Golden Ponds

Downscale Older w/o Kids



WORKFORCE: WINCHESTER

Most common occupation types



Household insights

- 53% of population between 25-64
- 50% of households are 2 or 3 people
- 33% have children and additional 33% are married/no children
- Average commute: 23 minutes

Population: 28, 136
222, 508 in 20 mile radius



WAGES OFFERED ARE COMPETITIVE

| BLS category | Mean Hourly Wages | | |
|--|-------------------|------------|----------------------|
| | Winchester | So. Boston | Client (2000 hrs) |
| Supervisor, prod. (51-1011) | \$31.71 | \$31.38 | \$32.50 |
| Food batch makers (51-3092) | \$17.05 | \$16.69 | \$21.50 |
| Technician (19-4013) | \$20.75 | \$26.63 | \$25.00 |
| Packers and packaging (53-7064) | \$16.03 | \$13.25 | \$21.50 |

TRANSPORTATION ATTRIBUTES

| Attribute | Winchester | So. Boston |
|---------------------------------------|------------------------|-----------------------------|
| Population (within 300 miles) | 74, 124, 905 | 44, 346, 119 |
| Nearest interstate (mi) | 2.1 (I-81) | 50 (I-85) |
| Nearest international airport (mi) | 57.5 (Dulles, IAD) | 75 (Raleigh-Durham, RDU) |
| Average flight | \$508 | \$385 |
| Flight cancellations rank (out of 75) | 30 | 15 |
| Nearest port (mi) | 13 (VA Inland Port) | 100 (Port of Richmond) |

LOGISTICS

| | Winchester | So. Boston |
|--|---|---|
| 4 closest major population centers (mi) | Baltimore (104), Washington (90.1) Philadelphia (207) Richmond (146) | Raleigh/Durham (70.7) Greensboro (72.7) Norfolk (170) Richmond (118) |
| Average distance (mi) | 137 | 108 |
| Combined population | 12,078,102 | 2,424,693 |
| Average cost of shipment* | \$754.78 | \$580.68 |

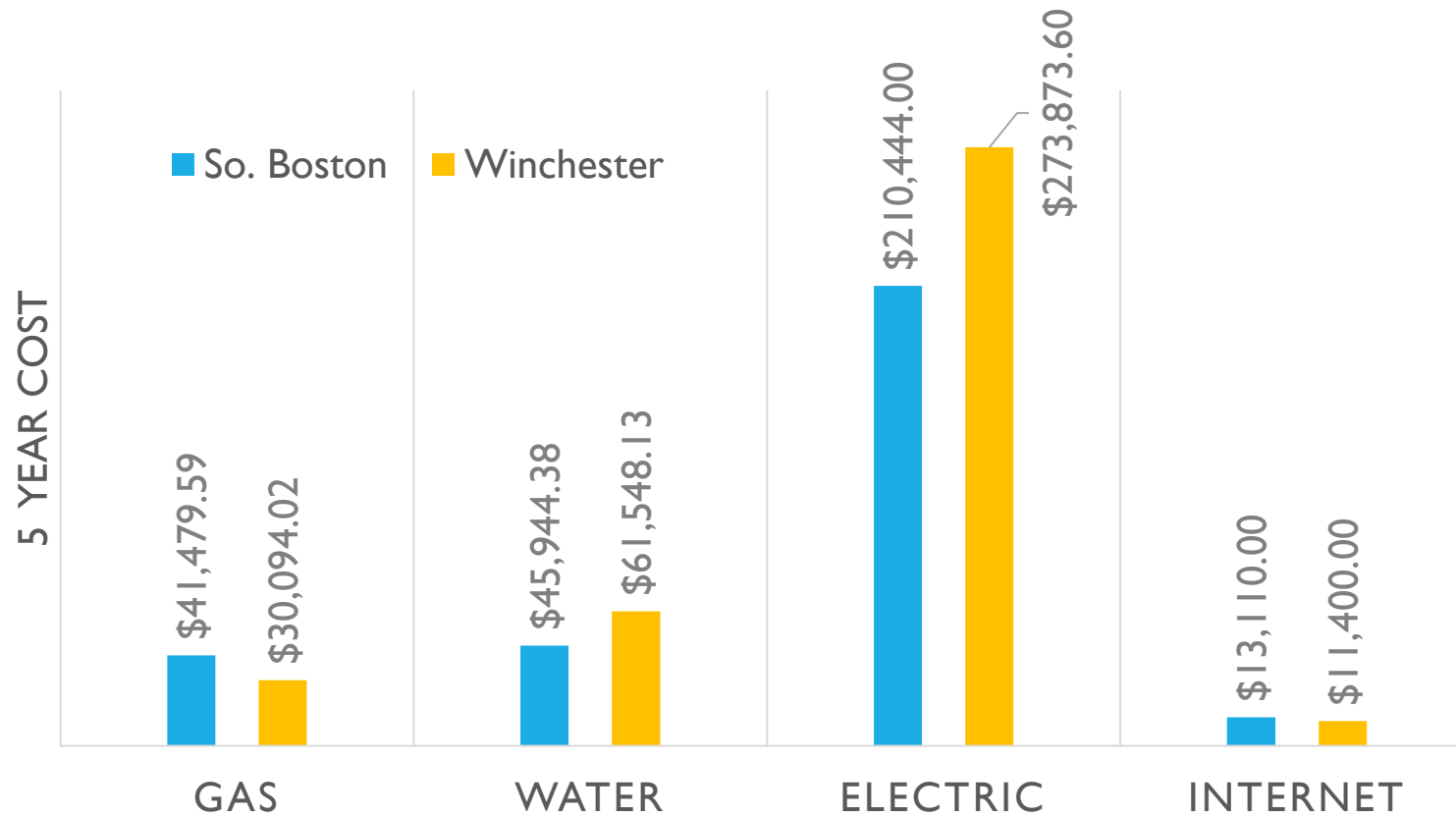
*Five 11,000 lb 48 x 48 pallets containing beverages in 1 TL

REAL ESTATE COMPS

| Winchester | Year Built | Terms | \$/ ft ² | Sales price |
|--------------|------------|-----------|---------------------|---------------|
| Apple Valley | 2008 | NNN Lease | 4.75 | -- |
| Property A | 2023 | Lease | 8.25 | -- |
| Property B | 1999 | Sale | 85 | \$4, 250, 000 |

| So. Boston | Year Built | Terms | \$/ ft ² | Sales price |
|------------|------------|-------------------|---------------------|-----------------------|
| Confroy | 2020 | NNN Lease Sale | 4.00 90 | ---- \$4, 500, 000 |
| Property C | 1968 | Sale | 189 | \$2, 454, 000 |
| Property D | 1948 | Sale | 23 | \$8, 000, 000 |

SO. BOSTON UTILITY COSTS ARE GENERALLY LOWER



TAX CONSIDERATIONS

| | Winchester | So. Boston |
|---|---------------|------------|
| Business income tax (Virginia) | 6% | 6% |
| Real estate property taxes (annual) | \$72, 285 | \$24, 686 |
| Personal property taxes (over 5 years) | \$1, 040, 500 | \$823, 620 |
| Combined sales tax (county and state) | 5.3% | 6.3% |

MAJOR FACTORS DRIVING INCENTIVES

| | Winchester | So. Boston |
|-------------------------|------------|------------|
| Technology Zone | x | |
| Enterprise Zone | | x |
| Opportunity Zone | | x |

MAJOR FACTORS DRIVING INCENTIVES

| | Winchester | So. Boston |
|-------------------------|------------|------------|
| Technology Zone* | ✖ | |
| Enterprise Zone | | x |
| Opportunity Zone | | x |

* **Business Type:** A business which derives its gross receipts from computer hardware, software, or telecommunications sales, leases, licensing, or services, and for which the computers or telecommunication is used to provide sales, leases, licensing, or services directly to the customer.

(Winchester City Technology Zone: <https://www.developwinchesterva.com/sites-buildings/incentives/>)

WINCHESTER INCENTIVES: CAPITAL INVESTMENT

| Type | Name | Amount | So. Boston? |
|------------|--|--|-------------|
| Cash grant | Commonwealth's Development Opportunity Fund (VA Economic Development Partnership) | Negotiated and approved by governor | Yes |



WINCHESTER INCENTIVES: INCOME TAX RELIEF

| Type | Name | Amount | So. Boston? |
|------------|---|-----------|-------------|
| Tax credit | Virginia Major Business Facility Job Tax Credit | \$17,500 | Yes |
| Tax credit | New Company Incentive Program | \$205,426 | Yes |
| Tax credit | Refundable Research and Development Expenses Tax Credit | \$15,000 | Yes |



WINCHESTER INCENTIVES: HIRING AND TRAINING

| Type | Name | Amount | So. Boston? |
|--------------|---|-----------|-------------|
| Cash grant | Virginia Jobs Investment Program – Virginia New Jobs Program | Undefined | Yes |
| Job training | Virginia Ready Initiative (VA Ready) | | Yes |
| Job training | Virginia FastForward | | Yes |
| Tax credit | Worker Training Tax Credit | \$70,000 | Yes |
| Job training | Northern Virginia Community College Workforce Development | | Comparable |



WINCHESTER INCENTIVES: SUMMARY

\$307,926 in credits and grants

Enterprise Zone annexation would help
Frederick County EDA states it designs packages for businesses



SO. BOSTON INCENTIVES: CAPITAL INVESTMENT

| Type | Name | Amount |
|------------|---|--|
| Cash grant | Enterprise Zone Real Property Investment Grant | \$480,000 |
| Cash grant | Tobacco Region Opportunity Fund (Halifax County) | Depends on prevailing wage rates, capital investment levels, industry type, and other factors determined by the Commission |



SO. BOSTON INCENTIVES: EQUIPMENT AND MACHINERY

| Type | Name | Amount |
|------------------|--|-----------|
| Cash grant | Halifax Opportunity Program | \$304,000 |
| Cash grant | Halifax County Enterprise Zone Machinery and Tools Investment Grant | \$212,940 |
| Fee exemption | Halifax County Enterprise Zone Building Permit Fees Partial Exemption | |



SO. BOSTON INCENTIVES: INFRASTRUCTURE

| Type | Name | Amount |
|--------------------|-------------------------------------|------------|
| Cash reimbursement | Economic Development Access Program | \$500, 000 |



SO. BOSTON INCENTIVES: INCOME TAX RELIEF

| Type | Name | Amount | Winchester? |
|------------|---|----------|-------------|
| Tax credit | Virginia Major Business Facility Job Tax Credit | \$40,000 | \$17,500 |



SO. BOSTON INCENTIVES: RENT

| Type | Name | Amount |
|-------------------|--|-----------|
| Rent abatement | Halifax County Industrial Development Authority: 6 month rent abatement | \$110,000 |



SO. BOSTON INCENTIVES: LOCAL TAX RELIEF

| Type | Name | Amount |
|--------|---|----------|
| Rebate | Halifax County Business and Professional License Fee Rebate | \$89,997 |



SO. BOSTON INCENTIVES: HIRING AND TRAINING

| Type | Name | Amount |
|--------------|---|-----------|
| Cash grant | Virginia Enterprise Zone Job Creation Grant | \$120,000 |
| Job training | South Central Workforce Development Board (SCWDB) WIOA Training | |



SO. BOSTON INCENTIVES: UTILITIES

| Type | Name | Amount |
|------------|---|-----------|
| Tax rebate | Halifax County Utility Tax Rebate on Electricity and Natural Gas | \$190,000 |



SO. BOSTON INCENTIVES: SUMMARY

\$2, 017, 366 in credits, rent
abatement, rebates, and grants



WINCHESTER BALANCE SHEET

| Variable | Amount |
|---------------------------------|---------------|
| Costs | \$106,775,504 |
| Revenue | \$158,020,000 |
| Net Profit (without incentives) | \$51,244,496 |
| Net Profit (with incentives) | \$51,552,422 |

Included other costs:

- Insurance
- Profit loss from power outages
- Maintenance
- Local permits
- Training
- Payroll taxes



SO. BOSTON BALANCE SHEET

| Variable | Amount |
|---------------------------------|---------------|
| Costs | \$106,719,571 |
| Revenue | \$158,020,000 |
| Net Profit (without incentives) | \$51,300,429 |
| Net Profit (with incentives) | \$53,317,795 |

Included other costs:

- Insurance
- Profit loss from power outages
- Maintenance
- Local permits
- Training
- Payroll taxes



SO. BOSTON AND WINCHESTER BALANCE SHEETS COMPARED

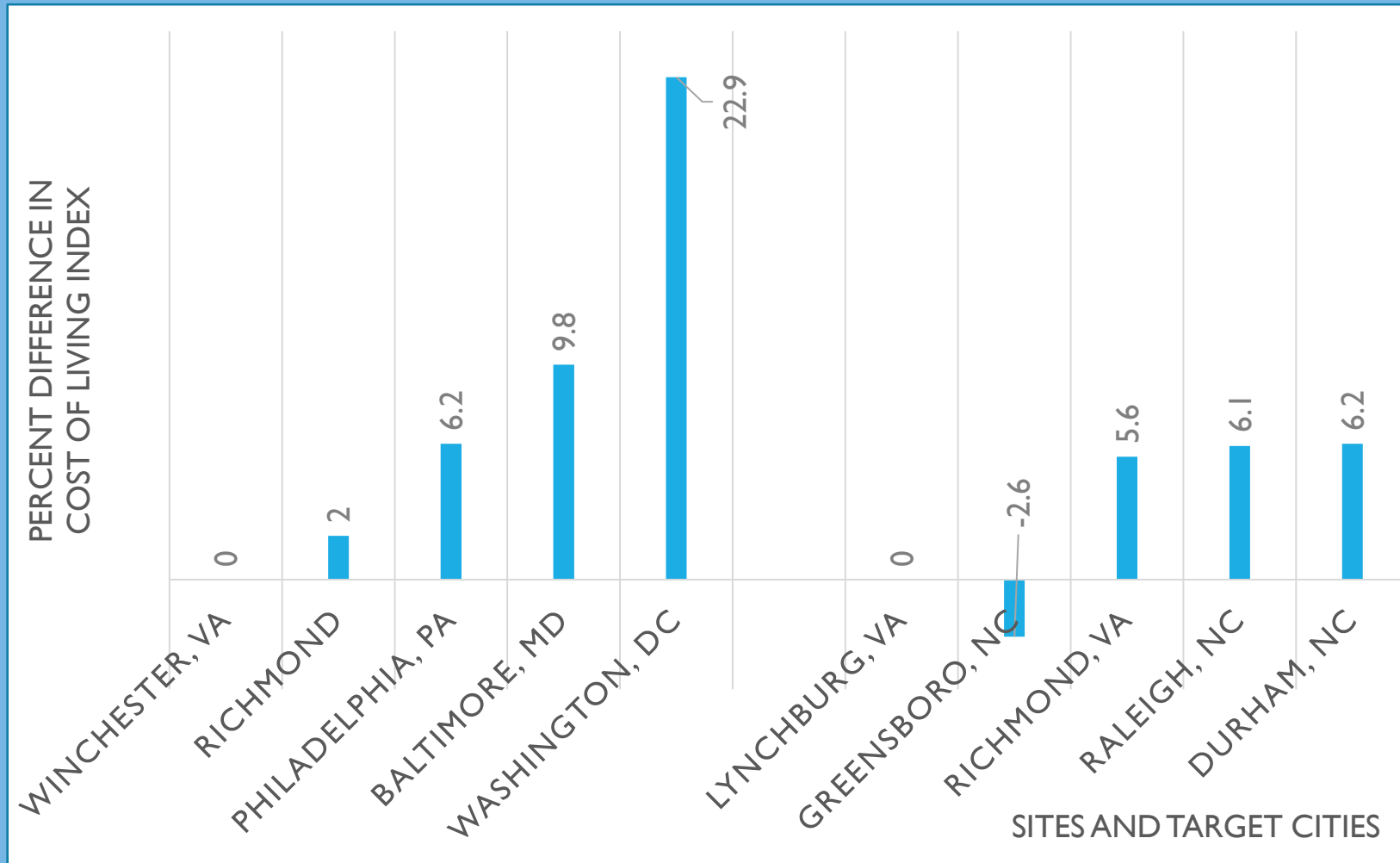
| Winchester | |
|------------------------------------|--------------|
| Net Profit (without incentives) | \$51,244,496 |
| Net Profit (with incentives) | \$51,552,422 |

| So. Boston | |
|------------------------------------|--------------|
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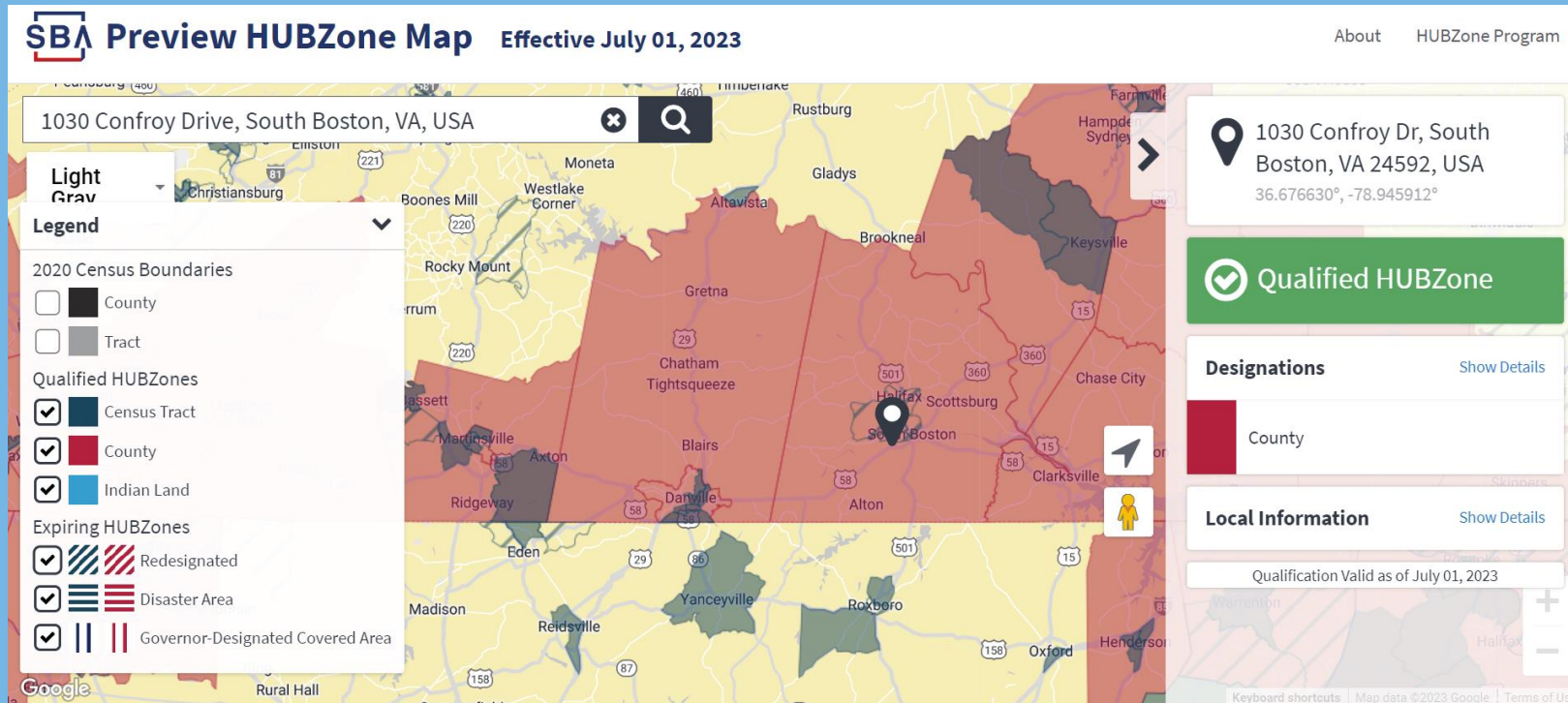
+ \$1,765,373



MARKETS SERVED BY WINCHESTER SHOW GREATER RELATIVE DIFFERENCE IN COL



SO. BOSTON SITE IS IN A HUBZONE

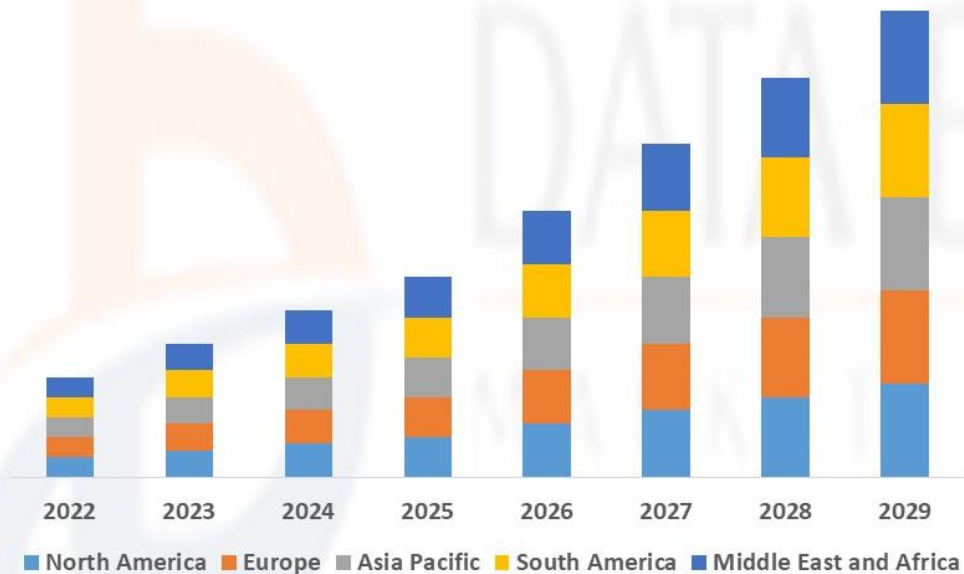


- Limits competition for certain government contracts to businesses in historically underutilized business zones
- Eligible with under 1,000 employees for NAICS codes 311920 and 3121XX
- Examples: USDA and National Guard food services contracts



READY TO DRINK MARKET IS EXPANDING

Global Ready-To-Drink (RTD) Beverages Market is Expected to Account for USD 141.85 Billion by 2029



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Source: Data Bridge Market Research Market Analysis Study 2022

Global Ready-To-Drink (RTD) Beverages Market, By Regions, 2022 to 2029



DATA BRIDGE MARKET RESEARCH



Customers are similar to those that Starbucks targets:

- “affluent or high-income individuals who make... \$90,000+”
- “22-60 years old”

Journal of Business and Social Science Review
Issue: Vol. 2; No.11; November 2021
(pp.12-22)

RECOMMENDATION: SO. BOSTON

- Rent abatement and other incentives significantly reduce startup costs
- Costs of labor, materials, property taxes, and utilities are lower
- HUBZone status may yield more contracts earlier
- Distribution is less costly
- Newer facility will mitigate risk of maintenance costs inherent in NNN lease



RECOMMENDATION: SO. BOSTON

- Population of 56, 059 lives within 20 miles
- Manufacturing cadre exists (top 4 career categories)
- Ample support from local EDAs will promote growth
- Smaller cities are increasing in population since the pandemic (Raleigh-Durham #4 in 2022)
- Net profit is greater



FACTORS NOT DISCUSSED

| Variable type | Why left out | Impact |
|--|--|--|
| Depreciation | Schedules differ based on equipment type | Change profit margins minimally |
| Some fees (withholding tax, utility and consumption taxes, etc.) | Would affect sites equally | Diminish profit margins marginally |
| Inflation | Would affect sites similarly | Diminish profit margins marginally |
| Net operating loss | Not sure how to calculate | Will shift losses from early years more equitably over 5 year span |
| Sales tax | Assumed it was included in personal property investment parameters | Halifax: 6.3%, Frederick 5.3%; advantage: Halifax |
| Inventory tax | Will charge customers tolling fees | None |
| Shareholder income tax | Doesn't impact client's bottom line in a C corporation | None |

THANK YOU!