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June 26, 2018

John Lawrence, Senior Economic Development Specialist  
EDGE Economic Development Growth Engine for Memphis & Shelby County  
100 Peabody Place, Suite 1100  
Memphis, TN 38103-3652

Dear Mr. Lawrence:

On behalf of Castle Retail Group LLC (Federal Tax ID # 14-1858718), operator of three Memphis Cash Saver locations, I am applying for a \$100,000 loan from EDGE to complete financing of a new Cash Saver location at 1977 S. Third Street in the Southgate Shopping Center.

Castle Retail Group was formed in 2004 to purchase four Memphis supermarkets operating at that time under the Piggly Wiggly banner. In 2011, we converted the store located at 1620 Madison Avenue in Memphis to Cash Saver. This new price concept store was a collaboration between myself and Associated Wholesale Grocers to introduce a cost plus, deep discount format store to the market that was not a limited assortment store, but continued to focus on high quality products offered at the lowest possible retail price. We are able to accomplish this with lower rent, simple store design, reduced advertising costs, low corporate overhead and a dedicated approach to buying products at the lowest possible cost. Because the retail pricing throughout the store is based on the cost to get products from the source to the shelf, we are able to offer every item in the store at its lowest possible retail. As a result, our shoppers save between 20 – 40% on their weekly food purchases. Although low priced, we offer Certified Angus Beef (top 8% of beef produced in the United States), Sanderson Farms poultry products and U.S. No. 1 Grade produce. We add 10% to each item at the checkout to cover the cost of operating the store.

My first job in the grocery industry, at age 15, was as a bagger in a small independent supermarket in Union, Missouri. Upon graduation from Morehead State University (Morehead, Kentucky) in 1976 with a Bachelor's Degree in Accounting, I began a career in store management with The Kroger Company. In 1987, I was recruited by Malone & Hyde in Southaven, Mississippi to serve as a retail and advertising consultant to independent supermarket operators in the Mid-South area. In 1990, I went to work for Sewell-Allen, Inc., a Memphis retailer with nine area stores. In 1992, I became President of Sewell-Allen and operated up to fifteen Piggly Wiggly locations with over 1,000 employees until 2004, when the owners of Sewell-Allen sold four locations to me. My wife, Cathy and I, are the sole owners of Castle Retail Group, (which is the first initials of my wife and five children – Cathy, Addie, Sarah, Taylor, Lauren, Erick).

Cathy and I have made it our mission to serve the lower income areas of the city with outstanding supermarkets. Although we are not millionaires and can't donate millions to any cause, we have saved our customers millions of dollars on their weekly food purchases. As a customer once told me who was used to running out of food before her SNAP benefits arrived, "thanks to Cash Saver, I still have food in the freezer now at the end of the month". Castle Retail Group is looking to fill a void in the South Memphis market by occupying the 31,000 square foot space left by Kroger earlier this year. This area has been identified as a food desert, with limited options for nutritional food purchases. There are 55,000 residents within a three-mile radius of this location that will be our primary customer. There are no major national retailers within a five-mile radius of this store. Limited options are available at a nearby Save-A-Lot location.

The most significant impact to the community is the re-use of the space as it was originally intended. In most cases, when a national retailer abandons an inner-city space, the space is never again used by the same retail category. Take for example, Sears Crosstown. Once a huge regional department store and catalog outlet, when closed it was never again a department store. In fact, the space sat empty and blighted until a vision to re-purpose the space brought Crosstown Concourse. If this former Kroger location in South Memphis remains empty and the equipment is auctioned off, it will never again be a grocery store, but more likely will be divided up and used for some other retail purpose.

This project is being financed through multiple sources. Southgate Shopping Center has been approved for a PILOT, reducing property taxes from the operation. The landlord has re-written the lease to a more appropriate structure for the trade area and has secured and made available some store equipment, specifically refrigerated cases and storage. The Works CDC, with whom I have worked on a previous project in Whitehaven, is financing \$460,000 for working capital and inventory. This leaves a financial gap of \$100,000 to make this project feasible. With assistance for the EDGE Economic Development Finance Committee of \$100,000 for point-of-sale equipment (cash registers), meat and deli department scales, receiving and front office computers and security cameras, Castle Retail will be able to privately finance the remainder.

Thank you for your consideration of this proposal.

Sincerely,

*Rick James*

Richard K. James, Owner/Chief Manager

# CASH SAVER

1977 S. Third St., Memphis TN

<u>Category:</u>	<b>Year 1 Proforma Budget</b>		<b>Year 2 Proforma Budget</b>	
Customer Count	780,000		955,000	
Average Transaction Size	17.67		16.34	
Average Weekly Sales	265,000.00		300,000.00	
Total Grocery Sales	8,543,600.00	62.00%	9,527,269.85	62.00%
Total Perishable Sales	5,236,400.00	38.00%	5,658,636.21	38.00%
<b>Total Store Sales</b>	<b>13,780,000.00</b>		<b>15,600,000.00</b>	
Total Grocery Gross Profit	1,025,232.00	12.00%	1,238,545.08	13.00%
Total Volume Rebates	30,000.00	0.22%	200,000.00	1.28%
Total Perishable Gross Profit	1,204,372.00	23.00%	1,358,072.69	24.00%
<b>Total Store Gross Profit</b>	<b>2,259,604.00</b>	<b>16.40%</b>	<b>2,796,617.77</b>	<b>17.93%</b>
Other Revenue	100,000.00	0.73%	100,000.00	0.64%
<b>Total Store Revenue</b>	<b>2,359,604.00</b>	<b>17.12%</b>	<b>2,896,617.77</b>	<b>18.57%</b>
Total Wages & Bonus	1,033,500.00	7.50%	1,170,000.00	7.50%
Total Non-Productive	20,670.00	0.15%	39,000.00	0.25%
Total Benefits	172,250.00	1.25%	218,400.00	1.40%
Total Supplies & Laundry	172,250.00	1.25%	187,200.00	1.20%
Total Advertising/Franchise	96,460.00	0.70%	99,840.00	0.64%
Total Depreciation	-	0.00%	14,285.00	0.09%
Total Insurance	60,632.00	0.44%	63,663.60	0.41%
Total Repairs & Maintenance	68,900.00	0.50%	78,000.00	0.50%
Total Rent	154,500.00		154,500.00	
Total CAM	-		-	
Total Real Estate Tax	-		-	
Total PP/Business Tax	50,000.00		50,000.00	
Total Rent, CAM & Taxes	204,500.00	1.48%	204,500.00	1.31%
Total Equipment Rent	3,500.00	0.03%	3,500.00	0.02%
Total Utilities	225,000.00	1.63%	225,000.00	1.44%
Total Other Expenses	48,230.00	0.35%	54,600.00	0.35%
Total Administrative	103,350.00	0.75%	108,350.00	0.69%
Total Interest Expense	38,000.00	0.28%	36,000.00	0.23%
<b>Total Store Expenses</b>	<b>2,247,242.00</b>	<b>16.31%</b>	<b>2,502,338.60</b>	<b>16.04%</b>
<b>Net Income</b>	<b>112,362.00</b>	<b>0.82%</b>	<b>394,279.17</b>	<b>2.53%</b>
Total EBITDA	150,362.00	1.09%	444,564.17	2.85%