

ORIGINAL ALCOHOL BEVERAGE LICENSE APPLICATION

Submit to municipal clerk.

For the license period beginning _____ 20 _____ ;
ending _____ 20 _____

TO THE GOVERNING BODY of the: Town of } Madison
 Village of }
 City of }
County of Dane Aldermanic Dist. No. 16 (if required by ordinance)

1. The named INDIVIDUAL PARTNERSHIP LIMITED LIABILITY COMPANY
 CORPORATION/NONPROFIT ORGANIZATION
hereby makes application for the alcohol beverage license(s) checked above.
2. Name (individual/partners give last name, first, middle; corporations/limited liability companies give registered name): Page Buchanan

Applicant's Wisconsin Seller's Permit Number <u>456-102572988-04</u>	
Federal Employer Identification Number (FEIN): <u>20-5240149</u>	
LICENSE REQUESTED	
TYPE	FEE
<input type="checkbox"/> Class A beer	\$
<input checked="" type="checkbox"/> Class B beer	\$
<input type="checkbox"/> Wholesale beer	\$
<input type="checkbox"/> Class C wine	\$
<input type="checkbox"/> Class A liquor	\$
<input checked="" type="checkbox"/> Class B liquor	\$
<input type="checkbox"/> Reserve Class B liquor	\$
Publication fee	\$
TOTAL FEE	\$

An "Auxiliary Questionnaire," Form AT-103, must be completed and attached to this application by each individual applicant, by each member of a partnership, and by each officer, director and agent of a corporation or nonprofit organization, and by each member/manager and agent of a limited liability company. List the name, title, and place of residence of each person.

Title	Name	Home Address	Post Office & Zip Code
President/Member	<u>Manager/Owner Page Buchanan</u>	<u>2014 Yahara Pl. Madison, WI</u>	<u>53718</u>
Vice President/Member			
Secretary/Member			
Treasurer/Member			
Agent			
Directors/Managers			

3. Trade Name House of Brews Business Phone Number 608-347-7243
4. Address of Premises 4539 Helgesen Dr. Post Office & Zip Code 53718
5. Is individual, partners or agent of corporation/limited liability company subject to completion of the responsible beverage server training course for this license period? Yes No
6. Is the applicant an employe or agent of, or acting on behalf of anyone except the named applicant? Yes No
7. Does any other alcohol beverage retail licensee or wholesale permittee have any interest in or control of this business? Yes No
8. (a) Corporate/limited liability company applicants only: Insert state WI and date 05/30/06 of registration. Yes No
- (b) Is applicant corporation/limited liability company a subsidiary of any other corporation or limited liability company? Yes No
- (c) Does the corporation, or any officer, director, stockholder or agent or limited liability company, or any member/manager or agent hold any interest in any other alcohol beverage license or permit in Wisconsin? Yes No
- (NOTE: All applicants explain fully on reverse side of this form every YES answer in sections 5, 6, 7 and 8 above.)
9. Premises description: Describe building or buildings where alcohol beverages are to be sold and stored. The applicant must include all rooms including living quarters, if used, for the sales, service, and/or storage of alcohol beverages and records. (Alcohol beverages may be sold and stored only on the premises described.) Sold in tap room at bar, stored in walk-in coolers in microbrewery.
10. Legal description (omit if street address is given above): _____ Yes No
11. (a) Was this premises licensed for the sale of liquor or beer during the past license year? Yes No
- (b) If yes, under what name was license issued? _____
12. Does the applicant understand they must file a Special Occupational Tax return (TTB form 5630.5) before beginning business? [phone 1-800-937-8864]. Yes No
13. Does the applicant understand a Wisconsin Seller's Permit must be applied for and issued in the same name as that shown in Section 2, above? [phone (608) 266-2776] Yes No
14. Is the applicant indebted to any wholesaler beyond 15 days for beer or 30 days for liquor? Yes No

READ CAREFULLY BEFORE SIGNING: Under penalty provided by law, the applicant states that each of the above questions has been truthfully answered to the best of the knowledge of the signers. Signers agree to operate this business according to law and that the rights and responsibilities conferred by the license(s), if granted, will not be assigned to another. (Individual applicants and each member of a partnership applicant must sign; corporate officer(s), members/managers of Limited Liability Companies must sign.) Any lack of access to any portion of a licensed premises during inspection will be deemed a refusal to permit inspection. Such refusal is a misdemeanor and grounds for revocation of this license.

NOTARY PUBLIC
ERICA CHRISTIANSON
this 8th day of November, 2010
My commission expires 6/29/2014
(Clerk/Notary Public)

[Signature]
(Officer of Corporation/Member/Manager of Limited Liability Company/Partner/Individual)
[Signature]
(Officer of Corporation/Member/Manager of Limited Liability Company/Partner)
(Additional Partner(s)/Member/Manager of Limited Liability Company if Any)

TO BE COMPLETED BY CLERK		Signature of Clerk / Deputy Clerk	
Date received and filed with municipal clerk	Date reported to council/board	Date provisional license issued	
Date license granted	Date license issued	License number issued <u>91857</u>	

City of Madison Supplemental Class B License Application

<input checked="" type="checkbox"/> Seller's Permit Number <input checked="" type="checkbox"/> Federal Employer Identification # <input checked="" type="checkbox"/> Notarized Original Application Form <input checked="" type="checkbox"/> Notarized Supplemental Form <input type="checkbox"/> Orange Sign (Clerk's Office provides at time of application)	<input checked="" type="checkbox"/> Written Description of Premise <input checked="" type="checkbox"/> Background Investigation Form(s) <input type="checkbox"/> Notarized Transfer of Ownership <input checked="" type="checkbox"/> *Articles of Incorporation <input checked="" type="checkbox"/> *Notarized Appointment of Agent <small>* Corporation/LLC only</small>	<input checked="" type="checkbox"/> Floor Plans <input checked="" type="checkbox"/> Lease <input type="checkbox"/> Sample Menu <input checked="" type="checkbox"/> Business Plan
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1. Name of Applicant/Partner/Corporation/LLC Page Buchanan, House of Brews

2. Address of Licensed Premise 4539 Helgesen Dr.

3. Telephone Number: 608-347-7243 4. Anticipated opening date: Sep, 2010

5. Mailing address if not opening immediately Same

6. Have you contacted the Alderperson, Police Department District Captain, Alcohol Policy Coordinator, and the neighborhood association representative for the area in which you intend to locate? Yes No

7. Are there any special conditions desired by the neighborhood? Yes No

Explain. _____

8. Business Description, including hours of operation: Microbrewery with a tap room.

9. Do you plan to have live entertainment? No Yes—What kind? _____

10. Detailed written description of building, including overall dimensions, seating arrangements, capacity, bar size and all areas where alcohol beverages are to be sold and stored. **The licensed premise described below shall not be expanded or changed without the approval of the Common Council.**

4800 SF within a multi-tenant industrial property.
Approximately 900 SF in the front will be the tap room
The remaining approx. 4000 SF will be a packaging brewery.

11. Are any living quarters directly or indirectly accessible and under control of the applicant? Yes No
 Please note that alcohol may be sold and stored only on the licensed premise, not in living quarters.

12. Describe existing parking and how parking lot is to be monitored. Parking in front & on side of building. Patrons of tap room will be encouraged to park on side

13. Describe your management experience, staffing levels, duties and employee training.

New business to me - I have little management experience, but do have a master's deg. in Industrial Relations w/ classes in HR Mgmt.
employees will req. Alcohol serving course

14. Identify the registered agent for your Corporation or LLC. This is your corporation's agent for service of process, notice or demand required or permitted by law to be served on the corporation.

Self.
 Name Address

15. Utilizing your market research, who would you project your target market to be?

Employees at surrounding businesses.

16. What age range would you hope to attract to your establishment? 40+

17. Describe how you plan to advertise/promote your business. What products will you be advertising?

Post card mailing to introduce business. Beer.

18. Are you operating under a lease or franchise agreement? Yes (attach a copy) No

19. Owner of building where establishment is located: Dakleaf Properties
Address of Owner: 2532 Advance Rd Phone Number 661-9300

20. Private organizations (clubs): Do your membership policies contain any requirement of "Invidious" (likely to give offense) discrimination in regard to race, creed, color, or national origin? Yes No

21. List the Directors of your Corporation/LLC

<u>Page Bicharan</u>	_____
Name	Address
_____	_____
Name	Address
_____	_____
Name	Address

22. List the Stockholders of your Corporation/LLC

<u>Page Bicharan</u>	<u>2014 Yahara Pl, Madison, WI 53104</u>	<u>100</u>
Name	Address	% of Ownership
_____	_____	_____
Name	Address	% of Ownership
_____	_____	_____
Name	Address	% of Ownership

23. What type of establishment are you? (Check all that apply) Tavern Nightclub Restaurant

Other Please Explain. Brewery with a taproom.

24. What type of food will you be serving, if any? None - prohibited by state law.

Breakfast Lunch Dinner

25. Please submit a sample menu with your application, if possible. What might eventually be included on your operational menu when you open? Appetizers Salads Soups Sandwiches Entrees

Desserts Pizza Full Dinners

26. During what hours of your operation do you plan to serve food? None

27. What hours, if any, will food service not be available? All
28. Indicate any other product/service offered. _____
29. Will your establishment have a kitchen manager? Yes No
30. Will you have a kitchen support staff? Yes No
31. How many wait staff do you anticipate will be employed at your establishment? 4-6
 During what hours do you anticipate they will be on duty? 3pm - 12am
32. Do you plan to have hosts or hostesses seating customers? Yes No
33. Do your plans call for a full-service bar? Yes No
 If yes, how many bar stools do you anticipate having at your bar? _____
 How many bartenders do you anticipate you would have working at one time on a busy night? 1
34. Will there be a kitchen facility separate from the bar? Yes No
35. Will there be a separate and specific area for eating only? Yes No
 If yes, what will be the seating capacity for that area? _____
36. What type of cooking equipment will you have? Stove Oven Fryers Grill Microwave
37. Will you have a walk-in cooler and/or freezer dedicated solely to the storage of food products? Yes No
38. What percentage of your overall payroll do you anticipate will be devoted to food operation salaries?
0%
39. If your business plan includes an advertising budget, what percentage of your advertising budget do you anticipate will be related to food? 0
 What percentage of your advertising budget do you anticipate will be drink related? 100
40. Are you currently, or do you plan to become, a member of the Madison—Dane County Tavern League or the Tavern League of Wisconsin? Yes No
41. Are you currently, or do you plan to become, a member of the Wisconsin Restaurant Association or the National Restaurant Association? Yes No

42. What is your estimated capacity? 15

43. Pursuant to Chapter 23 of the Madison General Ordinances, all restaurants and taverns serving alcohol beverages shall substantiate their gross receipts for food and alcohol beverage sales broken down by percentage. For new establishments, the percentage will be an estimate.

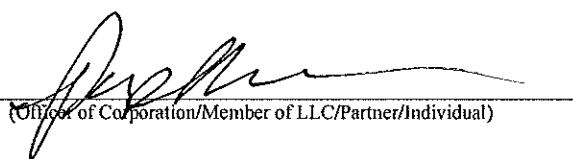
Gross Receipts from Alcoholic Beverages	99 %
Gross Receipts from Food and Non-Alcoholic Beverages	1 %
Gross Receipts from Other	0 %
Total Gross Receipts	100%


44. Do you have written records to document the percentages shown? Yes No
You may be required to submit documentation verifying the percentages you've indicated.

Read carefully before signing: Under penalty provided by law, the applicant states that the above information has been truthfully completed to the best of the knowledge of the signer. Signer agrees to operate this business according to law and that the rights and responsibilities conferred by the license(s), if granted will not be assigned to another. Any lack of access to any portion of a licensed premise during inspection will be deemed a refusal to permit inspection. Such refusal is a misdemeanor and grounds for revocation of this license.

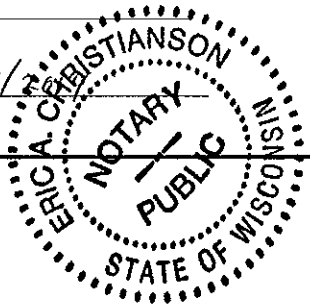
Subscribed and Sworn to before me:

this 18th day of November, 2011


(Office of Corporation/Member of LLC/Partner/Individual)


(Clerk/Notary Public)

My commission expires 6/29/2012



Appointment of New Liquor/Beer Agent

To be completed by Corporate Officer or Member of LLC

I, Page Buchanan, officer/member for House of Brews
(Corporation/LLC), doing business as House of Brews, authorize and appoint
Page Buchanan (Name) as the liquor/beer agent for the premise
located at 4539 Helgesen Dr. Madison WI 53718

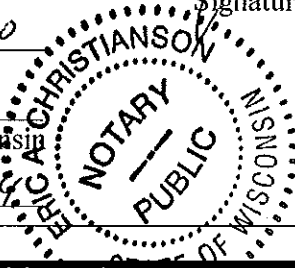
Subscribed and sworn to before me this

18th Day of November, 2010

[Signature]
Signature of Officer/Member

[Signature]
Notary Public, Dane County, Wisconsin

My Commission Expires 6/29/2014



To be completed by appointed Liquor/Beer Agent

I, Page Buchanan, appointed liquor/beer agent for
House of Brews (name of Corporation or LLC), being first duly sworn
say I have vested in me, by properly authorized and executed written delegation, full authority
and control of the premise described in the license of such corporation or limited liability
company, and I am involved in the actual conduct of the business as an employee, or have a
direct financial interest in the business of the licensee, therein relating to the intoxicating
liquor/fermented malt beverage. The interest I have in the business is 100 %.

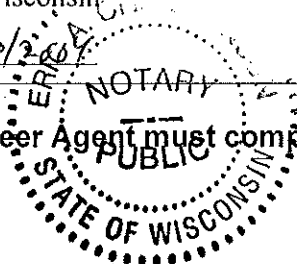
Subscribed and sworn to before me this

18th Day of November, 2010

[Signature]
Signature of Agent

[Signature]
Notary Public, Dane County, Wisconsin

My Commission Expires 6/29/2014



The appointed Liquor/Beer Agent must complete the other side of this form.

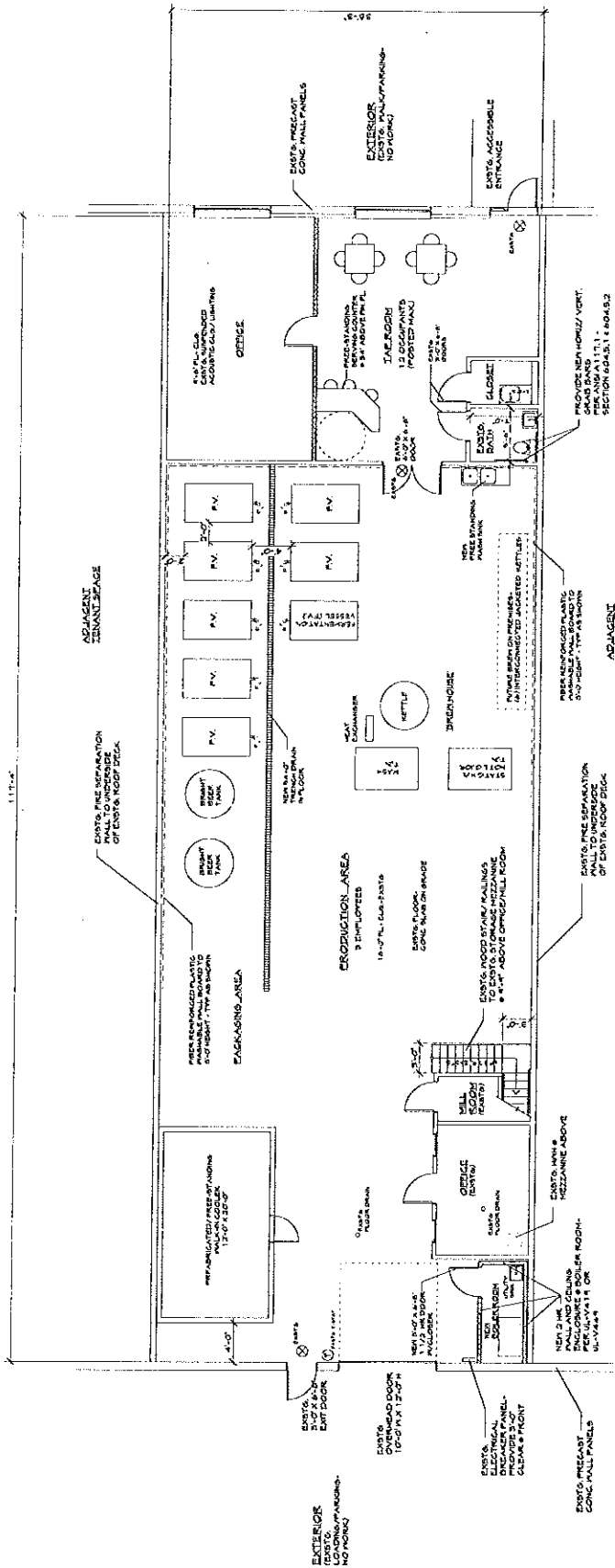
Written Description of Premises & Legal Property Description
House of Brews
4539 Helgesen Dr.
Madison, Wisconsin

House of brews occupies 4,800 square feet of industrial space in a multi-tenant industrial building along with 4 other businesses. Within the 4800 square feet around 400 (located in the front of the building) is proposed as a tap room with a capacity of 12. Adjacent to this is another 400 square feet of unfinished space which will be used as an office and an expansion of the tap room once enough capital is available to build out another bathroom.

The brewery will be off the tap room and occupy 4000 square feet. Within the brewery will be two walk in coolers (only one is show on the architectural drawings) and a lab/office space. The brewhouse will be visible through double glass doors off the tap room.

Parcel # 071015303078

Albrecht Industrial Park, Lot 7; Also part of outlot 1, Helgesen Commercial & Industrial Plat
Description as follows: Beg NE Cor SD Outlot 1, TH S 00 Deg 08 Min 50 Sec E 493.48 Ft., TH S 00
Deg 09 Min 03 Sec E 134.58 Ft., TH S 87 Deg 52 Min 10 Sec W 139.39 Ft., TH N 00 Deg 06 Min 14
Sec W 628.55, TH N 88 Deg 01 Min 11 Sec E 138.89 Ft. to POB.



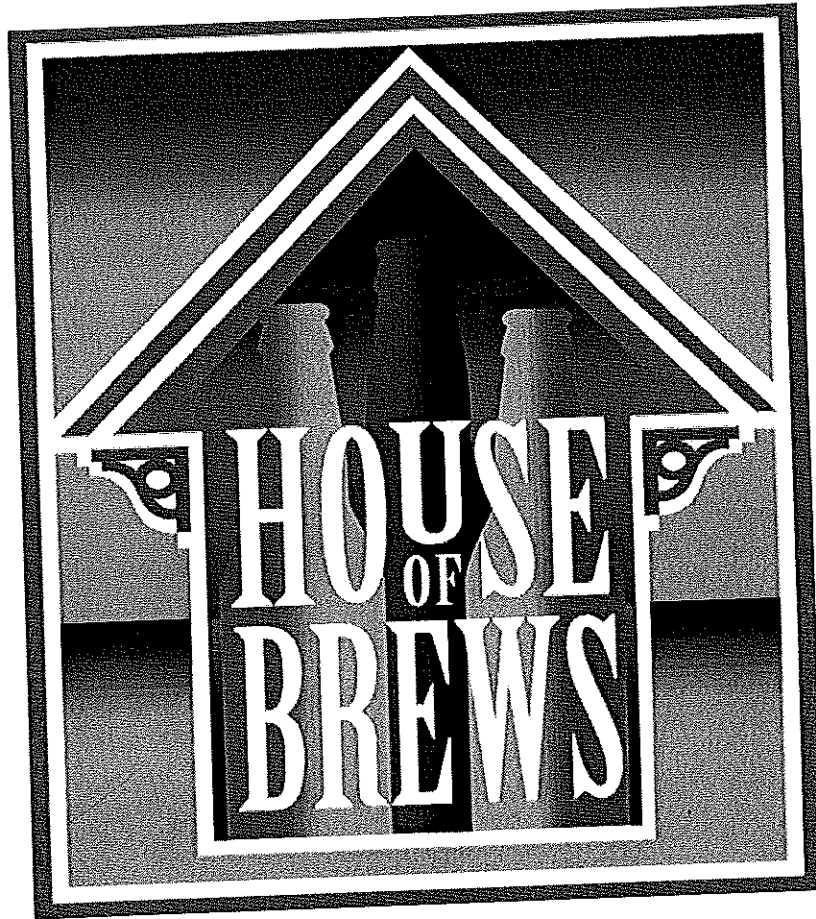
Memorandum
 Project Title: House of Brews
 Location: 4559 Helgeson Rd., Madison, WI

Drawn By: RKS
 Date: 07/27/10
 Sheet Title: Floor Plan

1 FLOOR PLAN
 Scale: 1/8" = 1'-0"

- NEW WALL FINISH
- EXISTING WALL TO REMAIN
- DOOR
- EXISTING DOOR LIGHT

FOR BUILDING PERMIT ONLY.
 SEE SEPARATE SUBMITTALS FOR
 HVAC, PLUMBING, AND ELECTRICAL.



BUSINESS PLAN

*Wisconsin's First Community Supported
Brewery*

**Page Buchanan
4539 Helgesen Dr.
Madison, WI 53718
(608) 347-7243**

I. Executive Summary

The House of Brews (hereafter referred to as HOB) is a proposed first-of-its-kind Community Supported Brewery (CSB) in the state of Wisconsin. Following a model similar to Community Supported Agriculture, HOB will actively connect with and maintain constant interaction with "members", investors and customers in a manner not commonly done by most breweries. We want our customers to have input as to what is brewed and at the same time help educate them about beer styles and brewing methods through a number of means described below which will build brand loyalty and enthusiasm. HOB will brew a wide variety of beers unlike most microbreweries which only brew a few beers year round with the occasional seasonal or special beer interspersed. HOB will be a unique and exciting endeavor.

HOB intends to "contract brew" house brands for local restaurants, bars and produce beer for retail liquor store sales. The contract brewing will involve a "custom" aspect in which HOB will work with the customer to select a beer style, conduct beer education (if needed) and develop a recipe with the customer. The intent is that the customer will take more interest in and have more enthusiasm for a product that was created in part by and exclusively for them which in turn will lead to greater sales of the product. The brewing systems that will be used will allow HOB to brew a single batch from ½ to 10 barrels in size. This is another unique element to our business model. HOB will self-distribute its beer and offer to regularly clean the lines of any taps which carry our brand.

HOB will begin as a very small microbrewery within a 2,500 square foot industrial space. The feasibility of a small tap room will be looked into as soon as possible in order to facilitate tastings for tours and a retail "Class B" permit will need to be obtained in order to distribute beer to the CSB members.

Initial financing needed is expected to be \$300,000 with the exact amount dependant on the pricing and availability of used versus new equipment and actual facility build out costs. An SBA loan of \$139,000 has been obtained. \$60,000 of owner's equity is provided via a home equity line of credit and another \$100,000 of start-up capital will be raised as described below.

An equity instrument or debenture has been created to allow for investment by smaller investors (\$500 to \$5,000 per individual) who will not be "equity owners". So far (as of 7/29/10) \$30,500 worth of capital has been raised in this manner. As part of the CSB, "shares" (\$180 or \$300) will be sold on an annual (or semi-annual) basis to "subscribers" who receive an amount of beer equal in value and priority to purchase beer prior to the general public. An additional \$15,000 will be raised from member shares. However, this money will be effectively spent down through the year as members receive the beer they paid for up front.

In the second or third year of operation recapitalization will be sought to purchase additional fermenters and packaging equipment to improve the efficiency of the business. It is anticipated that the money for this will come from three sources: 1) the sale of

existing equipment as turnkey operations, 2) additional investment by individuals and 3) a bank loan (including refinancing SBA loan) or credit which might include equipment lease financing.

Why will HOB be successful?

Being one of America's FIRST Community Supported Breweries will certainly generate a lot of interest. This, combined with a heightened interest in locally produced products, especially one that is created in a manner which involves the end consumers is what will make HOB stand out among other microbreweries in the state or the country as a whole. Enthusiasm and excitement about HOB is expected to be quite high even before the first beer is produced, and it's expected that initial brand awareness and sales will be higher than if the brewery were more the norm.

Interest in Craft Beer is still growing despite the current economic recession. Craft beer is defined (or understood to mean) as beer which is brewed by breweries with 50,000 barrels or less in annual production, and usually with an emphasis on quality all-malt beers produced in small batches. Volume in the U.S. in the first half of 2009 was up 5% and sales were up 9% by dollars. This is despite the fact that overall (i.e. including the major "non-craft" brands) beer sales were down 1.3% during the same period. For all of 2008 growth in the craft brewing segment was up 5.9% by volume and 10.1% by dollars. Previous years were better: sales were up 12% in 2007, 11.7% in 2006 and 9% in 2005 (see <http://www.beertown.org/craftbrewing/statistics.html>) all of which means more consumers are broadening their beer palates. Also noteworthy is the fact that nearby local breweries have been growing and undergone recent expansions (discussed later).

Wisconsin's cultural heritage is steeped in brewing and beer drinking which remains very popular. Tapping into this plus an increased awareness of craft beer and a growing preference towards locally made products will help make HOB succeed as a microbrewery.

Variety - HOB intends to be unique among microbreweries in that it will produce a wide array of beers; whereas most produce a "stable" of regular beers available all year long along with a few seasonals, and occasionally a special release. HOB will produce a few beers year round, but hopes to gain a loyal following that look forward to the next new release.

Customization – Occasionally, a bar or restaurant will carry a "house brand" which is often nothing more than an existing brand served with the establishments name on a tap handle. In the case of HOB, we will work with the owners and their employees (if desired) to formulate something specifically for them. HOB will also provide instruction in beer styles to owners and staff to increase their beer knowledge. It is hoped that doing so will produce more enthusiasm about the house beer which will result in increased sales.

For sales at retail locations, HOB might also offer a "brew to order" service whereby the customer can order the beer they want and it will be brewed for them. A custom tap handle service for special occasions may also be offered. Business demands may necessitate that this service not be offered, so it is not currently incorporated into the sales and marketing strategies, but the concept might be attempted if time permits.

Service – As a perk to establishments that carry its products, HOB will regularly clean any lines our beer is served on. Aside from this if a customer is not satisfied they will be given an opportunity to return the unused portion of the product and exchange it with another.

Quality – without it any business will not succeed. The large number of quality beers available to the consumer these days cannot be understated. Thus, HOB must (and will!) produce beers of outstanding quality. This will be achieved through selection and refinement of quality recipes, proper selection of high quality ingredients and strict adherence to sanitation procedures, implementation of basic quality assurance procedures as recommended to the American Society of Brewing Chemists from the start – and its continued improvement over time.

Sustainable Operational Practices – HOB will investigate and implement as soon as is financially feasible alternative/renewable energy technologies, business practices and packaging. This includes things such as solar electric and hot water systems, heat recovery devices and systems in the process, energy efficient equipment, and packaging made from recycled materials. Implementing these things will generate a positive attitude towards the brewery on the part of investors, customers and subscribers.

Personal Relationships in the general community at large as well as in the craft beer drinking and producing communities is crucial in this industry. As a respected member of the Madison Homebrewers and Tasters Guild and my acquaintances in Madison's craft beer "scene", I have longstanding positive relationships with and knowledge of establishments - including their owners, patrons, and unique styles and personalities. This allows me to get an immediate audience with the owners (and patrons) which will lead to sales. Also, I strongly believe that an owner/brewer coming into an establishment attempting to sell his or her product has a much better chance of success than a representative from a distributor attempting to introduce an unknown product.

Mission Statement

Interaction with and dedication to members, investors, customers and the community combined with creativity and dedication to craft in order to produce a wide variety of exciting and exquisite beers.

II. Marketing

History

Microbreweries were once the dominant form of brewery in the U.S. with over 1,500 total (large and small breweries) in 1930. The growth and eventual dominance of the major breweries in the 1960s and 70s put most of these small local/regional breweries out of business (ending at a low point in the early 1980s of less than 100). Starting in the 1980s a few small breweries interested in "craft" brewing began to emerge. The word "craft" was adopted to reflect an emphasis both on traditional styles from throughout the world and the quality of the products they produced. Since then, growth has been such that the number of breweries is now back up to 1,525 with 456 being classified as microbreweries (see <http://www.brewersassociation.org/pages/business-tools/craft-brewing-statistics/number-of-breweries> for more details). Nowadays, most US consumers have heard of and many are familiar with "micro" or "craft" brewed beers.

Wisconsin's great brewing heritage is one of the reasons that a few of the small regional breweries (e.g. Point, Huber, Leinenkugel) survive to this day, even if they are not producing the same product. And many more brands still survive or have been brought back (e.g. Schlitz, Potosi, and Pabst) and as a result, Wisconsin ranked 10th in breweries per capita in 2008. (see http://www.brewersassociation.org/attachments/0000/0266/breweries_percap.pdf)

Market Analysis

Madison and the nearby surrounding area (within 20 miles) has 4 microbreweries all of which are very successful. They are:

- Ale Asylum – Madison
- Capital Brewery – Middleton
- Tyranena – Lake Mills
- Lake Louie – Arena

Other WI craft breweries that compete in the Madison Market include:

- Gray's – Janesville
- Lakefront – Milwaukee
- Central Waters (who contract brews other brands including Furthermore) – Junction City
- Oso – Plover
- Sandcreek – Downing
- Sprecher – Glendale (Milwaukee)
- Linenkugel – Milwaukee / Chippewa Falls (part of Miller and not always considered "craft")

All of the craft breweries listed above have shown positive growth in the last few years – notably, New Glarus just completed a \$21 million expansion. Capital also completed a \$1.3 million dollar expansion last year, Ale Asylum doubled their capacity earlier this year from a 15 barrel brewhouse to a 30 and started running two shifts a day. Lake Louie completed an addition more than doubling their size in 2007.

Madison and the immediate surrounding area also has 5 very successful brewpubs (soon to be 7) they are: Great Dane Pubs – Downtown, Fitchburg and Hilldale, Gray’s Tied House – Verona, The Grumpy Troll – Mt. Horeb and soon to be Vintage in Madison and RePublic in Sun Prairie. They are included here because they demonstrate the popularity of craft beer among beer drinkers in the area.

A quick web search of the number of licensed taverns, just in Madison, comes up with somewhere around 600. This shows not only the immense popularity of them in our culture, but of the economic viability and opportunity in this market. Not all are interested in “craft beer” and some are even sandwich shops which have liquor licenses, but the large number clearly demonstrates the potential for securing the 30 to 50 establishments serving HOB brand beers necessary to execute the sales goals outlined below.

As was mentioned previously, Wisconsin is rich in brewing history and tradition, after all, the professional baseball team is called the Milwaukee Brewers for a reason. Madison itself can be considered a beer connoisseur’s destination. The Madison Homebrewer’s and Taster’s Guild has about 120 active members, of which I am a very active member (and former board member), and hosts an annual beer festival (The Great Taste of the Midwest) which sells out its 6,000 tickets in about 1 hour. There are also beer festivals in nearby communities including: Quivey’s Grove Beer Festival in Fitchburg and the Mt. Horeb Beer Festival. In addition to the number of taverns and growth in the number of brew pubs, the popularity of “beer bars” has been growing in recent years. These include the following establishments: The Old Fashioned (with over 30 taps featuring Wisconsin beers), Brasserie V (focusing on Belgians), Jacs with 13 taps of micros and imports, The Malt House (a beer bar with 18 taps), Maduro, Dexter’s Pub, The Come Back Inn, The Cabana Room, Alchemy Café, Dotty Dumplings Dowry, The Weary Traveler, Mickey’s Tavern, to name only a few of the bars, bar/restaurants, that place an emphasis on serving craft beer.

Madison has a vibrant tourist economy; it is the seat of State Government as well as the (nearby) State’s largest University with over 40,000 students attending annually. University sporting events, especially Football, Basketball and Hockey enjoy immense popularity and draw repeat visitors to the city of Madison. Two of the states largest hospitals (the University’s and Veteran’s administration) are here as well. Aside from the additional tavern business that tourism generates, HOB hopes to capture some additional sales and brand building through brewery tours. Being unique in nature, HOB is expected to be a destination location.

Sales Strategy

In talks with people who work at Liquor stores keg sales are down – many only sell 1-3 kegs a month. Most customers prefer to buy a variety of six packs if they are going to have a party. The liquor stores near the UW campus still sell a lot of kegs, but this is almost entirely of major brand beers which sell for lower prices. Therefore, keg sales will have to be directed to restaurants and taverns that have a focus on craft beer and which are open to potential collaboration in terms of a house brand beer or with their cook in terms of beer and food pairings. Members and investors will be able to receive their beer in cases of 12 - 22 oz bottles or 5 gallon or 15.5 gallon kegs.

The initial price per keg will be \$110. Custom made beers will cost more due to being made in smaller batches made specifically for the customer – they will cost anywhere from \$130-\$150 per half barrel. Keg prices of the most popular beers from competing nearby craft breweries are as follows:

Lake Louie Brewing (Arena, WI)	\$110
New Glarus Brewing Co (New Glarus, WI)	\$115
Ale Asylum (Madison, WI)	\$118
Capital Brewery (Middleton, WI)	\$124
Bells (Kalamazoo, MI)	\$134

Case prices to members will start at \$43.09 + tax (10% below suggested retail price) and go to \$96. Suggested retail prices for individual bottles will range from \$3.99 to \$12.99. Some special releases may be sold by the bottle only at the brewery and probably range retail from \$10 to \$20. These prices are in line with current prices on comparable products on the market today.

Retail outlets in Madison number around 180. Not all carry any craft beer, and some just carry wine, but this is changing; I have started to see craft beer appear in coolers at gas station convenience stores. The large number of retail outlets is sufficient to break into the market if the products are presented well and sell. HOB strategy will be to focus on stores I am familiar with and have a reputation for carrying a variety of craft beer including those that are locally produced.

The essential element in any beer market analysis is to recognize that an ever increasing number of brands are available to the craft beer drinker due to craft beer's increased popularity combined with wider distribution of more brands. Another factor is that large distributors have teams of salespeople and marketing prowess that HOB will not have. Therefore, quality and originality have to be present in all HOB beers produced and as many opportunities for marketing/introducing consumers to the HOB that can reasonably be taken advantage of will be. If this is done, according to conversations I've had with other craft brewers, demand is likely to outweigh supply. If this situation were to occur,

production capacity will be increased rather than prices. Increasing production lowers the overall costs per barrel produced and doesn't price the beer out of the market.

The following assumptions were made in order to estimate the numbers of taverns, retail liquor stores and members needed to meet the maximum production capacity of 80 barrels per month divided between kegs of HOB brand beer, kegs of custom "house" brand beers, bottles for retail and bottles for members. See the spreadsheet titled product mix for details.

Keg (1/2 barrel) Sales

Monthly keg production:

102 kegs retail – HOB brand
24 kegs custom brewed
54 1/6th barrels (=18 Kegs) retail

Estimated sales is 1 keg per week per tavern so, 36 establishments are needed at a minimum. Some will sell more and some will drop the brand entirely, but by the time HOB reaches maximum capacity we will have a better handle on how many establishments will be needed. Production starts at 25% and works its way up. Thus, only about 12 taverns are needed at first and 5 establishments have already expressed interest in carrying HOB and/or custom brewed beers. The 1/6th barrel size keg (5.16 gals) will also be made available for a premium price (\$50) that may be more attractive to taverns with lower volume sales and when HOB is still unfamiliar and at locations where space is limited. This will also provide a means of distributing more limited production and special release beers to more locations without overtaxing the production end of the business.

Case Sales

54 Cases per month retail
54 Cases per month to members

Estimated retail 22 oz bottle sales per establishment are harder to pin down. Assuming an average of one case per month (3 bottles per week) per retail outlet necessitates at least 54 establishments and most likely will require 60. This could impose a considerable amount of time expenditure to distribute (up to 7 ½ hours per week assuming it takes 30 minutes per establishment). For this reason, during the start-up phase, brewing will happen only 1 to 2 days a week to allow more time investment in sales and marketing. Brewing will be limited to 4 days a week maximum thereby leaving 1 day a week for sales and distribution into the second year. At some point, HOB will look into signing a distribution contract with a distributor and begin brewing 5 days a week.

Cases to subscribers will be available to them 1-2 evenings per month at the brewery. Subscribers will receive a discount of 10% below retail price. Subscribers will be

allowed to mix and match their case depending on what is available and HOB will try to make a minimum of 4 beers per month available. Some limited edition beers may be made exclusively for subscribers only, but if they prove to be very popular these beers will need to be made available to retailers in order to maintain their good will and get the beer on the general market so more people discover and like the brand.

In terms of the overall size of HOB (80 barrels a month) compared to its competitors it will be pretty small, but not the smallest. Viking Brewing Co. of Dallas WI brews only about 21 barrels a month and Oso Brewing of Plover (both of whom sell in the Madison Market), is only producing about 51 barrels a month. The next smallest, Gray Brewing Co. of Janesville, is brewing just over 100 barrels a month.

Marketing Strategy

Quite a bit of attention should be generated by the fact that HOB will be a first of its kind business. Additionally, investors and members are likely to generate a lot of word of mouth interest, as will my involvement in the Madison Homebrewers' and Tasters' Guild. Early on, getting information to as many people as possible for low or reasonable costs is the first objective.

Development of a "brand" and label style is currently under way. HOB will play upon the house theme along with other architectural references. Names for beers include: Full House Ale, Brick House Bock, Bungalow Brown, Barn Burner Red Ale, and Subdivision (or Lean-to) Light. The tagline "Well Constructed Ales" is being considered along with a series of special releases to be called our "Artisan Series" (unless determined to be a copyright infringement). The house graphic lends itself nicely to accompanying 3-D tap handles, eventual house shaped 6 pack holders, and small "tent" table point-of-sale items. Special release events either at establishments or the brewery could be referred to as "House Parties". The theme is ripe with fun and catchy marketing/naming opportunities geared toward increasing brand awareness.

Formal marketing involves pursuing the following:

1. Establish a presence on the web. Creation of a Facebook page and website prior to opening to generate "buzz". Frequent website updates and maintenance thereafter.
2. Free advertising generated by sending press releases and offering to do interviews to print, television and radio media outlets about this first of its kind business opening in the state. Followed by regular releases about new products and special events.
3. Periodic beer tastings / meet and greets at local liquor stores, taverns, and restaurants.

4. Ongoing communication with customers, members, and investors via web based feedback forms and periodic brewery events such as an annual appreciation dinner and beer education classes along with presales of special releases.
5. Booths at beer and food tasting events throughout WI in their “retailers” or “vendors” area.
6. Purchased radio, TV and print advertising.
7. Co-marketing with professionals/firms such as wedding planners, caterers, bars and restaurants, and tourism/social groups.
8. Collaboration with local chefs or specialty food producers/sellers (e.g. chocolatiers, specialty cheese shops) to brew special beers for food and beer pairing dinners/events.
9. Bar Owner / Tender education and recipe development for house brands contract brewed for them.
10. Charitable giving & Good Samaritan work. Providing beer (within the limits of the law) to various local festivals which act as fundraising events and participation in responsible drinking campaigns. HOB may brew a special release exclusively for a particular event. Any opportunity to improve HOB’s image as a good business in the community will be looked into.
11. In conjunction with charitable giving, HOB hopes to collaborate with local artisans to produce special “artistic” labels and hand blown bottles to contain specially brewed beers specifically for a charitable event and/or auction.
12. Limited release beers produced with the use of wooden barrels and special ingredients will be labeled as part of HOB’s “craftsman series” of beers and sold at a premium price.
13. HOB merchandise and point-of-sale posters, decorations, and signs will be used to build awareness and reward repeat business.

III. Organization of Business

The business is set up as a Manager-Managed LLC doing business as an S-Corporation. Normal Hours of operation will be 7 a.m. to 3:30 p.m. Brewing will occur four days a week and one day will be dedicated to sales and deliveries. The majority of work will be done by me to start and it is expected that one full time employee will be hired to be mainly responsible for equipment cleaning and product packaging.

Investor & Member Involvement. Equity Investors do not have voting rights to effect management or business structure change, but will have similar input as subscribers in

terms of what is produced by the brewery. The Membership share will clearly spell out that investors are effectively silent and they can be (but not necessarily will be) bought out after a certain period (1-3 years). Equity investors are paid an annual dividend of 10%.

Subscribers to the CSB purchase either a \$300 annual or \$180 6 month "shares", have considerable input as to what is brewed by the brewery and receive an equal value of beer prior to it going on sale to the general public or a restaurant/tavern. Subscribers can also request (prior to packaging) what form they like their "share" distribution packaged in (22 oz bottles, 5 gallon keg, or ½ barrel). In addition to informing members what is available, the company's website will allow them to place an order, provide input on what they would like, and provide feedback about what they have had.

Both investors and members will be invited to one or more exclusive beer tasting/education events as well as an annual appreciation dinner at the brewery.

Business Philosophies and Practices

HOB will be established as a typical sole proprietorship with a typical top-down management, and the following values and practices will be incorporated into the business decisions made overall and on a day-to-day basis.

Employee Management. Having spent years working for unions, this is an area where I personally have a lot of experience and values. I believe employees should be treated well, but at the same time I also know how to put management policies and practices in place in order to effectively and fairly get work done. First, employees will be carefully selected according to knowledge, experience, personal values with respect to those of the company and physical ability (depending on the position). Second, extensive company and operational policies will be clearly communicated to all employees in the form of an "employee handbook" and standard operating procedures. Third, employee input/involvement will happen as it does with most small businesses, but will not be formalized nor emphasized. My personal experience over the years with these types of systems is that they can easily become a source of conflict and resentment among coworkers and with management.

Compensation and Benefits. Employees will be paid a fair wage (\$12/hr) to start and some sort of pay progression and incentives will be developed according to what the company wants to do in terms of reinvestment of capital and/or payment to or buyout of investors. Third, employees' health and the health of their families are important. Health insurance of some sort will be offered as soon as is feasible.

Sustainable/Green Operational Practices. Current research shows that pursuing this is profitable and philosophically it is the right thing to do. In the case of HOB most of these types of efforts will be focused on the progressive installation of alternative energy systems, energy recovery and saving systems, and efforts to reduce waste and pollution. Employee transportation to and from HOB will also be taken into consideration. To this

end, HOB intends to utilize the expertise of an alternative energy expert on its advisory team, explore and participate in organizations dedicated to helping companies achieve results in this area and research what other microbreweries are doing.

Decisions of how and when to install certain systems will be based on physical parameters of the facility and how long it will be occupied. Since initially this will be small rented industrial space, some installations may not be allowed and consideration into the return on investment both in terms of energy recovery and ease of disassembly and moving will need to be taken into account.

Community and Philanthropic Involvement. Madison Wisconsin is a wonderful place to live. A big part of why this is the case is that there are many civic non-profit organizations dedicated to maintaining and improving the quality of life here. To this end, HOB will sponsor events and make donations of product (when allowed by law) and money, and directly volunteer for campaigns and/or events.

Contracted Technical Help & Management Advisory Team

Setting up HOB will be completely new to me. Therefore, I will need training and initial setup and ongoing consultation for operations. For the microbrewery end the company, I have occasionally done part time work for Allied Beverage Tanks, Inc. (ABT) who sells, installs, and repairs new and used brewing equipment. The owners have over 25 years of experience in this area and will provide installation, use, and repair support throughout the start-up phase. The manufacturer of the BOP system already purchased by HOB as well as the 5 barrel brewhouse to be purchased also works closely with ABT currently manufacturing control panels for them.

Construction will be managed by me and a good friend, Jim Meritt (DBA Innovative Carpentry). Mr. Merritt has 20 plus years in the construction industry and along with my connections, I am confident I will be able to select and manage subcontractors. Another very close personal friend, Chris Murphy also operates his own electrical contracting business and works performing brewery control and electrical work for ABT.

Legal will be handled by Jeff Glazer an attorney whose background encompasses the fine details of the Wisconsin brewing industry including setting up and acquiring licenses, distribution, retail and brewpub management, and labeling laws. Mr. Glazer has worked for multiple Fortune 500 companies in various analysis and implementation capacities. He has experience in virtually every facet of business having worked in IT, human resources, marketing, sales, and finance. He has an undergraduate business degree from the University of Toledo with a concentration in Operations Management and Information Technology. He has a Master of Business Administration, with a concentration in Finance and Marketing, from University of Akron and received his Juris Doctor, with a concentration in Intellectual Property, from the Chicago-Kent College of Law.

Accounting is currently performed by Villard and Associates, a full service accounting firm whose principal, Kathleen has been working as a CPA since 1996. They have handled filing all LLC and Incorporation paperwork as well as tax returns for HOB. They will be setting up the funding instrument for investors and ensuring all applicable laws and standard accounting procedures are followed. Along with Ms. Villard, my wife, Michelle Buchanan will assist with the setup and maintenance of the bookkeeping systems. Michelle has over 10 years working the accounting field having previously worked for Dunn and Bradstreet and for years held a Qualified Pension Actuary certification.

Insurance will be handled by Nate Huslet of the Neckerman Insurance Agency.

Real Estate and Government Liaison will be handled by Kate Stalker. Kate has 30 years of experience in government relations, project management, marketing, real estate development, and public facilitation. Her project work has emphasized highly collaborative client relationships and facilitation of various nonprofit and citizen groups to achieve input and consensus on a myriad of social, political, and budgetary issues. Kate's career, which has brought her considerable experience on projects throughout the country, includes strategic planning of an Olympic venue and numerous other high-profile projects. Her skills in negotiation, combined with her ability to bring people with disparate viewpoints together, have played a major role in achieving successful outcomes for her clients' endeavors. Her credentials include: BS Landscape Architecture- UW Madison, IL Professional Certification #157-000807. Member: Chicago Women in Planning and Development and appearances as a Guest Lecturer, UW-Madison School of Real Estate, and WBE certified in Wisconsin.

Brewery Operations and Recipe Development consultation will be from Keith Symonds who has been a Brewmaster at: Starlight Brewing Co, Southfield, Michigan; Westchester Brewing Company, White Plains, New York; and New England Brewing Company, Norwalk, Connecticut. He has also been a Consulting Brewer at: Lily's Seafood, Royal Oak, Michigan; Fireworks, White Plains, New York; and Tahitian Tiki Products, Punaauia, Tahiti, French Polynesia. At various places he has been responsible for brewery build-out for two brewhouses, commissioned three additional brewhouses and brewed commercially at ten different brewhouses. He has also been Master Judge (highest rank) Beer Judge Certification Program since 1993. Mr. Symonds has authored articles for Zymurgy, Ale Street News, Great Lakes Brewing News, as well as numerous homebrew club newsletters.

Microbiology and Quality Control will be set up and monitored with the assistance of Dr. Les Hoffman who is a microbiologist. He has been the Project Leader, Epicentre Biotechnologies, Madison, WI from 1988 to the present. Mr. Hoffman has conducted research with microorganisms for approximately thirty years. In his current position he has developed research tools, such as molecular biological kits, for basic and applied research in microbiology. He is the originator of Epicentre kits used to extract nucleic acids (RNA and DNA) from fungi, including yeasts. His company's products have been

used worldwide to identify and classify fungi and bacteria. Aside from this, he is also an avid homebrewer and beer coinsurer.

Energy Technology advice will come from Mr. Larry Walker – Walker Energy Systems. After many years in the software engineering and information technology businesses, Larry pursued work in the renewable energy field, specifically in the areas of solar energy and energy efficiency. Larry has a private consulting business Walker Energy Systems offering: Energy Audits, Solar Assessments, Buyer's Agent Services, and Energy Strategy Consulting. Larry is the MadiSUN solar agent offering solar consultations to Madison residents under Madison's Solar America Cities program.

Marketing and Brand Development – will be done by me to start, but a firm will be selected if revenue permits.

Artwork and Labels will be done by Michael Duffy. Mr. Duffy is an established commercial graphic artist located in Madison.

My Personal Qualifications

I have been an avid homebrewer for fourteen years. Most individuals consider the beer, mead, and cider I make to be above par and as good as professionally produced. I have a great deal of passion and knowledge about brewing, having read extensively in the subject. I have taken a short course on beer styles at the Siebel Institute in Chicago, IL – one of the premier brewing schools in the country. I also took their “Concise Course on Brewing Technology” in October of 2007. As mentioned previously, I have done some occasional part time work assisting ABT with installation and repair of brewing equipment at commercial breweries. In my youth, during high school and for many years afterwards I worked independently doing small home remodeling jobs which familiarized me with construction.

I have a Bachelor's degree in English Literature and a Master's in Industrial Relations from the University of Wisconsin - Madison. Some of my Master's degree involved study in the area of employment law and human resource management. From 1998 through March 2009 (minus 18 months I took off to be a stay at home dad) I worked for a small construction electricians' union in a six person office tracking the construction market and acting as a PR person. I have also been involved build out issues including grant writing for energy improvement projects as well as a HUD grant for wheel chair accessibility. I was also the registered lobbyist for all of the electrical construction unions (a total of 9) in the state of Wisconsin for about 3 years. This gives me some degree of comfort and confidence when it comes to working with government representatives and boards.

IV. General Business Information

Basic Description of a Microbrewery

A microbrewery is defined as a small scale brewery that produces less than 50,000 barrels (a barrel is 31 U.S. gallons) of beer per year. HOB will produce about 640 barrels in its first year of brewing operation and it is expected to produce up to 1600 barrels by the third year.

All breweries contain the following elements which are described briefly below, including specifically what and how HOB intends to use and operate.

Malt storage and milling areas. Malt will be delivered on pallets comprised of 50-55lb sacks. Larger breweries may also have malt silos, but even they receive some of their malt on pallets or in large bags (a.k.a. super sacks). Pallets have to be periodically moved and sacks moved to a milling room for processing just prior to brewing. This area has to be clean and dry. By law, the mill must be housed in an explosion proof room with proper dust filtration and/or elimination. Occasionally, grain is stored in the same room, but this is not a good idea because dust that settles on unused bags is a potential source of contamination and it creates an area which is harder to clean. Milled grain then has to be moved to the brew house. This is accomplished by bringing it over in some sort of container by pallet jack or fork lift, or via specialized conveyance.

HOB will initially purchase pre-milled malt (only slightly more expensive than whole) in order to save on build out costs and the space required by a mill room. The minimal amount of milling that will need to occur will be done offsite so as to minimize dust in the brewery.

The Brew House is at the heart of a brewery – this is where what will become beer, the wort, is produced. It typically consists of three vessels, one for producing hot water (referred to as the “hot liquor tank”, one for steeping malted barley (the “mash/lauter tun” and another for boiling the wort (the “boil kettle”). More complex brew houses have up to five vessels that are dedicated to specific tasks in the brewing operation, but are not described here since HOB will utilize a three vessel system. Ancillary to the brew house is a heat exchanger (a.k.a. “wort chiller”) and oxygen injector which cools the wort to fermentation temperature and saturates it with oxygen which is needed by the yeast.

HOB will purchase used dairy tanks which will be modified to construct a brewhouse. This approach has been successfully employed by many famous and successful breweries across the country including: Sierra Nevada, Bells, Sprecher, and Lakefront to name a few. In addition to this, a six kettle brew-on-premises system (pictured at right and already owned by HOB) will be connected to the main brewhouse to allow for the production of up to six completely different beers of 15.5 gallons (a



half-barrel) each if needed. This is what will allow HOB to accommodate such a wide range of order sizes and beer styles.

Fermentation Area. This section of the brewery is what most people immediately recognize – it is filled with stainless steel fermentation vessels (or tanks) which typically have conical bottoms on them. Fermentation produces considerable heat which, if not controlled, can lead to undesirable flavors in the finished beer. For this reason, fermentation vessels are often “jacketed” for cooling which is most often accomplished by circulating glycol or a similar coolant through coils which are wrapped around them. Fermentation also produces considerable amounts of CO₂ which can be hazardous if not handled properly, thus, electronic monitors and proper air exchange are needed. Post fermentation, beer needs to mature in order to develop the proper/desirable flavors. This is often done in separate maturation vessels (a.k.a. “bright” tanks). These tanks are often similar to fermentation vessels, but without the conical bottom. Some breweries carbonate their beer in these tanks while others do so just prior to packaging. The fermentation area, as well as the brew house need to be reasonably open to allow for thorough cleaning and walls and floors have to be washable and covered in materials that can withstand hot water and cleaning chemicals.

HOB will initially conduct fermentation in a combination of used dairy tanks for 10 barrel batches and, for the custom batches, 20 gallon plastic drums which will be lined with a plastic bag and placed into a temperature controlled fermentation room (most likely a walk-in cooler). The use of dairy tanks will require a high degree of yeast maintenance and monitoring of fermentation as is commonly employed in what is referred to as “open fermentation” - once standard practice throughout the world.

The use of wooden barrels (either new or previously used for fermentation and/or storage of another product such as wine, whisky, or brandy) is growing in popularity amongst craft brewers. HOB intends to make some special beers fermented and/or stored in wooden barrels early on. Experimentation with the use of wood spirals specifically made for brewing will also be done in small batches.

Packaging Area. Once the beer is fermented and matured it needs to be put into either kegs or bottles for sale to the customer. The beer may be filtered and/or carbonated as part of the packaging process. At a minimum a keg filling/cleaning device is needed and bottling lines can run the gamut from a manual operation allowing for the filling of one bottle at a time to multiple head fillers and crowners (cappers) which operate at high speeds. Ancillary to this equipment are keg cleaning machines, bottle rinsers, labeling machines, bottling line outflow (accumulation) tables, six pack packing machines (often done by hand), and box taping or gluing machines. Also needed is a storage area for empty bottles, kegs, and packages.

HOB will initially keg most of the beer produced in standard half-barrel 15.5 gallon, 50 L (13 gal) kegs and 5.16 gallon (6th barrel) kegs. Bottling will be performed on a small single head bottling machine capable of filling and capping 22 oz bottles operated by one

person. Labeling will be done on a similar small scale hand or machine operated labeler. These machines will be the first to be upgraded in order to improve productivity.

Finished Product Storage Area. Prior to delivery to the customer the brewery may need to keep their product cold and stored. This is most easily accomplished by a walk-in cooler. Hops are also stored in this area.

In addition to the temperature controlled fermentation room (for the plastic drums), there will be a walk-in cooler kept at 34 to 38 degrees F for product storage.

Quality Control Area. Despite the small initial size of HOB some quality control will need to be done. Microbiological tests, visual inspection finished product and periodic taste sampling will be performed. Yeast quality and viability checks are also done as part of QC. There will be a small office dedicated to this, but some of this work can also be contracted out to labs if need be.

Yeast Propagation Area. Many microbreweries have an area dedicated to the propagation of yeast for brewing. This often occurs in equipment designed for this purpose. In the case of HOB attention to yeast propagation and management is of utmost concern because of the use of dairy tanks as fermenters which are not as sealed as a traditional conical fermenters. Initially, yeast starters of the appropriate size will be purchased for the 10 barrel batches. Propagation for custom batches (1/2 barrel in size) will likely be done on a six foot stainless steel table with a series of magnetic stir plates and corresponding Erlenmeyer flasks where packets of specific yeast strains sold to homebrewers will be propagated up to the appropriate size for a given batch. This area will be located in the QC area where warmer temperatures increase the growth rate of the yeast.

The Finished Product, Beer

To start HOB will only offer ales because they ferment much faster and therefore are less costly to produce than lagers. There are so many ale yeast strains available currently that a tremendous range of beer styles can be made (even different beers from the same recipe). The general styles produced will range from light or "blonde" ales, through browns, to porters and stouts. Within different beer styles, variations in alcohol strength and other specialty ingredients such as honey and fruit (or fruit extracts) will be produced. The range of beers will be wide enough to accommodate just about anyone's palate .

The basic ingredients of most beers are the following:

1. Malt - is grain that has been allowed to start sprouting and then quickly dried to stop root growth. This activates enzymes present in the grain which begin to break down cell walls and make the starch accessible to them. Roasting the dried malt follows in a manner similar to coffee roasting to create different colored and flavored malts. Barley, and to a lesser extent wheat and rye malts, are the only malted grain types used in modern beer.

2. Water - The purity and trace minerals in brewing water influence the final taste and mouthfeel of the beer.

3. Hops - Dried pine cone-shaped flowers from the hop vine. Bitter oils and resins in the hop blossom contribute the "bite" in the taste of beer and balance against the sweetness of the malt sugars. They also contribute bacteriostatic properties which help preserve the beer's freshness.

4. Yeast - A single-celled organism in the fungus family that feeds on the malt sugars during fermentation and converts them to alcohol and carbon dioxide. Yeast also contribute a multitude of flavor compounds in the finished beer which can vary considerably based not on the strain, but also fermentation temperatures, wort characteristics, and pitching rates. It is often said, yeast make the beer, and brewers just make their food and care for them.

5. Adjuncts (corn or rice) are often used as an additional source of fermentable sugar in beer (especially those with lighter body). This is done for a few reasons: costs – it is cheaper than malt extract, speed – it ferments faster, and the taste (in low enough proportions) is considered neutral, and it is added simply to boost the alcohol content without adding any extra body. In other words, it keeps the beer less filling. I intend to offer a custom brew customer (bar or restaurant) the choice of having their beer made with the addition of adjuncts if they prefer a beer with a lighter body, but I do not intend to use any in creation of the HOB brand beers.

Below is a sample listing, with descriptions, of beers HOB intends to produce:

Standard Ales:

Mild – a full flavored, medium bodied lower alcohol ale. Perfect for hot days and pairing with foods with subtle flavors. (4% ABV)

Pale – a full bodied pale with plenty of malt and hop flavor. (5.5% ABV)

ESB – a dry, crisp pale ale with pleasant English hop notes. (5% ABV)

IPA – a beer for the "hop head", loaded with citrus, pine, and floral hop flavors, but with enough of malt to back it up. (6% ABV)

Brown Ale (mild) – a lower alcohol sweet, gentle ale with mild toffee notes. (4% ABV)

Amber – HOB's interpretation of the West Coast "Classic" micro. Full bodied malt flavors complimented with a blend of Cascade, Centennial and Amarillo hops. (5.5% ABV)

American Wheat – a crisp and tangy wheat beer with a hint of clove. (5% ABV)

Rye – A clean, spicy, refreshing ale made with pale and rye malts – gently hopped. (5% ABV)

Red (Keller Beer) – HOB's interpretation of the classic "Irish" red beer. Made with traditional malts and hops from the UK – we stick to style on this one. (4.5% ABV)

Scottish – This classic "mild" beer is made with UK malts and hops. The caramel, toffee, and sweet flavors come out more as it warms. (4.5% ABV)

Scotch – A big, complex, rich and full bodied beer. Great for sipping on cold winter evenings by a fire. (7% ABV)

Dark – An ode to homebrewing, originally a mistake, now a favorite. Sweet, chocolately and completely satisfying. (5.5% ABV)

Porter – A balance of roasted and sweet flavors. Hints of coffee, vanilla and smoke make this beer very complex. (5% ABV)

Stout – A traditional sweet stout with deep roasted flavor complimented by fruit and caramel notes. (5% ABV)

Specialty Ales:

Rye Kolsch – A classic German style beer with a twist – a rye fermented with a kolsch yeast strain. Sweet and delicately spicy with a creamy and smooth mouthfeel.

Raspberry Wheat – Sweet juxtaposed by tart raspberry with a hint of clove. (5.5% ABV)

Pumpkin – Pumpkin pie in a bottle. A malty seasonal ale made with real pumpkin and spices. Try a slice, you just might like it! (6% ABV)

Imperial Pumpkin – An amped up version of our pumpkin ale made with real pumpkin and spices. This is one improves with age – store it for up to a year. (10% ABV)

Winter Warmer (Barley Wine) – At HOB we like malt! Sweet, carmely goodness defines this classic barley wine. Improves with age, so put it in the basement and forget about it (for awhile).

Vanilla Coffee Porter – Big roasted and chocolate flavors complimented by a healthy dose of java and a hint of vanilla. A great desert beer.

Oatmeal Stout – A full bodied sweet stout with a silky mouthfeel imparted by the oats.

Chocolate Cherry Oatmeal Stout – Our oatmeal stout with tart Montmorency cherries and chocolate added later in the fermentation process. Try it over vanilla ice cream.

Foreign Ales:

Alt – HOB’s interpretation of this classic German style ale. Medium bodied, amber colored made with traditional European malts and hops. (5% ABV).

Kolsch – A classic German style light ale with refreshing citrus flavors. (5% ABV)

Saison – An original homebrew - a traditional country ale once commonly brewed by country folk at home. Dry, fruity, spicy and effervescent – almost “sparkling wine” like. (5% ABV)

Belgian Blonde – A sparkling dry ale with subtle honey, biscuit, and clove flavors imparted by the specialty malts and Belgian yeast strain. (5.5% ABV)

Belgian Dubbel – A big, complex ale with an emphasis on caramel flavor. (7.5% ABV)

Belgian Tripel – Rich and sweet but not cloying with complex fruit. (9% ABV)

Farmhouse – Orange peel and coriander spice this ale to make for a fruity and delightfully refreshing ale. Perfect on a summer day.

Dark Farmhouse – A clean light bodied ale where dark malts add complexity and the yeast imparts a tart fruitiness.

Description of the Beer Brewing Process

Once a recipe has been selected, a yeast culture has been grown to the proper size and the grain has been milled brewing can commence. Below are the steps involved:

1. Mashing – simply involves steeping the malted grains in water at various temperatures at which certain enzymes contained in the malt break down proteins and starches into sugars thereby making them readily available to the yeast to ferment into alcohol. Depending on the temperatures and length of time the mash is carried out, varying degrees of more complex “unfermentable” sugars are produced which affect the final sweetness (or dryness) as well as “body” of the beer.
2. Sparging – is the process of rinsing or extracting the sugars out of the grain. This is performed by gently sprinkling hot water over the mash (which rests on a perforated plate allowing liquid to pass through but not the grain) until the proper amount of liquid (referred to as wort) is produced; ideally with the correct anticipated amount of sugars extracted from the malt as well.
3. Boiling – commences once sparging has been completed. During the boil hops are added during intervals and in quantities designed to produce the desired level of bitterness and residual hop aroma and flavor. Boiling also serves to break down

proteins left in the wort, drive off undesirable volatile flavor compounds and kill unwanted microorganisms which could infect the wort.

4. Chilling – occurs once the beer has finished boiling. Wort must be rapidly cooled in order to coagulate proteins and drop them out of suspension and to receive quick inoculation by the yeast so that it can beat out any potential competing microorganisms. Oxygen is also injected into the cooled wort to facilitate the early stage of yeast growth which occurs just prior to fermentation.
5. Fermentation – starts shortly after the cooled wort is inoculated (pitched) with yeast. It is the process whereby yeast converts the sugars in the wort into alcohol. At this point beer is present. Many flavor compounds are produced during fermentation and for this reason it is temperature controlled in such a way to produce the desired flavors in the end.
6. Packaging – of the finished beer is the final step in the process and one of the most critical and risky in terms of potential spoilage. Kegs and bottles are cleaned, sanitized, filled and refrigerated as quickly as possible in order to provide a fresh and good tasting product to the consumer.

The final taste and consistency is completely dependant upon the many decisions made by the brewer in each of the steps in the brewing process (and in the selection and handling of ingredients). Mistakes and poor decisions during brewing can often be dealt with, but not if a consistent final product is the end goal.

V. Start-Up

Negotiation of Lease is already underway on an informal basis. Emails between me and the agent representing the owner have been exchanged, but nothing legally binding. A 5 year lease with option to renew for 2 additional years will be negotiated. Improvements, including removal of existing shelving, repairs to walls, and installation of a new water main and floor drain are also to be negotiated. Any lease will be contingent upon permitting by the City of Madison (zoning and fire). Ms. Stalker will review and advise regarding any potential issues.

TTB Brewery Approval. A “Brewer’s Notice” is required for all breweries prior to opening. The process will be started prior to commencement of the buildout. Time to approval can take up to 95 days. Approval includes filling out the following:

- TTB form 5130.10 – Brewers Notice (application)
- TTB form 5130.22 – Brewers Bond (purchased, for payment of taxes)
- TTB form 5000.9 – Personnel Information (background check)
- TTB form 5000.29 – Environmental Information (impact statement)
- TTB form 5000.30 – Supplemental Information on Water Quality Considerations

TTB label approval will be sought concurrently with the approval process. This will initially entail seeking approval HOB's main label which will appear on all beers and carry the requisite Government Warning, and a number of specific beers that will be produced in the first month of production which will be identified with neck. Neck labels may be generic mailing labels at first.

State & Municipal Permits Wisconsin requires all brewers/breweries to obtain a permit (once). Law also requires a municipal wholesale beer license (renewed annually). Wisconsin also requires proof of a bond (security) in the amount of twice the estimated monthly payment of state beer tax, but for no less than \$1,000 nor more than \$100,000. Additionally, a Class B retail license will be needed to sell and serve beer (samples) at the brewery.

Equipment Purchasing will commence once a final lease is in effect. Some of the equipment (e.g. bottling machine) is manufactured to order and the process needs to be initiated immediately.

Label Printing will be contracted early in the process as just as will equipment a few weeks lead time is needed to approve, produce and ship the labels.

Build Out will occur once the space is approved and after completion of any renovations made by the landlord. These items to be negotiated include: removal of unwanted shelving units, installation of a 1 inch water main and a floor drain, and repairs to drywall.

1. Carpentry - to build any walls, railings, doors and washable wall paneling. Wall paneling will be installed first and then the budget for walls and doors considered. Time estimated 10 days
2. Plumber – install floor drains (if landlord doesn't) and hook up of equipment. 5 days estimated
3. Painting – of any walls and epoxy coating of the floor. 4 days estimated
4. Equipment – Walk-in cooler – installation, including any air handling devices. 5 days estimated.

Equipment Set-up & Installation (8 days estimated) ideally will follow completion of the buildout, but may run concurrently with some final work such as installation of doors and rails. After equipment is in place, certain trades will need to come back and hook them up (i.e. plumbing, electrical, steam). Equipment to be set up include the following: Brew House, Boiler, Hot Liquor Storage Tank, Glycol system, Fermenters

Ordering Initial Materials - malts, hops, and yeasts to produce the first two months worth of beer will happen 1 week prior to the completion of all the build out and installation work. Immediately after, packing order will be placed.

Commencement of Brewing – can proceed once TTB approval is obtained. The first recipes will be chosen based on general popularity and season. Most likely, a Pale, Stout, Scotch Ale, and specialty ale (e.g. Winter Warmer) will be brewed first. Note that brewing starts at 25% (once a week) for the first month and grows at 5% month from there.

Expansion – is expected to take place mid-year in the second year of operation. This expansion will mainly comprise of adding fermenters along with the addition of a new bottling line which will allow for over 100% increase in bottling speed.

Conclusion and Notes on Financial Statements

I hope I have conveyed the following with this business plan:

House of Brews will be unique in nature in terms of how it is funded and operates .

In order to be successful any brewery has to consistently produce very good beer.

I have put as much thought as time permitted me into researching the details of the plan in terms of the concept and what will be necessary to get it up and running. Obtaining exact dollar amounts on everything is nearly impossible, but I have done my best to get solid numbers and provide enough for overruns.

What follow are the financial models I created for operating 3 barrel (to be used for making custom house brews for taverns), and 10 barrel brewhouses at maximum capacity. The inclusion of overhead and a hypothetical profit was done to provide a simple snapshot of potential return on each system as a stand alone operation producing kegs only – a starting point. Additional worksheets include: a model for bottling, product mix, equipment costs and finally cash flow statements for 3 years.

Thank you for reading.

Page Buchanan

Sec. 183.0202
Wis. Stats.



State of Wisconsin
Department of Financial Institutions

ARTICLES OF ORGANIZATION - LIMITED LIABILITY COMPANY

Executed by the undersigned for the purpose of forming a Wisconsin limited liability company under Ch. 183 of the Wisconsin statutes:

- Article 1. **Name of the limited liability company:**
House of Brews LLC
- Article 2. **The limited liability company is organized under Ch. 183 of the Wisconsin Statutes.**
- Article 3. **Name of the initial registered agent.**
Page Buchanan
- Article 4. **Street address of the initial registered office.**
1142 Spaight St.
Madison, WI 53703
United States of America
- Article 5. **Management of the limited liability company shall be vested in:**
Members
- Article 6. **Name and complete address of each organizer:**

Page Buchanan
1142 Spaight St.
Madison, WI 53703 United States of America

Other
Information

This document was drafted by:

Kathleen Villard

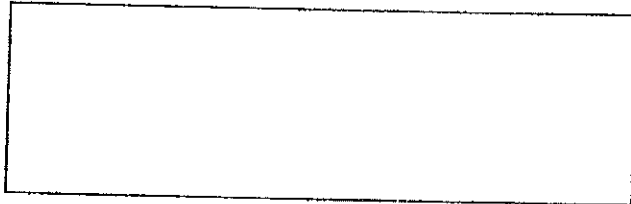
Signature:
Page Buchanan

Contact Information:
Kathleen Villard
2158 Atwood Ave 101
Madison, WI 53704
United States of America
kathyvillard@msn.com
608-249-2716

Date & Time of Receipt:
5/25/2006 2:14:19 PM

Credit Card Transaction Number:
2006525873790

**ARTICLES OF ORGANIZATION - Limited Liability Company (Ch.
183)**



Filing Fee: \$130.00
Total Fee: \$130.00

ENDORSEMENT

**State of Wisconsin
Department of Financial Institutions**

EFFECTIVE DATE	
5/25/2006	

FILED

5/30/2006

Entity ID Number

H041892