

BILLOWS BREWERY BUSINESS PLAN

By

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Approved by:

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Abstract

For my honors thesis, I have spent the last year working on a business plan for a new venture called Billows Brewery. This is a brewery that wants to reposition beer as a beverage to be consumed in the morning by producing unique flavored beers that complement breakfast meals. In this business plan, my team and I have created a marketing plan, sales plan, financial plan, industry and competitor analysis, and a productions/operation plan. In order to write this business plan, we had to do in-depth research that included focus groups and surveys. In addition, my team received a grant from The McGuire Center for Entrepreneurship for product development. After completing the business plan, we had to participate in an Innovation Day Showcase where we had to sell our business idea to real investors. We also had other formal investor presentations that we gave on this business plan throughout the year. In addition to the business plan, I individually completed an in-depth analysis on the alternate value of the venture by analyzing benchmarks in the industry. This analysis is placed before the formal business plan and after the statement of individual roles.

Individual Roles in Business Plan

My group for my business plan included Becky McGlensey, Clifton Harris, Dan Kozak, and myself. We were a cross-functional team because we all came from different academic backgrounds. I am Rachel Toffel, the General Manager of the team, and I a Business Management major. I have had experience as a Territory Sales Manager with Altria Sales & Distribution. Rebecca McGlensey was the Marketing/Sales Manager and a Marketing major. She was a marketing intern for premium seating and suites at Premium Staples Center in Los Angeles. Dan Kozak was the Product/ Operations Manager and a Business Management Major. He has experience in home brewing and has done self-motivated research on the industry. Clifton Harris was the Finance Manager and a Finance Major. He currently is the Treasurer of ASUA and the prior Treasurer of Pi Kappa Alpha Fraternity. Below is a breakdown of the individual roles each team member had in the business plan:

General Manager- Rachel Toffel will keep the team organized and on top of assignments. She will be the main source of communication between the mentors and the team. She will also be the one who sets the agendas for the meetings and does all the typing of the assignments during the meeting. Rachel will be in charge of compiling all the work for the business plan as well as writing all of the other parts outside of the other three team member's expertise. For example, Rachel will be writing the executive summary, opportunity, solution, customers, industry, competitive advantage, benchmark ventures, timelines, and summary statements. Rachel is in charge of helping out any other team member when they are in need of help and she will act as the leader of the group. She is also in charge of editing the entire business plan.

Marketing and Sales Manager- Becky McGlensey will be in charge of defining our target market and doing extensive market research to find which consumers will be interested in our product. This market research will include conducting focus groups and sending out surveys. She will be in charge of doing a SWOTT analysis on our business after we have developed it further. She is also responsible for creating a marketing and sales plan.

Product and Operations Manager- Dan Kozak will help with the research of the product and industry as well as be the main person who produces the beer. He already has background knowledge of the brewing industry so this will help us develop palatable flavors for our consumers to enjoy. He is in charge of the sections of the report that pertain to the operations plan and distribution plan.

Finance Manager- Clifton Harris will be in charge of creating our fifth-year sales forecast, expense budget, and income statement for our venture. He will use the Fin Model to develop our fifth year valuation. He will be in charge of the calculations for the pre-money value. In the business plan, he wrote the Key financial assumptions, as well as the proposed funding request summary, proposed use of funds, harvest strategy, and call to action.

The Value of Billows Brewery

Imagine waking up on the first day of your vacation at a resort, a golf course, a cruise, or on a camping trip. You feel relaxed and want to celebrate with a flavorful beer at breakfast that complements the taste of your bacon and eggs. However, out of the 1,500 breweries in operation in the United States, not one of them produces a series of beers brewed to match the moods and meals of a morning consumer (Brewers Association, 2009). To exploit this untapped market, Billows Brewery is repositioning beer as a beverage to be consumed in the morning by producing unique flavored beers that complement breakfast meals. This flagship line of beers will be named Billows Brewery's Brunch Ale Series and will eventually be accompanied by a traditional and dessert series. Billows wants its Brunch Ale to be the "New Mimosa" of the future. The management team believes there is a great opportunity to differentiate Billows Brewery from other breweries by creating this new niche market within the beer industry.

After reading this quick summary of my team's new venture idea, one might immediately think there is no way breakfast beer can have alternate value. After all, beer is a type of alcohol, and we all know that alcohol can cause harm to the body if consumed in excess (this will be discussed later in the tradeoff section of the analysis). However, I have identified a few different ways Billows Brewery brings alternate value to consumers. First, I am going to discuss the different primary benefits of Billows Brewery. The first and perhaps most obvious primary benefit is the experiential benefit of beer. The experiential benefit of our beer is the happiness and enjoyment it brings to the consumers. This is more of a cultural benefit because beer has been around for a long time and many people enjoy drinking it at social events. This enjoyment varies from culture to culture, but in the United States, most people drink beer at celebratory and social events. Drinking beer has become a tradition in many cultures, and it is often associated with positive experiences.

Although experiential value is a benefit of this venture, the more important primary benefit of Billows Brewery is the social benefit it can bring to a community. Billows Brewery is going to be a microbrewery, which is a small producer of beer that serves local or regional markets. To qualify as a microbrewery, Billows Brewery must produce less than 15,000 barrels annually. (Yares, 2010). Microbreweries have been around for a long time and many have become an everyday part of the local community. Billows Brewery will be launched in Tucson, Arizona, where it will create new business opportunities for people interested in the beer industry. It is going to have a localized feel, and it will strongly contribute to the community culture by bringing people together who would not come together if it did not exist. A very common trend in the microbrewery industry is to hold different festivals and community building events. These events will bring the community together to play games, listen to music, and drink beer. However, none of the local breweries in Tucson are currently focusing their efforts on bringing the community together. Billows Brewery wants to sponsor events that will enhance the Tucson community while building and developing the community culture. When I was visiting a friend in Chicago over the summer, I attended an event called “Half Acre Brewery's Charitable Chili Cook Off.” Half-Acre Brewery is a local brewery in Chicago, Illinois that is always giving back to the community. At this event, there were different games and contests, free food and beer, and fun prizes for the chili cook off winners. It cost \$10 to enter the event and \$20 to enter the chili cook off, and all proceeds were donated to The Arts of Life Studio, which is a program that helps children with disabilities create an artistic culture to realize their full potential (Fisher, 2010). This event made me feel like I was a part of this community and I met many friendly people. Everyone in this community had a special bond with each other, and these events were one of the reasons they were all so close. They told me Half Acre had these events often to bring the community together while helping local and national

charities. Billows Brewery plans to develop community culture by hosting a variety of different charity events, such as races, percentage nights, and festivals similar to the ones Half Acre organizes.

The way to quantify the social benefit of Billows Brewery is by handing out quality of life surveys to the people in the community before and after the venture is launched. These surveys will show Billows if the charity events, festivals, and gatherings are having an impact on the community culture. In addition, another quantifiable measure is the amount of money Billows Brewery is able to donate to charities. This will show that Billows really cares about the local community as well as charities nationwide. Another way to quantify the social benefit of this venture is to count the number of people who come to the events that Billows puts on for the community. This will show how many people are responsive to the community events Billows sponsors, and if the brewery should improve or change any of the events. Finally, the last way to quantify this benefit is to see the number of new business opportunities it creates. Billows will need employees to work at its facilities, as well as people to help put on the large events it plans to host.

The secondary benefits of Billows Brewery are social benefits, as well. As I discussed in the primary benefit section, Billows plans to improve the quality of life for the people living in the surrounding community by building community character. If Billows can bring an enhanced community culture to Tucson, more people will want to vacation there. If more people vacation to Tucson, the surrounding businesses will improve, as well. This is the secondary benefit of Billows Brewery. Because Billows is bringing “pizzazz” to the community around it, people will start to notice that it is an exciting place to visit. The people who live in the community will start to tell their friends about the enjoyable events that Billows is sponsoring, and this may attract them to visit the community. Another secondary benefit is that community issues may be

resolved as a result of people gathering together. Miscommunication or the lack of communication between the members living in a community is one of the major reasons there are problems in their community. The entertaining and charitable events Billows plans to host will bring the members of the community together so they can discuss problems that need to be addressed. Once these issues are discussed and action is taken, the people in the community will be happier.

A way to quantify this secondary benefit is by measuring the increase in vacationers in Tucson after the brewery is opened. However, this may not be completely accurate because people may begin to vacation to Tucson for other reasons as well. A solution to this will be to give out a survey at the entry of these events that asks if the attendees are on vacation. This survey will give Billows a sense of how many vacationers are coming to its events. If the number increases over the years, then Billows is getting its name out to and people are bringing business to the Tucson community. A second way to quantify the secondary benefits is by tracking if the problems of the community are getting resolved. This can be done by surveying the people in the community about their satisfaction with their community, or by measuring the progress of fixing the community problems. When people come together, they come up with plans of action. Implementing these plans will help build a stronger community and will benefit the people who live in it.

Although the managers of Billows Brewery believes they can bring wonderful benefits to the Tucson community, they also realize there are some major social trade-offs involved in the venture, as well. The idea of “breakfast beer” has a somewhat negative connotation. People may think Billows is trying to promote alcoholism, which it is not. Billows wants its Brunch Ale line of beers to only be consumed at celebratory events and at special occasion brunches. The traditional line of beers however, will be marketed to be consumed everyday at anytime, as long

as the consumer is drinking responsibly. Approximately 14 million people in the U.S. are addicted to alcohol or abuse alcohol. What is even more concerning is that 41% of all U.S. traffic fatalities are alcohol related. (Alcoholics Information, 2010). These numbers are not very inviting for a new brewery to open, especially one that wants to serve beer in the morning. Many people are dying every day from the direct and indirect effects of alcohol.

There is no true way to quantify the social trade-offs that Billows Brewery presents because many alcoholics do not report their problem. In addition, there is no direct connection that opening an additional brewery is going to cause more alcoholics. People can drink whenever they want in their own homes, including the morning, and then kill or injure someone by getting behind the wheel of a car. Billows Brewery always promotes responsible drinking, and it plans to hold informational sessions that help educate its customers about the dangers of excessive drinking. The management team of Billows does not believe that opening its brewery will cause a measurable increase in the number of alcoholics or alcohol related deaths in the Tucson area.

The next part of this analysis is choosing an industrial benchmark for Billows Brewery. Billows industrial benchmark is the quality of the beer offered by other craft breweries that exist. Beer has been around a long time, and has become a very established industry. Billows will have beers that are similar to other breweries' beers, but it also will differentiate itself with its innovation. The beer Billows is going to brew will have new flavors and use unique ingredients. Billows wants to replace the beers currently being offered at upscale resorts, golf courses, and celebratory brunches with its new brand. The functional unit for comparison is the number of beers purchased at upscale resorts that are Billows compared the number of beers purchased at upscale resorts that are owned by other breweries. This will reflect the quality of Billows beer.

The next part of the analysis is to specify Billows Brewery's technology benchmark. Billows Brewery's goal is to use a "socially responsible" brewing process that the other local breweries do not use. Currently, the other local Tucson breweries, such as Nimbus, Thunder Canyon Brewery, and Barrios Brewery, are using standard brewing processes to make their beer. However, Billows is going to use a different process that closely follows the operations Ben and Jerry's used to make its ice cream. Ben and Jerry's is a very socially responsible company. For example, Ben & Jerry's has a program called PartnerShop where it franchises to non-profits that employ persons traditionally outside the work stream. In addition, Ben & Jerry's increased its diversity of operations by starting a program called the Supplier Diversity Program, which involved about a hundred businesses owned by women and minorities. Ben & Jerry's wants to have its supply needs met "with the most ethnic-and gender-diverse array of possible suppliers." (LEDA at Harvard Law School, 2010). Billows wants to follow this example by extending goodwill to struggling businesses in the community. Billows will only purchase its ingredients from local businesses because it wants to support the surrounding community. It also hopes to adopt a program similar to Ben & Jerry's where it will focus on purchasing supplies from the local businesses that are owned by women or minorities. Another way Billows' brewing process will foster social responsibility is by offering its "spent" grains to farmers or cattle ranchers in the local area. After Billows uses the grains to rinse away the sugars and enzymes, it no longer has a use for the leftovers. By working out a deal with a cattle rancher, the brewery would be able to remove the grains from the premises while supplying the rancher with free food for his cattle. Another way we want to improve the brewing process is by going "green" with our brewing equipment. One way to do this is by using solar panels to power a percentage of our energy uses. This ecological benefit will differentiate Billows from its local competitors.

The final benchmark is to locate Billows' position on the product diffusion curve of the "socially responsible" brewing process and the "go green" brewing equipment. The geographic scope of the market Billows will enter is Tucson, Arizona because this is where the brewery will launch. Relative to this geographic scope, Billows is in the introduction phase of both the socially responsible brewing process as well as the "go green" brewing equipment because Billows is a leader and innovator in this new type of brewing. If the existing breweries in the Tucson area switch to Billows "socially responsible" brewing process or purchase Billows' environmentally friendly equipment, they will be viewed as followers. Billows will be at the beginning of the product diffusion curve and should be recognized for its community leadership in Tucson.

Now I am going to summarize my findings of the environmental benchmarking exercise for Billows Brewery, and evaluate the merits of this venture. Billows Brewery is a microbrewery that produces a line of beers that complements breakfast foods, as well as a traditional and dessert line of beers. The primary benefit of Billows Brewery is the community building it will bring to the local area. Billows Brewery will enhance the community culture of Tucson by sponsoring different charity events, such as races, percentage nights, and festivals similar to the ones Half Acre organizes. This primary benefit will be measured by giving out quality of life surveys, calculating the total amount of money Billows is able to give to charities, counting the number of people that attend Billows charity events, and finally, counting the number of new business opportunities that Billows creates for the local community. The secondary benefits are the vacationers that come to Tucson because Billows has enhanced the community culture. Another secondary benefit is that community issues may be resolved as a result of people gathering together. The secondary benefit of vacationers can be quantified by counting the increase of vacationers in Tucson. To quantify the secondary benefit of solving

community problems, Billows will track if the problems of the community are getting resolved. Although Billows Brewery has some benefits, there are some major trade-offs. The major trade-off is the negative connotation with drinking in the morning. This can be viewed as supporting alcoholism, which can lead to fatalities. Increased alcohol consumption may also cause more fatalities from alcohol related car accidents. The main industry benchmark is other microbreweries that exist. Billows wants to focus on adding innovation to its beer to differentiate themselves in this established market. The technology benchmark is the local Tucson breweries, such as Nimbus, Thunder Canyon Brewery, and Barrios Brewery. Billows will use a better brewing process than these local competitors because it plans to follow Ben & Jerry's socially responsible model. Billows wants to follow this example by using different ways to brew that will help the surrounding community, as well as host a variety of different charity events. Billows will be entering the Tucson market as an early innovator in the introduction phase because no other breweries in this area are brewing in a socially responsible way. Overall, after weighing the trade-offs with the benefits, I believe there is enough social value in Billows Brewery to launch the venture because it is going to significantly help the local community.

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Billows Brewery

Not Your Ordinary Beer



Becky McGlensey: Marketing / Sales Manager

Clifton Harris: Finance Manager

Dan Kozak: Product/Operations Manager

Rachel Toffel: General Manager

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April 2, 2010

Disclaimer and Confidentiality Agreement

I, _____, agree to the terms of the following disclaimer and confidentiality agreement.

All information contained in Billows Brewery Business Plan (“the Plan”) is proprietary information owned by Rachel Toffel, Rebecca McGlensey, Dan Kozak, and Clifton Harris (“Management Team”) on behalf of the yet to be formed entity Billows Brewery. “Billows Brewery,” “Billows Brewing,” “Breakfast Beer,” “Brunch Ale,” and any other non-specifically enumerated marks are trademarks owned by the Management Team on behalf of Billows Brewery.

Anyone reading the Plan agrees that all information contained within the Plan is confidential and will be kept in strictest confidence. None of the information contained within the Plan may be disclosed, duplicated, shared, or the like with any outside party without the express written consent of Billows Brewery or the Management Team. It is also acknowledged by the reader that, except for the information in the public domain, disclosure of any of Billows Brewery’s proprietary information will cause severe harm to Billows Brewery. The reader assumes all liability for any injury to Billows Brewery for disclosure of proprietary information contained within the Business Plan.

Upon request, this document is to be immediately returned to Billows Brewery or a member of the Management Team.

Signature _____

Name (typed or printed) _____

Date _____

This is the business plan for Billows Brewery. The presentation of this business plan does not imply an offering of securities.



Executive Summary for Billows Brewery

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Opportunity/Solution:

Imagine waking up on the first day of your vacation at a resort, a golf course, a cruise, or on a camping trip. You feel relaxed and want to celebrate with a flavorful beer at breakfast that complements the taste of your bacon and eggs. However, there is currently no brewery in the United States producing a series of beers brewed to match the moods and meals of a morning consumer. To exploit this untapped market, Billows Brewery will focus on repositioning beer as a beverage to be consumed in the morning by producing unique flavored beers that complement breakfast meals. This flagship line of beers will be named our Brunch Ale Series and will eventually be accompanied by a traditional and dessert series.

Industry:

Billows Brewery will be directly competing in the craft beer segment, which is one of the fastest growing segments of the beer industry. Last year annual sales for craft beer were \$6.3 billion, and they have already grown 9% in 2009 (brewersassociation.org). Billows Brewery's primary customers will be beer enthusiasts that are male between the ages of 25 to 54 who make an annual income of over \$50,000. Other potential markets include women ages 35 to 55 and college students.

Competitors:

Billows' beers will be available in both retail stores and on-premise sites such as restaurants, golf courses, or resorts. For the first few years, Billows plans to only distribute beers in the state of Arizona. During this time, Billows' primary competition will be the local breweries in Tucson and Phoenix, such as Thunder Canyon Brewery, SanTan Brewery, and Barrios Brewery. Once Billows expands nationally, it will be indirectly competing with Founders Brewery, which brews a Kentucky Breakfast Stout, and Cricket Hill Brewing Company, which brews a Jersey Summer Breakfast Ale. Both of these companies brew on a very small scale so Billows will not be competing with them until Brunch Ale enters their local market. Substitutes for Billows Brunch Ales are Mimosas and Bloody Marys.

Competitive Advantage:

Billows Brewery has a distinct competitive advantage over the local Tucson and Phoenix breweries because it is creating a new niche market in the beer industry that they have not yet entered. It will have the first mover advantage of repositioning beer as a morning beverage. Billows will have a competitive advantage over Founders Brewery and Cricket Hill Brewery because it will have an extensive product line that will be brewed year round and be marketed as a morning beverage that complements breakfast foods.

Management Team:

Billows Brewery is managed by a competent and diversified team with experience and knowledge of the art of brewing, the trends in the beer industry, and the fundamentals of running a healthy business. Rachel Toffel is the General Manager, Becky McGlensey is the Marketing/Sales Manager, Dan Kozak is the Product/Operations Manager, and Clifton Harris is the Finance Manager. Dan Kozak, who is also the Intellectual Property owner, practices home-brewing and has produced multiple Brunch Ale prototypes including an orange blonde ale, a honeydew saison, a blueberry oatmeal stout, and a blackberry saison.

Financial Projections:

Billows Brewery's start-up costs will be approximately \$200,000, which will be used for purchasing brewing equipment and materials, and for making building modifications. Billows seeks \$600,000 in angel investment for start-up capital and the founders will raise \$200,000 on their own. The premoney is \$2.4 million. In year five, Billows Brewery hopes to form a partnership or be acquired by a large brewing company.

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Opportunity

Problem/Opportunity

Imagine waking up on the first day of your vacation at a resort, a golf course, a cruise, or on a camping trip. You feel relaxed and want to celebrate with a flavorful beer at breakfast that complements the taste of your bacon and eggs. However, out of the 1,500 breweries in operation in the United States, not one of them produces a series of beers brewed to match the moods and meals of a morning consumer (Brewers Association, 2009).

Solution

To exploit this untapped market, Billows Brewery will focus on repositioning beer as a beverage to be consumed in the morning by producing unique flavored beers that complement breakfast meals. This flagship line of beers will be named our Brunch Ale Series and will eventually be accompanied by a traditional and dessert series. The management team believes there is a great opportunity to differentiate Billows Brewery from other breweries by creating this new niche market within the beer industry.

Target Market

Primary Target Market: Billows Brewery's primary customers are beer enthusiasts that are male between the ages of 24 to 55 who make an annual income of over \$50,000. Billows Brewery is focusing on males for its target market because men account for 77% of all beer consumption in the United States (Miller, pg 34) and the Tucson population is composed of 49.6% males (U.S. Census Bureau, 2007). There are also males vacationing in Tucson that Billows will include in the target market as well. Billows Brewery used Tucson data to find its target market because it is a metropolitan city that has a diverse population and is a good representation of the other cities Billows wants to enter. It is pertinent to include income information in Billows target market because this provides data to estimate how price sensitive potential consumers are. After cross-referencing income demographics for the beer market and the demographics from Tucson, Billows Brewery concluded that the income range for the primary target market is males earning \$50,000 or more per year. This income range accounts for 58% of the craft beer market (Miller, pg 34) and 35.7% of the Tucson population (U.S. Census Bureau, 2007). The next demographic taken into consideration was age. Age provided data for determining where the product should be distributed, and how the product should be marketed. People between the ages 25 and 54 account for 48% of the beer market (Miller, pg. 34) and 42% of the Tucson population, thus proving that Billows should target men between this age range (U.S. Census Bureau, 2007). (Please see Appendix A-C for detailed demographics on the craft beer market and the Tucson market).

Secondary Target Market: Billows Brewery's secondary target market is women between the ages 35 to 55. Billows will successfully capture this market because unusual beer flavors, such as fruit or honey, have been attracting new consumers to the beer industry who do not like the taste of traditional beer. The majority of these people have been middle-aged women who think the traditional beer flavors are too bitter and therefore like the new fruitier flavors (*The Market for Craft and Specialty Beer*, 130). The craft beer industry currently has a limited variety of fruity beers, and Billows' Brunch Ales will be able to expand this selection.

Tertiary Target Market: The tertiary market for Billows Brewery is college students who are between the ages 21 and 24. Although this market does not fall into the income category previously specified for the primary and secondary target market, this is a very important segment of potential customers who cannot be overlooked. College students consume alcohol in social settings and Billows Brewery's Brunch Ales can help enhance their social experiences. However, because Brunch Ale is an upscale product, Billows will have to carefully market their products to the tertiary market in order to keep the "classy" reputation and exclusive image alive. Billows will be sure to emphasize social responsibility while marketing this premium product to college students. College students tend to be very open to trying new things and they have a huge influence on the trends of the market. Therefore, Billows will distribute Brunch Ales at restaurants around The University of Arizona to appeal to this tertiary market.

Environment and Competition

Industry

Over the last twenty years, the US beer market has been steadily growing and it is now approximately a \$101 billion industry. Furthermore, the number of barrels of beer produced per year has increased from 196 million in 1997 to 216 million barrels in 2007 (U.S. Census Bureau, 2007). Our brewery will be directly competing within the craft beer segment, which is a \$6.3 billion industry and one of the fastest growing segments in the beer industry. As of July 31, 2009, there are 1,482 craft breweries in the United States, which includes 962 brewpubs, 456 microbreweries, and 64 regional craft breweries (Brewers Association, 2009). In 2008, the craft beer industry brewed 8.6 million barrels of beer, which was 6% more than what was produced in 2007. Already in the first half of 2009, the craft beer industry has grown 5% in volume and 9% in revenue (Brewers Association, 2009).

Research Results, Analysis, and Summary

Billows Brewery believes there is demand for our product based on primary research. For primary research, the management team conducted an online survey questioning beer consumers about their interest in drinking a beer that would complement breakfast foods in order to see if there is a demand for the product (please see Appendix L for an example of one of the surveys).

The overwhelming response was that the participants would at least willing to try a beer that was made for consumption in the morning. This shows that there is a strong demand for the Brunch Ale line and that consumers are not as opposed to drinking in the morning. Other questions on the survey asked the consumers the type of beers they would prefer to drink in the morning. The responses ranged from light and sweet beer to dark and bitter beer depending on the food they would be paired with. Additionally, we gathered demographic information of the people we surveyed. Most of the people who took the survey fell in the age range of 21-30 with an income level ranging from \$31,000 to \$50,000. Billows Brewery's management team also observed customers in the morning at Thunder Canyon Brewery, which is a local Tucson brewery. Here it was discovered that people were ordering beer with brunch as early at 11 am. The customers were typically matching light beers with light foods and heavy beers with heavy foods. This shows that people are subconsciously already matching beers with foods, and therefore, they might be interested in matching Billows Brunch Ales with breakfast foods, as well. Intensive focus groups and in-depth interviews will be used on our primary target market to find which beers match with what kind of breakfast foods.

Major Competitors

Within the first few years of launching, Billows Brewery's primary competition will be the local breweries in Tucson and Phoenix, such as SanTan Brewing, Thunder Canyon Brewery, Barrios Brewery, and Four Peaks Brewing Company. Indirect competition includes Blue Moon's Belgian Wheat, Big Sky's Brown Ale, and Samuel Smith's Oatmeal Stout. These are nationally distributed beers that are similar to the styles of beer used for Brunch Ale. Although nationally distributed craft beers, such as these, are available at retail and on-premise sites locally, the main competitors for Billows will be amongst breweries also producing locally. The reason for this is because Billows will be distributing its beer in the same local markets within the first few years. However, when Billows begins to expand distribution beyond the state of Arizona, each brewery distributing in that local market will become a competitor of Billows. One of the major strengths of the local Tucson and Phoenix breweries is that they already have brand recognition and customer loyalty. However, it may be a weakness that their current strategies have limited them to local distribution only. Once established in the Arizona market, Billows anticipates expanding growth and distribution into other southwestern states and regions including New Mexico, Colorado, Nevada, and southern California. As these markets are entered, primary competition will continue to grow because there will be competition with other local breweries such as Stone Brewing, San Diego Brewing, and Santa Fe Brewing. However, when Billows begins to expand nationally, there will have competition more closely relating to the niche market of Brunch Ale. Currently, there are two breweries that produce a beer with a breakfast element or theme. The first is Founders Brewery, which brews a seasonal beer only available in the fall and winter months called their Kentucky Breakfast Stout. This is a dark, heavy-bodied beer with a large amount of roasted coffee flavors. The second brewery is Cricket Hill Brewing. They also brew a seasonal beer available in the summer months called the Jersey Summer Breakfast Ale. This

beer is a light-bodied, cloudy, wheat beer. The major weakness of both of these beers is that they are brewed seasonally and are only available during certain times of the year. In contrast, Billows' Brunch Ale Series will be in production year-round. Also, Billows recently interviewed representatives from both Founders and Cricket Hill concerning their respective "breakfast" beers. The representatives from both breweries revealed that their beers are not brewed specifically to compliment breakfast or brunch meals. Another example of these beers not being brewed with the morning consumer in mind is their relatively high alcohol content. As Billows has learned from primary market research (appendix?), consumers desire low alcohol content for a morning beer. Along with competitors, the substitutes for Brunch Ale beers are Mimosas and Bloody Marys. Billows anticipates that the Brunch Ale Series will receive the same social acceptance that these morning alcoholic beverages currently have in the United States.

Benchmark Ventures

There are three companies we looked at when formulating our business model. We examined Dogfish Head Craft Brewed Ales, Stone Brewing Company, and Nimbus Brewing Company. We believe Dogfish Head is a benchmark company because they paved the way for "extreme" and unique beers in the craft beer market. For example, following their "off-centered ales, for off-centered people" mantra, one of their more popular beers is brewed with raisins. While Billows will not be producing every beer with an "extreme" mindset, it will be brewing beers using very unique ingredient combinations and then positioned in innovative ways (i.e., breakfast or brunch). Billows management team believes Dogfish Head's company culture and marketing strategies are a large part of why they have become very successful producing such extreme and unusual beers. Dogfish Head is a company Billows can use as a guide when considering its own branding and marketing strategies. Stone Brewing Company is another brewery Billows has looked at as a benchmark company. Like Billows, Stone started in 1996 as a production brewery. In their first year, their production was 400 barrels (Stone Brewing Co., 2009), this is 1,100 barrels less than Billows' projected production in year one. However, using a solid business model, Stone has grown exponentially and now produces 98,500 barrels. Billows believes it can reach similar success as Stone by following a similar business model and similar production strategies in order to reach production forecasts. Lastly, the management team used a local brewery, Nimbus Brewery, as a benchmark company in order to gauge the local market. Nimbus Brewery is one of the largest breweries in the state of Arizona and their distribution channels are areas the management team can consider for Billows. Looking at all three of these companies has helped Billows formulate our production forecasts and operations strategies.

Timeliness

The current trends in the beer industry are favorable for Billows Brewery to be launched in the very near future. Two of these trends that have contributed to the recent growth in the craft beer industry are increased demand for unique beers and increased awareness of beer and food pairing

(All About Beer, 2009). With the industry growing and the positive direction of recent trends, now is the right time for Billows Brewery to enter the market. Billows' Brunch Ales will create a unique niche market of pairing beer with breakfast and brunch foods, and this will distinguish Billows from its competitors.

Barriers to Entry

The barriers to entry in the craft beer industry for starting a new brewery are relatively low. In a time where breweries range in size from large powerhouse breweries, such as Anheuser-Busch, to very small "nanobreweries," the start-up costs can be relatively low. Based on quotes provided from equipment suppliers, Billows has found that a mid-sized production craft brewery often has start-up costs under \$500,000. Along with moderately low start-up costs, there are several available companies offering capital equipment and raw materials, making it very easy to obtain a working relationship with suppliers. In order to legally sell beer, the state of Arizona simplifies licenses and permits by only requiring a Series 03 Domestic Microbrewery license. The cost of this license is low at \$600 for the first year and \$370 for all following years. Although distribution laws vary by state, Arizona is one of the few states to allow both self-distribution and professional distribution. Since self-distribution is a cost effective option, it is an attractive choice for many start-up breweries. In order to produce beer, a brewery must have knowledge of both the art and science of brewing. Although this is not common knowledge, there are a few programs that offer brewing degrees. This gives all the start-up or existing breweries a large selection of potential Brew Masters to choose from. Aside from having a vision and passion for beer, the barriers to entry in the brewing industry are relatively low. Depending on the venture team's resources, the two highest barriers are the start-up costs and the state laws.

Goals and Strategies

Goals

Billows Brewery's major goal is to start as a local brewery and expand to be a regional brewery during year three. In order to accomplish this, sales must significantly increase between years two and three. The management team hopes to start distributing throughout the rest of Arizona, as well as surrounding states such as New Mexico, Nevada, and Southern California. Another venture goal of Billows Brewery is to be profitable by year three. With current sales forecasts, Billows will be making money by the end of year two. Another goal of the management team is to position Billows Brewery to be acquired by a larger brewing company after year five. The companies that may be interested in buying Billows are Sam Adams, SAB Miller, and Anheuser-Busch. All of these companies would be ideal to buy Billows Brewery because they have experience in the industry, an experienced management team, and brand loyalty.

Competitive Advantage

Billows Brewery has a distinct competitive advantage over not only the local Tucson and Phoenix breweries, but also over every other brewery in the country. Since no other brewery has launched a series of beers meant for morning consumption, Billows Brewery will have the advantage of becoming first movers. Creating a new market within the industry will serve as a competitive advantage because Billows will be known as the pioneers for repositioning beer as a morning beverage. Because Billows is developing beers meant for consumption in the morning, the styles and flavors of the beer will be distinctly different and unique from many of the beers offered by competitors. Using unusual flavor combinations in relation to breakfast foods will provide Billows beers with unique characteristics unlike any others currently on the market. As a result, Billows beers will become very distinguishable. To increase the barriers to entry in the breakfast beer market, Billows anticipate saturating the market as quickly as possible. Within the first three years, Billows Brewery plans to produce up to six different styles and flavors of Brunch Ale. Not only will this give consumers greater pairing options, it will also help prevent other breweries from developing a unique morning beer of their own. The reason for this is because Billows believes there are a limited amount of breakfast or brunch meals and therefore a limited amount of beers that can be produced to match these foods. By producing several beers that cover this range of foods, it will be hard for competitors to produce a product that is different from what Billows has released. As with other breweries such as Founders and Cricket Hill, their breakfast beers are only brewed seasonally and are not marketed as a morning beverage that complements breakfast foods. When compared, Billows Brewery's competitive advantages over Founders and Cricket Hill is our year-round production of our Brunch Ale Series, and the promotion of our beers to be paired with breakfast foods.

Billows Brewery's core competency is the brewing knowledge the management team uses to produce premium beer with high quality ingredients that complement breakfast foods. This core competency has helped Billows create barriers to entry because other breweries are not capitalizing on this niche market.

Business Model

Billows Brewery plans to earn a profit selling the premium beer, which will be positioned as a morning beverage. Billows expects to have a gross margin of 65%. Producing a premium beverage will allow Billows to sell a line of beer at a higher than average price. However, because Billows will be producing a premium product, the materials costs will be significantly higher than the average microbrewery. Billows Brewery has one source of revenue. This is the revenue generated from selling and distributing Billows beer to the customers. This is also the only source of reoccurring revenue.

For the first two years, Billows expects to self-distribute its beer to local on-premise sites, such as restaurants, resorts, and bars, and to retail stores in the local Tucson area. During these years, on-premise sites will dominate the company's sales, as it is harder for a start-up brewery to establish market presence through retail outlets. From years 3-5, as the brewery gains local market share, Billows will abandon the self-distribution strategy and sign on with a professional distribution company. This will help Billows reach a broader market and expand throughout all of Arizona. At this point, Billows will also be producing more beer in bottles and distributing to more retail stores. Along with sales to on-premise sites and retail stores in years 1-5, Billows will also have its beer available on site at the brewery. A tasting room will allow customers to order a pint, a growler, free 4 oz. samples, or even purchase a keg or case of Billows' beer.

Organization

Management Team: Billows Brewery is managed by a competent and diversified team with experience and knowledge of the art of brewing, the trends in the beer industry, and the fundamentals of running a healthy business. Rachel Toffel is the General Manager, and she is pursuing a degree in Business Management and Entrepreneurship at the Eller College of Management. Rachel worked last summer for Altria Sales and Distribution as a Summer Sales Intern in Phoenix, Arizona. She also has international experience from her Semester at Sea study abroad program in the summer of 2008. Becky McGlensey is currently working towards a degree in Marketing and Entrepreneurship with a minor in Global Business. She is the Marketing/Sales Manager and is very enthusiastic about marketing and international studies. Clifton Harris is the Finance Manager and he will be getting a degree in Finance and Entrepreneurship. Clifton has experience in making a budget for a large organization because he is currently the Treasurer of the Associated Students of University of Arizona. Dan Kozak is the Product/Operations Manager and he is pursuing a degree in Business Management and Entrepreneurship. He does self-motivated research on the craft beer industry and has been an avid home brewer for over three years. Dan creates our unique beer recipes and has produced multiple Brunch Ale prototypes including an orange blonde ale, a honeydew saison, a blueberry oatmeal stout, and a blackberry saison.

Advisors: Billows has reached out to some of the best faculty and staff at the University of Arizona and in the Tucson community in order to make the company as successful as possible. Billows' advisory team is made up of Victor Piscitello, who has a PhD and is currently a marketing and management professor at The University of Arizona. He is joined by another marketing professor Hope Schau, who specializes in branding. She has a PhD and many years of marketing experience. Both marketing professors have experience in marketing in the business world. They excel in studying trends and companies, as well as performing market research for reputable companies. Besides marketing advisors, Billows Brewery also has Shyam Jha, a professor who specializes in Management Information Systems and Operations. He specializes in efficiency and has helped Billows find ways to save time and money in its distribution channels.

Billows also recruited Steve Tracy, a local brew master who currently works at Thunder Canyon Brewery. Steve has a vast knowledge of the brewing industry and a great deal of experience working locally with restaurants and other breweries. Billows Brewery's advisory team also includes Dr. Nina Ossanna, the senior licensing associate of health sciences advanced projects. She has experience and knowledge of Intellectual Property. She is advising the team on what Billows should patent and retain as trade secrets. The final member of Billows' advisory team is Dr. Michael Bond, who has a PhD in finance and has offered valuable advice on the brewery's financial plan.

Product Development Strategies

Before the launch of Billows Brewery, many pilot batches of beer will be brewed to test their market viability. Batches are to be brewed 10 gallons at a time and they will be tested for their ability to compliment selected breakfast and brunch foods. Beers are selected for the Brunch Ale Series depending on how well they test in focus groups and surveys. Focus groups will be held in a designated conference room rented out at one of Tucson's local hotels. At the focus group, Billows will provide each person with a sample of each of the prospective Brunch Ales and also provide him or her with samples of the breakfast foods that go with each beer. Their responses to the pairings as well as any other input on the products will be recorded. Several focus groups will be held before releasing the first three beers in the Brunch Ale Series. As Billows begins to grow, new products will always be brewed on a small-batch pilot system before being brewed in the brewery. All future releases for the Brunch Ale Series will undergo the same testing process before it is brought to market.

Billows Brewery also plans to create products that enhance the brand image of the company. In order to create a strong brand of unique, flavorful and high quality beer, Billows has created distinct packaging and bottles to help customers recognize the products. The products are in the craft beer sector and therefore, are positioned as specialty products as well as high-end luxury items. The strong brand image of Brunch Ale and the superior products it will offer will help pave the way for success in other lines in the future including a possible dessert line of beers. These products will all reflect the quality and spirit of Billows Brewery, as well as carry the outstanding brand image that Billows will be recognized for.

Marketing and Sales Strategies

Pricing Strategies: Pricing for Billows beer will depend on the cost of ingredients for the beers. Billows' initial strategy is to form prices based on a 65%-70% profit margin from cost of goods sold. While this will be used as a pricing guide, any necessary adjustments will be made for market price points. To gain insight from one of Billows' benchmark companies, Stone Brewing Co.'s pricing manager, Steve Wagner, was interviewed for pricing strategies. Following the advice given from Steve, Billows will be bottling in 22 oz. bottles before producing 12 oz. six-packs. The reason for this is because due to the nature of single 22 oz. bottles, the brewery will

be allowed a little more price flexibility. This will allow Billows to achieve higher profit margins per bottle due to this flexibility. Since Billows will be offering upscale, high quality beers, pricing will be in the upper-range of industry standards.

According to the input provided by experienced brew masters on the site ProBrewer.com, the average wholesale prices for 6-packs, 22 oz. bottles, and kegs are as follows:

6-packs: \$19 per case

22 oz. bottles: \$27 per case

15.5 gallon keg: \$90-\$110 per keg

These are considered to be the average wholesale prices for the craft beer segment of the market. Billows will be producing extremely high quality beers and marketing them in the high-end segment of the industry. The company's wholesale price points will be based on the cost of goods sold (COGS). Since Billows will be brewing beers with extra ingredients such as honeydew, orange, or coffee beans, the COGS will be approximately 20% above current industry standards. For this reason, Billows' wholesale prices will be also be about 20% above the industry average.

Distribution model: According to state law, breweries within the state of Arizona are permitted to self-distribute their own beer. For the first 2-3 years, Billows will distribute its beer using a self-distribution strategy. Although selling to professional distributors is the company's ultimate goal, there are many advantages to self-distributing in the first few years. One of the main advantages is being able to retain better profit margins when selling directly to retail and on-premise customers. Another advantage is that Billows knows its products better than anyone else. By using an internal sales force during self-distribution, superior product knowledge will be key to making sales. Distribution in the first few years will be aimed at both retail and on-premise sites, however the focus will be on on-premise sites such as golf courses, resorts, casinos, restaurant. Billows initially wants to focus on local on-premise sites, so the packaging ratio in the first 1-2 years will be roughly 70:30, kegs to bottles. This ratio will start to shift as retail distribution increases. By years 4-5, Billows anticipates to abandon the self-distribution model and begin working with a professional distributor in order to help expand company market share outside of the local region.

Promotional Strategies: Billows Brewery plans to have an integrated marketing campaign in order to promote the Brunch Ale series. The first tier of the campaign includes utilizing social media. Social media has become a vital part of advertising today and is a great way to reach our target market. Billows plans to use social media outlets such as Facebook, Twitter and Youtube to directly connect with the target market and create buzz about brunch ale. Facebook has reported that its "35 to 54 year old demographic segment [has] not only continued to grow the fastest, but it [has] accelerated to a 276.4% growth rate over the past 6 months" (Facebook, 2009). This growth is occurring directly in our target market and proves that social media such as Facebook is a great way to reach this audience. These outlets not only allow Billows to properly explain its products and their attributes, but also can provide fun examples of food to

match with the beer. Billows can also directly connect with consumers through blogs and other social media which creates a safe place to gain feedback and get new suggestions from consumers. In addition, these social outlets will allow Billows to inform potential consumers about upcoming events and future product launches. Billows currently is looking into creating an application for its website where consumers can “Match That Beer”. This game helps depict the idea of matching beer with breakfast foods and helps consumers become more acquainted with the new flavors and product lines. Billows also plans to have a section on the website that allows consumers to suggest new flavors and prizes will be give out for the best suggestions.

Launch: In order to directly reach the primary and secondary markets, Billows Brewery is going to have an exclusive launch party in Tucson, Arizona at the luxurious Star Pass Golf Course. At this event, Billows Brewery will host a morning of golf for top male and female leaders in the Tucson community. These leaders include local restaurant owners along with top business executives and other influential people in the Tucson community. The morning of golf will then be followed with an early afternoon bunch where Brunch Ale will be distributed to all members at the event. Representatives from Billows Brewery will thoroughly explain the attributes of their brand and products, as well as give the consumers insight on the ways to pair beer with different foods. This hands-on testing of Bruch Ale will help explain the strong brand equity as well as the fundamentals of matching beer. The launch will help give customers experience with the products and help establish the upscale and reputable brand that Billows has built. Because Billows is going to be launched in Tucson it is very important for the company to have a very strong connection to the community. The launch will help establish this connection as well as provide the experience and ambiance to create lifelong customers.

Marketing Communications: Billows Brewery will also enact an extensive public relations campaign in order to portray the passion Billows feels for the Tucson Community. This campaign will be publicized through our social media accounts as well as local newspapers and the radio. Billows will sponsor local events such as races and walks. The marketing communication campaign as well as other advertising will begin three months prior to the launch event. This campaign will include local television commercials, mailings of invitations and print advertisements in local newspapers. These advertisements will focus on encouraging people to enter the tournament and will explain the small entrance fee. The advertisement will highlight the exclusive brunch, Billows Brunch Ale, the day of golf, and raffle prizes. Billows is currently looking for a Tucson celebrity to head the event and hand out raffle prizes. These advertisements will create buzz and help get people excited for the company launch. The launch as well as all other aspects of the integrated marketing campaign, will be advertised on our website (which will also launch three months prior to the event) along with interactive games and links where you can “test out your golf swing” before the competition. Billows’ online webpage also has guessing games to test the participants’ knowledge of pairing beer with food. Billows website is also a place for consumers to give feedback and suggestions for beer flavors that they would enjoy. Billows truly cares about its consumers and it wants to brew beverages that consumers

will want. Therefore, getting consumers involved in the process will help Billows be more confident that consumers will like its products and it will also help create brand equity for the company.

After the launch, Billows Brewery will continue to advertise in order to capitalize on the buzz created by the launch. Billows Brewery plans to sponsor local events in Tucson, such as an alumni event for The University of Arizona Homecoming game, in order to publicize the new line of Bunch Ale as much as possible. The print advertisements will begin to focus more on the website and creating a database of names in order to communicate upcoming events and promotional coupons for our product. During the launch of Billows Brewery, the company will use an integrated marketing campaign that directly targets its primary customers.

Partnering: We are looking into partnering with restaurants that serve breakfast because this will give customers the opportunity to consume Billows Brunch Ales with their breakfast meals. Billows wants to specifically target groups such as Tucson Originals who have strong connections to local restaurants that may be able to partner with the brewery. Billows wants to partner with local Tucson restaurants initially as well as form partnerships with chain restaurants. Future goals for Billows include partnering with a cruise line and a golf course because these are both places that consumers will want to celebrate with a Brunch Ale.

Operational Strategies

Billows Brewery will act as a production brewery. It will be brewing, packaging, and serving beers on-site at the brewery in a traditional manner. Facilities will include all necessary brewing, fermenting/conditioning, filtering, and packaging equipment. Initial brewing and fermenting equipment will be twice the capacity of what is required for production in years one and two. However, this is the most economical and expansion-friendly strategy that Billows has discovered. Billows will operate using a 30 bbl brew house (the equipment used to turn water and grains into unfermented beer, or wort) until its production capabilities max out at 38,000 bbls/yr; this level of production is projected beyond year 5. Although 38,000 bbls is the max production level in a year for the brew house, it can also be used to produce as few as 1,500 bbls, Billows' year one projection. In order to keep up with growth up to 38,000 bbls, Billows will purchase additional fermenters to increase capacity as necessary. Aside from the current management team, the only production manpower needed in years 1-2 will be that of a Head Brewer. In years 3-5, a second brewer and part-time packaging employees may be needed. As production demand increases beyond year 5, additional brewers, assistants, and packaging staff will be needed. In order to provide Billows Brewery's customers with superior service and products, all departments of the company work together in an integrated process (Please see Appendix H for a detailed flow chart of these processes). All brewing ingredients will be ordered two weeks prior to the scheduled brew date. The exception however, will be for base malts, which will be ordered in large quantities and stored in a silo just outside of the brewery.

Beyond year five, Billows expects to grow rapidly and begin to distribute to many other states outside of the Southwest region. As Billows begins to distribute to states across the country, such as Vermont or Virginia, the brewery will look into the possibilities of having its beer produced at other breweries. For example, if Billows begins to enter the Northeastern markets of the United States, a portion of the brewing will be contracted out to a brewery located in that area. The advantages for this would include increased brewing capacity, more efficient distribution channels, and fresher beer.

Intellectual Property and Legal Issues Strategies

The intellectual property for Billows Brewery does not come from an invention or technology, but rather from the recipes and processes for producing its Brunch Ale Series or any other line of beer Billows offers. Brunch Ale beers will be brewed using unique combinations of ingredients. Cranberries, lemons, oranges, honeydew, grapefruit, blueberries, coffee, oatmeal, rye, and maple syrup will be used in ways not typically found in a majority of the beers today. While these ingredients will be made public in product descriptions, it is the actual recipe and process of brewing that will form Billows' intellectual property. For example, while many breweries currently use oranges, blueberries, or oatmeal in their beers, Billows will differ by incorporating these ingredients in unique combinations, different styles of beer, and in a way that best complements and suits consumption with morning foods. Billows will protect these recipes by using a trade secret strategy. Only the brewers and founding partners will know the ingredients and processes to make each beer. The second form of intellectual property for Billows Brewery is the creation of the company name, Billows Brewery, the product line name, Brunch Ale Series, the current and future company taglines, and lastly the company logo(s).

Development Plan

Presently, Billows Brewery is still in year zero. The company is currently in the business plan authorship phase. Test batches are currently being brewed and it is anticipated that by June 2010, three Brunch Ale Series beers, along with two traditional style beers, will be tested and ready to be released in the market. By November 2010, financing and development stages are expected to be complete. Shortly after this point, production will begin starting with three Brunch Ales and two traditional beers. By year five, Billows anticipates expanding to six Brunch Ales, four traditional beers, and one to two seasonal brews. At this time Billows hopes to be producing 14,400 bbls per year and distributing throughout the Southwest region. Beyond year five, some extended goals for Billows Brewery include distributing nationally, and introducing new and unique product lines such as a dessert series. Billows' growth strategy is to start locally in the Tucson market and rapidly expand market share through Arizona and into the greater Southwest regions. As market share is established in these regions, expansion into other national regions will be the next goal for Billows Brewery.

Along with expanding distribution nationally, another goal for Billows is to introduce new and unique product lines after year five. As a brewery that is looking to build its brand around food pairing, these additional product lines will include a Dessert Series and also a Custom Series. The Dessert Series will be brewed much in the same way as the Brunch Ale Series is: beers brewed specifically to compliment dessert dishes. Billows' Custom Series will be beers that are brewed exclusively for a restaurant meant to compliment the items on their menu. Billows will be able to increase its scalability with these additional series' as well as reach many new niche markets.

Timeline for Billows Brewery

Year 0	March, 2007: Dan starts home brewing July, 2008: Breakfast beer idea conceived August, 2009: Billows Brewery management formed at McGuire Center for Entrepreneurship August, 2009-December, 2009: Business plan formulation June, 2010: Seek venture financing November, 2010: Renovate facilities and install brewery equipment
Year 1	January, 2011: Start production → 3 Brunch Ales, 2 Traditional beers February, 2011: Brewery open to public March, 2011: Distribute to on/off-premise sites in Tucson August, 2011: Partner with local restaurant(s)
Year 2	February, 2012: Expand distribution to more customers in Tucson August, 2012: Increase capacity to 120 bbl September, 2012: Increase product line: 4 Brunch Ales, 3 Traditional beers November, 2012: Seek second round of financing
Year 3	February, 2013: Expand distribution beyond Tucson (into Phoenix) February, 2013: Begin distribution with a professional distributor August, 2013: Increase capacity to 210 bbl September, 2013: Increase product line → 5 Brunch Ales, 3 Traditional beers
Year 4	January, 2014: Expand distribution beyond Arizona March, 2014: Increase sales staff August, 2014: Increase capacity → 420 bbl
Year 5	February, 2015: Distribution in all of southwestern region April, 2015: Increase product line → 6 Brunch Ales, 4 Traditional beers May, 2015: Increase capacity: 600 bbl

Risks and Contingencies

There is a risk that people may not think the flavors or styles of the Brunch Ales are suitable to complement breakfast or brunch meals. For example, a few Bunch Ale beers will have unique flavors, such as fruit flavors, that will have different characteristics from traditional beers. Males may find some of these fruit beers too feminine for their taste and this may have a negative effect on Billows' sales and company image. Billows' primary target market is males 24 to 55, and if they do not like the flavors of the Brunch Ales, this may make it difficult to meet sales forecasts. In order to avoid this, Billows will conduct market research on the acceptance of each beer before they are released for sale to the public. If the beer is not well-liked then In addition, Billows will make sure its Brunch Ale Series is balanced with beers demanded from all of its target markets.

Another business risk is that competitors may enter the Brunch Ale niche market and steal business away from Billows Brewery. Some of these competitors may have already established strong brand awareness and customers may purchase their beer over Billows' because they are familiar with their brand. In an effort to prevent any other brewery from introducing their own morning beer, Billows development strategy is to saturate the market with several Brunch Ales.

One financial risk is having higher start-up costs than initially anticipated. If this were to happen, Billows would either have to raise more capital or scale back on the size and capacity of the brewery. A contingency plan for this situation is to have Billows' beer contract brewed by another brewery. This would eliminate Billows from having to purchase any capital equipment for the first few years. Once established with more financial resources, Billows would then be able to purchase and build its own brewery and abandon the contract brewing strategy.

Financial Projections

Key assumptions

The most important assumptions made in Billows' financial forecasts assume a given selling price and demand. The current market price from a barrel of premium craft beer is \$260. This is roughly \$130 per keg of beer. Furthermore, it is projected that input costs will increase by 1.5% per year due to inflation.

The most important part of the income statement to note is the gross margin. Having a gross margin of 63% will help Billows become profitable much sooner than most ventures. Operating expenses make up a majority of the costs. Minimizing operating expenses will be the most challenging task for Billows to become and remain profitable. The first two years of operation poses the most risk of our venture failing.

As shown in the projections below, Billows estimates revenues of \$283,000 in year 1. As the company further penetrates the Tucson and Phoenix markets, projected revenue growth during the second year of operation is estimated at 200%. By year 3, our revenue growth will dip to 60% as we further increase market share throughout Arizona. When Billows expands regionally during years 4 and 5, revenues are then estimated to grow at a constant annual rate of 100% until the exit strategy is exercised.

Operating expenses are expected to remain flat during the first two years while Billows implements its marketing strategy. Marketing, insurance, communication, utilities and lease payments are all expected to remain constant for the first two years. The three following years Billows will encounter growth in operating expenses of 16%, 45% and 63% respectively. These will mainly be due to the need for a much larger marketing campaign as we expand regionally.

Pro Forma Income Statement

Billows Brewing Co.

	Year 1	Year 2	Year 3	Year 4	Year 5
Projected Income Statements (000 \$s)					
REVENUE	283	945	1,544	3,089	6,178
COGS	109	361	571	1,129	2,251
GROSS MARGIN	174	584	973	1,960	3,926
TOTAL OPERATING EXPENSES	438	449	523	760	1,230
PROFIT (LOSS) BEFORE TAXES	(264)	135	450	1,200	2,696
DISTRIBUTION FOR TAXES	-	-	(133)	(498)	(1,119)
NET PROFIT (LOSS)	(264)	135	317	702	1,577
EBITDA	(252)	157	485	1,254	2,781

Funding and Resource Proposal

Proposed Funding Request Summary

Billows Brewery only anticipates having one round of financing. All necessary expansions will be financed by profits made from the company. In the event that a second round of financing is needed, Billows will attempt to acquire the necessary funds by issuing debt.

Billows Brewery needs \$800,000 from an angel investor and the founders will need to raise \$200,000 on their own before we start up our firm. Billows management team plans on receiving all of the \$600,000 from angel investors. At the conclusion of year five, Billows expects to have an EBITDA of \$2.78 million. Using the five times multiple, Billows Brewery will be worth \$13.925 million in year five. The Billows management team estimates the pre-money value of the company to be \$2.4 million.

Proposed Use of Funds

The \$800,000 investment will allow Billows to establish a firm presence in the Tucson and Phoenix craft beer market. These funds will allow Billows expand brewing capacity in future year without any additional rounds of financing.

The funds which Billows Brewery is seeking will be used in a few different areas. The largest portion of the funds will be used to pay the salaries and benefits of the employees.. The second largest portion of the use of the funds will be used for purchasing necessary brewing equipment. Lastly, the funds will be used for marketing expenses in year 1 and covering the additional required operating expenses until the brewery can earn a steady profit.

Proposed Use of Funds

Use of Funds Categories	Amount Needed	% of Total Needed
Salaries and Benefits	\$200,000	33%
Payments for Capital Equipment	\$100,000	17%
Marketing	\$100,000	17%
Packaging/Bottling	\$50,000	8%
Working Capital	\$50,000	8%
Lease Payments	\$40,000	7%
Office Supplies/Licensing	\$30,000	5%
Utilities	\$20,000	3%
Insurance	\$10,000	2%
Total	\$600,000	100%

Harvest Strategy

The management team plans on positioning the company to be bought by a larger brewery, such as Boston Beer Company (Sam Adams), Anheuser-Busch, or SAB Miller. All of these are some

of the world's largest breweries and they have grown through acquiring and partnering with smaller breweries rather than organic growth (Wikinvest, 2009). Billows management team believes that one of these companies will want to acquire their microbrewery because sales of microbrews have been increasing an average of 40% each year, despite the industry shrinking as a whole. In fact, craft and specialty beers is the largest growing segment in the beer industry (Wikinvest, 2009). Furthermore, these companies would be interested in Billows' market niche because they currently do not produce beers to match the meals and moods of breakfast consumers. They may want to incorporate Billows' innovation into their existing product mix to expand their business. However, because Billows has a new idea, these companies may want our company to test the market before they put their name on the idea. It may be too big of a risk for them to start producing breakfast beer without another company testing it first because they do not want to ruin their brand equity by producing a product that society does not accept. If Billows Brewery can successfully reposition beer as a morning beverage, one of these major companies may be willing to acquire our microbrewery. These companies would be mostly interested in Billows' trade secrets, trademarks and customers, and they will probably liquidate our assets because they already have their own large production facilities. Billows Brewery would ideally like to be acquired by a larger company in five to seven years.

After researching these large breweries, Billows has found that it is common for them to acquire smaller microbreweries. For example, Anheuser-Busch recently purchased a stake in the Seattle based Red Hook Ale Microbrewery. The new products they released into the beer market from this microbrewery include Red Wolf, Elk Mountain Red, and Elk Mountain Amber Ale (Anheuser-Busch and Microbrews, 2009). SAB Miller recently acquired the Leinenkugel's craft brewery in Chippewa Falls, Wisconsin as well as two microbreweries, the 10th Street Brewery in Milwaukee and the Blue Moon Brewing Company at Coors Field in Denver (SAB Miller, 2009). Boston Beer Company recently acquired Hudepohl-Schoenling Brewery, which is located in Cincinnati, Ohio (Hudepohl-Schoenling Brewing Company, 2009)

Call to Action

Billows Brewery is seeking a motivated and experienced investor who would be interested in providing us the necessary capital to turn this idea into a reality. The terms of the agreement are negotiable. Billows management is willing to meet and discuss our venture in more detail.

Summary

The management team of Billows Brewery has found a unique opportunity in the brewing industry to reposition beer as a morning beverage by producing a Brunch Ale Series that complements breakfast foods. Billows' beers will be available in both retail stores and on-premise sites such as restaurants, golf courses, or resorts. The management team wants to start the brewery in Tucson and expand nationally, so Billows Brewery's initial primary competition

will be the local craft breweries in Tucson and Phoenix. Billows' competitive advantage over these local breweries will be the niche market it is creating with its Brunch Ales. Billows Brewery's primary customers will be beer enthusiasts that are male between the ages of 24 to 55 who make an annual income of over \$50,000. This is a great opportunity because craft beer is a \$6.3 billion dollar industry and it is growing at an annual rate of 10%. In addition, Billows Brewery is led by a competent and diversified team that is very knowledgeable on the brewing industry. Billows Brewery is seeking \$600,000 from an angel investor and the founders will raise \$200,000 on their own. These funds will be going towards purchasing brewing equipment, making building modifications, and buying the necessary materials. In year five, Billows expects to have an EBITDA of \$2.78 million. The Billows management team has determined the pre-money value of the venture to be at \$2.4 million.

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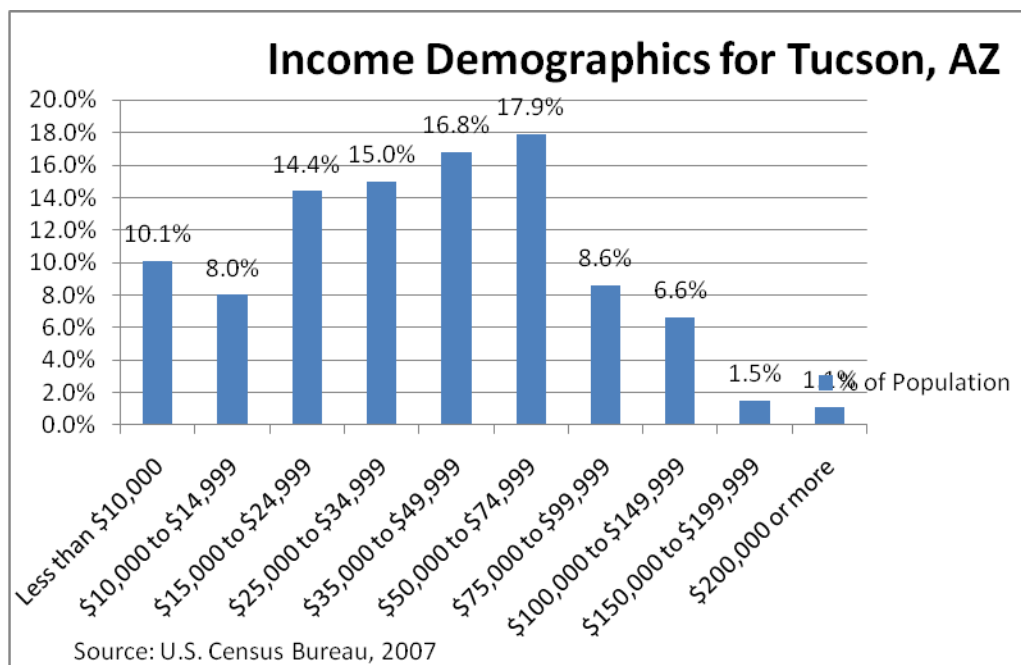
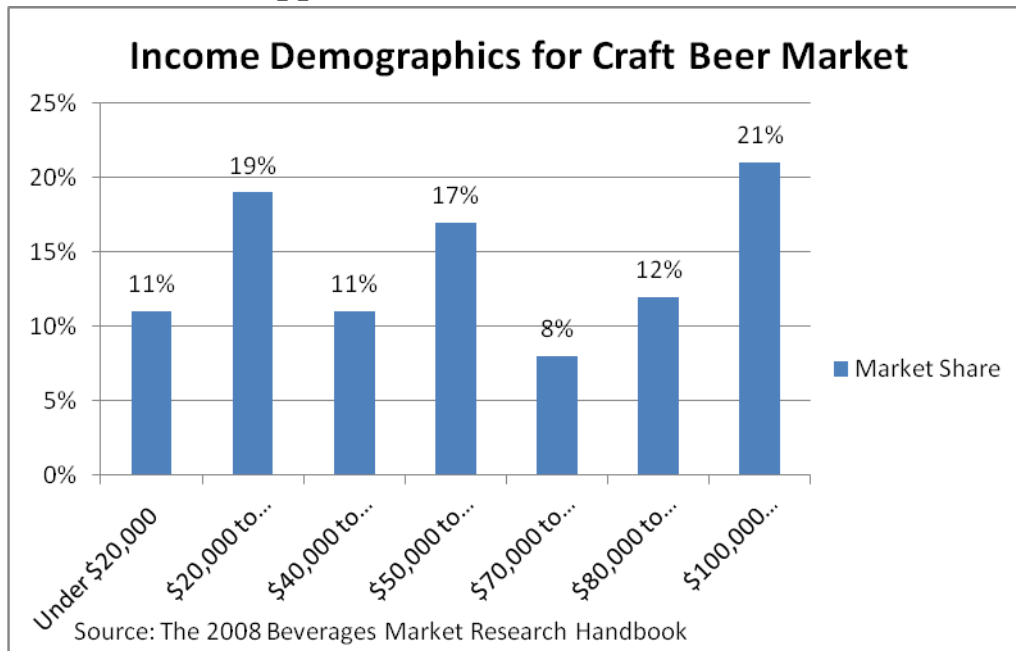
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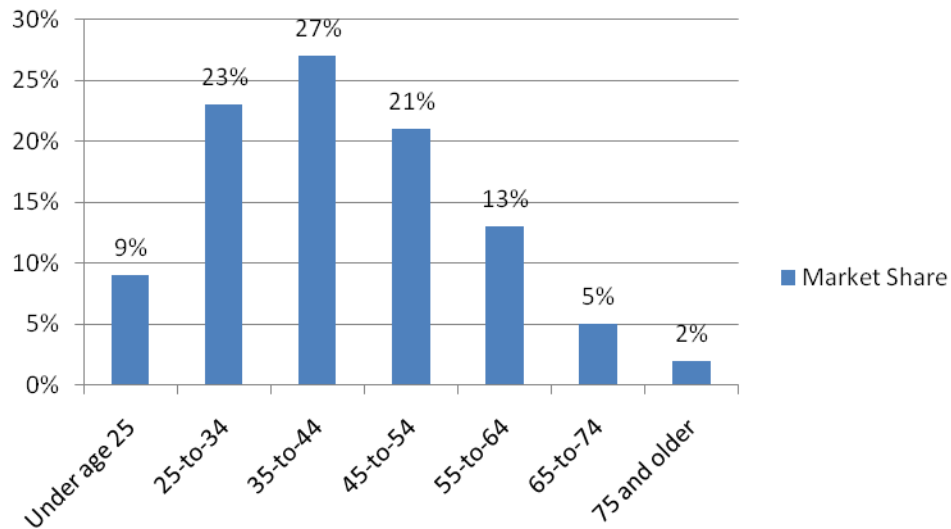
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Appendix A: Income Information



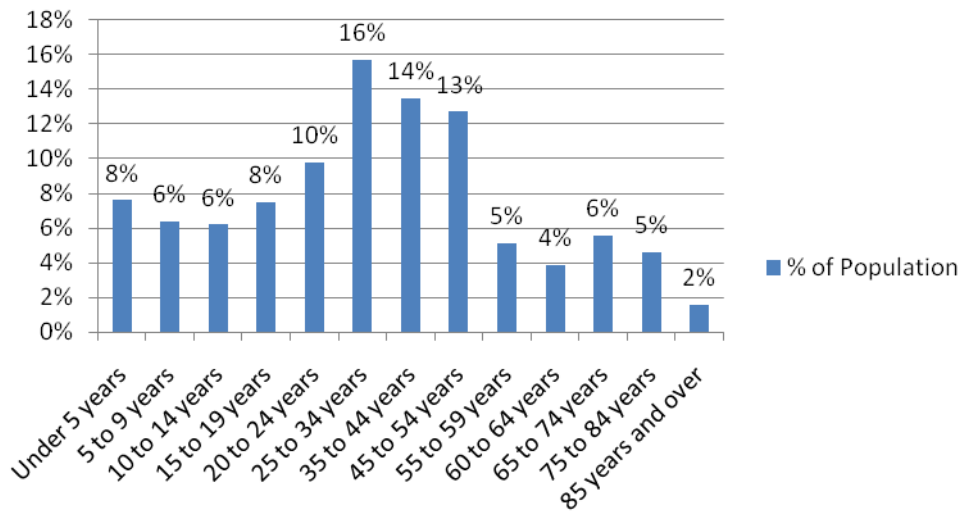
Appendix B: Age Information

Age Demographics for Craft Beer Market



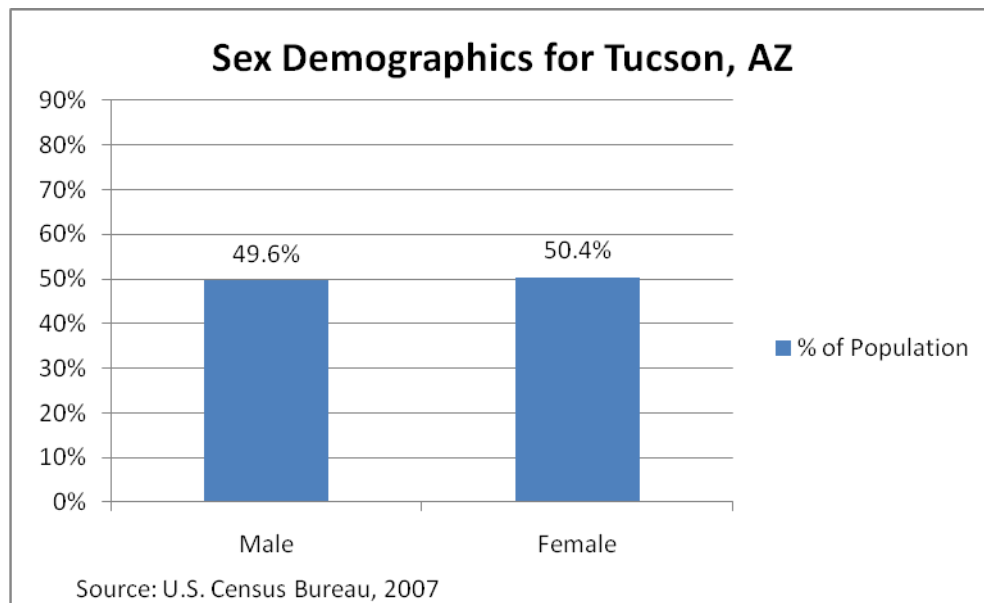
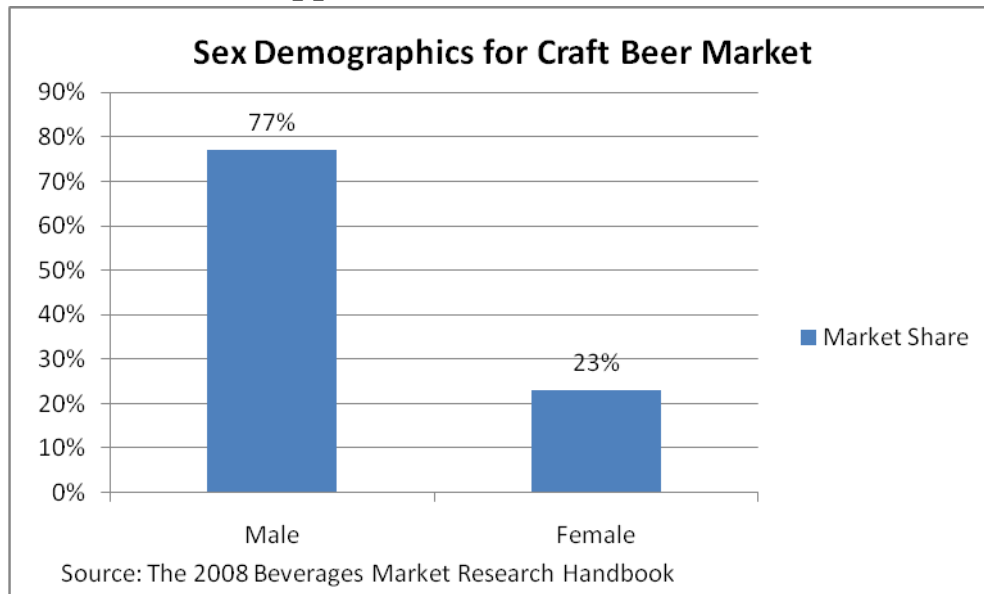
Source: The 2008 Beverages Market Research Handbook

Age Demographics for Tucson, AZ



Source: U.S. Census Bureau, 2007

Appendix C: Sex Information



Appendix D: Competition Comparison

	Features	Strengths	Weaknesses
Billows Brunch Ales	Fruity flavors, low alcohol content, compliments breakfast foods, strong branding, fun bottles, tastes like common breakfast foods ex: blueberry muffin	High quality ingredients, “home-brew taste”, recognizable label/brand, niche market	Strongly associated with only morning, conflicts with societal norms
Kentucky Breakfast Stout	Has a hint of coffee and vanilla, aged in oak bourbon barrels for over a year, 11.2% alcohol, full bodied, served in bottles and on tap	Comes from an established brewery, ranks well with consumers	Only brewed seasonally, not brewed to compliment breakfast foods, high alcohol level, only beer from brewery associated with breakfast
Jersey Summer Breakfast Ale	Banana and orange flavor, orange colored, strongly spiced, served in bottles, not much head, unfiltered	Comes from an established brewery, no bitter aftertaste, located around resorts, has “drinkability”	Only brewed seasonally, not brewed to compliment breakfast foods, not served on tap, not associated with breakfast foods
Mimosa	High in alcohol, orange color and flavored, carbonated, many different brands	Associated with high class, socially accepted to be consumed in the morning, a social or celebratory drink, does not need to be aged, saturated market	Have to buy orange juice and Champaign separately, high alcohol content, not made specifically to match foods

Appendix E: Forecasted Features and Benefits of Solution

Features of the Problem	Features of the Solution	Economic Benefits to your Customer	Social Benefits to your Customer	Economic Benefits to your End-User	Social Benefits to your End-User
There are currently no breweries that produce a beer to specifically compliment any breakfast foods or meals, no brewery is promoting their beers to be consumed at breakfast time, very few breweries produce a beer that has characteristics reminiscent of actual breakfast foods (such as pancakes)	Morning fruit flavors incorporated into beer (honeydew, blueberry, orange, etc.), low alcohol content, light and crisp for some styles, compliments breakfast meals, mimics characteristics of some common breakfast foods ex: blueberry pancake ale, strong branding	Establishments want to serve alcohol more hours of the day because of the high profit margins: In 2006, The NPD Group/ CREST stated that the average eater at a restaurant spent only \$11.17 for lunch and \$14.08 for dinner when they did not order an alcoholic beverage. However, when ordering an alcoholic beverage those prices went up to \$16.55 and \$20.49 respectively. By analyzing this trend, we can see the potential for increased sales and profit margins for an establishment that offers alcohol with their breakfast menu.	Through the nature of our business, our firm does not directly produce any social benefits as a result of brewing and selling beer. However, there are many ways we can still focus on properly running our company while also extending goodwill to our community and to those around us. One way to do this is to offer our “spent” grains to farmers or cattle ranchers in our area. After the brewery uses the grains to rinse away the sugars and enzymes, we no longer have a use for the leftovers. By working out a deal with a cattle rancher, the brewery would be able to remove the grains from the premises while supplying the rancher with free food for his cattle. Two other ways we could obtain any social value is if we chose to go “green” in our brewing; solar panels could be used to power a percentage of our energy uses. Lastly, once the brewery is operating at a healthy rate, we could potentially use our resources to sponsor any non-profit or charitable events in our community.	Billows’ Breakfast Beer has no economic benefit for the end-user. Due to the nature of our product, the end-user would only receive pleasure or enjoyment from our product. However, there is economic value added to our economy through wages and taxes raised on the beer.	Although there may not be much social value to the end-user, we feel that there is experiential value. The experiential value to our end user would be the happiness and enjoyment it brings to them. This is more of a cultural benefit because beer has been around for a long time and many people enjoy drinking it at social events. This enjoyment varies from culture to culture, but in the United States, most people drink beer at celebratory and social events.

Appendix F: SWOT Analysis

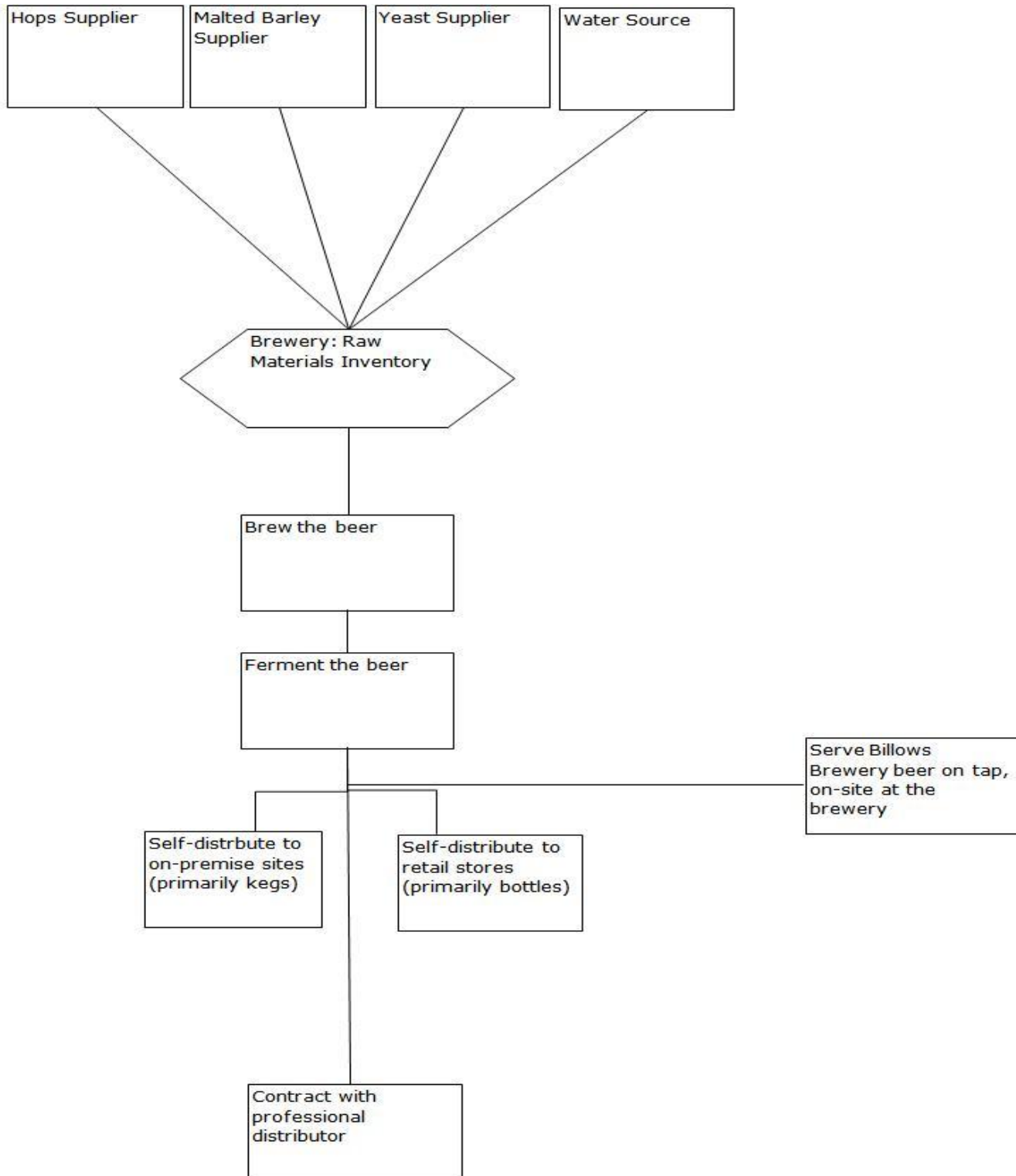
Strengths: Our first strength is that we will have a first mover advantage in a growing industry. Our second strength is that we have a competent and diversified management team that is knowledgeable on the art of brewing, the beer industry, and the essentials of running a healthy business

Weaknesses: Our first weakness is that Brunch Ale is a new product and people may be hesitant to try it. In addition, we do not have enough capital to carry a huge advertising campaign so it may be difficult to get our name out to the public.

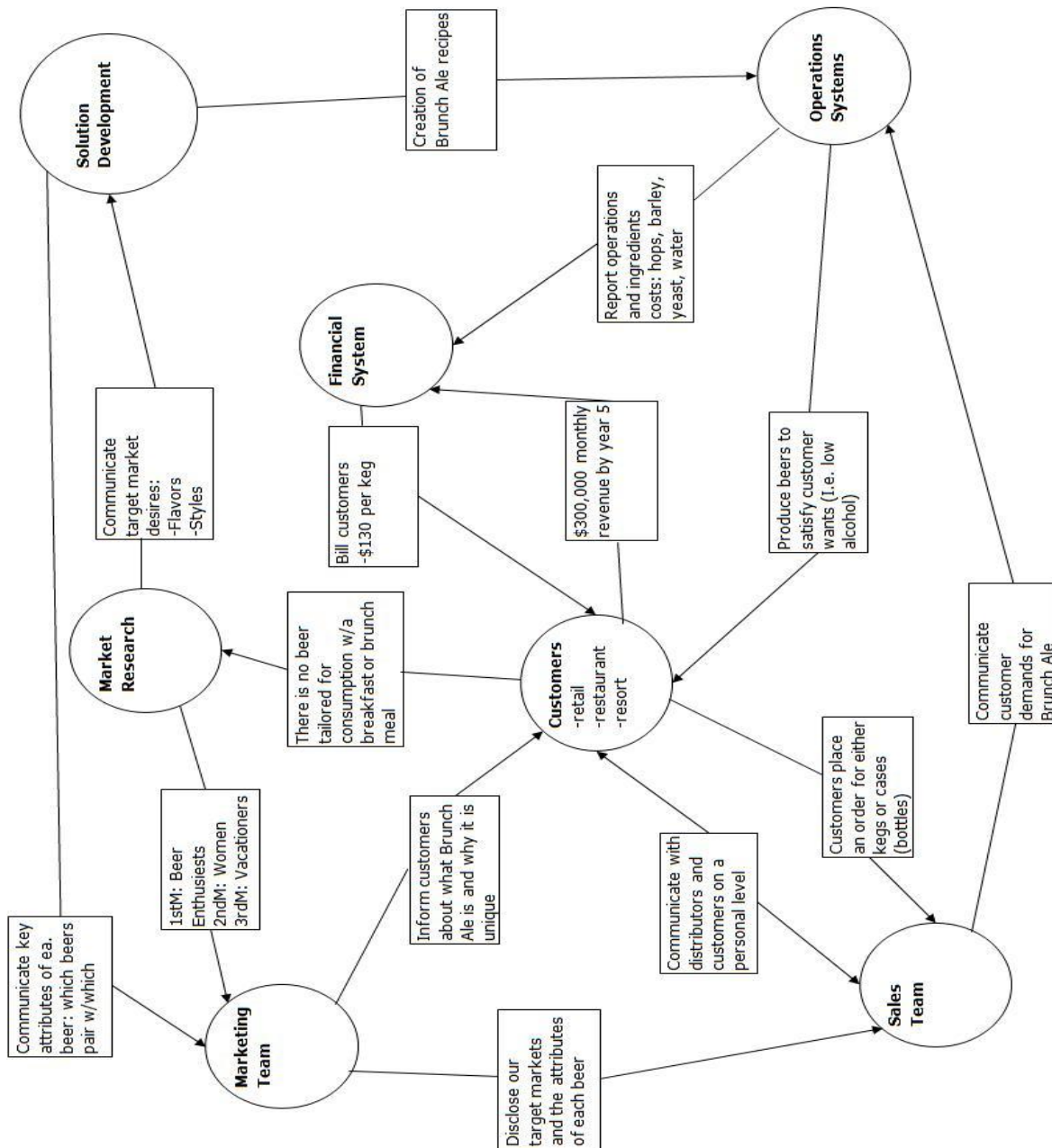
Opportunities: The first opportunity is the craft beer market is growing at an annual rate of 10%. Our second opportunity is that we can expand nationally, and possibly internationally. Our third opportunity is that we can distribute our beer in places that other craft breweries do not, such as in airports, cruise lines, and casinos. Finally, a fourth opportunity we have is to use guerilla marketing because this type of advertising appeals to our primary target market and can cut our marketing costs.

Threats: The first threat for our venture is that society may not be accepting of drinking an alcoholic beverage in the morning. Secondly, competitors have an established clientele and more experience in the industry

Appendix G: Key Department Flow Chart



Appendix H: Critical Path Flow Chart



Appendix I: Advisory Panel

1) Victor J. Piscitello, Ph.D.

Title: adjunct lecturer, management & organizations - mgmt & org
adjunct lecturer, marketing - marketing

Phone: : 520.626.7011

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2) Shyam Jha

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Phone: 520.626.4106 office

Email: sjha@eller.arizona.edu

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Specialty: Product operations and distribution channels

3) Steve Tracy

Title: Brewmaster/Owner

Phone: 520 797 2652

Email: steve@thundercanyonbrewery.com

Location: Thunder Canyon Brewery

Specialty: Production and distribution of craft beer

4) Hope Schau

Title: associate professor, marketing - marketing

Phone: 520 626 2976

Email: hschau@eller.arizona.edu

Office: MC Hall 320 Y

Specialty: Marketing and Brand Communities

5) Dr. Nina Ossanna

Title: senior licensing associate, health sciences advanced projects - ott
director, business development & strategic planning - bio5 institute

Phone: 520-626-7690

Email: nossanna@ott.arizona.edu

Office: Thomas W Keating Bioresearch 102 (Bldg #240)

Specialty: Intellectual Property, Patents, Trade Marks

6) Dr. Michael Bond

Title: Senior Lecturer, Ph.D. in Finance, Case Western Reserve University, 1985

Phone: 520.621.5406

Email: mtbond@email.arizona.edu

Specialty: Corporate Finance, Investments, International Finance, Real Estate Finance, Health Care Finance and Insurance, Venture Capital

Appendix J: Equipment Cost

The following is a quote from AAA Metal Fabrication Equipment Supplier on the prices of production equipment needed for year one:

ITEMS

30 bbl Mash/Lauter Tun, \$51,159
30 bbl Kettle/Whirlpool, \$19,593
60 bbl Cold Liquor Tank, \$15,856
30 bbl Fermenter (2), \$19,750 each

Brew House Work Platform, \$6,199
Hard Piping, \$48,561
Hard Piping, \$23,000
Steam Piping, \$18,340
Stacks, Estimate, \$4,000
Brew House Controls, \$10,796
Cold Side Controls, Estimate, \$785
Grist Case, \$4,596
Installation, Estimate, \$30,000

Heat Exchanger, \$8,701
Pump, \$3,105
Variable Frequency Controller, \$1,049
Boiler, \$52,440
Chiller, \$22,600
Auger, Estimate, \$5,000
Mill, \$12,670

Appendix K: Vision, Mission, and Value Proposition

Vision Statement

To be recognized by our customers as a superior craft beer company that offers a variety of premium beers that can be consumed at any time of the day

Mission Statement

At Billows Brewery, our mission is to be the leader in brewing upscale beers suitable for consumption at every time of the day. Our products will be produced in a passionate and creative work environment, and we will use inspiration from unusual sources to create high quality beers with the best ingredients. From our brunch series to our dessert series, we will always make beers with our heart.

- We will be committed to using the highest quality ingredients in our beer
- We will distinguish ourselves from other breweries by offering unique product lines
- We will enrich our customers lives by providing them with premium customer service and an enjoyable experience
- We will offer our customers a large selection of beers, including ones that can be consumed during the morning hours

Value Proposition

Billows Brewery will provide high quality, unique beers that complement breakfast foods and enhance the overall breakfast experience. The prices of Billows beer will be slightly higher than the majority of the craft beer that exists today because Billows will be using higher quality ingredients, thus making its beer a high-end, premium product.

Appendix L: Online Survey

1. Would you ever consume a beer that was brewed to specifically complement food (ex: cheese and wine)?

Yes:	93%
No:	7%

2. If a beer was designed to match food, where would you consume this beer? Please choose all that apply.

At Home:	67%
Socially with Friends:	76%
At a Restaurant:	94%
At a Celebration:	52%
At a Tailgate:	36%
At a Sporting Event:	35%
At a Country Club:	39%
At a Golf Course:	23%

3. Would you consider drinking beer at any of the above locations before noon?

Yes:	51%
No:	49%

4. Would you purchase a beer to consume with your breakfast meal if it was made to complement this meal?

Yes:	36%
No:	65%

5. How do you prefer to drink your beer?

In a Bottle:	47%
On Tap:	59%

6. Where would you purchase a beer of this type? Please choose all that apply.

Supermarket:	76%
Liquor Store:	50%
Restaurant:	93%
Bar:	71%
Wholesaler:	26%

7. Please indicate your gender:

Male:	44%
Female:	56%

8. Please indicate your income level:

Under \$30,000:	17.5%
\$30,000-\$39,000:	3.1%
\$40,000-\$49,000:	3.1%
\$50,000-\$59,000:	7.2%
\$60,000-\$69,000:	5.2%
\$70,000-\$79,000:	4.1%
\$80,000-\$89,000:	6.2%
\$90,000-\$99,000:	5.2%
Over \$99,000:	48.5%

9. Please indicate your age:

21-25:	18.2%
26-30:	6.1%
31-35:	2.0%
36-40:	5.1%
41-45:	16.2%
46-50:	21.2%
51-55:	15.2%
56-60:	8.1%
61-65:	4.0%
66-70:	4.0%

Appendix M: Summary of Cash Flows and Balance Sheet

The Statement of Cash Flows helps determine the period in time where Billows has the most risk of failing. It is important to note that the lowest cash balances occur in months 24 and 37. These are due to the need of purchasing additional capital equipments so that production capacity can be increased to meet the growing demand for our products. It is vital that Billows obtains the necessary infusion of capital in the first year so that the ability to expand remains flexible.

Cost of goods sold will account for 35%-40% of revenue. It is projected that it will cost \$87 in materials and \$13 in labor to produce one barrel of beer in the first year. By year 5, it is projected that it will cost roughly \$92 in materials and \$3 in labor to per barrel. Furthermore, the management team has predicted that it can sell their beer at an average of \$260 per barrel. This is an average because the beer will be sold in many different forms (kegs, growlers, bottles ect.) and each will have different margins. Even though this may seem like a steep price, this is the typical price for premium craft beer and people are willing to pay this premium for Billows' high quality beer.

Operating expenses include salaries, lease payments, marketing/advertising, liability insurance, electricity, communications, office supplies, building modifications (start up costs), and annual licensing expenses. Of these expenses, the largest three are lease payments, marketing, and salaries. Leasing our facility is estimated to cost \$46,000 annually in the first two years and grow to an estimated \$192,000 in year five, due to necessary expansions. Based on advice from Billows' marketing advisor, 15% of total projected revenue will be allocated to cover marketing/advertising expenses, starting with \$100,000 in year one, and growing to \$598,000 by year five. The third of the largest expenses, salaries, will account for the largest portion of operating expenses. Billows Brewery will have five full time employees. These positions include a Chief Executive Officer, Chief Operating Officer, Chief Marketing Officer, Chief Financial Officer, and a Brew Master. The Brew Master will be the highest paid employee and will receive \$35,000 in annual compensation. In addition, the brew master will also receive a better quality benefits package and a possible stock option in order to attract a good quality candidate. The four Chief Officer positions will receive annual compensation of \$30,000 along with a basic benefits package for all of the five years. Since the officers of Billow's Brewery will also be the founders and they hold a large equity stake in the company, large salary and benefit packages will not be necessary. A large majority of the founder's compensation will come from earning larger equity stakes in the company and liquidating in year five when the company is acquired by a larger brewery.

Appendix N: Summarized Financial Statements

Billows Brewing Co.

	Year 1	Year 2	Year 3	Year 4	Year 5
Projected Balance Sheets (000 \$s)					
ASSETS					
Total Current Assets	305	307	424	788	2,373
Net Property and Equipment	231	364	563	902	893
TOTAL ASSETS	<u>536</u>	<u>671</u>	<u>988</u>	<u>1,690</u>	<u>3,267</u>
LIABILITIES AND					
MEMEBERS' CAPITAL					
Total Current Liabilities	-	-	-	-	-
Long-Term Debt	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Members' Capital					
Total Members' Capital	536	671	988	1,690	3,267
TOTAL LIABILITIES AND					
MEMBERS' CAPITAL	<u>536</u>	<u>671</u>	<u>988</u>	<u>1,690</u>	<u>3,267</u>

Billows Brewing Co.

	Year 1	Year 2	Year 3	Year 4	Year 5
Projected Cash Flows (000 \$s)					
CASH FLOWS FROM OPERATIONS	<u>(313)</u>	<u>68</u>	<u>299</u>	<u>552</u>	<u>1,555</u>
CASH FLOWS FROM INVESTING	<u>(243)</u>	<u>(155)</u>	<u>(234)</u>	<u>(392)</u>	<u>(76)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH FLOWS	<u>244</u>	<u>(87)</u>	<u>64</u>	<u>160</u>	<u>1,478</u>
CASH, BEGINNING OF PERIOD	-	244	156	221	381
CASH, END OF PERIOD	244	156	221	381	1,859

Appendix O: Detailed Financials

Billows Brewing Co.

	Year 1	Year 2	Year 3	Year 4	Year 5
Projected Balance Sheets (000 \$s)					
ASSETS					
Current Assets					
Cash	244	156	221	381	1,859
Accounts Receivable	48	113	129	257	515
Inventory	14	38	75	150	(0)
Total Current Assets	305	307	424	788	2,373
Property and Equipment	243	398	633	1,025	1,102
(less accumulated depreciation)	(12)	(35)	(70)	(123)	(209)
Net Property and Equipment	231	364	563	902	893
TOTAL ASSETS	536	671	988	1,690	3,267
LIABILITIES AND MEMEBERS' CAPITAL					
Liabilities					
Current Liabilities					
Accounts Payable	-	-	-	-	-
Other Current Payables	-	-	-	-	-
Pre-Existing Debt	-	-	-	-	-
Current Portion of L-T Debt	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-
Long-Term Debt	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Members' Capital					
Members' Paid-In Capital	800	800	800	800	800
Undistributed Members' Earnings	(264)	(129)	188	890	2,467
Less: Members' Interest Repurchased	-	-	-	-	-
Total Members' Capital	536	671	988	1,690	3,267
TOTAL LIABILITIES AND MEMBERS' CAPITAL	536	671	988	1,690	3,267

Billows Brewing Co.

	Year 1	Year 2	Year 3	Year 4	Year 5
Projected Income Statements (000 \$s)					
SALES					
Gross Sales	286	954	1,560	3,120	6,240
Returns and Allowances	(3)	(10)	(16)	(31)	(62)
NET SALES	283	945	1,544	3,089	6,178
COST OF SALES					
Materials	95	320	532	1,079	2,191
Labor	14	40	39	48	58
Other	1	1	1	2	3
TOTAL COST OF SALES	109	361	571	1,129	2,251
GROSS MARGIN	174	584	973	1,960	3,926
OPERATING EXPENSES					
Salaries and wages	155	155	155	155	155
Payroll taxes	12	12	12	12	12
Employee benefits	25	25	25	25	25
Depreciation	12	22	35	54	85
Bad debt expense	3	10	16	31	62
Lease Payments	46	50	50	96	192
Marketing	92	108	154	299	598
Insurance	11	15	18	20	24
Electricity	33	36	42	48	54
Communications	8	9	10	10	11
Office Supplies	6	6	6	10	12
Building Modificatons	25				
#3 Brewing License	1	0.4	0.4	0.4	0.4
#12 Beer and Wine License	9	0.2	0.2	0.2	0.2
TOTAL OPERATING EXPENSES	438	449	523	760	1,230
OPERATING PROFIT (LOSS)					
BEFORE INTEREST AND TAXES	(264)	135	450	1,200	2,696
PROFIT (LOSS) BEFORE TAXES	(264)	135	450	1,200	2,696
DISTRIBUTION FOR TAXES	-	-	(133)	(498)	(1,119)
NET PROFIT (LOSS)	(264)	135	317	702	1,577
EBITDA	(252)	157	485	1,254	2,781

Billows Brewing Co.

	Year 1	Year 2	Year 3	Year 4	Year 5
Projected Cash Flows (000 \$s)					
CASH FLOWS FROM OPERATIONS					
Net income	(264)	135	317	702	1,577
Adjustments to reconcile net income to cash flows from operations					
Depreciation	12	22	35	54	85
Changes in certain assets and liabilities					
Accounts receivable	(48)	(66)	(15)	(129)	(257)
Inventory	(14)	(24)	(37)	(75)	150
Other current assets	-	-	-	-	-
Accounts payable	-	-	-	-	-
Other current payables	-	-	-	-	-
Revolving line of credit	-	-	-	-	-
TOTAL CASH FLOWS FROM OPERATIONS	(313)	68	299	552	1,555
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment	(243)	(155)	(234)	(392)	(76)
Other Assets	-	-	-	-	-
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	(243)	(155)	(234)	(392)	(76)
CASH FLOW BEFORE FINANCING	(556)	(87)	64	160	1,478
CASH FLOWS FROM FINANCING ACTIVITIES					
Borrowing of long-term debt					
Repayment of long-term debt					
CASH FLOW BEFORE MEMBERS' CONTRIBUTIONS	(556)	(87)	64	160	1,478
Members' Capital Contributions	800	-	-	-	-
Members' Interest Repurchased	-	-	-	-	-
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	800	-	-	-	-
NET CASH FLOWS	244	(87)	64	160	1,478
CASH, BEGINNING OF PERIOD	-	244	156	221	381
CASH, END OF PERIOD	244	156	221	381	1,859

Billows Brewing Co.
Projected Balance Sheets (\$s)

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
Month	1	2	3	4	5	6
ASSETS						
Current Assets						
Cash	\$ 614,721	\$ 574,048	\$ 532,846	\$ 492,178	\$ 454,618	\$ 420,166
Accounts Receivable	1,287	2,574	5,148	10,296	15,444	20,592
Inventory	398	1,193	2,783	4,374	5,964	7,554
Other	-	-	-	-	-	-
Total Current Assets	616,406	577,814	540,777	506,847	476,026	448,312
Property and Equipment	133,374	139,748	146,122	152,497	158,871	165,245
(less accumulated depreciation)	-	(909)	(1,861)	(2,855)	(3,892)	(4,971)
Net Property and Equipment	133,374	138,839	144,262	149,642	154,979	160,274
Other Assets	-	-	-	-	-	-
TOTAL ASSETS	749,780	716,654	685,038	656,489	631,005	608,587
LIABILITIES AND MEMBERS' CAPITAL						
Liabilities						
Current Liabilities						
Accounts Payable	-	-	-	-	-	-
Other Current Payables	-	-	-	-	-	-
Pre-Existing Debt	-	-	-	-	-	-
Current Portion of L-T Debt	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-
Long-Term Debt	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Members' Capital						
Members' Paid-In Capital	800,000	800,000	800,000	800,000	800,000	800,000
Undistributed Members' Earnings	(50,220)	(83,346)	(114,962)	(143,511)	(168,995)	(191,413)
Less: Members' Interest Repurchased	-	-	-	-	-	-
Total Members' Capital	749,780	716,654	685,038	656,489	631,005	608,587
TOTAL LIABILITIES AND MEMBERS' CAPITAL	749,780	716,654	685,038	656,489	631,005	608,587

Billows Brewing Co.
Projected Balance Sheets (\$s)

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
Month	7	8	9	10	11	12
ASSETS						
Current Assets						
Cash	\$ 388,822	\$ 360,587	\$ 335,459	\$ 313,439	\$ 295,720	\$ 243,694
Accounts Receivable	25,740	30,888	36,036	41,184	46,332	47,619
Inventory	9,145	10,735	12,325	13,916	14,313	14,156
Other	-	-	-	-	-	-
Total Current Assets	423,707	402,210	383,820	368,539	356,366	305,469
Property and Equipment	171,619	177,993	184,367	190,742	197,116	242,990
(less accumulated depreciation)	(6,092)	(7,257)	(8,463)	(9,712)	(11,004)	(12,338)
Net Property and Equipment	165,527	170,737	175,904	181,029	186,112	230,652
Other Assets	-	-	-	-	-	-
TOTAL ASSETS	589,234	572,946	559,724	549,568	542,478	536,121
LIABILITIES AND MEMBERS' CAPITAL						
Liabilities						
Current Liabilities						
Accounts Payable	-	-	-	-	-	-
Other Current Payables	-	-	-	-	-	-
Pre-Existing Debt	-	-	-	-	-	-
Current Portion of L-T Debt	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-
Long-Term Debt	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Members' Capital						
Members' Paid-In Capital	800,000	800,000	800,000	800,000	800,000	800,000
Undistributed Members' Earnings	(210,766)	(227,054)	(240,276)	(250,432)	(257,522)	(263,879)
Less: Members' Interest Repurchased	-	-	-	-	-	-
Total Members' Capital	589,234	572,946	559,724	549,568	542,478	536,121
TOTAL LIABILITIES AND MEMBERS' CAPITAL	589,234	572,946	559,724	549,568	542,478	536,121

Billows Brewing Co.
Projected Balance Sheets (\$s)

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Month	13	14	15	16	17	18
ASSETS						
Current Assets						
Cash	\$ 231,257	\$ 218,859	\$ 205,670	\$ 190,852	\$ 178,654	\$ 169,354
Accounts Receivable	47,619	48,906	50,193	56,628	64,350	74,646
Inventory	14,549	14,943	16,909	19,269	22,416	26,350
Other	-	-	-	-	-	-
Total Current Assets	293,425	282,708	272,773	266,749	265,420	270,349
Property and Equipment	249,364	255,738	262,112	268,486	274,861	281,235
(less accumulated depreciation)	(13,978)	(15,660)	(17,385)	(19,153)	(20,963)	(22,815)
Net Property and Equipment	235,386	240,078	244,727	249,334	253,898	258,420
Other Assets	-	-	-	-	-	-
TOTAL ASSETS	528,811	522,785	517,500	516,083	519,318	528,769
LIABILITIES AND MEMBERS' CAPITAL						
Liabilities						
Current Liabilities						
Accounts Payable	-	-	-	-	-	-
Other Current Payables	-	-	-	-	-	-
Pre-Existing Debt	-	-	-	-	-	-
Current Portion of L-T Debt	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-
Long-Term Debt	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Members' Capital						
Members' Paid-In Capital	800,000	800,000	800,000	800,000	800,000	800,000
Undistributed Members' Earnings	(271,189)	(277,215)	(282,500)	(283,917)	(280,682)	(271,231)
Less: Members' Interest Repurchased	-	-	-	-	-	-
Total Members' Capital	528,811	522,785	517,500	516,083	519,318	528,769
TOTAL LIABILITIES AND MEMBERS' CAPITAL	528,811	522,785	517,500	516,083	519,318	528,769

Billows Brewing Co.
Projected Balance Sheets (\$s)

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
Month	19	20	21	22	23	24
ASSETS						
Current Assets						
Cash	\$ 167,663	\$ 176,383	\$ 187,713	\$ 201,652	\$ 218,200	\$ 156,450
Accounts Receivable	87,516	92,664	97,812	102,960	108,108	113,256
Inventory	27,923	29,496	31,070	32,643	34,216	37,698
Other	-	-	-	-	-	-
Total Current Assets	283,102	298,544	316,595	337,255	360,525	307,404
Property and Equipment	287,609	293,983	300,357	306,731	313,106	398,480
(less accumulated depreciation)	(24,710)	(26,647)	(28,627)	(30,650)	(32,714)	(34,822)
Net Property and Equipment	262,899	267,336	271,730	276,082	280,391	363,658
Other Assets	-	-	-	-	-	-
TOTAL ASSETS	546,001	565,879	588,325	613,337	640,916	671,062
LIABILITIES AND MEMBERS' CAPITAL						
Liabilities						
Current Liabilities						
Accounts Payable	-	-	-	-	-	-
Other Current Payables	-	-	-	-	-	-
Pre-Existing Debt	-	-	-	-	-	-
Current Portion of L-T Debt	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-
Long-Term Debt	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Members' Capital						
Members' Paid-In Capital	800,000	800,000	800,000	800,000	800,000	800,000
Undistributed Members' Earnings	(253,999)	(234,121)	(211,675)	(186,663)	(159,084)	(128,938)
Less: Members' Interest Repurchased	-	-	-	-	-	-
Total Members' Capital	546,001	565,879	588,325	613,337	640,916	671,062
TOTAL LIABILITIES AND MEMBERS' CAPITAL	546,001	565,879	588,325	613,337	640,916	671,062

Billows Brewing Co.**Projected Income Statements (\$s)**

Month	1	2	3	4	5	6
SALES						
Gross Sales	1,300	2,600	5,200	10,400	15,600	20,800
Returns and Allowances	(13)	(26)	(52)	(104)	(156)	(208)
NET SALES	1,287	2,574	5,148	10,296	15,444	20,592
COST OF SALES						
Materials	430	860	1,720	3,440	5,160	6,880
Labor	65	129	258	517	775	1,033
Taxes and Benefits	-	-	-	-	-	-
Other	2	5	10	19	29	38
TOTAL COST OF SALES	497	994	1,988	3,976	5,964	7,952
GROSS MARGIN	790	1,580	3,160	6,320	9,480	12,640
OPERATING EXPENSES						
Salaries and wages	12,917	12,917	12,917	12,917	12,917	12,917
Payroll taxes	988	988	988	988	988	988
Employee benefits	2,067	2,067	2,067	2,067	2,067	2,067
Depreciation	-	909	952	994	1,037	1,079
Bad debt expense	13	26	52	104	156	208
Lease Payments	-	4,200	4,200	4,200	4,200	4,200
Marketing	-	8,400	8,400	8,400	8,400	8,400
Insurance	-	1,000	1,000	1,000	1,000	1,000
Electricity	-	3,000	3,000	3,000	3,000	3,000
Communications	-	700	700	700	700	700
Office Supplies	-	500	500	500	500	500
Building Modifications	25,000	-	-	-	-	-
#3 Brewing License	1,025	-	-	-	-	-
#12 Beer and Wine License	9,000	-	-	-	-	-
TOTAL OPERATING EXPENSES	51,010	34,707	34,775	34,870	34,964	35,059
OPERATING PROFIT (LOSS)						
BEFORE INTEREST AND TAXES	(50,220)	(33,127)	(31,615)	(28,550)	(25,484)	(22,418)
INTEREST EXPENSE	-	-	-	-	-	-
PROFIT (LOSS) BEFORE TAXES	(50,220)	(33,127)	(31,615)	(28,550)	(25,484)	(22,418)
DISTRIBUTION FOR TAXES	-	-	-	-	-	-
NET PROFIT (LOSS)	(50,220)	(33,127)	(31,615)	(28,550)	(25,484)	(22,418)
EBITDA	(50,220)	(32,217)	(30,663)	(27,555)	(24,447)	(21,339)

Billows Brewing Co.**Projected Income Statements (\$s)**

	Month	7	8	9	10	11	12
SALES							
Gross Sales		26,000	31,200	36,400	41,600	46,800	48,100
Returns and Allowances		(260)	(312)	(364)	(416)	(468)	(481)
NET SALES		25,740	30,888	36,036	41,184	46,332	47,619
COST OF SALES							
Materials		8,600	10,320	12,040	13,760	15,480	15,910
Labor		1,292	1,550	1,809	2,067	2,325	2,390
Taxes and Benefits		-	-	-	-	-	-
Other		48	58	67	77	86	89
TOTAL COST OF SALES		9,940	11,928	13,916	15,904	17,892	18,389
GROSS MARGIN		15,800	18,960	22,120	25,280	28,440	29,230
OPERATING EXPENSES							
Salaries and wages		12,917	12,917	12,917	12,917	12,917	12,917
Payroll taxes		988	988	988	988	988	988
Employee benefits		2,067	2,067	2,067	2,067	2,067	2,067
Depreciation		1,122	1,164	1,207	1,249	1,292	1,334
Bad debt expense		260	312	364	416	468	481
Lease Payments		4,200	4,200	4,200	4,200	4,200	4,200
Marketing		8,400	8,400	8,400	8,400	8,400	8,400
Insurance		1,000	1,000	1,000	1,000	1,000	1,000
Electricity		3,000	3,000	3,000	3,000	3,000	3,000
Communications		700	700	700	700	700	700
Office Supplies		500	500	500	500	500	500
Building Modificatons		-	-	-	-	-	-
#3 Brewing License		-	-	-	-	-	-
#12 Beer and Wine License		-	-	-	-	-	-
TOTAL OPERATING EXPENSES		35,153	35,248	35,342	35,437	35,531	35,587
OPERATING PROFIT (LOSS)							
BEFORE INTEREST AND TAXES		(19,353)	(16,287)	(13,222)	(10,156)	(7,091)	(6,356)
INTEREST EXPENSE		-	-	-	-	-	-
PROFIT (LOSS) BEFORE TAXES		(19,353)	(16,287)	(13,222)	(10,156)	(7,091)	(6,356)
DISTRIBUTION FOR TAXES		-	-	-	-	-	-
NET PROFIT (LOSS)		(19,353)	(16,287)	(13,222)	(10,156)	(7,091)	(6,356)
EBITDA		(18,231)	(15,123)	(12,015)	(8,907)	(5,799)	(5,022)

Billows Brewing Co.**Projected Income Statements (\$s)**

Month	13	14	15	16	17	18
SALES						
Gross Sales	48,100	49,400	50,700	57,200	65,000	75,400
Returns and Allowances	(481)	(494)	(507)	(572)	(650)	(754)
NET SALES	47,619	48,906	50,193	56,628	64,350	74,646
COST OF SALES						
Materials	16,149	16,585	17,022	19,204	21,823	25,314
Labor	1,992	2,045	2,099	2,368	2,691	3,122
Taxes and Benefits	-	-	-	-	-	-
Other	52	53	55	62	70	81
TOTAL COST OF SALES	18,192	18,684	19,175	21,634	24,584	28,517
GROSS MARGIN	29,427	30,222	31,018	34,994	39,766	46,129
OPERATING EXPENSES						
Salaries and wages	12,917	12,917	12,917	12,917	12,917	12,917
Payroll taxes	988	988	988	988	988	988
Employee benefits	2,067	2,067	2,067	2,067	2,067	2,067
Depreciation	1,640	1,682	1,725	1,767	1,810	1,852
Bad debt expense	481	494	507	572	650	754
Lease Payments	4,200	4,200	4,200	4,200	4,200	4,200
Marketing	8,400	8,400	8,400	8,400	8,400	8,400
Insurance	1,250	1,250	1,250	1,250	1,250	1,250
Electricity	3,000	3,000	3,000	3,000	3,000	3,000
Communications	750	750	750	750	750	750
Office Supplies	500	500	500	500	500	500
Building Modifications	-	-	-	-	-	-
#3 Brewing License	370	-	-	-	-	-
#12 Beer and Wine License	175	-	-	-	-	-
TOTAL OPERATING EXPENSES	36,737	36,248	36,303	36,411	36,531	36,678
OPERATING PROFIT (LOSS)						
BEFORE INTEREST AND TAXES	(7,310)	(6,026)	(5,286)	(1,417)	3,235	9,451
INTEREST EXPENSE	-	-	-	-	-	-
PROFIT (LOSS) BEFORE TAXES	(7,310)	(6,026)	(5,286)	(1,417)	3,235	9,451
DISTRIBUTION FOR TAXES	-	-	-	-	-	-
NET PROFIT (LOSS)	(7,310)	(6,026)	(5,286)	(1,417)	3,235	9,451
EBITDA	(5,670)	(4,343)	(3,561)	351	5,045	11,303

Billows Brewing Co.**Projected Income Statements (\$s)**

Month	19	20	21	22	23	24
SALES						
Gross Sales	88,400	93,600	98,800	104,000	109,200	114,400
Returns and Allowances	(884)	(936)	(988)	(1,040)	(1,092)	(1,144)
NET SALES	87,516	92,664	97,812	102,960	108,108	113,256
COST OF SALES						
Materials	29,679	31,424	33,170	34,916	36,662	38,408
Labor	3,660	3,875	4,091	4,306	4,521	4,737
Taxes and Benefits	-	-	-	-	-	-
Other	95	101	106	112	118	123
TOTAL COST OF SALES	33,434	35,401	37,367	39,334	41,301	43,267
GROSS MARGIN	54,082	57,263	60,445	63,626	66,807	69,989
OPERATING EXPENSES						
Salaries and wages	12,917	12,917	12,917	12,917	12,917	12,917
Payroll taxes	988	988	988	988	988	988
Employee benefits	2,067	2,067	2,067	2,067	2,067	2,067
Depreciation	1,895	1,937	1,980	2,022	2,065	2,107
Bad debt expense	884	936	988	1,040	1,092	1,144
Lease Payments	4,200	4,200	4,200	4,200	4,200	4,200
Marketing	8,400	8,840	9,360	9,880	10,400	10,920
Insurance	1,250	1,250	1,250	1,250	1,250	1,250
Electricity	3,000	3,000	3,000	3,000	3,000	3,000
Communications	750	750	750	750	750	750
Office Supplies	500	500	500	500	500	500
Building Modifications	-	-	-	-	-	-
#3 Brewing License	-	-	-	-	-	-
#12 Beer and Wine License	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	36,850	37,385	37,999	38,614	39,228	39,843
OPERATING PROFIT (LOSS)						
BEFORE INTEREST AND TAXES	17,232	19,879	22,445	25,012	27,579	30,146
INTEREST EXPENSE	-	-	-	-	-	-
PROFIT (LOSS) BEFORE TAXES	17,232	19,879	22,445	25,012	27,579	30,146
DISTRIBUTION FOR TAXES	-	-	-	-	-	-
NET PROFIT (LOSS)	17,232	19,879	22,445	25,012	27,579	30,146
EBITDA	19,127	21,816	24,425	27,035	29,644	32,253

Billows Brewing Co.**Projected Cash Flows (\$s)**

	Month	1	2	3	4	5	6
CASH FLOWS FROM OPERATIONS							
Net income		(50,220)	(33,127)	(31,615)	(28,550)	(25,484)	(22,418)
Adjustments to reconcile net income to cash flows from operations							
Depreciation		-	909	952	994	1,037	1,079
Changes in certain assets and liabilities							
Accounts receivable		(1,287)	(1,287)	(2,574)	(5,148)	(5,148)	(5,148)
Inventory		(398)	(795)	(1,590)	(1,590)	(1,590)	(1,590)
Other current assets		-	-	-	-	-	-
Accounts payable		-	-	-	-	-	-
Other current payables		-	-	-	-	-	-
Pre-existing debt		-	-	-	-	-	-
TOTAL CASH FLOWS FROM OPERATIONS		(51,904)	(34,300)	(34,828)	(34,294)	(31,186)	(28,078)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of equipment		(133,374)	(6,374)	(6,374)	(6,374)	(6,374)	(6,374)
Other Assets		-	-	-	-	-	-
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		(133,374)	(6,374)	(6,374)	(6,374)	(6,374)	(6,374)
CASH FLOW BEFORE FINANCING		(185,279)	(40,674)	(41,202)	(40,668)	(37,560)	(34,452)
CASH FLOWS FROM FINANCING ACTIVITIES							
Borrowing of long-term debt		-	-	-	-	-	-
Repayment of long-term debt		-	-	-	-	-	-
CASH FLOW BEFORE MEMBERS' CONTRIBUTIONS		(185,279)	(40,674)	(41,202)	(40,668)	(37,560)	(34,452)
Members' Capital Contributions		800,000	-	-	-	-	-
Members' Interest Repurchased		-	-	-	-	-	-
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		800,000	-	-	-	-	-
NET CASH FLOWS		614,721	(40,674)	(41,202)	(40,668)	(37,560)	(34,452)
CASH, BEGINNING OF PERIOD		-	614,721	574,048	532,846	492,178	454,618
CASH, END OF PERIOD		614,721	574,048	532,846	492,178	454,618	420,166

Billows Brewing Co.
Projected Cash Flows (\$s)

	Month	7	8	9	10	11	12
CASH FLOWS FROM OPERATIONS							
Net income		(19,353)	(16,287)	(13,222)	(10,156)	(7,091)	(6,356)
Adjustments to reconcile net income to cash flows from operations							
Depreciation		1,122	1,164	1,207	1,249	1,292	1,334
Changes in certain assets and liabilities							
Accounts receivable		(5,148)	(5,148)	(5,148)	(5,148)	(5,148)	(1,287)
Inventory		(1,590)	(1,590)	(1,590)	(1,590)	(398)	157
Other current assets		-	-	-	-	-	-
Accounts payable		-	-	-	-	-	-
Other current payables		-	-	-	-	-	-
Pre-existing debt		-	-	-	-	-	-
TOTAL CASH FLOWS FROM OPERATIONS		(24,970)	(21,862)	(18,754)	(15,646)	(11,345)	(6,152)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of equipment		(6,374)	(6,374)	(6,374)	(6,374)	(6,374)	(45,874)
Other Assets		-	-	-	-	-	-
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		(6,374)	(6,374)	(6,374)	(6,374)	(6,374)	(45,874)
CASH FLOW BEFORE FINANCING		(31,344)	(28,236)	(25,128)	(22,020)	(17,719)	(52,026)
CASH FLOWS FROM FINANCING ACTIVITIES							
Borrowing of long-term debt		-	-	-	-	-	-
Repayment of long-term debt		-	-	-	-	-	-
CASH FLOW BEFORE MEMBERS' CONTRIBUTIONS		(31,344)	(28,236)	(25,128)	(22,020)	(17,719)	(52,026)
Members' Capital Contributions		-	-	-	-	-	-
Members' Interest Repurchased		-	-	-	-	-	-
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		-	-	-	-	-	-
NET CASH FLOWS		(31,344)	(28,236)	(25,128)	(22,020)	(17,719)	(52,026)
CASH, BEGINNING OF PERIOD		420,166	388,822	360,587	335,459	313,439	295,720
CASH, END OF PERIOD		388,822	360,587	335,459	313,439	295,720	243,694

Billows Brewing Co.**Projected Cash Flows (\$s)**

Month	13	14	15	16	17	18
CASH FLOWS FROM OPERATIONS						
Net income	(7,310)	(6,026)	(5,286)	(1,417)	3,235	9,451
Adjustments to reconcile net income to cash flows from operations						
Depreciation	1,640	1,682	1,725	1,767	1,810	1,852
Changes in certain assets and liabilities						
Accounts receivable	-	(1,287)	(1,287)	(6,435)	(7,722)	(10,296)
Inventory	(393)	(393)	(1,967)	(2,360)	(3,147)	(3,933)
Other current assets	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-
Pre-existing debt	-	-	-	-	-	-
TOTAL CASH FLOWS FROM OPERATIONS	(6,064)	(6,023)	(6,814)	(8,444)	(5,824)	(2,926)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of equipment	(6,374)	(6,374)	(6,374)	(6,374)	(6,374)	(6,374)
Other Assets	-	-	-	-	-	-
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	(6,374)	(6,374)	(6,374)	(6,374)	(6,374)	(6,374)
CASH FLOW BEFORE FINANCING	(12,438)	(12,398)	(13,189)	(14,818)	(12,198)	(9,300)
CASH FLOWS FROM FINANCING ACTIVITIES						
Borrowing of long-term debt	-	-	-	-	-	-
Repayment of long-term debt	-	-	-	-	-	-
CASH FLOW BEFORE MEMBERS' CONTRIBUTIONS	(12,438)	(12,398)	(13,189)	(14,818)	(12,198)	(9,300)
Members' Capital Contributions	-	-	-	-	-	-
Members' Interest Repurchased	-	-	-	-	-	-
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	-	-	-	-	-	-
NET CASH FLOWS	(12,438)	(12,398)	(13,189)	(14,818)	(12,198)	(9,300)
CASH, BEGINNING OF PERIOD	243,694	231,257	218,859	205,670	190,852	178,654
CASH, END OF PERIOD	231,257	218,859	205,670	190,852	178,654	169,354

Billows Brewing Co.**Projected Cash Flows (\$s)**

	Month	19	20	21	22	23	24
CASH FLOWS FROM OPERATIONS							
Net income		17,232	19,879	22,445	25,012	27,579	30,146
Adjustments to reconcile net income to cash flows from operations							
Depreciation		1,895	1,937	1,980	2,022	2,065	2,107
Changes in certain assets and liabilities							
Accounts receivable		(12,870)	(5,148)	(5,148)	(5,148)	(5,148)	(5,148)
Inventory		(1,573)	(1,573)	(1,573)	(1,573)	(1,573)	(3,481)
Other current assets		-	-	-	-	-	-
Accounts payable		-	-	-	-	-	-
Other current payables		-	-	-	-	-	-
Pre-existing debt		-	-	-	-	-	-
TOTAL CASH FLOWS FROM OPERATIONS		4,683	15,095	17,704	20,313	22,922	23,624
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of equipment		(6,374)	(6,374)	(6,374)	(6,374)	(6,374)	(85,374)
Other Assets		-	-	-	-	-	-
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		(6,374)	(6,374)	(6,374)	(6,374)	(6,374)	(85,374)
CASH FLOW BEFORE FINANCING		(1,691)	8,720	11,330	13,939	16,548	(61,750)
CASH FLOWS FROM FINANCING ACTIVITIES							
Borrowing of long-term debt		-	-	-	-	-	-
Repayment of long-term debt		-	-	-	-	-	-
CASH FLOW BEFORE MEMBERS' CONTRIBUTIONS		(1,691)	8,720	11,330	13,939	16,548	(61,750)
Members' Capital Contributions		-	-	-	-	-	-
Members' Interest Repurchased		-	-	-	-	-	-
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		-	-	-	-	-	-
NET CASH FLOWS		(1,691)	8,720	11,330	13,939	16,548	(61,750)
CASH, BEGINNING OF PERIOD		169,354	167,663	176,383	187,713	201,652	218,200
CASH, END OF PERIOD		167,663	176,383	187,713	201,652	218,200	156,450

Current:
1850 N Tyndall Ave #12
Tucson AZ 85719
714 801-7290

Rebecca J. McGlensey
rmcglensey@gmail.com

1311 N Raymond Ave
Fullerton CA 92831
714 902-5979
Tucson, AZ

University of Arizona

Bachelor of Science in Marketing, May 2010
Entrepreneurship Major in the McGuire Center, May 2010
Global Business Thematic Minor
Arizona Excellence Academic Scholarship 2006-current
Current GPA: 3.61 - Dean's List

CEA Global Campus- Florence

Florence, Italy

Study abroad program, January-May 2008

EXPERIENCE

6/05- 9/05

STAPLES Center

Los Angeles, CA

Intern for Premier Seating and Private Suites

- Created and organized events for elite guests
- Managed and coordinated clients at events such as Lakers games and Michael Jacksons Memorial

1/09-5/09

UNITED STATES NAVY and EdVenture Partners

Tucson, AZ

Marketing Internship

- Designed complete marketing, advertising and promotion campaign
- Recruit Pima Community College Students to consider Navy as a career
- Delivered 74 qualified recruits to US Navy

9/07- Present

Eller College Undergrad Office Employee

Tucson, AZ

Student Coordinator (10hrs/week)

- Managed events and activities for Eller College instructors
- Implemented a marketing campaign using a strategic location placement strategy
- Conducted recruitment seminars for educational business trips

ACTIVITIES

8/06- Present

Alpha Kappa Psi- Professional Business Fraternity

Tucson, AZ

Brotherhood Committee Chairperson 8/07-12/07

- Budgeted and organized chapter brotherhood events
- Attended weekly meetings which emphasize professional development

8/06- Present

Delta Gamma Sorority

Tucson, AZ

Vice President of Membership Education 1/08-12/08

- Managed 68 new members on chapter practices and policies through their period of instruction

Director of Public Relations 1/07-12/07

9/02-6/06

National Charity League

Fullerton, CA

Vice President of Programs- 2005-2006

- Coordinated and implemented fundraising activities

8/08 -Present

Chimes Junior Honorary – University of Arizona

Tucson, AZ

8/07-5/08

Spires Sophomore Honorary – University of Arizona

Tucson, AZ

Secretary

1/09- Present

Eller Ambassadors

Tucson AZ

5/08

Costa Rica Ethics Tour- University of Arizona

San Jose, CR

Dan Snow Kozak

Education

The University of Arizona, Tucson, Arizona
Eller College of Management, McGuire Center for Entrepreneurship
Bachelor of Science in Business Administration, May 2010
Majors: Business Management, Entrepreneurship

- Currently enrolled in 17 credits
- Currently earning 70% of my college expenses

Brewing Experience

- Currently writing a business plan for a start-up brewery
 - Will introduce a line of craft beers that have the potential to create a whole new market in the brewing industry
- Worked in five person team conducting market research on Samuel Adams Light
- Worked with management team to conduct interview with both the brewer and owner of Nimbus Brewing
 - Used interview and analysis to consult Nimbus management on potential improvements
- Currently all-grain homebrew and construct own recipes while keeping detailed journal log
- Extensive research on the process of brewing on both home and commercial levels
- Visited and toured the breweries of Anheuser-Busch, Samuel Adams, Harpoon, Magic Hat, Nimbus, Barios, and Thunder Canyon

Work Experience

Warehouse Team, Olde Ink Document Storage, Tucson, AZ September 2008-Present

- Work in teams to fulfill various warehouse organization projects
- Handle and organize professional documents
- Encouraged to use creative and innovative problem solving in tasks relating to maximizing warehouse efficiency
 - Suggested new way to stack boxes in van in order to increase load size: resulted in reduced amount of trips between customer and warehouse

Kitchen Staff, Alpha Chi Omega Sorority, Tucson, AZ, September 2007-April 2008

- Cleaned and prepared kitchen promptly before designated dinner time
- Politely interacted with Sorority members to make them feel welcome in the kitchen
- In charge of preparing dinner and kitchen in the absence of the Head Cook

Sales Associate, Boston Bruins Pro Shop, Boston, MA, January 2006-August 2006

- Communicated effectively with both customers and fellow coworkers
- Fulfilled duties with composure under extreme pressure: crowd rushes of up to 300 customers at a time

Fields Management, Boston Sports and Ski Club, Boston, MA, May 2006-August 2006

- Responsible for conducting own hours while still completing duties on time at all greater Boston area sports fields
- Utilized communication skills directly with manager via telephone and email
- Managed precise and complicated city driving routes in accordance to management priority of certain fields

Delivery Driver, Sherwin-Williams, St. Johnsbury, VT, May 2005-August 2005

- Responsible for the transportation of store orders to various residential and commercial customers
- Organized warehouse to maximize operation efficiency
- Placed and mixed customer paint orders

Board Operator, WSTJ Radio Station, St. Johnsbury, VT, September 2001-August 2004

- Broadcasted live feed of Boston Red Sox games
- Aired nationwide Top 40 Countdown on sister station
- Successfully performed under the pressure of broadcasting live remote DJ promotions
 - Operated Control Board that aired DJ's broadcasting at live outside events
 - Coordinated times when DJ's would go on air and when to cut to commercial in live, spontaneous environment

Activities and Honors

- University of Arizona Eller Entrepreneur Students Association
- Recent partner/founder of ChooseYourBooze.com, an online alcoholic beverage price search engine
 - Site designed for users to search for all local prices of desired alcoholic beverages
- Played highly competitive organized hockey for 13 years
- Volunteered my services with Habitat for Humanity

Skills

- Proficient in MS Office Project
- Certified MS Office Specialist with proficiency in Microsoft Office Excel
- Familiar with brewing related software such as Qbrew and Homebrew Formulator
- Typing speed: 50 words per minute

Current Address:

55 N. Cherry Ave. Unit 216
Tucson, AZ 85719

Clifton N. Harris

cliftonh@email.arizona.edu
(480)241-4276

Permanent Address:

3215 E. Encanto St.
Mesa, AZ 85213

EDUCATION

08/06-Present **University of Arizona, The Eller College of Management** Tucson, AZ

Major: Finance, Entrepreneurship

Cumulative GPA: 3.48

08/05 – 05/06 **University of Nevada Las Vegas** Las Vegas, NV

Major: Business Economics

Cumulative GPA: 3.5

Deans List 2006

EXTRA CURRICULAR

05/09-Present **Associated Students of The University of Arizona (ASUA)** Tucson, AZ

Student Body Treasurer

- Managed \$170,000 budget shortfall
- Drafted \$1.4M annual budget
- Seeking additional funding for programming

9/09-Present **Student Services Fee Advisory Board (SSFAB)** Tucson, AZ

Board Member

- Appropriating \$3.9M in student fee monies
- Listening to the concerns of the students on campus
- Recommending action on funding applications

01/07-Present **Alpha Kappa Psi Professional Business Fraternity** Tucson, AZ

Pledge Instructor Chair

- Assisted the Vice President of Membership
- Advised pledges in professional development
- Educated pledge class about current events

Warden

- Maintained order during chapter meetings
- Collected fines from members in bad standing
- Performed chapter rituals

08/08-Present **Pi Kappa Alpha Fraternity** Tucson, AZ

Treasurer

- Collected 98% of dues from members
- Formulated a billing system and managed expenses
- Exceeded goals for chartering

08/05-05/06 **University of Nevada Las Vegas Men's Swimming Team** Las Vegas, NV

Athlete

- Participated in daily practices
- Competed against other NCAA Division 1 University's
- Helped my team win the Mountain West Conference Championship

Rachel Toffel

2270 Trafalgar Court / Henderson, NV 89074 / 702.286.5147
rtoffel@email.arizona.edu

EDUCATION

The University of Arizona, Eller College of Management, Honors College

Bachelor of Science in Business Administration, May 2010

Majors: Business Management, Entrepreneurship

Arizona Excellence Scholarship Award; 2006 – present

Dean's List with Distinction; 2006 – present

Cumulative GPA: **4.0**

EXPERIENCE

06/09- 08/09

Altria Sales & Distribution

Phoenix, AZ

Summer Sales Intern

- Worked within a geographical market interacting with customers in retail outlets
- Sold and executed sales programs and promotions
- Assisted retailers with inventory management
- Consulted with retailers on profitability, presence, and promotion

01/09 – 06/09

Body Benefits

Tucson, AZ

Office Assistant

- Analyzed financial data to help improve company profitability
- Utilized Microsoft Excel to create detailed company spreadsheets

06/08 – 08/08

Semester at Sea Study Abroad Program

- Worked in teams to explore international business in twelve countries
- Analyzed cultural norms and adapted to new environments

05/07 – 08/07

Venetian Hotel

Las Vegas, NV

Lifeguard / Pool Attendant

- Communicated effectively with management and coworkers to complete tasks in an efficient and collaborative manner
- Utilized interpersonal skills to provide superior customer service for guests

03/04 – 09/04

Henderson Parks and Recreation

Las Vegas, NV

Camp Counselor

- Supervised 35 six-year-old children
- Maintained physical stamina and a proper mental attitude in a fast-paced and stressful work environment
- Analyzed children's needs in order to organize creative group activities appropriate for their age and ability

LEADERSHIP

- Management 310A Preceptor – *Teaching Assistant*, 2009
- Entrepreneurship Students Association – *Social Chair*, 2008
- Delta Sigma Pi Professional Fraternity – *Career Showcase Committee*, 2008
- Eller Management Association – *VP of Community Service*, 2008
- Arizona Blue Chip Leadership Program – *Team Leader*, 2006 - 2007

SKILLS

- Microsoft Project Certified
- Proficient in Microsoft Office 2003-7 (Microsoft Excel Certified – 2006)