Feasibility Study for a Brewpub

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By
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Chapter 1

INTRODUCTION

The microbrewery and brewpub industry has seen great success in recent years. Many microbreweries have emerged due to a change in the tastes and preferences of consumers. The success of these niche market industries can somewhat be credited to product differentiation, as many of the large-scale American breweries are viewed as unchanging and redundant in public opinion. Kleban and Nickerson (2012) stress that there is potential for craft breweries in the U.S. due to continued growth in sales by volume and percentage margins over the past several years, while large-scale beer producers’ sales have been in decline over the same period.

California has been witness to the emergence of the microbrewery/brewpub movement and has seen a rise within the past several years, yet it has still not seen an over-flooding of the market with start-up businesses. New and locally produced beers have been on the rise in correlation with consumer’s tastes and preferences for craft beers, and for the most part have been able to compete with larger brewing companies. Along with the increase in the number of microbreweries, there is also an increase in the number of brewpubs, which are defined as an establishment that sells at least 25% of its own craft brew on premise and also serves as a restaurant. The most essential part of any brewpub is the customer experience. It is important to keep in mind that while you may think you are selling beer, you are actually selling the utility of an enjoyable experience to the consumer. Aspects of brewpubs that can positively affect this utility include the beers, beer gardens, food, music, and a staff knowledgeable about craft beer. Many brewpub consumers are looking to experience something new, and by having staff that are knowledgeable about beer and can handle questions from inquiring customers, this utility is
increased. Offering seasonal beers can also be a competitive advantage for brewpubs over macro breweries and regular restaurants. Trivia nights, karaoke nights, special happy hours, or other special events also increases utility and keeps customers coming back.

The craft brew/brewpub model is most effective in areas where local products are produced sustainably and branded and marketed effectively to a specific location to fulfill the demands of the consumers for that area (Kleban and Nickerson, 2012). San Francisco is an ideal location in terms of demographics, market potential, and consumer preferences. Regarded as the city being on the frontier of innovation and trends, locally produced inputs are accessible, and consumers have both the disposable income and tastes and preferences so that a brewpub can be successful. The bottom line is that we will grow our customer base and loyalty by providing high quality, locally produced craft brews, an inviting atmosphere, great food, and superior service.

JD Brewhouse, a brewpub in San Francisco will be the focus of this feasibility study. Neighborhoods in which to place the brewery, internal aspects of the brewery such as the restaurant and brewery size, production amounts, expenses, and revenues will all be examined and studied to determine the feasibility of this project. A proposed location for JD Brewhouse, one that will be used as a prime example as a location for the brewpub, is a facility located at 1534 Fillmore Street in San Francisco, on the corner of Geary and Fillmore. This is considered to be the best available facility currently on the market in San Francisco after thorough research of San Francisco commercial real estate. Not only is the location in a prime neighborhood, but the facility meets proposed budget and size requirements.
Problem Statement

In the competitive restaurant and bar markets in San Francisco, is it feasible to start a brewpub with the expectations of becoming profitable in five years or less?

Hypothesis

JD Brewhouse will be a successful business endeavor. We hypothesize that our brewpub will maintain increasing returns on investment year to year and will be profitable in 5 years or less.

Objectives

1. To develop a business model and concept based upon research of successful brewpub businesses.
2. To develop an enterprise budget, including costs of distinguishable advantages.
3. To assess the feasibility of raising the necessary capital for a start-up brewpub.

Justification

Currently there are only 10 active brewpubs/microbreweries operating in San Francisco. With a population of over 810,000 people, there is opportunity to start a successful brewpub in a city whose residents fit the profile of brewpub consumers. These consumers have disposable income, like to try new restaurants and appreciate locally made products. The seasonality of brewpubs changing beer and food menus creates opportunities for consumer loyalty and their changing tastes and preferences. Many San Francisco neighborhoods are currently up scaling and there is a need for a brewpub in these neighborhoods, which currently do not contain any. A brewpub in the right neighborhood will impact the community positively by bringing more
According to Brewers Association, a non-profit organization dedicated to promoting craft beers and protecting American small-business owners in the industry, California is ranked twenty-first in the nation in terms of capita per brewing with 139,007 people per brewery in the state, and total of 268 breweries in 2011. This indicates that consumer demand is not a barrier to enter the market; there is sufficient demand in San Francisco for locally crafted beers. According to U.S. Census Bureau (2010) data, San Francisco County has a population of 805,205.

Because there are only ten active brewpubs in the city of San Francisco (sfbrewpub.org), the capita per brewpub is 89,468 people per brewpub in San Francisco. The market share is somewhat lower than the state average, but our area of research focuses specifically on brewpubs and not all breweries and microbreweries, which were included in the California state totals. The remaining demographic data we collected from the U.S. Census Bureau (2010) includes the median household income of $72,947 and the mean household income of $105,753 in San Francisco, compared to the California state median income of $61,632. San Franciscans have more disposable income than the state average and are more likely to spend it on leisure activities. This disposable income combined with their tastes and preferences provide an excellent opportunity for brewpubs to be successful.

JD Brewhouse will be successful at the Fillmore location because it is a popular neighborhood with a lot of social activities. There will be sufficient demand for the brewpub and JD Brewhouse will distinguish itself by providing entertainment such as live music along with superior food and beer.
Chapter 2

REVIEW OF THE LITERATURE

Market Potential

There is potential for success in the microbrew and brewpub industry, and as Kleban and Nickerson (2012) emphasize, craft breweries in the U.S. have seen continued growth in sales by volume and percentage margins over the past several years; while large-scale beer producers’ sales have been in decline over the same period. Consumers are being drawn to microbrews because they offer a differentiated product in a beer market largely controlled by homogeneous macro breweries. Many successful brewpubs have attracted consumers by taking an anti-conformity stance to brewing beer. Research on potential craft beer consumers has shown that consumers value innovation and edginess. Kleban and Nickerson (2012) stress that much of the appeal of craft beers is due to the appearance of a higher quality product. This is generally because the most important factors for any craft brew manufacturer are consistent product quality and a diverse product line.

Many successful craft beers have developed extensive product lines brewing many different varieties of beer to keep consumers coming back to try different products. Douglas and O’Neil (2012) have done survey reports on craft beer consumers analyzing the reasons for success in the craft beer niche market. The results show that having diverse products is one of the main reasons consumers come back to craft brewers. Also, a vast majority of craft beer consumers reported higher family incomes than both the national and the median incomes. Douglas and O’Neil (2012) accentuate that market segmentation is key for the survival of brewpubs. They draw
parallels to the gourmet coffee shop industry because consumer demographics are similar to that of the craft beer industry and both businesses encourage buying and producing locally.

Swaminathan (1998) studied the niche formation theory in regards to market segments and the microbrew industry. He wrote that the niche formation theory involves creating new demand in the market that is not being met from exogenous factors, such as consumer tastes and preferences and basic industry technology. Brewpubs can meet the changing needs of consumers in this way by providing higher quality beer and revamping the industry, which was once solely controlled by the large beer producing companies. Swaminathan (1998) also references the resource partitioning theory, which focuses on the endogenous factors in the market such as the fragmentation of the industry from “generalist” to “specialist” niches. The move from producing mass quantities of lower quality beer to the development of local microbreweries is an excellent example of resource-partitioning and helps explain that microbreweries have been successful because of changing consumer needs, wants, tastes, preferences, and basic technology that allows industry members to brew high quality beer on a smaller scale.

Brewing Process

Brewing unique, quality beer is critical to the success of any brewpub. Bramforth and Stewart (2010) describe the necessary materials and processes in order to brew different types of beer. These processes include the traditional process, the continuous process, processes with reduced maturation, and also high gravity brewing. Machinery and equipment are also detailed as to what is needed to brew beer. Different raw materials such as hops, barley, wheat, malt, and water are also discussed along with the effects of economics on price and quality. Locally sourced inputs can create a higher quality product, but may be more expensive based on the quality of the ingredients.
An article by Betts (2010) helps us understand strides that the microbrew industry has made in waste water management and sustainable brewing practices. Most breweries around the world are recycling water and are watching their water and energy costs decrease. Thanks to new sustainable brewing practices, the amount of wastewater and lost energy in breweries has also decreased. These sustainable practices not only apply to water, but other raw material inputs as well. Used grain can be discarded or sold as animal feed and some yeast may be saved for future brews. There are also various packaging and bottling options available now that can save weight and reduce transport costs and are more environmentally friendly. Especially in San Francisco, sustainability is a driving force in product sales. In a recent report from Siemen’s Environmental Intelligence Unit (2011), San Francisco ranked first in the nation on the Green Cities Index and was titled the nation’s ‘most sustainable city.’ The Green Cities Index measured and assessed 27 of the largest metropolitan cities in the U.S. and Canada based on their sustainability practices, policies and current plans for sustainability in the near future. Sustainability is not only significant to the city of San Francisco, but is important to the city’s residents as well.

**Business Plan**

Starting a successful brewpub takes consistent strategic planning and meticulous attention to detail. Woolverton and Parcell (2008) insist that it can be devastating for a small brewpub to lose attention to strategy, as macro breweries are constantly trying to attain more market share. By not being in touch with changes in popular varieties or other tastes and preferences, small breweries can lose customers, which may be detrimental to the business. Brewpubs can be more successful than a typical bar and grill by providing a differentiated product from the norm in a unique atmosphere that provides social utility. Woolverton and
Parcell (2008) suggest brewpubs use craft specialty beers to draw consumers in, but keep them by providing alternate services such as having good food and music.

Brewpubs have had great success establishing franchises, as this leads to economies of scale and allows consumers to find consistency in an otherwise inconsistent market, all while maintaining the specialty brew taste and atmosphere. Success of the micro brewing industry, as described by Woolverton and Parcell (2008), can be credited to finding a niche market and using business strategies to market to specialty beer enthusiasts and the general public alike, all while leveraging industry logistics to attain the highest possible returns on the business.

A case study performed by Datamonitor in 2009 examines the success of UK brewpub and microbrewery BrewDog. Success of the company can be attributed to a few factors. Their promiscuous labels and high alcoholic beverages connected really well with younger generations, establishing themselves as anti-conformists to the macro brewing industry. BrewDog’s consumer friendly marketing allowed consumers the opportunity to vote on labels and really connected the consumer with the brand. The company used an online marketing approach sending free beers to bloggers to gain popularity overseas and further build relationships with consumers. Their innovative brews and marketing techniques led this company to great success from 2007 until the present.

To successfully market a craft beer, brewers must choose a specific niche market based off the variety of beer along with the “lifestyle” that the beer represents. This can be established by original labels and brand names. Ulrich, Orth, McDaniel, Shellhammer, and Lopetcharat (2004) created a scale for measuring the benefit and utility of craft beers including value, social aspects, and emotional effects. They state that by comparing these aspects of a beer to consumer preferences, demographics, and behaviors, a specific niche market can be found that the beer
should be marketed towards. The authors stress that thinking about the quality of the beer instead of the brand can be a detrimental mistake in marketing. Direct marketing over mass marketing can be much more effective for craft beers because it can better reach the specific target market for the beer and cut costs at the same time.

Carroll and Swaminathan (2000) explain the recent success of microbreweries due to a theory of resource-partitioning. This theory, largely used in ecology, is borrowed to explain the rise in microbreweries in a market largely dominated by macro breweries. Brewpubs, contract breweries, and microbreweries, all are affected by the amount of resources, consumers, and inputs, which in turn are affected by the amount of competition and the scale of the competition surrounding an organization. As market concentration increases, specialty brewery rates increase, and mortality rates of these breweries decrease due to the ability of the craft breweries to find niche markets. As stated in the introduction and justification, consumers in San Francisco fall into this niche market category and San Francisco currently has the potential to increase brewery market concentration.

Senior projects by Apocada (1978) and Krimetz (1984) were reviewed in initial research to determine a basic overview of steps needed to take during the feasibility project of a start-up brewpub. In these projects, data collection and analysis procedures were taken to determine necessary costs of capital and steps needed to start a successful operation. Both conducted surveys to determine market research demand for their respective projects. Both projects determined it was feasible to start the brewpub after brief financial analysis.
Chapter 3

METHODOLOGY

Procedures for Data Collection

The creation of a brewpub can be divided into two different sections: internal factors related to business operations and external factors pertaining to market opportunities and threats in the industry. The primary internal factors we need to collect data for include capital requirements (for both the brewery equipment and restaurant), yearly operating expenses common to the brewing industry, raw product and materials expenses and staffing requirements. In order to collect this data and adapt it to meet the needs and requirements of our specific brewpub, we sent out a questionnaire to thirty microbreweries and brewpubs around California. The questionnaires sent out to the breweries and brewpubs included an anonymous return envelope so that the businesses would not be named along with the confidential information sent back. In San Luis Obispo we sent the questionnaire to Central Coast Brewing, Tap It Brewing, Creekside Brewing Company, SLO Brewing Company, and Firestone Walker Brewing Company in Paso Robles. In San Francisco we sent the questionnaire to 21st Amendment Brewery, Anchor Brewing Company, Gordon Biersch Brewing, Magnolia Gastropub and Brewery, Thirsty Bear Brewery, Rogue Ales Public House, and Southern Pacific Brewing. In Santa Barbara we sent the questionnaire to Telegraph Brewing Company, Santa Barbara Brewing Company, and The Brewhouse. In Los Angeles we sent the questionnaire to Eagle Rock Brewery, Good Microbrew and Grill, The Dudes’ Brewing Company, and Beachwork BBQ and Brewing. In the north bay
we sent questionnaires to The Marin Brewing Company, Iron Springs Pub and Brewery, Russian River Brewing, Third Street Aleworks Brewpub, Moylan’s, Hoptown Brewing, and Lagunitas Brewing Company. Finally, in the south bay we sent the questionnaire to Jack’s Brewing, Steelhead Brewing Company, Half Moon Bay Brewing Company, and The Tied House.

Our questionnaire (see Appendix A) shows what internal variables are most important in the brewing industry and how each brewery maintains positive revenues year to year. We compiled a list of the thirteen most important factors for measuring feasibility and creating a budget for our proposed brewpub. This data will assist us in conducting our final feasibility study for JD Brewhouse’s success in San Francisco.

For our project, the primary external factors and variables associated with the brewing industry are: population and demographic data of San Francisco, real estate locations and pricing, number of local competitors in the brewpub industry and licensing requirements. In order to collect our real estate cost data, we used a premium commercial listing website entitled ‘Loopnet.’ We then searched for commercial manufacturing real estate and restaurant/bar real estate currently on the market in San Francisco. Next, we narrowed our search to look at only prime locations in the popular and up-and-coming neighborhoods. The most prime location we have found, thus far, is a 5,645 square foot facility with a full restaurant, two-bars (with full liquor license), entertainment sound system and stage, and seating for roughly 200 people in the backroom (see Appendix B). Our 7-barrel brewing system will only take up between 500-1000 square feet of the facility. The facility is located at 1534 Fillmore Street in San Francisco, on the corner of Geary and Fillmore. We assumed the proper size of the facility by comparing square footage data from other known brewpubs. The acquisition of the business at this location is $350,000 and for lease by the landlord for $15,523.75 monthly rent ($2.75/sq.ft/month). The
facility is in an ideal location with many popular attractions and venues in the close vicinity. The neighborhood is a popular nightlife destination as The Fillmore venue, the Kabuki Theater, and Japan Town are all close by. We will use this facility as an example of a possible location to house JD Brewhouse.

**Procedures for Data Analysis**

All the data collected from returned questionnaires will be compiled and analyzed to determine the accurate quantities of inputs and raw materials, facility requirements, operating expenses, production quantities, and all other possible expenses. Our process for analyzing the data involves fitting the needs of our project, as described from said collected data, to a specific location and with a specific amount of capital. We will use this along with real estate listings to create an enterprise budget and determine capital requirements. This data, along with all demographic data, will be analyzed to determine the feasibility of San Francisco as a prime brewpub location.

**Assumptions**

This study assumes constant technology, real estate availability and functionality, and the procurement of all required licensing. Technology currently available on the market, in terms of brewing equipment and practices, will be used to determine costs associated with the brewing process. Another assumption is that we will be able to find available real estate that can function as a working brewpub in accordance to city requirements. In addition, all licensing requirements are assumed because we cannot apply for a license while in the research phases of a project.
Limitations

The methodology developed in this study can be meaningful for other studies throughout the United States, but the actual results will have most significance to the city of San Francisco based off of the costs of equipment, real estate, labor, and inputs in the city.
Chapter 4

DEVELOPMENT OF THE STUDY

Data Collection Problems

Out of the thirty questionnaires sent out, three breweries responded. While these three returned questionnaires helped us tremendously, we were unable to collect all the data we needed, especially to assess capital requirements. The three questionnaires returned were from three different sized breweries, in terms of yearly revenues, production quantities, facility sizes, and expenses. This made it difficult to compare the findings of the returned questionnaires and fully utilize the data to create our budget. If more questionnaires had been returned, the budget would have more closely reflected the necessary capital requirements, space needs, and expenses needed to run a successful brewpub within our specifications. Not only would a larger sample size of returned questionnaires help to narrow our focus, we would have also been able to use results of the questionnaire from brewpubs that more closely resemble the makeup of our proposed project.

Analysis

One of our first steps in the analytical process was to develop a recipe for a trial brew in order to help us better understand the brewing process. First we acquired the necessary brewing equipment: 5-gallon stainless pot for boiling the wort, 5-gallon fermenter bucket, 5-gallon bottling bucket, 50 beer bottles and caps and a hand bottler. Next, we chose our grains, which in this case were a mixture of grains for an American style IPA. We then purchased a gallon of
malt, priming sugar (used for natural carbonation), and three different types of hops to use while brewing and dry-hopping (for better aromatics). After 3 weeks of fermentation in the bucket and an additional 2 weeks of fermentation in bottles (after the addition of the priming sugar), our beer was ready for consumption. It received positive reviews from all who tried it and we were both thoroughly satisfied with our first brew. This gives us a good starting foundation for understanding the brewing process and industry on a small scale.

The data collected from the three brewpubs was used to create a budget of projected revenues and expenses. Much of the data came from one questionnaire in particular, which most closely resembles our brewpub project in terms of equipment costs, production, on-site sales, staffing and payroll, and facility square footage (see Questionnaire 2 in Appendix E).

We expect to sell nearly $3 million worth of total revenue by the fifth year, based on questionnaire 2, and we expect to have 20% less revenue in the first year of production due to a lack of customer awareness. We will assume a 5% increase in both beer and restaurant sales each year. A total of $967,200 will be from beer sales alone, and the remaining $1.48 million will come from food sales and the restaurant. In determining the amount of annual beer sales, we calculated how much sales will come from each bbl of beer brewed. We assumed, through industry average prices, that we would be selling hoppy beers for $7 a pint and malty beers for $6 a pint since the average expenses per barrel of hoppy beers is more than that of malty beers. There are 31 gallons per bbl, which equates to a total of 248 pints per bbl. We also assumed that we would be selling 50% malty beers and 50% hoppy beers. In the first year of production we will producing beer at 60% of capacity, which equals 600 bbl per year (a 7-barrel system typically makes 1000 bbls/year), this comes to a total revenue for malty beers of $446,400; a total for hoppy beers of $520,800; and total beers sales of $967,200. Brewing ingredients were
calculated using a simple formula provided by a microbrewery owner. Hoppy beer raw inputs, which include grains, malt, hops, yeast, and water cost $56/bbl and malty beer raw inputs cost $36/bbl. We expect to brew 600 bbls in the first year, increasing our production by 5% yearly. Therefore, our raw input costs for the first year total $27,600. Yearly beer revenue tables are located in Appendix F.

As the business grows we expect our beer sales to increase 5% each year, so by year five of our operation we will be producing and selling 800 bbls, and revenues for beer will reach $1.175 million. As restaurant sales also increase 5% a year, restaurant revenues will reach $1.81 million and by year five we expect to see total revenues of $2.98 million.

The business acquisition is purely goodwill, meaning no assets are included in the price of the business. The acquisition price is $350,000, which we will amortize over 15 years. The remaining startup expenses are brewing equipment, construction and installation, and restaurant equipment. Our 7bbl brewing system costs $25,000, and with construction and installation the total cost for startup brewery equipment and restaurant needs (i.e. tables, chairs, glassware, etc.) will equal $150,000. We will depreciate this $150,000 over 7 years. The total startup expenses equal $500,000. A $500,000 loan will be taken out with a 6% interest rate and paid over ten years. The depreciation, amortization, and loan amortization schedules can all be found in Appendix C. Our projected income statement can be seen in Appendix D.

Unfortunately, we were unable to attain any real-life insurance quotes for a brewpub, as the insurance companies require company information from a brewpub in order to generate a quote. However, after researching average insurance costs for brewpubs and breweries we found that costs range from $20,000-$30,000 per year. Since our proposed location is in an expensive
neighborhood in San Francisco, we assumed that our annual insurance costs would be on the higher end of the spectrum at $30,000.

From our research for the restaurant industry, average markups for all menu items equal 60%. Therefore, restaurant expenses were calculated by taking 40% of our expected restaurant revenues, which gave us total restaurant expenses of $562,465.44 in the first year. After considering all revenues and expenses, including startup costs the first year, we expect to see a total profit of $472,999.98 the first year.
Chapter 5

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary

After thorough research on brewpubs including the market potential, the brewing process, and the development of a proposed budget through an analysis of other breweries from California, we have determined that our project is feasible and we accept the hypothesis. According to our industry data and analysis, our projected brewpub will become profitable within the first year of implementation and will continue to see increasing returns over the next four years.

Conclusion

The idea of JD Brewhouse was formed to create an environment in which quality craft beer and good food could be consumed in a social location that entices customers to return. The quality beer and food are absolutely necessary to make JD Brewhouse successful, but the location, size, and characteristics of the brewpub are the “X” factors that will make it a success. By analyzing the returned questionnaires, #2 in particular, we were able to gain a better understanding of the the size requirements needed, but also the level of sales needed to make a profit. The location on Fillmore Street stood out as an ideal place to put a brewpub. There is currently no brewpub in the vicinity of our proposed location in the Fillmore District and the touristy/social feel to these neighborhoods as well as the size and characteristics of the facility will prove to provide the necessary sales and exposure to make JD Brewhouse successful.
Recommendations

It is necessary to state that creating a budget for a proposed brewpub is a difficult task. The difficulty lies in generating enough real-life data to create a reliable budget and business plan. Anyone planning on creating a hypothetical business plan for a brewpub should be diligent enough to connect with real-life brewpubs and assume that you will be utilizing their financials and data to complete the project. Have an idea for the size requirements and production amounts for a brewpub before collecting data, so you can focus on similar real life projects.
References Cited


Appendix A

Questionnaire

Please answer the following questions on this page:

1. What were your initial brewing equipment costs?

2. What are the following expenses on an annual basis:
   a. Raw Product Inputs (Grains, malt, hops, etc.)
   b. Total Payroll Costs
   c. Rent
   d. Advertising Expenses
   e. Utilities

3. What is the total yearly gross revenue?

4. How long did it take for the brewery to become profitable?

5. What is your production quantity?

6. How much beer is sold on site? How much off site?

7. What different varieties do you produce?

8. What are the most popular varieties, in your opinion?

9. What is your facility square footage?

*Please write any additional comments, advice, or a more detailed description of costs that may be useful for our project on the back of this questionnaire. Thank you.
Appendix B

Restaurant, Bar, and Club for Sale/Lease
1534 Filmore Street, San Francisco, CA 94115

- Price: $350,000
- Building Size: 5,645 SF
- Price/SF: $62 ($2.75 monthly)
- Property Type: Retail
- Property Sub-type: Restaurant
- No. Stories: 2
- Tenancy: Single
- Lot Size: 5,645 square feet

### Highlights

- Over $1,000,000 in tenant-improvements
- Liquor License, Entertainment License, Afterhour permit
- Two full bars and a fully equipped kitchen w/ commercial walk-in refrigerator
- Performance Stage, Professional lighting, Extensive sound-system, Sound Booth
- Ample Storage, Office Space, 3 bathrooms, Exposed Brick-walls

### Description

BECOME THE OWNER OF A WELL KNOWN RESTAURANT AND BAR IN THE HEART OF THE JAZZ PRESERVATION DISTRICT OF SF CITY!

Exceptional opportunity to own one of San Francisco’s most talked about historic entertainment and dining establishments located right in the middle of the live music district on Fillmore. This unique musical institution consists of approximately 5645 sqft. of bar and dining space. With over $1,000,000 in tenant-improvement, this property reflects a true pride of ownership. New owner can either expand on the existing concept or develop their own. There are unlimited possibilities here. This is an opportunity to acquire a landmark, and be a part of a vibrant neighborhood that is expanding and gaining increased exposure nationwide. Well known Restaurant and Bar offering live music 7 days a week and an eclectic menu. This well-known establishment is known for its exciting and worldly music line up that ranges from Latin Jazz, to Funk. The property consists of two separate rooms that total approx. 5645 sqft. The front room has a large bar and is capable of seating approx. 80 people and space for approx. 100 people standing. The backroom has the capacity for 185 seated and 300 standing. It also includes a large stage, dancing floor, sound system and mezzanine. This location is one of the most highly-sought after venues for private events.
### Appendix C

#### Goodwill Amortization Schedule

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<td>14</td>
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<td>$326,666.62</td>
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#### Equipment Depreciation Schedule

<table>
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<tr>
<th>Year</th>
<th>Current Depreciation</th>
<th>Accumulated Depreciation</th>
<th>Book Value</th>
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<td>$150,000.00</td>
<td>$128,565.00</td>
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#### Loan Amortization Schedule

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<th>Interest</th>
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<td>$50,000.00</td>
<td>$250,000.00</td>
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<tr>
<td>6</td>
<td>$50,000.00</td>
<td>$200,000.00</td>
<td>$15,000.00</td>
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<td>7</td>
<td>$50,000.00</td>
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<td>$12,000.00</td>
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<td>9</td>
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Appendix D

### JD Brewhouse

#### Projected Income Statement

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beer</td>
<td>$967,200.00</td>
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<td>Restaurant</td>
<td>$1,488,318.75</td>
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<td>$1,640,871.42</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>$2,455,518.75</td>
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<tr>
<td><strong>Operating Expenses</strong></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Brewing Ingredients</td>
<td>$27,600.00</td>
<td>$28,980.00</td>
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<td>$960,000.00</td>
<td>$960,000.00</td>
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<tr>
<td>Rent</td>
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<td>$186,285.00</td>
<td>$186,285.00</td>
<td>$186,285.00</td>
<td>$186,285.00</td>
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<tr>
<td>Advertising</td>
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<td>$15,000.00</td>
<td>$15,000.00</td>
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<tr>
<td>Utilities</td>
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<td>$78,000.00</td>
<td>$78,000.00</td>
<td>$78,000.00</td>
<td>$78,000.00</td>
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<tr>
<td><strong>Total Restaurant Expenses</strong></td>
<td>$562,465.44</td>
<td>$592,068.88</td>
<td>$623,230.40</td>
<td>$656,032.00</td>
<td>$690,560.00</td>
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<td>Insurance</td>
<td>$30,000.00</td>
<td>$30,000.00</td>
<td>$30,000.00</td>
<td>$30,000.00</td>
<td>$30,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,877,750.44</td>
<td>$1,907,353.88</td>
<td>$1,938,515.40</td>
<td>$1,971,317.00</td>
<td>$2,005,845.00</td>
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<tr>
<td><strong>Start-Up Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Acquisition Goodwill Amortization</td>
<td>$23,333.33</td>
<td>$23,333.33</td>
<td>$23,333.33</td>
<td>$23,333.33</td>
<td>$23,333.33</td>
</tr>
<tr>
<td>Equipment Depreciation</td>
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<td>$21,435.00</td>
<td>$21,435.00</td>
<td>$21,435.00</td>
<td>$21,435.00</td>
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<tr>
<td>Interest Expense</td>
<td>$30,000.00</td>
<td>$27,000.00</td>
<td>$24,000.00</td>
<td>$21,000.00</td>
<td>$18,000.00</td>
</tr>
<tr>
<td><strong>Total Startup Costs</strong></td>
<td>$104,768.33</td>
<td>$99,082.62</td>
<td>$93,396.90</td>
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<tr>
<td><strong>Total Costs</strong></td>
<td>$1,982,518.77</td>
<td>$2,006,436.50</td>
<td>$2,031,912.30</td>
<td>$2,059,028.19</td>
<td>$2,087,870.47</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$472,999.98</td>
<td>$571,858.19</td>
<td>$675,297.12</td>
<td>$783,541.70</td>
<td>$896,827.91</td>
</tr>
</tbody>
</table>
Appendix E

Please answer the following questions on this page:

1. What were your initial brewing equipment costs?
   40 K

2. What are the following expenses on an annual basis:
   a. Raw Product Inputs (Grains, malt, hops, etc.)
      85 K
   b. Total Payroll Costs
      960 K, for entire operation, 80 K for brewery
   c. Rent
      145 K
   d. Advertising Expenses
      15 K
   e. Utilities
      78 K

3. What is the total yearly gross revenue?
   3.1 million

4. How long did it take for the brewery to become profitable?
   Not sure

5. What is your production quantity?
   860 bbl

6. How much beer is sold on site? How much off site?
   All on site

7. What different varieties do you produce?
   Over 25 varieties

8. What are the most popular varieties, in your opinion?
   IPA

9. What is your facility square footage?
   Brewery 1000 sq ft, overall 6000 sq ft

*Please write any additional comments, advice, or a more detailed description of costs that may be useful for our project on the back of this questionnaire. Thank you.
Appendix F

<table>
<thead>
<tr>
<th>Beer Revenues Year 1</th>
<th>Beer Revenues Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hoppy Beers</td>
</tr>
<tr>
<td>Beer Prices ($/pint)</td>
<td>$7.00</td>
</tr>
<tr>
<td>Beer Prices ($/bbl)</td>
<td>$1,736.00</td>
</tr>
<tr>
<td>Beer Sales (600 bbls)</td>
<td>300</td>
</tr>
<tr>
<td>Ingredient Costs</td>
<td>$520,800.00</td>
</tr>
<tr>
<td>Total Beer Sales Revenue</td>
<td>$967,200.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Beer Revenues Year 3</th>
<th>Beer Revenues Year 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hoppy Beers</td>
</tr>
<tr>
<td>Beer Prices ($/pint)</td>
<td>$7.00</td>
</tr>
<tr>
<td>Beer Prices ($/bbl)</td>
<td>$1,736.00</td>
</tr>
<tr>
<td>Beer Sales (700 bbls)</td>
<td>300</td>
</tr>
<tr>
<td>Ingredient Costs</td>
<td>$520,800.00</td>
</tr>
<tr>
<td>Total Beer Sales Revenue</td>
<td>$967,200.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Beer Revenues Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td>Beer Prices ($/pint)</td>
</tr>
<tr>
<td>Beer Prices ($/bbl)</td>
</tr>
<tr>
<td>Beer Sales (800 bbls)</td>
</tr>
<tr>
<td>Ingredient Costs</td>
</tr>
<tr>
<td>Total Beer Sales Revenue</td>
</tr>
</tbody>
</table>