

RULE G BREWING COMPANY

COMPANY SUMMARY AND BUSINESS PLAN

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Rule G Brewing Company

1.1 Why Craft Beer?

Craft beer is a growing and lucrative field. Craft breweries are springing up all around the country, and offer a fun alternative for people to meet and greet, and have a wonderful time!

Between 2012 and 2017, the number of craft breweries in the US increased from 2,420 to 6,266...that is an **increase of 159%**! This growth continued into 2018 (see chart below), grew another 4% through mid-2019, and is expected to continue to grow in 2021:



Craft breweries present a fresh take on the entertainment and hospitality industry. Microbreweries and taprooms provide the community a chance to meet, have fun, and enjoy unique, fresh beers brewed and served on the premises. Taprooms sponsor events, such as happy hours, trivia nights, and live music. Further, the mark up on craft beer is approximately 85%...a fantastic return on the investment! Microbreweries tend to bring people into the area that they are located; generally, this is an increase of 30% of traffic for the area. This is mutually beneficial to the brewery, and the local businesses. Further, food and beverages are increasingly aware of the trend for products to be produced locally, with a focus on freshness. The potential for growth is tremendous!

1.1 Business Summary

Rule G Brewing is a new microbrewery and taproom that will be located in the Parkland, FL area.

The space represents 1600 square feet, and was formerly part of a Japanese restaurant. There is also a small yard/patio in the rear of the space, next to a small lake, where patrons can relax, smoke, drink, and enjoy the Florida weather as well as the taste of freshly brewed beer.

Rule G Brewing would start small, and focus on producing small batch beers for local consumption in its Parkland, FL taproom. The brewing equipment will be a 3 by 10 barrel, fully automated and self-cleaning unit requiring 180 square feet, with a 12"6" ceiling clearance requirement. With an average 14 period for fermentation, the system can yield 6 base styles of beer monthly, producing 120 1/2 barrel kegs. Each 1/2 barrel keg translates to 120 16 oz. pints. The system will provide for 6 different active taps, and limitless recipe varieties.

Couple this with a great atmosphere, activities, and live music, and there is a great opportunity for this business to catch on and become lucrative in a relatively short period of time. Over time, there are opportunities for expansion, including individual cans and bottles ("growlers") for patrons to take their favorite brews home to enjoy.

1.2 COVID 19 Considerations and Aftermath

During the current COVID-19 restrictions, Rule G Brewing will take all necessary measures to ensure adherence to CDC Guidelines, and the mandates of state and local government to ensure safety for its patrons and staff alike. All necessary precautions will be taken, including PPE and cleaning protocols to ensure compliance.

There is an anticipated boom in food and beverage businesses, including microbreweries and tap rooms, that is expected when all COVID-19 precautions have been lifted across the country. Some anticipate a "Roaring 20s" atmosphere, as people return to night life, eating out, and enjoying craft-brewed beer. Rule G Brewing Company is poised to be up and running, ready to ride this wave of increased prosperity and potential growth!



1.3 Cost of Production

Microbreweries work on a cost per ounce produced formula, as follows:

1.2 cents X alcoholic content (alcohol by volume, or ABV) = cost per ounce.

For example, for one ounce of 5% ABV beer would cost 6 cents to produce.

One 16 oz serving of this beer would sell, for example, for \$6. The cost to produce that pint of beer would be 96 cents...with a gross revenue of \$5.04!

This formula is applicable for all styles of beer; some specialty beers contain higher ABV; the average is 4.5 -5%. The gross margin is an average ranging between 80-85%.

1.4 Objectives

The objectives of Rule G Brewing Company are the following:

- Provide a high-quality product that the company will become known for.
- Provide an entertaining experience that they will come back for...and bring their friends.
- Establish strong relationships with other local business within the area.
- Maintain tight control of cost and operation throughout the operation.

1.5 Company Ownership

The company will be owned by Rule G Brewing Company, LLC. Primary owners will Ralph E. Rapa, Psy.D., and his wife Veronica Villa, Ph.D.

1.6 Products

Rule G Brewing will focus, in its initial phase of operation, will focus on producing a small variety of “stock beers”, that is, styles of beer that are pleasing to the general public. These would include, but not be limited to 2 different lagers, an IPA, a stout, an amber ale, and a dark lager. Production can be easily changed to match customer demands, including seasonal brews. Wine will also be served, although not manufactured, on the premises, under the guidelines of the State of Florida licensure for wine and beer sales.

1.7 Market Analysis Summary

Over the past ten years, regional microbreweries have gained market share of beer sales in the state of Florida. Double-digit increased have been seen in the past 8 years. A number of regional brands have moved from specialty market to the supermarket. At present, independent craft breweries now represent 12 percent market share of the beer industry as a whole, according to data released by craft beer advocacy group the Brewers Association.

Craft beer had an even bigger jump in volume, producing 24.5 million barrels – a 13 percent rise in volume. The retail dollar value also grew to \$22.3 billion, a 16 percent increase year-over-year. Overall, craft beer represents 21 percent of the market share in the retail realm.

Florida's population has grown consistently over the past 10 years. Most of the growth has been in response to the explosion of hiring in the high-tech, service, and hospitality industry. The growth has added to the customer base that purchases regional microbrews. Traditionally, microbrews have been favored by young professional men and women in their late twenties and early thirties. Microbreweries in general serve an eclectic customer base, and can be tailored to the population demographics. South Florida is also home to numerous colleges and universities. In general, beer sales can achieve 35% of sales in areas with campus communities. Nearby to Rule G Brewing would be Broward College, Florida Atlantic University, Lynn University, and Nova Southeastern University.

In 2018, Parkland had a population of 30,500, with a median age of 40.3, and a median household income of \$146,094. The area has a home ownership rate of 84.2%; the average home owns 2 cars.

Currently there are no microbreweries in the Parkland area, and a potential location has been identified in the Riverstone Shoppes on US 441, just north of Hillsboro Boulevard. The area adjoins the city of Coconut Creek, and is heavily trafficked. Riverstone Shoppes hosts Japanese and Argentinian restaurants, a yogurt shop, a full gym, dance studio, music academy, and a barber shop.

1.8 Market Segmentation

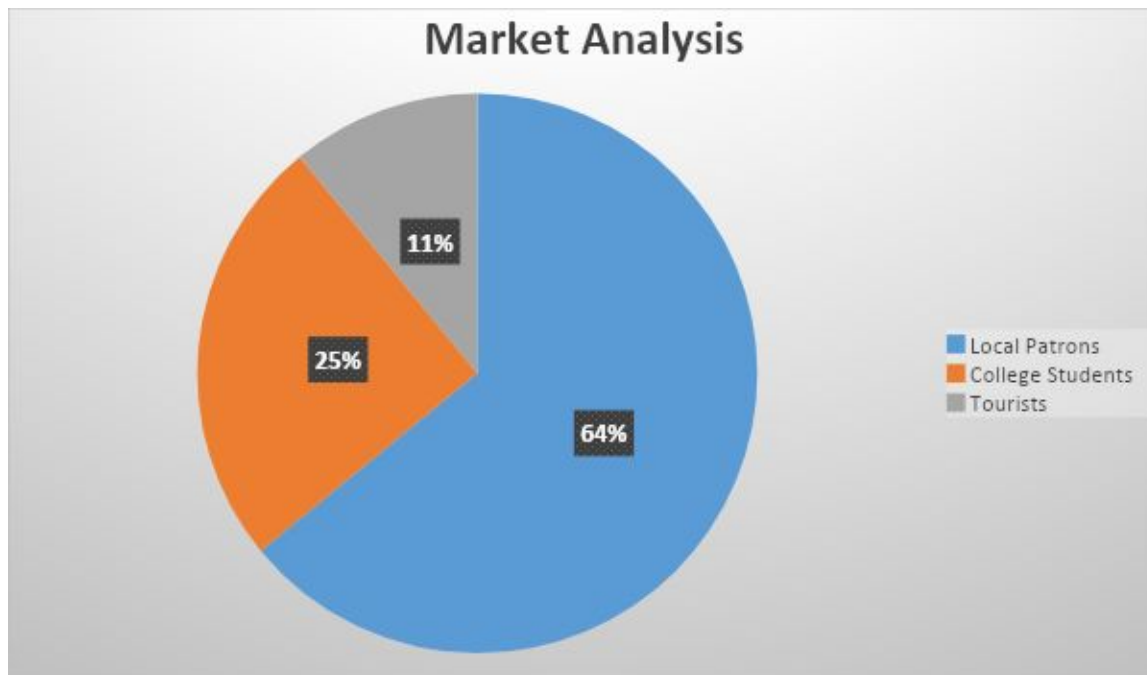
Rule G Brewing Company plans to focus on the following market segments:

- Professional men and women aged 25 – 60 living in affluent local communities, including Parkland, Coconut Creek, Coral Springs, and nearby Boca Raton.
- College students attending local schools.

- Tourists visiting the local area

Marketing and promotional activities will be grassroots based, rather than more expensive mass marketing. Rule G Brewing will reach these people through sponsorship of local entertainment or cultural events, advertising in small niche magazines targeted towards young “fashionable” professionals and sponsorship of activity groups.

Social media marketing will be at the forefront of promoting the business, including “pages” on the most popular social media outlets. This will include announcements of new beer styles, as well as calendar of planned events and other happenings at the brewery. Research has shown that the age demographic for Facebook users is now in the 40 year old age bracket, which correlates to the projected target market for the business.



2.0 Strategy and Implementation Summary

Rule G Brewing Company is a start-up business, and the initial phase of this plan is to obtain initial start-up capital to procure the brewing system, rent for the location, and necessary licenses and permits. The identified location will require minor modifications, as the necessary plumbing and electrical connections are already in place.

Initial start-up, from funding to the tapping of the first product, is conservatively estimated at 6 months. This would include the upgrading of the facility, installation of the brewing system, preparation of the facility for customers, and brewing the first batch of the product.

2.1 Sales Strategy

Rule G Brewing Company will create expectation and anticipation of its start of operations with local and social media marketing. The company will also have its own website, containing information on the brewery, its products, and scheduled activities. There is an active “community” of microbrewery fans in the area, with no such business in the immediate Parkland, Florida area. Once the customer tastes the product, he or she will know the quality and craftsmanship that goes into every pint of Rule G beer.

Sales, for the anticipated first 3 years of operation, will remain within the boundaries of the brewery itself, and its taproom. The potential for growth is very good, and any decision to expand services would be made by careful market research and due diligence.

2.2 Sales Forecast

The following graph represents projected gross sales for the first 3 years of operation. This is calculated by producing 120 ½ barrels of beer in year 1, and increasing output by 5% each year over years 2 and 3. The figures presented are based on 120 pints of 5% beer per ½ barrel, selling at \$6.00 per pint, with a production cost of \$1.00 per pint:



As the third year's brewing preparations are made, that is at the end of the second year, a market analysis will be undertaken to assess potential opportunities for expansion of service and product line. Future plans may include increased facility size, increased brewing production, introduction of light food service, and canning/bottling operations.

2.3 Competitive Edge

Rule G Brewing Company's competitive edge is as follows:

- **Quality Process and Ingredients:** Our beers will adhere to strict quality guidelines, and include only the finest natural ingredients. Carefully selected for their distinctive flavor profile, the beers are classically fermented and cold lagered for a smooth, bold taste. We will use the finest barley malt and hops, yielding a distinctive taste.
- **Handcrafted:** Our beers are stored in small batches under the close personal attention of our brewers. The latest brewing equipment and technologies are seamlessly combined with traditional brewing methods to ensure consistently excellent taste, whether straight from the keg, or packaged in cans, bottles, or draft kegs.

3.0 Management Summary

The following is the management summary for Rule G Brewing Company:

- Ralph E. Rapa will manage the business operations.
- Brewing Managers XXX and XXX will manage the brewing process.
- XXX will manage marketing and sales.

3.1 Personnel Plan

Rule Brewing Company's personnel plan is as follows:

- Business manager;
- Brewing managers (2);
- Marketing/sales manager;
- Taproom Staff (3)

Position	Start-Up	Year 1	Year 2	Year 3
Business Manager	\$48,000	\$48,000	\$50,000	\$52,000
Brewing Managers (2)	\$96,000	\$96,000	\$100,000	\$104,000
Marketing and Sales Manager	\$48,000	\$48,000	\$50,000	\$52,000
Taproom Staff (3)	NA	\$75,000	\$82,500	\$90,000
Total Staff	4	7	7	7
Total Payroll	\$192,000	\$267,000	\$282,500	\$298,000

These figures are only projections. Taproom staff would only be hired when volume is justified after the first 6 months of operation. Initial start-up staff would be 4 total personnel to begin with. Following the first full year of operation, the need for additional staff would be evaluated.

4.0 Financial Plan

4.1 Break-Even Analysis

In the start-up period, that is, during the first six months, the operating costs would be as follows:

Start-Up Costs	One time cost
Beer & Wine License	\$10,000
Interior Work: Property	\$20,000
Furniture/Fixtures	\$10,000
Down payment on brewing equipment	\$30,000
Misc. Business	\$10,000
Total Start-Up Costs	\$80,000

Fixed costs include financed brewing equipment (\$110,000, with a 5 year loan at 7.5%), wages for 4 employees, rent (discounted to \$2,600 for the first 6 months, \$4,000 thereafter), and the one-time cost of a Florida wine and beer license. Variable costs include brewing materials (e.g. malt and hops), water, sewage and electricity. Advertising is also included in this estimated figure. State of Florida imposes 6% sales tax on alcohol sales, and the Federal Excise Tax for beer is \$18 per barrel. Figures are based the first year's production output of 1,440 barrels, or 172,800 pints.

Fixed Costs	Monthly/6 Mo.	Subsequent
Brewing Equipment Payment	\$1,970	\$1,970
Wages	\$16,000	\$16,000
Rent	\$2,600	\$4,000
Variable Costs 30% of Gross (\$116,700)	\$3,000	\$3,000
State Tax 6%	\$864	\$864
Federal Tax	\$2,160	\$2,160
Total Operating Costs and	\$26,594	\$28,994

Monthly Break Even Point		
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These figures are generated by using the estimated gross revenue figures that were calculated with the formula given in Section 2.3

4.2 Projected Profit and Loss

The following table and charts highlight the projected profit and loss for the next three years. Start-up costs will be absorbed in the first year; refer to Section 4.2 for cost breakdown.

	Year 1	Year 2	Year 3
Gross Revenue	\$864,000	\$907,200	\$950,400
Operating Costs	\$333,528	\$347,928	\$347,928
Start-up Costs	\$80,000	N/A	N/A
Profit (Loss)	\$450,472	\$559,272	\$602,472

Spoilage or product loss has not been factored into the formulas, but a conservative estimate could be 5% of the product. Despite this, it is clear that the potential for a lucrative business is evident.

5.0 Company Summary

5.1 Why Rule G Brewing?

Rule G Brewing Company is poised to enter the market of microbreweries and tap rooms with solid market research, an excellent location, and a solid business plan. As mentioned, the Company will fill a gap in the local craft brew scene that currently lacks any local competition.

The Company will present a unique environment, with a railroad theme to its décor, including a G-Scale train circling its ceiling. There will be board games provided for patrons to play, as well as music (live and house). Light, bagged snacks will be available for sale in the first phase of operations, along with the opportunity to order food in from the local restaurants nearby. In addition, a “food truck” schedule would be developed, showcasing cuisine from various vendors.

In addition, the owners of the location have expressed their excitement at having a microbrewery on their premises, which will equate to increased traffic and business for the plaza as a whole. The owners have offered to discount the rent for the first six months, as the business completes its infrastructure and prepares to brew its first product. They will also assist with local marketing, including cooperation with other businesses in the plaza.

5.2 Start-up Capital

Rule G Brewing Company estimates that it will need between \$150-200 thousand dollars to start, including all of the costs associated in Section 4.1. Whereas the initial capital will be mainly provided via loans and personal investment by the owner(s), investors are welcome to join in the venture. Potential investors are encouraged to contact Ralph E. Rapa at the following contact information:

Rule G Brewing Company
7402 NW 61 Terrace
Parkland, FL 33067
(954) 394-2231

5.3 Thank You!

Those of us at Rule G Brewing Company would like to thank you for your kind attention, and we hope to see you soon at our taproom!

Ralph E. Rapa, Psy.D.