

Taking Homebrewing to the Pro Level:

From Concept and Design
Thru Opening

Panelists Perspectives

Kelsey McNair

- In progress of opening North Park Beer Company

Dustin Hauck

- Architect for many startup breweries

Curtis Chism

- Owner of 1 year old Council Brewing

Paul Sangster

- Owner of 2.5 year old Rip Current Brewing



Kelsey McNair

- ◆ Decorated homebrewer
 - ◆ 2010 Stone Brewing AHA Rally Champion
 - ◆ 5 NHC 2nd Round medals (4 for IPA category!)
 - ◆ Over 60 medals earned in 17 BJCP categories
 - ◆ Certified BJCP Judge
- ◆ Owner & Brewmaster of North Park Beer Company
- ◆ Successfully raised \$1,500,000 in private equity funds
- ◆ Projected to open in January 2016





T. Dustin Hauck

HAUCK ARCHITECTURE

- ◆ President of Hauck Architecture
- ◆ Avid home brewer since 1991 & member of QUAFF since 2004
- ◆ Architect for over 30 craft beer projects.
 - ◆ Including: Rip Current North Park, Council Brewing Co., Fall Brewing Co., Benchmark Brewing and the upcoming North Park Beer Co.
- ◆ Services: Feasibility Studies, Planning, Architecture, Engineering, Interior Design and Permitting
- ◆ Experience with building codes and governmental regulations affecting brewery projects



HAUCK ARCHITECTURE



Curtis Chism

COUNCIL BREWING COMPANY

- ◆ Co-Owner of Council Brewing Company
- ◆ Opened Council Brewing in May 2014
- ◆ Avid, award winning home brewer since 2011; AHA member since 2011 & QUAFF member since 2012.
- ◆ Certified BJCP Judge





Paul Sangster

- ◆ Award winning homebrewer
 - Won medal in all 23 BJCP categories
 - 2011 CA Homebrewer of the Year
 - 2011 NHC Ninkasi award winner
 - Master BJCP Judge
- ◆ Co-owner, Brewmaster for Rip Current Brewing
- ◆ Rip Current opened in December of 2012
- ◆ Now has a 2nd location in North Park



Kelsey McNair

**NORTH
PARK**

**BEER
CO**



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A Brewery is a Business

- ♦ Brewery Business Model
- ♦ Business Plan/Pro Forma Cash Flows
- ♦ Legal Entity Structures
- ♦ Capital Needs
- ♦ Lease Commercial Space
- ♦ Licensing & Permits
- ♦ Equipment



Brewery Business Models

- ◆ **Nano**

- ◆ OTC sales model

- ◆ **Production**

- ◆ Packaging & Distribution
- ◆ Tasting Room

- ◆ **Hybrid**

- ◆ **Brewpub**

- ◆ Brewery + restaurant = 2 businesses in 1



Business Plan & Pitch Deck

- ◆ **Business Plan**

- ◆ Who you are, what you want to do, where you want to do it, and why should someone invest in it?
- ◆ Describe Business Model
- ◆ 3-5 years of pro forma cash flow projections

- ◆ **Pitch Deck (if raising money)**

- ◆ 8-12 slides, abridged version of Business Plan
- ◆ Tell your great story while sharing your beer!



Business Plan & Pitch Deck

Annex A – Business Plan for: K. A. McNair Brewing Company, LLC

NORTH PARK BEER CO.™

K. A.
McNair
Brewing
Company,
LLC

BUSINESS PLAN AUGUST 2014

“Our Mission: To craft impeccable ales and lagers from a foundation of award-winning brewing experience, using the finest ingredients, time honored tradition, and modern innovation.”

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**NORTH PARK
BEER COMPANY**
IMPECCABLE ALES AND LAGERS
crafted from a foundation of
**AWARD-WINNING BREWING
EXPERIENCE**

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**NORTH
PARK**
BEER
CO.
®

Create a Legal Entity

- ◆ **Get guidance from your CPA/Tax Accountant**
- ◆ **Hire Corporate Attorney**
 - ◆ Create Legal Entity
 - ◆ Sole Proprietorship
 - ◆ Partnership
 - ◆ Limited Liability Company (LLC)
 - ◆ S-Corporation
 - ◆ C-Corporation
- ◆ **Create Private Offering (if raising money)**



Raising Capital

- ◆ **Prospectus Documents**
 - ◆ Term Sheet or Private Placement Memo “PPM”
 - ◆ Legal disclosures and terms including return of capital/return on capital mechanics, exit strategy?
- ◆ **Who to fish for?**
 - ◆ Friends, Family & Fools
 - ◆ Accredited Investors (angel, not venture capitalist)
- ◆ **SEC Rules** - General Solicitation is NOT allowed!
- ◆ **Crowdfunding?**



Leasing Commercial Space

- ◆ **Site Selection**
 - ◆ Does it fit your business model?
 - ◆ Do all applicable building codes work for type of use?
- ◆ **Hire a good broker**
 - ◆ *“Brokers are snakes, you need your own snake”*
- ◆ **Submit LOI (letter of intent)**
 - ◆ Iron out high level terms, could take days or months
 - ◆ Lease rate, abatement, duration, options, TI allowances
 - ◆ License Contingency!
 - ◆ Get 3 in play at once for leverage
- ◆ **Lease**
 - ◆ Hire real estate attorney
 - ◆ Ensure LOI terms translate into the lease agreement



Licensing & Compliance

- ◆ **Federal – Alcohol and Tobacco Tax and Trade Bureau (TTB)**
 - ◆ 120-180 days via online application
 - ◆ Background check/qualification
- ◆ **State – Alcoholic Beverage Control (ABC)**
 - ◆ Each state is different, 6-9+ months in California
 - ◆ Can be subject to protests (Vice & Nearby residents)
- ◆ **Licensing Attorney/Consultant**
 - ◆ Files ABC/TTB applications for you
 - ◆ Represents you if unresolved protests lead to hearing
- ◆ **Special Case Permits**
 - ◆ Conditional Use Permit
 - ◆ Quasi-authority groups



Brewing Equipment

- ♦ **New**
 - ♦ Long lead times
 - ♦ You get to specify the configuration
- ♦ **Used**
 - ♦ Mileage
 - ♦ High demand
 - ♦ Work with someone else's specifications
- ♦ **Boil mechanics**
 - ♦ Direct fired
 - ♦ Steam
 - ♦ Calandria
- ♦ **Glycol system**
 - ♦ Plan to expand!
 - ♦ Insulated piping

T. Dustin Hauck



HAUCK ARCHITECTURE

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Brewery Project Planning

- ◆ Business Model
- ◆ Zoning
- ◆ Utilities
- ◆ Layout & Design
- ◆ Permits
- ◆ Construction



Business Model

Define the space you are looking for.

- ◆ What type of brewery are you?
Production vs. Tap Room or Both
- ◆ Production Volume
 - ◆ 2 BBLs per Square Foot
- ◆ % to Distribution vs. In-House Sales
- ◆ Packaging: Canning vs Bottling
- ◆ Cellaring
 - ◆ Brite Tanks: Jacketed or in Cold Box
 - ◆ Space for Barrels and/or Fouders
- ◆ Considerations for Growth / Expansion

Brewery Annual Production

30 BBL Brew House

x 11 Brew Sessions per Week

x 50 Weeks per Year = **16,500 BBLs / year**

= **8,250 Square Feet Minimum**

75% Ales = 12,375 BBLs / year

25% Lagers = 4,125 BBLs / year

90 BBL Fermenters = 3 Brews Per Fermenter

BBLs per year / Brewhouse x Cycles per Year

Ales: 16,500 BBLs / 30 BBL x 25 = 6 Fermenters

Lagers: 16,500 BBLs / 12.5 x 25 = 4 Fermenters

= 10 Fermenters Total

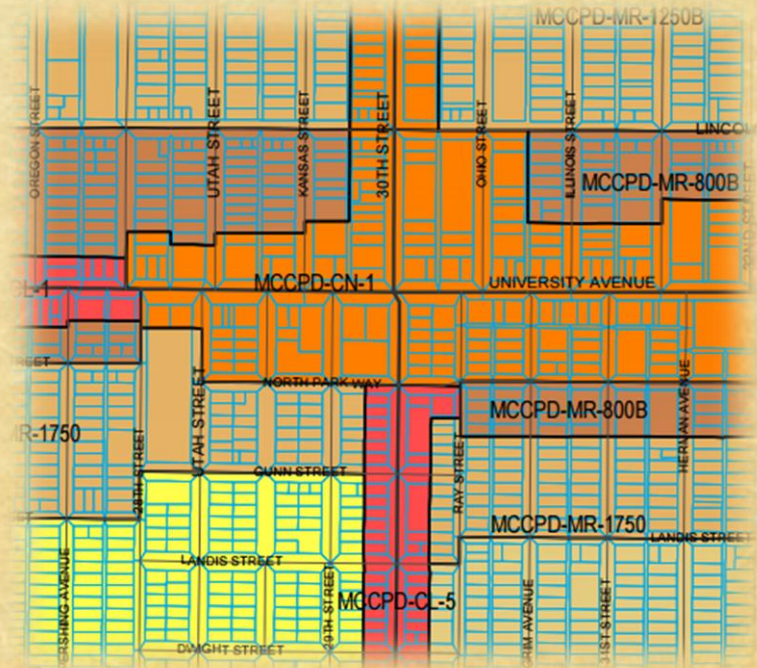


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Zoning

What neighborhood should you be looking in?

- ◆ Where is Light Manufacturing allowed by right?
- ◆ Is a Use Permit required?
- ◆ Parking
- ◆ Proximity to Schools
- ◆ Public Opposition
- ◆ Are there restrictions in a zone that may limit Growth or Expansion



Utilities

- ♦ Water
 - ♦ 20 Gallons per Minute (GPM)
 - ♦ 1" water line preferred
 - ♦ Sub-meter for brew house water
- ♦ Is Natural Gas Available?
 - ♦ 2.5" to 3"
 - ♦ High Pressure vs. Low Pressure
 - ♦ Depends on your equipment
 - ♦ Distance from the meter
- ♦ HVAC
- ♦ Electrical
 - ♦ 220 V vs 480 V
 - ♦ 400 AMP (with potential for additional capacity)
 - ♦ Distance to the Main Electrical Room
- ♦ Wastewater
 - ♦ Sanitary Sewer Location, Depth, Size (4" min), & Direction of Flow
 - ♦ Is Wastewater Treatment required by your local municipality?
- ♦ Fire Sprinklers

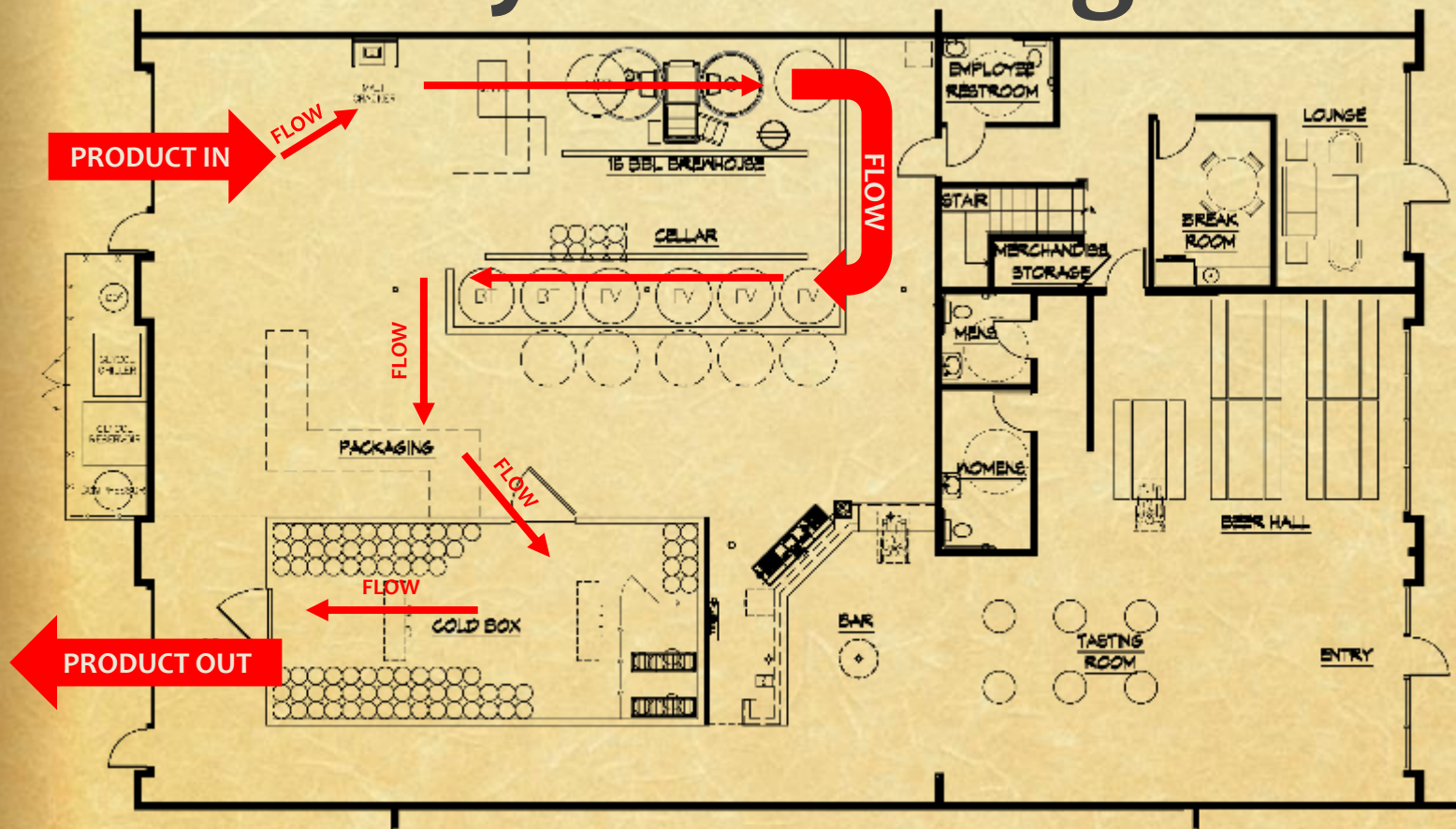


Layout & Design

- ◆ Product Flow
- ◆ Equipment
 - ◆ Glycol
 - ◆ CO₂
 - ◆ Boiler
 - ◆ Clean In Place (CIP)
- ◆ Grain (Fresh & Spent)
- ◆ Brew House
- ◆ Fermentation
- ◆ Cellar
- ◆ Cold Box
- ◆ Packaging
- ◆ Distribution
- ◆ Lab & Office
- ◆ Growth / Expansion
- ◆ Inventory
- ◆ Tasting Room
 - ◆ Customer Experience
 - ◆ View
 - ◆ Tours
 - ◆ Capacity
 - ◆ Retail Sales
 - ◆ Food



Layout & Design



Permits

- ◆ Building Department

- ◆ Building
- ◆ Structural
- ◆ Mechanical
- ◆ Plumbing
- ◆ Electrical
- ◆ Zoning / Planning
- ◆ Engineering

- ◆ Licensing

- ◆ ABC
- ◆ TTB



- ◆ Additional AHJs

- ◆ Department of Environmental Health
- ◆ Industrial Waste
- ◆ Food Establishment Waste Discharge (FEWD)
- ◆ Water / Wastewater
- ◆ Air Pollution Control District (APCD)
- ◆ Industrial Storm Water General Permit



Construction

- ◆ Selecting a Contractor
- ◆ Project Management
- ◆ Budget
- ◆ 10%+ Contingency
- ◆ Submittal Review
- ◆ Inspections



Curtis Chism



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Council Brewing Company

- ◆ 3 BBL Nano-Brewery
- ◆ Opened May 2014
- ◆ Produced 345 BBL's in 1st Year
- ◆ On pace for over 1,000 BBL's in 2nd Year with Beatitude Tart Saison cellar expansion
- ◆ 60 Oak Barrels in Barrel Program
- ◆ Currently Sell Most of our Beer through our Tasting Room



Opening a Brewery On a Shoestring Budget



Our Space Pre-Build Out



Prepping the Floor



Prepping the Floor



Opening a Brewery On a Shoestring Budget



Liz & Curtis



Finished Floor



Building the Bar Top



Finished Bar Top



Opening a Brewery On a Shoestring Budget



3 BBL Brewhouse



3 BBL Fermenters in Chamber



Finished Tasting Room



Tasting Room



Operating Profitably & Scaling Operations



Barrel Aged Sour Beer Released in 1st Year



Operating Profitably & Scaling Operations



Bottling the Hard Way



Bottling the Easier Way



Operating Profitably & Scaling Operations



Barrels Stacked 2 High



Barrels Stacked 4 High

Pallet Stacker



Operating Profitably & Scaling Operations



The Beatitude Line Up on Draft



Operating Profitably & Scaling Operations

New Beatitude
Tart Saison Facility
with 45 BBL Tanks



The Beatitude Bottle Line Up



Paul Sangster



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Rip Current Brewing

- ◆ 15bbl Premier Stainless brewhouse and cellar
- ◆ Fermenters:
 - ◆ Started with: 2 x 15bbl, 1 x 30bbl, 1 x 15bbl brite
 - ◆ Now have: 2 x 15bbl, 6 x 30bbl, 1 x 15bbl brite
- ◆ 800 bbl in 2014 and project 75% increase
 - Package only in kegs and stainless growlers
 - 150+ wholesale accounts around San Diego



Rip Current Brewing

- ◆ Business model focus on retail sales
 - 6770 sq ft brewery and tasting room in San Marcos
 - 3542 sq ft tasting room and restaurant in North Park
 - Majority of volume sold via tasting rooms
 - Focus on variety (>50) not flagship brands
- ◆ Barrel-aging program
 - RIS, Wee Heavy, Dark Strong, CVIP
 - Majority will be released in bottles during 2015



Growth After 1st Year

- ◆ Expanding production means...
 - Not only buying fermenters
 - Adding cold space, cooperage, ...
 - Expanding ingredient contracts/sources
 - Building issues (space, water, gas, electricity)
- ◆ Balanced growth enables incremental barrelage increases
 - Impact on batch turn-over time (fresh beer)
 - Packaging issues
 - Distribution?
- ◆ More people, more management



Expansion

- ◆ Second brewery and/or tasting rooms
 - Quality control/consistency
 - Scaling issues
 - Risks to alcohol permit
- ◆ Bottling and/or canning
 - Shelf life concerns
 - Proper clarification
 - Mechanical issues
 - Bottle conditioning vs forced carbonation
- ◆ Capital management
 - Loans to expand vs additional partners
 - Dilution of ownership



Beyond Year 2

- ◆ Plan for continued growth
- ◆ Outgrowing brewery
 - How to fit more fermenters?
 - Second brewing location?
 - Replace brewery?
- ◆ Barrel aging and souring program
- ◆ Proper QA lab
 - Cell counting, viability checking, yeast banking
 - Yeast culturing
- ◆ Centrifuge, filtration system





Q&A



Thank You!

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