

Proposal for Escape Velocity Brewing Company, LLC

Vision Statement

"The visions we offer our children shape the future. It matters what those visions are. Often they become self-fulfilling prophecies. Dreams are maps." - Carl Sagan

Core Values

- Work and grow as a team
- Celebrate the culture of beer
- Have fun
- Deliver a quality product
- Prioritize sustainability and environmental stewardship

The Brewery

Escape Velocity Brewing Company is a new brewpub in Lafayette, Indiana with a focus on producing high quality and enjoyable craft beer for the local market. We will initially produce five house beers: a Porter, an Irish Stout, a Belgian Wheat, a Czech Pilsner and an IPA. Escape Velocity Brewing Company will have its own taproom where customers can purchase pints, growlers (64 oz carry out), sample boards, and retail items such as glassware and shirts. The production facility will include a 5 barrel (bbl) stainless steel brewing system made by Blichmann Engineering, a local high quality brewery equipment manufacturer. The system will consist of five fermenters and five bright/serving tanks. This will provide a production capacity of approximately 1040 barrels a year. We intend to produce approximately 500 barrels in the first year of operation.

The brewery will utilize an existing vacant structure in Lafayette. The brewery will be located at 405 Sagamore Parkway S, Suite A-2. The 2,000 square foot building will provide ample space for dining, bar, and kitchen, (approximately 60 seats) with a small area dedicated as a homebrew supply shop. The property is located on Sagamore Parkway / Highway 52, a main thoroughfare in Lafayette and just a few miles off of I-65.

The taproom will be a bright colorful space, cosmic art, and comfort as the main focus. The bar and brewery will be located near the back of the property, with the front area dedicated to family seating, office space, and the homebrew shop. The brewing equipment will be separated by a short wall to allow patrons throughout the taproom to view the equipment.

Along with cosmic decorations and murals, we will also have a space reserved to display a rotating collection of art from local artists.

Lafayette is a diverse cultural community with only four breweries and a growing appetite for finer foods and beverages. With the craft beer renaissance occurring throughout the state, the success of new beer opportunities throughout the state and in Lafayette proves that the

Lafayette area is eager to try new and better beer. The craft beer culture has grown in the area over the past few years, but compared to the other urban areas of the state, Lafayette is still lagging behind in the number of local breweries. A 2015 SimmonsLocal consumer survey shows Tippecanoe County has seen an increase of 3.84% in craft beer drinkers since 2012, moving from 15.72% to 19.56% of the population identifying as craft beer drinkers. Consumer interest in craft beer in Tippecanoe County compares favorably on both a local and national level. Vanderburgh County, home of similarly sized Evansville, is still only at 15.57%, and the US rate of craft beer drinkers is just 16.20%. We have an opportunity to capitalize on an emerging market where there are few local breweries, but high interest in craft beer. Having a high quality product that will appeal to craft beer lovers and a unique concept to draw in those who are not yet converted will help to set us apart

To maintain our competitive edge in the craft beer market, quality will be the number one priority for us. Serving a consistently fresh and delicious product to our customers will help develop loyalty, and be done through meticulous brewing procedures. Additionally, we will help keep our customers interested in our product by releasing small batch and seasonal beers to complement our five main house styles.

Along with the quality beer being produced and served in the pub, Escape Velocity will also offer appetizers, soups, salads, and sandwiches with all options being vegetarian or vegan. This choice of menu will set Escape Velocity apart from other pubs as a destination for the growing vegetarian / vegan community. A 2015 SimmonsLocal consumer survey estimates that 8.17% of the US population identifies as vegetarian. In Tippecanoe County, where Lafayette is located, 8.51% of residents identify as vegetarian, slightly higher than the national rate. This is a dietary trend that is increasing among younger demographics, the same who are most likely to frequent a brewery. As of writing this, the only all vegetarian restaurant in Lafayette is EMT food truck which operates with limited hours.

Initially, all beer will be sold through the taproom directly to the consumer via pints or growlers (64oz reusable bottles), allowing for a higher profit margin and better control over the quality of the product. Offsite sales of kegs can be achieved on a limited basis if the demand is present. Though the majority of beer will be sold on sight for a higher profit margin, offsite sales are limited only by our need to expand tank space. The brewery space will be sized with sufficient floor space for tank expansion.

Environmental sustainability will also be a focus for Escape Velocity with proper waste water treatments, and extensive solid waste and recycling programs implemented.

Administration and Management

Jason Behenna, owner and Head of Operations and Marketing, will serve full time as Head Brewer, general manager, and Webmaster/Marketing Director for Escape Velocity Brewing. Jason received his B.S. in Computer Graphics Technology in 2006, and has been working as a Graphic Designer and Web Developer since graduating. He has served as the Marketing Director for the Indianapolis Literary Pub Crawl since its inception in 2013, and has gained valuable experience creating and executing marketing campaigns to demographics similar to

those of people who frequent breweries. His brewing journey started in 2008 when he received his first brewing kit as a gift, and quickly took off from there. He has read the Brewer's Publications books on Water, Malt, Hops, Yeast, and Quality Management, the American Society of Brewing Chemists books on Flavor, Foam, and Freshness and two how-to books for the dos and don'ts of opening a brewery. He has apprenticed as a brewer with Daredevil Brewing Co. on a 10bbl system where he learned to brew on a commercial scale, learned proper equipment cleaning techniques, keg and can packaging, and the importance of quality control. He was also the northern Indiana event representative for Daredevil where he gained experience interacting directly with customers, gaining sales experience, and learning directly from the consumer what types of beers are in high demand. He also worked in packaging and marketing for Fountain Square Brewing Co., gaining more packaging, marketing, and quality control experience.

With Jason's knowledge of the brewing process and his brewery experience, we are confident the beers will be of the highest quality. Jason's Irish Stout won gold and best in show at the 2016 Indiana State Fair Brewers Cup, beating 349 homebrewers and 849 competing beers, won Silver in the 2018 Indiana Brewers Cup, placed 2nd in the 2015 Upland Brewery Up Cup, and 2nd in the Regional round of the National Homebrew competition, the largest homebrew competition in the U.S. While growing up, Jason's family owned a pizzeria, and by the time he was 18 he was working as a manager.

While working for his family business he learned how important quality is in food production, values he will bring to the Escape Velocity kitchen.

The management team will be directed by Heather Howard (Jason's wife). Heather has her B.S. in Organizational Leadership and Supervision from Purdue University, and has spent more than a decade in supervisory and human management roles. In 2014 she received her Master's in Library Science, and is currently a Business Information Specialist/Assistant Professor of Library Science in the Parrish Library of Management and Economics at Purdue University. In her previous position as Office Manager for Barron Property Services, she was a member of the Society for Human Resource Management (SHRM) and has kept up to date with the changing fields of management and HR. Prior to that position, she worked as a manager for Potbelly Sandwich Works, and also as a Certified Trainer for the Olive Garden. Heather will oversee the human resources of the business, ensuring the customer experience mirrors the Escape Velocity mission. Heather will be assisted by a management team consisting of Head of Operations and Marketing (Jason Behenna), and the Tap Room Manager, Colin Jelliffe.

Colin Jelliffe, our tap room manager, has been working in the restaurant/bar industry for the past six years and has gained experience as a server, bartender, and manager. Colin will maintain the staff, keep the front of the house running smoothly, and assist with back end operations.

A CPA will be employed to oversee the monthly financial statement reporting and any other accounting needs for the company.

Though the kitchen will start off small, a kitchen manager will eventually be hired to help develop the menu, and maintain/run the kitchen.

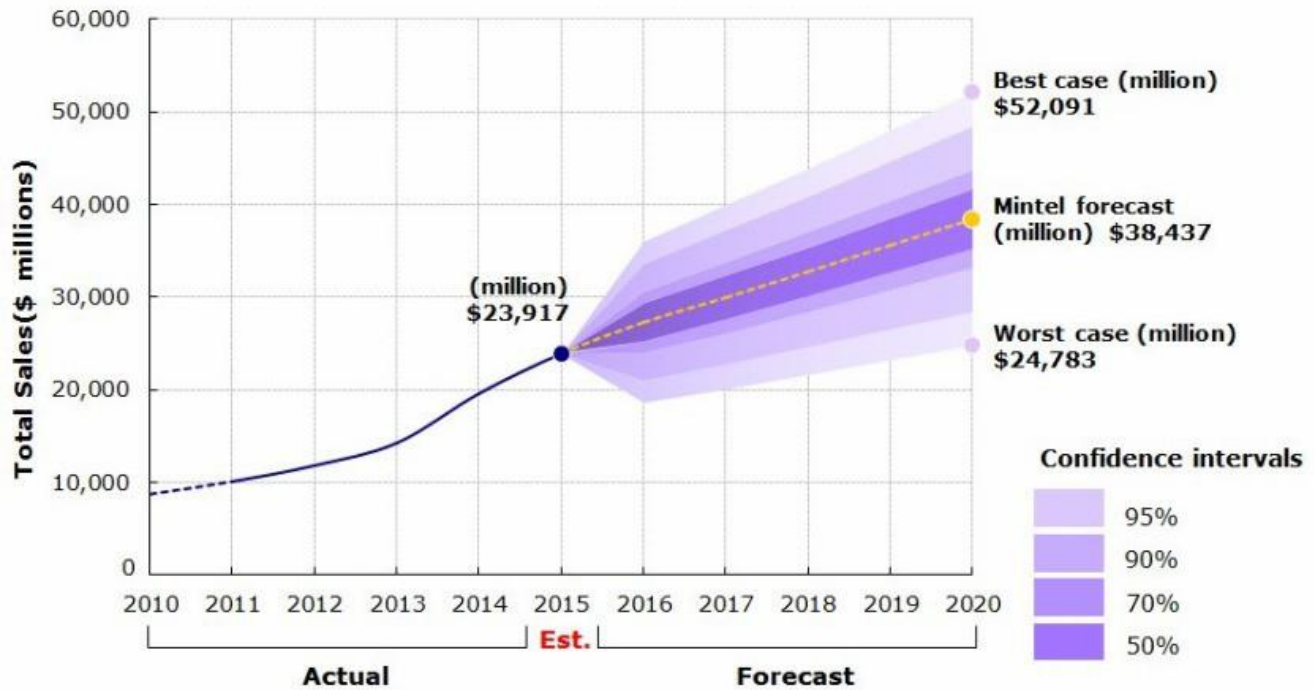
Market and Industry Analysis

Escape Velocity Brewing Company will join an industry that has seen incredible growth in recent years, reaching \$22.3 billion in 2015 with 12.8% growth in 2015.



SOURCE: BREWERS ASSOCIATION, BOULDER, CO

The market for craft beer is continuing to grow, and Mintel projects that by 2020 the market will have grown to \$38 billion.



Source: Mintel, Craft Beer US, 2015

As of 2015, Indiana was ranked 17th in breweries per capita with 115 breweries in total throughout the state. While this is a fairly good ranking for Indiana as a whole, one region that is currently lacking in breweries is the Lafayette area with a total of two breweries in full operation as of the writing of this analysis. This leaves the Lafayette area primed for brewery growth and plenty of craft beer drinkers thirsty for more quality beer options. Escape Velocity will add to the options local beer drinkers will have to experience the craft beer movement, as well as helping to create a larger brewing community. This will aid the Lafayette area in becoming a destination for craft beer drinkers and beer tourists.



INDIANA



2.5 Breweries per Capita*
(RANKS 17TH)
*per 100,000 21+ Adults

\$
ECONOMIC IMPACT
(2014)

1,076
Million Economic Impact
(RANKS 18TH)

230.56
Impact per Capita
(RANKS 27TH)

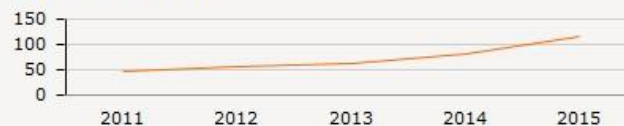


PRODUCTION

182,978
Barrels of Craft beer
produced per year
(RANKS 27TH)

1.2
Gallons per 21+ Adult
(RANKS 33RD)

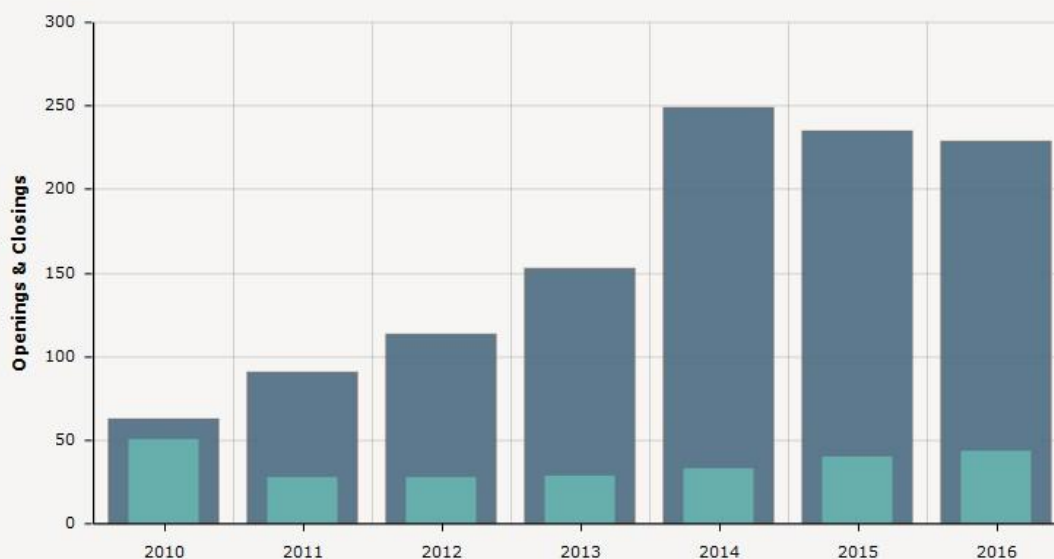
NUMBER OF BREWERIES PER YEAR



Source: Brewers Association, Boulder, CO

With the increase of craft breweries causing more competition for shelf space in stores and tap handle space in bars, the trend has switched to opening brewpubs. Brewpubs allow for direct sales to the consumer with the highest profit margin. This higher profit margin and lower attrition rate is why we have chosen the brewpub model.

Brewpub Openings and Closings



Source: Brewers Association, Boulder, CO

Marketing

Initial marketing for Escape Velocity will be handled by Head Brewer and Marketing Director, Jason Behenna.

Low to no cost marketing options will include:

- Engaging the public via social media (Twitter, Facebook, Instagram, Blog)
 - Posting photos of the brewing process
 - Maintaining an On-Tap list
 - Informing the public of events and tappings of new release beers
 - Blogging about our successes as well as our failures allowing the public to see our complete brewing process and how we correct mistakes to provide the best quality beer possible.
- Point of sale items
 - Branded coasters
 - Stickers
 - T-Shirts
 - Hats
 - Metal signs
 - Mission Patches
- Events
 - Community and regional events such as the Indiana Brewer's Guild Winterfest, Beers across the Wabash, etc.
 - In-house seasonal events such as a dark beer festival inviting other local breweries, food trucks, and other local vendors
 - Branded tent for use at events

Competition

As of writing this proposal, the only fully functional breweries in the Lafayette area are Lafayette Brewing Company (Brewpub), People's Brewing Company (Production brewery with taproom), Teays River Brewery & Public House, and Brokerage brewery (taproom only) in West Lafayette.

Two of these breweries have opened in 2017. The other two are more established.

Lafayette Brewing Company is the local staple. They were established in 1993 and have become known for their English style beers, restaurant, and event space. They are located downtown Lafayette, have full menu and lineup of beers, and their event space makes them popular for large groups of people and events.

People's Brewing Company was started by a former Lafayette Brewing Co brewer in 2009. They are a small production brewery with a small taproom and no food. People's main focus is production, so most of their product is sold off site to local bars or stores. People's beer is available throughout central Indiana.

There are several craft beer bars in the Lafayette area that sell a range of local, regional, and national craft beer.

The Pint is located just east of the Purdue campus and is on a slightly higher price scale than most beer bars, most likely due to their proximity to campus.

Across the river in Lafayette, the popular craft beer bars are Chumley's, which boasts having 50 craft beers on tap as well as bottle and can options, The Knickerbocker Saloon which does not have beer on tap but has a good rotating selection of bottle/canned craft beer, Professor Joe's which serves pizza and a small selection of craft beer, DT Kirby's which serves a selection of craft beer as well as the larger domestic styles, and Digby's which has a small selection on tap and in bottles/cans.

Revenue Structure

Beer in the taproom

The main product for Escape Velocity is beer sold in the taproom. We will have five distinct Escape Velocity beers sold on premise, hard cider from various producers from throughout the world, wine, and non-alcoholic root beer. The price per pint (16oz) will be set at \$5 for standard house beers with the option to sell seasonals or higher gravity (higher alcohol) beers for \$6-7. Some specialty or high gravity beers may still be priced at \$5, but for a 10 oz pour instead of 16 oz. Based on industry averages, we estimate that customers will order an average of 2.5 beers. We estimate pint sales will make up 60% of beer sales.

Food at the pub

Escape Velocity will serve hot soups, paninis, and salads, as well as snack foods such as bagged chips and popcorn. This menu allows us to offer healthy, comforting vegetarian and vegan options without the need for a full kitchen or grease trap / fryer. The Taproom Manager and a small kitchen staff will prep the day's food. Customers will order food at the bar or from a server if seated on the family side. There are multiple price points but the weighted average per person for food at the restaurant is \$10. We estimate that 40% of all customers will order food at the average price.

Growlers for takeout

Escape Velocity will sell growler fills (64 oz reusable bottles) for customers visiting the brewery and wanting to take beer home for consumption. Growlers are sold at \$12 for growler and beer or \$9 for a refill. We estimate growler sales will make up 40% of beer sales.

Merchandise

Escape Velocity will offer logoed merchandise including hats, t-shirts, pint glasses, stickers, and mission patches.

Environmental Sustainability

Our goal is to create a business that contributes more to the environment and community than it takes. The beginning of this for us is to run a business that produces as little waste as possible while creating quality beer and food. Jason is currently working with several Indianapolis breweries and the Brewers Guild of Indiana to establish a committee on sustainability that we hope will provide resources and guidance for sustainable practices to breweries and restaurants throughout Indiana including recycling programs, composting programs, and energy savings such as high efficiency lighting.

Financial Plan

Startup & Monthly Costs

As the financing options and costs specific to the brewery are not finalized, the figures used below are approximations, but provide a good starting point for basic financial projections such as break-even point or overall profitability. These will change as the project moves along.

Investment Capital

The initial investment of \$70,000 will be out-of-pocket by the owners, Heather Howard & Jason Behenna.

Crowdfunding and outside, silent investors have raised a total of \$100,000.

A \$78,000 equipment loan has been acquired by Escape Velocity Brewing for acquiring the 5 barrel Blichmann Engineering brewing system. This is currently the only loan taken out by the brewery during the construction and opening process.

Since this is a start-up operation, a steady increase in sales is forecast over three years, as consumer awareness and regular repeat business grows with a strong and consistent increase in the local population. A solid business plan, experienced brewer, and the management skills and experience being brought to the table by the owners should be sufficient to orchestrate the necessary growth to make this a successful launch with steady increases in sales over the first three years.