

## Assessment of XXX Plant Value and Operations



To: Board of Directors – XXX Brewing Co.

Fr: Jonas Rembert (Brewmaster, MBA)- KMB Consulting

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## Assessment of XXX Plant Value and Operations

Having spent one week at the plant, August 5 to August 9, I had the opportunity to speak with principal assets stakeholders within the business, observe operations and analyze the hard assets within the company – that is the production plant itself. It is my estimation that XXX Brewing Company will reach near-term profitability and grow into a regional producer of high-quality beer, in summary as follows:

- It is a small dynamic team of highly skilled individuals
- The principals alone hold over 75 years of professional specialized experience
- The state of the art plant includes a computerized wort production line, creating 65% cost conversion efficiency 60-65% is an industry standard
- Capacity to grow, wherein the cost per brewhouse point is 45% of capacity.
- Broad equity regarding label recognition
- Broad equity regarding number of taps and retail outlets in NY, VA, and MD
- Goodwill of the community and the state, as exhibited not only through the consumer but also its partnership with the State Park Service
- In-house sales force to support and integrate efforts within the distribution houses.

### 1. Notes on the asset appraisal

The appraisal of brewery assets is necessarily more nuanced than a straight acquisition or even a liquidation value of the equipment. While from a tax and bookkeeping standpoint the plant is depreciated and loses value over time, this is not the case with XXX's plant. It loses a modest amount of value due to wear and tear but with regular maintenance, the value of the equipment being made of steel, long lead times to replace wear items, capital intensive set up requirements, combined with the historic high of craft beer growth in America, the equipment loses no practical value as it ages. This will be illustrated in detail throughout the report.

## 2. The production facility within the business environment

The facility itself and the condition of its assets are largely excellent or new. In assessing book value of the equipment only, we followed, though were not limited to the following:

The initial costs of a Property, Plant and Equipment (PP&E) items may include:

1. Its purchase price, any import duties, non-refundable taxes, sales discounts, and rebates,
2. Any costs directly attributable to bringing the asset to the location and condition necessary for it to be operated,
3. An estimated value of the costs of dismantling and removing the asset and restoring the site on which it is located. This is commonly referred to as an asset retirement obligation (ARO).

Our position of appraisal is the *cost approach*, combined with the *market approach*. As this is a financing project the key indicator will be *Reproduction Cost New*. The cost approach assumes that the maximum value of an asset to a knowledgeable buyer is the amount currently required to purchase or construct a new asset of equal utility (Ekeocha 2012). As this is an ongoing concern, we are interested in productivity, ~~and new equipment data (age, wear, etc.). Therefore, we account for all existing costs associated with equipment, transport, siting, and break-down, rather detailed in the operations, and in particular replacement. There are currently 7000+ breweries operating today in the US. And while there are closures, new ones are still coming on line. Used equipment exists everywhere in the market and new equipment is the primary option for market entrants.~~



	2014	2015	2016	2017	2018	2017 to 2018 % Change
Craft	3,814	4,628	5,539	6,490	7,346	+13.2
Regional Craft Breweries	135	178	186	202	230	+13.9
Microbreweries	1,000	1,100	1,200	1,300	1,400	+7.7
Regional	1,000	1,100	1,200	1,300	1,400	+7.7
Independent Craft	200	200	200	200	200	0.0
Regional Breweries	1,000	1,100	1,200	1,300	1,400	+7.7

Figure 1 - Brewery count: 2014-2018. Source: *Brewers Association of America*, 2019

Once the replacement cost is established, the condition is accounted for by applying accrued depreciation, although this is more a function of the company's balance sheet.

The bulk of a brewery's equipment and functional equipment consists of steel vessels, fitted by centrifugal pumps, and air-sterilized product valves. As long as the integrity of the steel remains intact and the maintenance is maintained, the plants and value declines little over the life of the plant, especially in market conditions lead

to the scarcity of resources, as illustrated below. Figure 1 shows a 12.9% growth from 2017-2018.

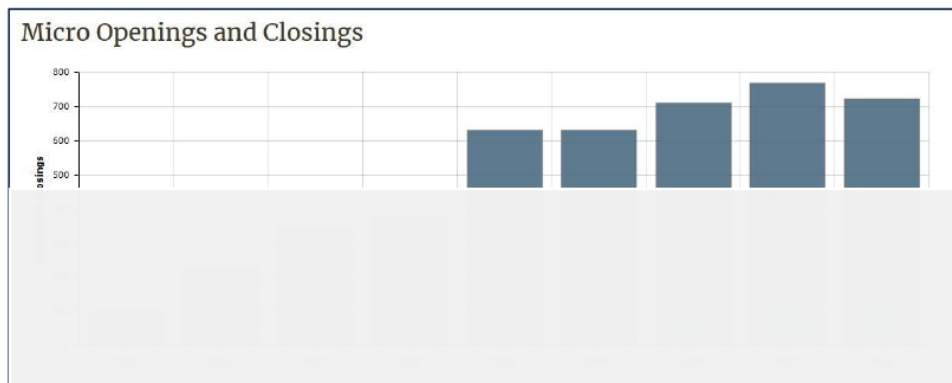


Figure 2 - Brewery openings and closing, 2010-

As seen in figure 2, the number of breweries opening still far outstrips closures in 2018.

Interpretation is resulting from the industry, even during the initial emergence in the 1980s-1990s. The following graph clearly illustrates the virtual exponential growth from 2011-2014, and then another doubling to 2018.

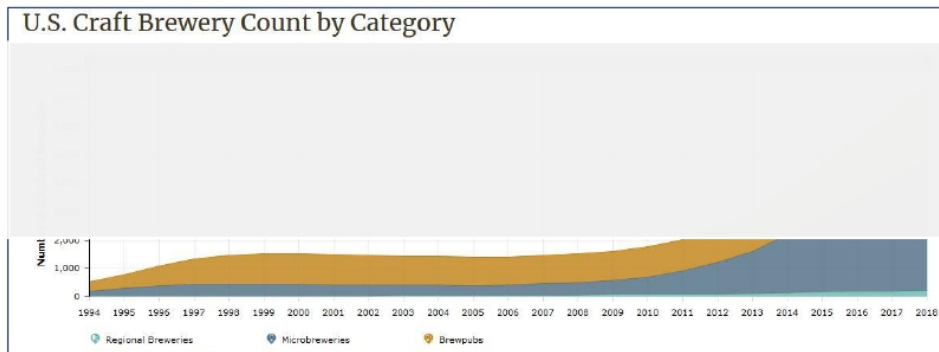


Figure 3 - Brewery growth since 199-

The lead time in acquiring new equipment is three to four months. The time to install a new facility is 90-150 days. Shipping, installation, licensing, and the wherewithal to operate a productive plant requires 6-8 months. Therefore, real value within 180 is the current production capability, coupled with the fact the production value remains established over the life of the plant.

Table 1 - Production Facility Replication

<p><b>Reproduction Cost New</b></p>	<p>The cost of reproducing a new replica of a property on the basis of <del>comparing with the same or closely similar</del></p>	<p>Feasibility or alternatives for plant expansion, change, modernization or <del>rebuilding</del></p>
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The master equipment list and assets were categorized in the following manner. They include in all of the aspects of which value of the facility was derived, in terms of hard assets.

Table 2 - Plant Classification and Identification

<b>Classification</b>	<b>Identification</b>
General Plant Equipment:	Lower unit cost items necessary for the operation of the plant, consisting of factory furniture and fixtures, benches, racks, lockers, scales, hand trucks, time recorders, ladders, fire extinguishers, and so on
Machinery	The most significant personal property values in a business. Items include individual machine units, manufacturing process units or systems. Items include wiring, piping and foundations
Plant Piping:	The term "plant piping" should be used for non-process types of industrial installations. Included in both of the above piping classifications will be pipe fittings, valves, hangars, instrumentation, meters, etc.
Motor Windings	2.50 tons, motor, motor, etc., which are not covered by the above
Power Plant Wiring	All wiring, switch, switch gear, distribution panels, switch houses, utility buildings, bus duct, bus bar, junction boxes, transformers used to distribute energy to electrically operated equipment (including those owned by the power company). Instrumentation equipment should also be included when owned by the client. May also include concrete foundations and platforms necessary to support the equipment and building which are on a utility system.
Tools	Classification should be separated between permanent and portable. Permanent tools are usually larger 20 tons. These items usually include portable electric and air tools, tools, wire, gauges, clamps, etc. Portable tools are usually items which are used by other than the user, and include drills, saws, dills, rollers, taps, and so on.
Source: American Society of Appraisers. Introduction to Machinery and Equipment Valuation Principles of Valuation Standard Manual, 1999, pp. 65-66	

Looking at the equipment list at the end of the document we have detailed all of the hard assets of the brewery. They include each aspect of the plant, including building, machinery and each aspect of the facility included in the plant plan. These documents are included as Appendix 2 and 3.

### 3. (State, Province, Region) Beer, a snapshot

The following chart illustrates where XX stands within the US in a state-by-state comparison of Micro and Craft Brewery operations.

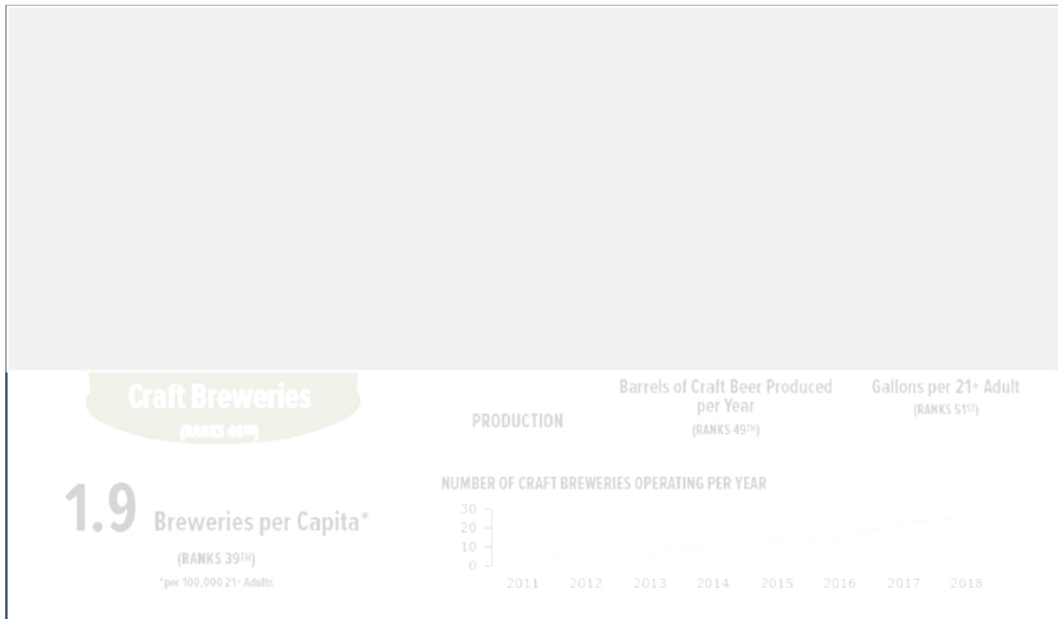


Figure 4 - XX positioning in US market

It's economic impact measures at \$293,000,000. This includes brewery personnel but also the ancillary trades associated with operation of the plant: farming, shipping, vocational trades, fabrication, and various aspects of the service industry. It's impact per capita falls at ~~2014.74, ranked 45th, as XX also ranks 45th in population density.~~ ~~This currently ranked figure is to be the with 70th position among US state economies, yet we will be exceeded,~~ xxx may produce value in excess of the State average and create growth within ancillary trades.

~~Of particular note, 2011 saw the operation of only two craft breweries whose numbers as of 2018, have now reached to about 25.~~ Additionally, the total barrelage produced is 18,951. At current levels and with new developments in XX chain groceries and entry into the Maryland metro area, XXXX will reach 6,000 bbls. in calendar year 2019. This

puts them near 30% of total production for the state. Such a strong home presence will assure stability crossing state lines into more competitive markets.

#### 4. Business Value as a going concern

The following graph illustrates a salient perspective of our plant and production activities. It is clear we are within the arc of *data point b*, where we show *fixed assets* in use. We have detailed them at length and will clearly illustrate their utility. Secondly, the plant holds intrinsic *productive* value. This includes human resources, efficiency, brand equity and

*optimal conservation. Lastly, there is goodwill, defined with the consent of Corporate Board Value. This is representative of relationships with the greater business community, established primarily in our 200 establishments which represent our product. In a hyper-competitive market such as the beer industry, with*

*cost (of) placement, and top space in a highly sought after community.*

It is with continuing effort and resilience that XXX has acquired this market presence. It is these last two elements which push the enterprise into the convergence of earnings and value, or *data point c*.

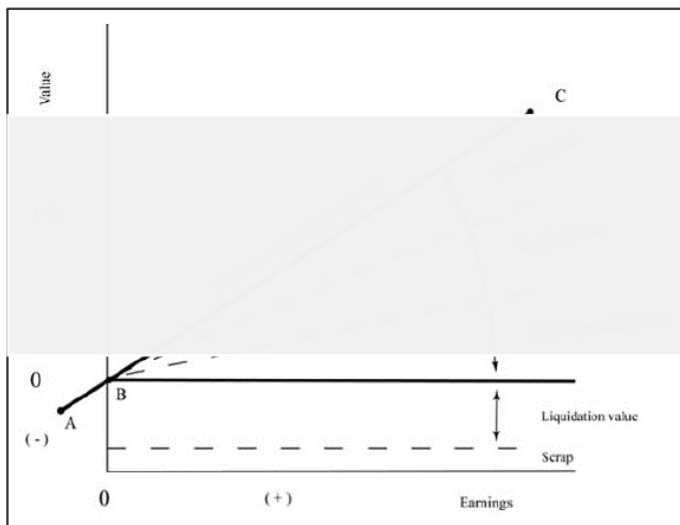


Figure 5 - Valuation Chart and -

## 2. Productivity of the plant, a comparison

XXX's plant is unique among craft brewers, represented by less than 10% of American brewers in one respect, its *Mash-Press* extraction system. This benefits the brewer in two primary ways to be illustrated shortly as follows:

- The barley malt is converted with up to 95% efficiency. Most traditional methods/under systems convert at around 65% efficiency.
- The wort (raw beer) production time is cut by 50%. Our plant can produce wort at twice the rate of a standard plant.



We may illustrate the importance briefly here. Sugar is extracted from raw barley malt at a certain rate. 95% efficiency means we garner nearly all of the fermentables in the malt itself, with a 5% loss as opposed to a nearly 20% wastage from standard methods. Our Brewmaster, using his proprietary methods has:

- Cut production time of wort from 8 hours to 4 hours. For example, at 330 batches per year, this saves 1200 man hours, 60 weeks of labor.
- 95% less malt is required. If a batch for example requires 600 lbs. of malt, it only requires only 300 lbs. That, after shipping costs about \$1.50 per pound (barley)

using 100 per bbl x 600, amounting to a \$10,000, annual savings on the cost of  
 100 to produce the same high-quality beer.

3) Additionally, shorter lead times and reduced water requirements cut the amount  
 of gas and water needed to process.

- 4) Finally, in our weekly goal of running a *lean* plant, labor saved in wort  
 production, frees up manpower resources for other more time and resource  
 intensive aspects of the brew process.

Secondly, the plant utilizes a machine called a **scrubber**. Perhaps it is a mechanical  
 device that captures and cleans the beer. From primary fermentation to perhaps early beer,  
 the process loses about 10% to oxygen and process. Perhaps scrubbing, it is a  
 2-3% increase into the beer without increasing the  
 cost per barrel or diminishing the quality, with an  
 loss 10-15% of material during process. Additionally,

oxygen pick-up is minimized, O<sub>2</sub> being a detriment to  
 finished beer. This two percent over the course of the  
 year is a metric of real value.



### 6. Production Trends

XXX is on track to produce 6000 bbls. of beer in the calendar year 2019. Observing  
 current production using year-to-date comparisons show a significant growth curve  
 leading the plant to reach its full capacity of 18,000 bbls. by December 2021.

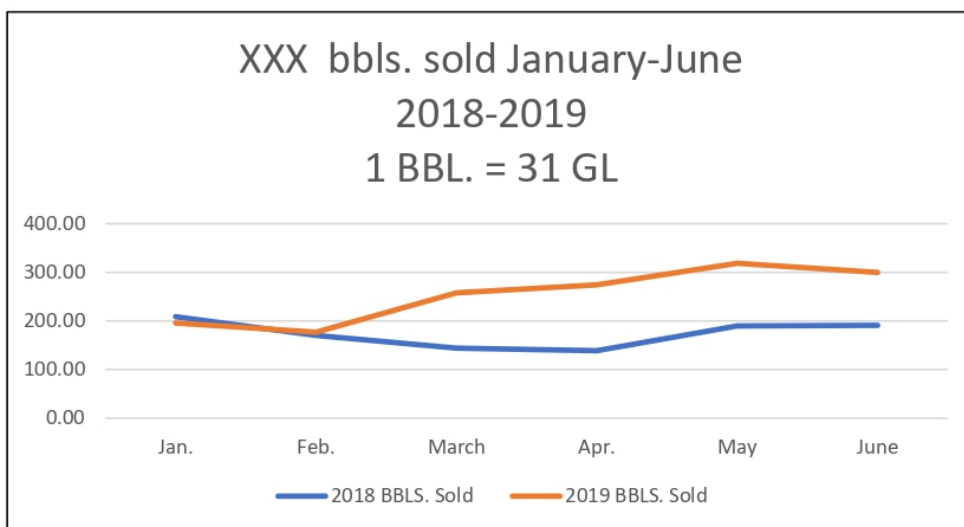


Figure 7 -



Looking at figure, we can see that year to date growth shows a 50% growth over 2018. The growth curve began in February to coincide with the Spring selling season, as February is traditionally the slowest part of the year.

The average increase in BBL, sold in 2019 was 62.65 Bbl./Month. The average increase in BBL, sold between 2018-2019 and the first 6 months of 2020 is 51.42 Bbl./Month. This trend suggests that 2020's growth is realistic and sustainable.

The following model, figure 8, illustrates this growth trend looking forward into 2020. With expansion into new markets and the indicators from March to June of 2019, it is fair to construct as follows.

The annual growth comparing 2018 to 2019 shows an 80.05 bbls. per month increase, as indicated by the green bars. Taking a cautious approach, we show that 2019 monthly growth is at 20.78 bbls. as indicated by the blue bars. We can average the two and get a realistic projection of 51.42, showing a sustainable, realistic monthly increase to reach the company's sales projection. More details can be found regarding our realistic monthly spending to 2020.

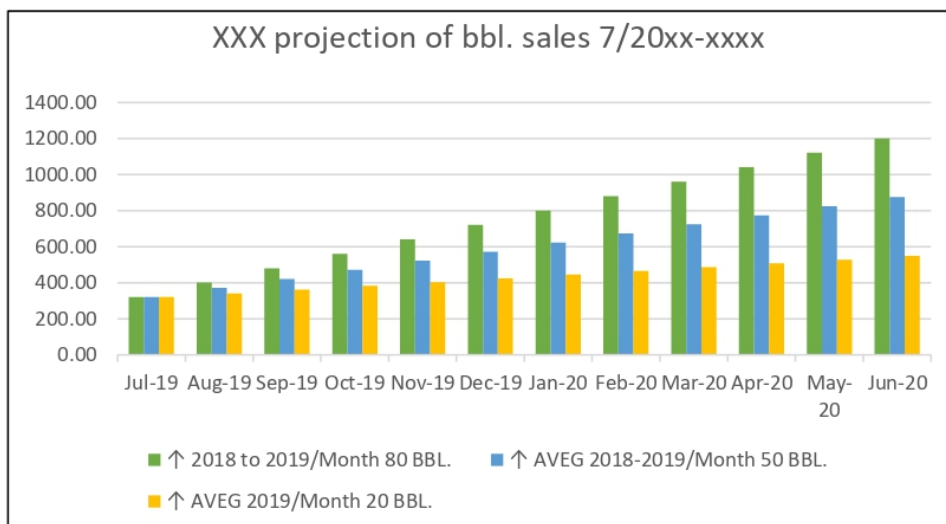


Figure 8 - projection of bbl. sales -

## 7. Comparable equipment on the market

- (USED) Brooklyn Brewery's Original 3 Vessel Newlands System 25 bbl. Well Maintained (\$250,000.00): 20 years old.
- Lot of (3) Pre-Owned 620-Gallon (20 bbl.) Fermenters ( \$55,000.00 ) 3 years old
- (USED)160bbl Unitank ( \$45,999.00 )

*\*listings provided by probrewer.com*

The above list includes examples of currently used equipment on the market. The range is from two to twenty years old and indicates that used equipment holds its value well, as referenced against the assets of our plant.

## 8. Labeling and proprietary value

XXX holds something of great value in an operating brewing concern; that is brand equity. Brand equity may be expressed in a variety of ways, among them are quality and **image of branding, and the proprietary property of the product formulation contributing to a high-quality product.** Both of these in turn drive consumer value.

XXX's branding shapes itself around the myths and **legends of West Virginia Beer, whether it be the historical figure the Steel Area Miners or the history of the Last World Census.** These two examples, among many others, are about West Virginia Beer, **planting it firmly on the** cultural map of America, and affirming the place and self-identity of XXX citizens. When consumers see our labels and enjoy our beer, they are after a

fashion affirming in their own identity as mountaineers and taking great pride in themselves.



As for the formulations of XXXX, Brewmaster and director of brewing operations – people enjoy the beer because of its pristine quality, and over 22 years of *experience and craftsmanship goes into it. You cannot match anyone our master crafted skills in a short time. It takes skill, experience, and a lot of experience to grow these things.* Combined together, they are of inherent scope and productive value to XXX.

## 2. Consumption Value

XXX is a brewery steeped in tradition and fully cognizant of the modern age, targeting customers' technological expectations, utilizing an array of modern social media, combined with grass roots marketing techniques. There is a consumption value within the product itself, functionally speaking but more importantly, of emotional, epistemic, and conditional value. (Sheth 1991)

The functional value of beer is self-evident, relaxing and social in nature. Of particular focus here is the *epistemic value*; *the search for the product as a search for knowledge. Choices to the consumer are ever fullness as more products appear than one could try in a decade, much less a year. In this case, XXX products represent a search for knowledge, a search for differentiation. The continuous brands have all been tried and tried again, and new brands pop up every day. For something truly unique, one must search, not just for the product itself, but for its intent. The search here is done by XXX (Master Brewer), professional brewer since 1988, with education and input from XXX (General Manager), who has also brewed beer personally and professionally for 20*

years. That the long journey to create and experience demands beer comes not just with the consumption, but the creation and interaction with the beer, which manifests in the maturity of XXXX's mission and products as a cultural benchmark. This creates a mystique, this creates value. Consumers are drawn to it.

This is epistemic consumption value, transformed into an emotional bond, growing stronger over time, until the consumer becomes a devoted consumer. For XXX the value that is strong as they expect a XXX product to be great, and when it is, they are loyal.

## 12. Organizational Structure, Culture and Process

XXX has an exceptional team, led by three managers with over 60 years of professional experience among them. In tandem, their skills match the challenge of the market.

- General Manager, XXX skillsets display wisdom and subtlety. Sam has spent 20 years developing strong business and community contacts within the *Chickadee, XXX area. He knows the intricacies of management and has worked daily to engage with regulatory agencies.* His experience as a brewer, manager and entrepreneur provide leadership for XXX.
- XXX Director of Operations has a remarkably diverse background manager in a daily plant, working for the United Chemicals Chemical producing the *Chromatography/MS Mass Spec research and method development, and providing technical support for production units and laboratories.* His experience in the dairy, chemical manufacturing industries, and homebrewing, translate directly into the brewing industry.
- XXX, Brewmaster, Director of Brewing Operations is a 20-year veteran of the beer industry. He spent his years working in brewpubs, mechanized production facilities, and specialized in digital controls for a time. *The breadth of his brewing knowledge goes unmatched in XXX and beyond. He displays an insightful understanding not only of process but of people. Adds from his mastery of process to his invaluable skill in staff development.*

## 11.0000 Strategy – Consumer Relationship Management

The following demonstrate specific sales and marketing activity to reach the targeted goals for 2020. They are already in process and full implementation is but three to six months distant.

1. In 2018, XX occupied only in 7 Kroger stores in XX. Most recently working with the eastern United States beer purchaser from Kroger, XX is confident in their ability to produce quality beer at high volumes and agreed to place XX in all 44 stores in XX starting in September with placement for at least two product SKUs. Gross sales linked to this first step amount to \$100K annually, a conservative projection. Additionally, they expect placement in at least 8 stores in XX, developing a plan with the Kroger representative for further coverage of XX and movement into the XX and XX markets in 2020.
2. Currently, XX and the metro XX area sales continue to grow by approximately 25% per month with only cursory coverage for the state. They've been begun negotiations with the largest XX distributor to complete coverage of the remaining markets.
3. XX now currently sells products in 42 locations in XX. Recently, closing a contract for the entire state. Sales began in mid-July.
4. XX continues to seek every entry point by distribution this year. The facility is excited to meet the additional needs of targeted new areas.

There are several unique projects being worked on that will not only increase sales but give XX extra exposure, which includes the following.

- An arrangement with the XX State Park System in developing a beer for them under the XX logo to be served at XX resorts/parks statewide, as well as traditional channels. This beer, XX Parks, was released on June 15th and state park officials are supporting this beer at all suitable locations.
- XX is the Official Beverage of XX Forest. Marketing opportunities include

- Strong relationship with the park service superintendent and staff which has led to this title
- Holding commitments for XX being the primary XX craft served
- Strategic placement of signs and beer carts
- Branding of the Zip Line canopy, (this canopy is the largest on the east coast) guides with XX labels and signs.
- As you may already know, XX is making Piquette into the Crown Jewel of the park system.
- XX will package our Old Road Piquette (named after the road that they are converting to Road Awe IPA) and part of our marketing plan around the brand in 12 oz. cans, followed by a plan of action to do highly targeted sales with relationships along the Potomac and Valley trails.

7. XX now has 3 fulltime sales staff assigned to specific regions of XX and the Northern VA/DC Metro area. By September first they anticipate the addition of a third team member to serve just the Northern XX/XX metro and XX areas.

8. Out of state distributors have approached XX, interested in carrying the products.

9. During a recent meeting with the beer purchaser for *Go Mart*, agreement was reached for increased placement in those stores via packaging Road Awe and Old Road in 16 oz. cans. Placement in those stores will serve as a brand test to the viability of this packaging. There are discussions with Marshall University and XXU to have 16 oz. cans sold in their football stadiums, as well as to continue to produce 12 oz. cans for the other markets.

10. During a meeting with the beer purchaser for all *Par Mar* stores, a targeted sales plan was developed for placement in at least 80% of their stores by the end of this year.

11. Crown Whole Foods stores in the DC area carry XX draft products and have been approved for placement of canned products. Based upon positive customer

marketing and the support from the purchasing staff there, it is fair to anticipate these placements to increase.

12. XX canned products are now available in several *Total Wines and More* (a successful national chain) in the XX metro area.

13. The state of *XX* continues to be the #1 selling wine brand in *XX*. In the *XX* Valley alone *XX* outsells ALL New Belgium products combined!

The above notes are an outline of the strategy to meet 2019 year end goals for market placement. XX recognizes it is not enough to have initial conversations and place product. It takes an integrated, multi-faceted approach to comprehensively reach customers for a sustainable business relationship. The following Customer Resource Management (CRM) framework for the company follows a people first philosophy of business. The aforementioned managers of *XX*, *XX*, and *XX* have a combined experience of over 60 years. They are equipped to lead their teams and accomplish the business goals.

For XX, their consumers are wholesale and retail vendors, as well as the public at large. In addition to the management team executing a CRM strategy, the sales force also acts as boots on the ground. They are able to engage not only corporate vendors, but also customers at large within the restaurants and taverns. The following diagram illustrates how they implement the strategy:



- ◆ **Communication** is key to identifying customers, determining their needs, and filling their wants. A key factor is to listen, not talk, since they can tell you what they want.
- ◆ **Vision** is not only an image of the future, the willingness to **ask** building something unique. Vision is also having the perspective to understand and anticipate customer wants. Vision is a concept of depth, broad and wide, but also focused.
- ◆ **Process** is the metrics and procedures for fulfilling needs, **continually** taking in feedback and incorporating useful data into the operation.
- ◆ **People** will be the front-line resource of our CRM strategy. There are emails, texts, tweets, and FB posts, but most of these have a very low **channel distance** they don't get through in a meaningful way. To get to the needs of people, with a **1000** investment, personal communication, face-to-face, or cell/landphone calls are the most effective way to maintain relationships. People will say things in a **text** they would never say in person or through a more channel **distance**. A large part of the brewery's job will be building image and a mystique. The sales and marketing people will be in the field. The mission is the same in all; listen, respect, give people the time to reflect and respond.

## 12. Corporate Shared Values, Community, and the future



XX, as operated by XXX and his team, is more than a small beer factory in XXX, XX. It is a dynamic creative economic force within the web of XX communities, commercial and social. The reason for this being, XXX and his team operate by the model of Corporate **Shared Value**, a concept developed by economist Michael Porter, President of Harvard Business School, and member of the President's Council on Competitiveness and Productivity. XXX serves the community by providing a product and service of need. While their organization is devoted to social entrepreneurship, an organization devoted to serve the community. These initiatives aspects of social entrepreneurship are an important foundation within business. the creation of shared value and a capitalist system in which meeting social needs is not just a peripheral activity but a core aspect of every business (Driver, 2012; Porter & Kramer, 2011). XXX and his team are clearly operating not just to grow a business, but to grow a community.



Figure 9 - CSV- a full picture of social -

To clarify, businesses and groups could understand what connecting the success or failure of their organization - value creation, as opposed to looking only at the net profit accumulated through revenue or growth capabilities - value capture.

*Additionally, This means that value creation is a concept measured at the societal or system level,* while value capture is measured at the organizational or unit level (Santos, 2013). The XX organization looks at the whole picture, the whole community, and has succeeded in establishing a core anchor business within the local and State economy, thereby creating a productive economic cluster, replete with positive social externalities, stable business models and value creation at every level of their operations.

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Appendix 1

XX Human and Organizational assets				
Scope and Productive value				
Org. #	Company Asset	Features	Initiatives/ Direct Action	Initial value
A-1	Position in XX Market	Standard market position	Extensive market coverage	\$ 250,000.00
		20% share of volume total production	On track to reach 0,500 Mln. in 2020	
		Affected regional economic impact	Job creation, development and facilities management	
A-2	Plant productivity	20% cost reduction	State-of-the-Art technology	\$ 250,000.00
		High rate of automation	Advanced Plant Production	
		Stronger product quality	Customer service	
A-3	Labelling and Proprietary value	Unique and XX system	Local system and legends of XX	\$ 250,000.00
		Expert formulations	22 year Veteran Master Brewer	
		Emphatic response of consumer	XX loyalty and emotional response to product and staff	
A-4	Production Growth	Double of calendar 2018	100 Mln. in 2018, and 200 Mln. in 2020	\$ 735,000.00
		Growth in new markets	Expanded and new markets growth rates	
A-5	Management - XX & XX	Expert management team	Backgrounds in management, brewing and industrial flow systems	\$ 250,000.00
		60 years of industry/ professional management experience	Continual move towards lean production	

		<b>Visibility of Endgame</b>		
A-6	<b>Consumer Value</b>	<b>200 State Park centers - 200000 Year</b>	<b>An exponential relationship with park expenditures</b>	<b>\$ 250,000.00</b>
		<b>Highlight Consumer Value</b>	<b>Engage exponentially, the status of 200, which exceeded response</b>	
A-7	<b>Top location and store sets</b>	<b>Over 600 sets</b>	<b>8 full time regional sales staff</b>	<b>\$ 250,000.00</b>
		Over 600 store sets	Gives a personal face to the brand	
		Over 300 locations		
A-8	<b>Consumer relationship management</b>	Communication	Personally address customer and consumer needs, building relationships	\$ 100,000.00
		Vision	Perceiving and working for future goals	
		Process/ People	Fulfilling needs, Channel Rich Communication	
A-9	<b>Corporate Shared Values</b>	Serve a community need	Created jobs for 17 employees	\$ 250,000.00
		Established anchor business	Active with local/ regional non- profits	
		Develop economic clusters	Cooperation with ancillary industries	
A10				
				<b>\$ 2,850,xxx.xx</b>

Appendix 2

XX EQUIPMENT INVENTORY LIST						
Physical Condition						
Asset or serial number	Item description (make and model)	Category	Condition	Vendor	Model or Serial number	Initial value
1.00	17.5 Bbl. Mash-Tun	Production Equip.	Excellent	Aiger		
1.1	Hot Liquor Tank	PE	E	Aiger, DME		
1.2	Cold Liquor Tank	PE	E	Aiger		
1.3	Wort Kettle	PE	E	Aiger		
1.4	Wort Pump	PE	E	Aiger		
1.5	Mash Filter Press	PE	E	Blue Star	100-1000000	
1.6	Cold Mill	PE	E	Blue Star	100-1000000	
1.7	Wort Chiller Pumps x 7	PE				
1.8	Computer Controls	PE	E	Blue Star		
1.9	Hot Exchangers x 2	PE	E	Alpha-Land	100-1000000	\$ 40,000.00
1.10	Fermenter, 60 bbls. X 2	PE	E	DME		\$ 52,200.00
1.11	Fermenters, 20 bbls. X 2	PE	E	DME		\$ 20,000.00
1.12	Fermenter, 30 bbls.	PE	E	DME		\$ 16,600.00
1.13	Fermenter, 60 bbls. X 2	PE	E	DME		\$ 52,200.00

1.14	Auto-Stack, 30 bbl.	PE	E	DME		\$ 13,300.00
1.15	Auto-Stack, 30 bbl.	PE	E	DME		\$ 16,000.00
1.16	Auto-Stack, 30 bbl.	PE	New			\$ 22,000.00
1.17	Auto-Stack, 30 bbl.	PE	New			\$ 22,000.00
1.18	Tank Temp controller	PE	Excellent			\$ 1,000.00
1.19	Compressors, 150 bbl. @ 2,500	PE	Very Good			\$ 210,000.00
1.20	Compressors, 150 bbl. @ 1,500	PE	VG			\$ 74,000.00
1.21	Manual Keg Cleaner	PE	Good			\$ 8,000.00
1.22	Canning Line w/ depalletizer	PE	New			\$ 140,000.00
1.23	Canning Coder	PE	New	Hitachi	UX-D161WP	\$ 7,800.00
1.24	Portable Sanitary Pumps x 2	PE	E	variable speed		\$ 3,800.00
1.25	Clamps, Fittings, valves, sanitary product piping	PE	E			\$ 12,000.00
1.26	3 bbl. Pilot plant	PE	VG	Blichman		\$ 26,000.00
1.27	Oak Barrels x 24	PE	VG			\$ 2,400.00
1.28	Hot Liquor Tank	PE	N	DME		\$ 14,616.00
1.29	Centrifuge	PE	N	Alpha- Laval		\$ 83,000.00

\$ xxx,008.00

- 1.0 General Plant Equipment
- 2.0 Machinery
- 3.0 Plant Piping
- 4.0 Plant Utilities
- 5.0 Power Plant Utility
- 6.0 Tank
- 7.0 Pulp Mill

N- New	
E- Excellent	
VG- Very Good	
G- Good	
F- Fair	
P- Poor	
S- Salvage	

- \*initial equipment :5 years
- \*new equipment :1 year
- \*cumulative group :5 years




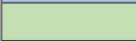



Appendix 3

XX EQUIPMENT INVENTORY LIST						
Physical Condition						
Asset or serial number	Item description (make and model)	Category	Condition	Vendor	Model or Serial number	Initial value
2.00	Speed Chilling Plant	Machinery	New	Cold Flow	CCHOPNF1000B22/407/404M/H1C	\$ 18,000.00
2.1	Steam Boiler	M	Very Good	Smith	1000-007	\$ 40,000.00
2.2	Industrial Air-Compressor	M	New	Ingersoll Rand	7000-000-000	\$ 10,000.00
2.3	Air-compressor	M	P			\$ 4,000.00
2.4	Boiling Water Filter	M	Excellent	Lanxide, Cngl.		\$ 2,000.00
2.5	Water-In Cooler	M	VG		1000-000-007	\$ 2,000.00
2.6	Cooling Compressor x 2	M	Excellent	Cold Flow	CCHAOPNF1000B22/407/404M/H1C	\$ 18,000.00
2.7	1st Glycol Chiller	M	F			\$ 40,000.00
2.8	Inline Carbonation Unit	M	New	Alpha-Laval		\$ 12,000.00
3.00	Industrial Water service feeds	Plant Install	E			*
3.1	Steam piping	PI	E			*
3.2	Refrigeration service	PI	E			*
3.3	Glycol Installation	PI	N			\$ 78,000.00
4.00	Electrical Service- 110- 220V, 3 phase	PI	E			*

5.00	Road vehicles	Plant Vehicles	VG			\$	20,000.00
5.1	Forklift	PV	VG			\$	4,000.00
5.2	Shipping, office	Plant				\$	20,000.00
6.0	Shop tools	General Plant Equipment	E			\$	3,000.00
6.1	Comptons	GPE	VG			\$	4,000.00
6.2	TV Screen Equip/ Field of Gains	Types	E			\$	4,000.00
6.3	Types Screen and Screen	TV	E			\$	14,000.00
6.4	Lab Equipment	GPE	E			\$	20,000.00
6.5	Field control Desk like	GPE	VG			\$	4,000.00
7.0	Construction, labor and materials	Plant	E			\$	198,000.00
7.1	Fluorid and cooling	F	E			\$	27,300.00
7.2	Fluorid	F	E			\$	13,800.00
8.0	Star in Process	Liquid Asset				\$	120,960.00
8.1	Star in Order	LA				\$	32,650.00
8.2	Employee stock, type	Planting	E			\$	30,000.00

\$	xxx
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|-----|-------------------------|---------------|--|--------------------|
| 1.0 | General Plant Equipment | N- New        |  | *initial equipment |
| 2.0 | Machinery               | E- Excellent  |  | *new equipment     |
| 3.0 | Plant Piping            | VG- Very Good |  | *cumulative group  |
| 4.0 | Plant Vehicles          | G- Good       |  |                    |
| 5.0 | Power Plant Utility     | F- Fair       |  |                    |
| 6.0 | Tools                   | P- Poor       |  |                    |

<b>Total: Property, Plant, Equipment and Productive Value</b>	\$ 2,850,000.00 +	\$ 1,445,008.00 +	\$ xxx =	\$ x,xxx,xxx.xx
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