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\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

*This is a business plan and does not imply an offering of securities.*

# **Black Ty Brewing Company, Inc.**

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## **1. Executive Summary**

**Black Ty Brewing Company** is a debt-free, startup, Craft Brewery that has devised an incredible, proprietary beer product that has taken their local beer market by storm. The company has a tremendous following, and prospective customers have been continuing to bombard the owners with inquiries as to when they will be able to purchase these products. The company is currently seeking licensing from the Alcohol Beverage Control Board of California, as well as Federal licensing, in order to take their product to market.

Black Ty Brewing Company as a C-Corp pending company. The company is currently owned by three equity partners including the founders.

### **1.1 Business Opportunity**

**Black Ty Brewing Company** has introduced a line of flavored beers they have branded as "TNA Candy Beer." The brand has been protected by trademark. The candy beer line is produced through a proprietary brewing method, utilizing secret recipes that include fruits, teas, and hard candy. The TNA Candy Beer line is the answer to a very large demand from women, non-beer drinker, and high-end beer "coinsurers" who are seeking a non-bitter, more flavorful and fun beer selection.

Since the introduction of their first few flavored brews, Black Ty Brewing Company has been inundated with requests to purchase the beer. It is estimated the retail market will remain strong at a price of \$9.00 per bottle for these gourmet beers. This will allow for exceptional returns for Black Ty Brewing and its investors.

### **1.2 Product/Service Description**

The TNA Candy Beer line currently has 127 different flavors that are ready for production. Flavors such as; Passion fruit Mojito, Root Beer Stout, and Passionate Mango, have been very well received at local beer festivals, food and wine shows, and other community events. This line of craft beers was developed to answer the demand for a slightly sweeter, more fun style of beer that women and previously non-beer drinkers would enjoy. The alcohol content is slightly lower than many traditional brews, and the bitterness is all but gone.

In addition to TNA Candy Beers, Black Ty Brewing is also utilizing its proprietary brewing method to produce more traditional microbrews in lagers, ales, and stouts. The quality, refinement, and taste of these microbrews will rival any competitors' products. Black Ty Brewing also plans on releasing a line of baked goods infused with the TNA Candy Beer flavors. These baked goods are an excellent enhancement to the TNA Candy Beers, and have met with great favor among the public.

Black Ty Brewing Company will also release merchandise pieces emblazoned with the Black Ty and TNA Candy Beer logos and colors. This will add another profit channel as well as a branding opportunity for the company.

### **1.3 Current Business Position**

Founders, Tyrone Armstrong, Sr., and Judy Shapazian, currently hold 51% of the

company collectively. C. Richard Shephard, who was contracted by Black Ty Brewing to handle startup operations and marketing going forward, holds a 25% equity stake in the company. The remaining equity will be used to secure private investment funds.

Tyrone N. Armstrong, Sr., is a Brewmaster with over 10 years of experience. He is also a seasoned candy maker, and is the brainchild behind the TNA Candy Beer line. His is skilled in sales and networking, and has numerous business relationships within the industry.

Judy Shapazian, is an experienced business administrator and manager. She is the fiancée' of Mr. Armstrong, and upon their marriage in February of 2015, will be a full co-owner with equal powers within the company. Ms. Shapazian is experienced and skilled in business accounting, contract review, and possesses exceptional organizational skills.

Dr. C. Richard Shephard, is a 30-year veteran of marketing and business development within Corporate America. He holds a doctorate degree in Marketing Management, and serves as both the Chief Operating Officer, and Chief Marketing Officer of the company.

***Black Ty Brewing Company is currently in the process of registering as a C-Corporation in the state of Wyoming. Since the company intends to distribute their products throughout the United States, Wyoming stood out as the best state for incorporation due to the fact they charge no income taxes. Black Ty Brewing has secured a banking relationship with Founders Community Bank in San Luis Obispo, California. They are currently seeking startup funding to begin full production by February of 2015.***

#### **1.4 Financial Potential**

**Black Ty Brewing Company** expects to generate over \$370,000 in their first year of operation. Based primarily on the sale of their TNA Candy Beer products to retailers, bars, and restaurants. Sales are expected to more than double in year two, with year three projections conservatively set at \$1.66-million. **This equates to total sales of \$2.78-million over the first three years of operations.**

Production costs are currently around \$1.40 per 12 oz. bottle, however upon funding and the beginning of full production and distribution, the company will be well positioned to leverage far better pricing of raw materials and supplies. Black Ty has set a production cost target of \$0.95 per bottle.

#### **1.5 The Request**

**Black Ty Brewing Company is seeking two-hundred-fifty-thousand dollars (\$250,000) through private equity funds.** These funds will be used to secure the first 12-months rent (\$18,000) on a small production and warehouse facility, which is required prior to licenses being issued. Funds will then be used for required modifications and upgrades of this facility (\$4,000), initial licensing expenses (\$1,000), and two (2) 52-gallon brewing systems with accessories and initial supplies and raw

materials (\$80,000). The first brewing system will be purchased to begin full operation, the second will be purchased later in the year to increase production. Additionally, the company will need to purchase insurance (\$10,000), and pay legal expenses associated with incorporation, licensing, and preparation of documents related to new equity partners (\$10,000).

Remaining fund (\$77,000) will be kept on reserve to cover possible shortfalls in operating expenses within the first 3-years of operation.

## **2. Company Background**

**Black Ty Brewing Company** was conceived from a simple statement made to Co-Founder and Brewmaster, Tyrone Armstrong, Sr., by a close female friend during an informal discussion about beer. The question was posed, "Why is it that all beers have to be bitter?" Mr. Armstrong, who had also learned the art of candy making from his now deceased Grandmother, was immediately sparked with an idea that would lead to a revolutionary concept; "candy beer." This idea was brought to Mr. Armstrong's Fiancée' Judy Shapazian, who also became excited at the concept.

Tyrone, being an experienced home brewer, began immediately experimenting with different processes and flavor infusion techniques to brew a beer that would appeal to "no-beer-drinkers." The initial results were rolled out to family and friends with incredible feedback. Over the past 8-years, Mr. Armstrong has continued to develop and perfect his line of "candy beer," now known as TNA Candy Beer. He has passed out samples of a number of different flavors, including but limited to: Mango Ale, Root Beer Stout, and Mojito Beer.

The reaction to TNA Candy Beer's flavors was beyond what Tyrone could have expected. Word of mouth spread and Mr. Armstrong and Ms. Shapazian found themselves inundated with requests for this unique beer. The response was so positive, that they decided to enter one of their beers in a local beer festival where it promptly won a bronze medal. Winning the award was a surprise as Mr. Armstrong did not think the batch he entered was up to his own personal standards. Regardless of this, the beer was a tremendous hit.

Continued success with additional flavors developed by Tyrone, as well as encouragement from friends and family moved Tyrone and Judy to look at marketing his line of beers under the TNA Candy Beer product name. Additional products were conceived and all will be sold under the company he calls Black Ty Brewing Company.

### **2.1 Business Description**

**Black Ty Brewing Company** is an early startup beer brewing company based in San Luis Obispo, California. The company's principals are Judy Shapazian and Tyrone N. Armstrong, Sr. There is a junior owner, C. Richard Shephard, who holds 25% of the equity in the company. The company is currently in the process of registering in the state of Wyoming as a C-Corporation.

Black Ty Brewing Company, Inc. will be the proprietary producer of TNA Candy Beer, which will ultimately be available in 127 different flavors. In addition to the candy beer line, Black Ty Brewing Company, Inc. will produce a line of traditionally brewed ales and stouts, as well as products made from their line of beers. The TNA Candy Beer line will offer beers infused with candy and fruit flavors that virtually eliminate the bitterness that many non-beer drinkers do not like about traditional brews. This will open up a new market that has never before been tapped in this industry; prospective customers who are not "traditional" beer drinkers, women, and other drinkers of sweet cocktails.

At this time there is NO COMPETITION for this type of product, and Black Ty Brewing Company holds all patents for the brewing process, recipes, and flavors, as well as the term "Candy Beer."

## **2.2 Current Position and Business Objectives**

**Black Ty Brewing Company, Inc.** is poised to be the only provider of candy, tea, and fruit infused beers anywhere in the United States. The company has secured patents that will assure the proprietary nature of the products as well as the formula and brewing processes unique to Black Ty Brewing Company.

Black Ty Brewing's mission statement follows:

*"The goal of our brewery is to produce products that will appeal to every member of the adult public; beer connoisseurs and non-beer drinkers alike. Our products are of the finest quality possible, and we will stand by these products to assure complete consumer satisfaction."*

Black Ty Brewing Company, Inc. will keep this philosophy in mind as they strive toward sales of \$1.66-million in year three. This would equate to a total income of **\$2.78-million over the first three years.**

## **2.3 Ownership**

Principal Partners, Judy Shapazian and Brewmaster, Tyrone N. Armstrong, Sr., will maintain 51% equity in Black Ty Brewing Company, Inc., as the major stockholders. C. Richard Shephard will maintain a 25% share of stocks in exchange for serving as Chief Operating Officer and Chief Marketing Officer for the company. The remaining shares will be in the hands of other stockholders who have invested in the company through Private Placement.

*The company currently has no debt. A banking relationship has been established with Founders Community Bank of San Luis Obispo.*

### 3. Products

TNA Candy Beer is a line of infused beers brewed specifically to be slightly sweeter, thus more appealing to those who have not previously been favorable of beers. With a large selection of flavors infused into the brew, our line of candy beers has already taken the beer community by storm. Our Beers contain everything from fresh exotic fruits, to unique teas, our special "In-House" candy infusions make our unique and delicious beers truly special. No one in the brewing industry today has done what we do at Black Ty Brewing Company. We truly believe that this sets us apart from the rest of the U.S Craft Beer Industry.

TNA Candy Beers will first be distributed throughout San Luis Obispo, Santa Barbara, Monterey, Santa Cruz, and San Benito Counties. After which, we will seek to expand distribution into the remainder of California and the Western United States, and eventually nation-wide and internationally.

#### 3.1 Product Overview

TNA Candy Beers are produced through a proprietary brewing method that cannot be duplicated. This process is a closely guarded secret, as are our unique recipes from infusing hundreds of different flavors into our beers. TNA Candy Beers represent a new trend in the brewing industry, and target a new market of customers who have not previously been customers of other brewing companies or brands.

Some of our varieties are infused with high antioxidant fruits such as pomegranate and blueberries. These flavors can be promoted as "healthy" beers and will target the large and ever-growing group of health conscious individuals who seek out alternatives to traditionally unhealthy, high-calorie beers. Other varieties are infused with fun candy flavors such as; root beer, strawberry, and other candy flavors that we all remember from our childhood. Customers can also choose from rich, natural fruit flavors that remind them of their favorite mixed drink, but in a milder lower alcohol form. Flavors such as; Passionate Orange Mango, Passion Fruit Mojito, Root Beer Porter / Stout, Caramel Espresso Cream Ale, and "Life Saver" Burst, provide an alternative to bitter and boring traditional beers.

TNA Candy Beers will eventually be marketed in over 120 different flavors to delight any palate.

#### 3.2 Competitive Analysis

**Currently, no direct competition exists for Black Ty Brewing's line of TNA Candy Beer.** Although there are hundreds of thousands of brewers across the U.S. and abroad, they are all competing for the same customer; the traditional beer drinker. All of the brews being distributed are based on the same recipe of hops, wheat and/or barley, yeast, and water. With the base, all brewing companies in current operation are adding in their own formula of malts, nuts, and other grain-based ingredients, in an attempt to come up with something unique. However, the ultimate result is still a beer that is basically bitter to the taste. These beers are well received by the general beer drinking public. But, our line of Candy Beers is something truly different that will appeal to a segment of the public that have not previously considered themselves beer drinkers. These customers

are those who prefer a drink with less bitterness and a more refined finish. This is what TNA Candy Beer provides.

With patents on our unique brewing process, recipes, and brands, Black Ty Brewing Company is positioned to be the exclusive provider of these specialized beer products for many years to come.

### **3.3 Suppliers and Inventory**

The major items incorporated into the product are the grains, hops, and flavor products. Bottles, bottle caps, and brewing accessories are also required. The two primary vendors currently used are:

**Doc's Cellar Brewing Supply Store**, San Luis Obispo, Ca - Grains, Yeast, Hops

**More Beer**, Concord, Ca - Grains, Hops, Yeast, Kegs, Hoses, Hose Attachments, Fermenters, Brew Pots, Beer Kits, Co2 Tank, Beer Filters, Water Filters, and clamps.

Prior to the formal launch of our company, we will be seeking out and negotiating with other suppliers in an attempt to cut our costs and streamline production.

### **3.4 Research and Development**

Brewmaster Tyrone Armstrong has developed 127 different recipes for "candy beer." Of these recipes, a small number have been initially perfected and introduced to the public. Black Ty Brewing Company, Inc. is committed to only producing a top quality product that has been "perfected" to our standards. Following this philosophy, we will be consistently developing and perfecting the remaining recipes, as well as researching other unique beer flavors and perfecting them in our research brew house.

Black Ty has also researched other products which will eventually be distributed through sales channels across the country. Some of these products include: A line of more traditional ales, lagers, and stouts, as well as non-alcoholic beers, and a line of cupcakes made from our line of candy beer, along with a line of brand merchandise. Our constant research and development will assure Black Ty Brewing Company, Inc. will remain at the forefront of the brewing industry for generations to come.

## 4. The Industry, Competition and Market

United States citizens consume approximately 77.1 liters of beer annually. This makes the U.S. the 14th biggest consumer of beer products in the world\*. Additionally, the industry has seen a new demand from those who prefer a lower alcohol content and more flavor in their beer. According to The Huffington Post, "Craft beer companies across America are embracing a "less is more" attitude when it comes to the booziness of their brews. This summer, the popularity of so-called "session beers" -- craft beers with an alcohol content that hovers around 5.5 percent or lower -- has been making waves in the industry as consumers eschew big, hoppy bombers with double-digit alcohol content for an easier drink. Though session beers have always spiked in popularity during the summer, popular regional breweries like Founder's (Grand Rapids, Michigan), Deschutes Brewery Inc. (Bend, Oregon) and Lagunitas Brewing Co. (Petaluma, California) are now making session beers year-round, according to Crain's Chicago Business."

Of the above mentioned breweries, none have begun or even attempted to begin brewing a fruit, candy, or tea infused line of beers. However, we at Black Ty Brewing Company, through our extensive market research, have discovered there is a tremendous untapped demand for just this type of product. Black Ty Brewing Company, Inc. has already been answering this call. The TNA Candy Beer line has a lower alcohol content that ranges from 4-6%. And, with the huge number of available flavors brewed directly into the beer itself, there is no competition with the European "Beer Cocktails." As further proof of the growing demand for something different among traditional beer drinkers and non-beer drinkers alike, Austin Harvey, director of beer at Chicago-based craft beer cafe Beermiscuous has stated; "You're seeing a widening of the audience of craft beer," Harvey said. "It's easiest to get [consumers] into something when it's not as overwhelming -- not just in the flavor department but also alcohol-wise. Breweries are trying to make the audience for craft beer bigger while also providing something the average craft beer fan can drink every day."

Looking from the "outside in," it would appear Black Ty Brewing Company is in one of the most competitive industries in the U.S., if not the world. However, looking closely at the differences in the products produced, one will soon discover that there is currently NO COMPETITION for Black Ty Brewing's line of "candy beers" which are the cornerstone of our company. No other brewing company has ever produced or marketed a line of these unique and innovative brews. And, with Black Ty Brewing holding the rights to the "Candy Beer" name, as well as patents on their formulations and processes, we are assured there will be no competition for decades to come.

\*According to [Wikipedia.org/wiki/beer](http://Wikipedia.org/wiki/beer)

### 4.1 Industry Definition

**Here is a brief summary of the current Craft Beer Industry in America:**

- Today, 99 percent of the more than 2,800 breweries in the U.S. are small and

independent and traditional craft breweries (see Craft Brewing Statistics).

- Small brewing companies employed approximately 110,273 people in 2013, bringing a whole new meaning to the phrase, “will work for beer.”

- The volume share for craft brewers in 2013 was 7.8 percent, up from 6.5 percent in 2012.

- American tastes are changing. We increasingly want choices of flavor in the foods that we buy. For example, Nielsen Company research confirms that beer drinkers are shifting to more robust

- beer styles, and we know from Symphony IRI (SIG) that seasonal beer is one of the top-selling craft beer categories.

- Small and independent craft brewers are known for being passionate and innovative makers of full-flavored beer.

- The Brewers Association has defined 142 beer styles. The majority of these styles are all-malt based.

- Craft brewers are amazing community citizens and have donated millions of dollars to local causes and provide thousands of jobs across the U.S.

- The average American lives within 10 miles of a brewery. Hundreds of thousands of people have taken tours or sampled beers at their local brewery.

**The following headlines appeared in the Gallup Poll in past years:**

2011: Wine Matches Beer in U.S. Drinkers’ Preferences This Year

2010: U.S. Drinking Rate Edges Up Slightly to 25-Year High

2009: Beer Edges Out Wine, Liquor as Drink of Choice in U.S.

2008: Beer Back to Double-Digit Lead Over Wine as Favored Drink

2007: Beer Again Edges Out Wine as Americans’ Drink of Choice

Beer consumption in America is on the rise, and the popularity of craft beers is increasing exponentially every year. Consumers are willing to pay a premium price for craft beers, however the cost of to produce these beers is not much more than the cost of traditional lagers, ales, and stouts. This creates an incredible opportunity for very high margins.

**4.2 Primary Competitors**

As previously mentioned, there are no direct competitors for Black Ty Brewing Company's line of TNA Candy Beers. However, there are a number of indirect competitors within the craft beer industry across the U.S. According to U.S.A. Today the following are the best:

1. Dogfish Head, Milton, Del.

2. Stone Brewing Company, Escondido, Calif.

3. Boulevard Brewing Company, Kansas City, Mo.

4. Founders Brewing Company, Grand Rapids, Mich.

5. Cigar City Brewing Company, Tampa, Fla.
6. New Belgium Brewing Company, Fort Collins, Colo.
7. Lagunitas Brewing Company, Petaluma, Calif.
8. Bell's Brewery, Kalamazoo, Mich.
9. Russian River Brewing Company, Santa Rosa, Calif.
10. Sierra Nevada, Chico, Calif.
11. Odell Brewing Company, Fort Collins, Colo.
12. Three Floyds Brewing Company, Munster, Ind.
13. Avery Brewing Co., Boulder, Colo.
14. Oskar Blues, Lyons, Colo.
15. Rogue Ales, Portland, Ore.

Of all of the breweries listed above, none have a line of beer even remotely similar to Black Ty Brewing's line of Candy Beers.

#### **4.3 Market Size**

**The overall Beer Marketing in the U.S., according to the Brewer's Association, is \$400-Billion. The same report sets the size of the market for Craft Beers at \$74.3-Billion.** There are currently over 2,700 craft breweries in the United States, ranging from small microbreweries with one employee to the largest such as; **Dogfish Head** and **Stone Brewery**.

#### **4.4 Market Growth**

The total beer industry in 2013 saw negative growth of 1.9%, based on a Brewer's Association report. During that same year however, the craft brewing industry enjoyed an increase of 36.2%. Imported craft beers rose 49% that same year... Mostly due to a larger variety of lower alcohol, higher flavor based products. These statistics demonstrate the incredible opportunity for Black Ty Brewing Company and the TNA Candy Beer products.

#### **4.5 Customer Profile**

**Black Ty Brewing Company** has a varied base of customers with which to do business:

First, there is the **non-beer drinker**. This would include a large percentage of women who would prefer a slightly sweeter and/or fruity flavor to their beer as opposed to the bitterness which has long been associated with standard brews.

Second, there are the **beer connoisseurs** who pride themselves on their knowledge and affection for less traditional craft beers. Black Ty Brewing produces a line of more traditionally brewed lagers, ales, and stouts, to satisfy the most discriminating pallet.

Finally, there are the **non-drinkers**. Consumers who abstain from alcoholic drinks who would be highly appreciative of Black Ty Brewing's large selection of non-alcoholic brews.

Additionally, our customers might enjoy a line of gourmet cupcakes and other pastries made with our TNA Candy Beers. And, for those who are dedicated followers of Black Ty Brewing Company, we will have a huge line of brand merchandise and accessories.

## **5. Marketing Plan**

The marketing plan will be the key to the early success, as well as the continued growth of Black Ty Brewing Company, Inc. Our growth plan is very aggressive, so our marketing plan has to be just as aggressive.

We will begin with following up with previous inquiries we received from restaurants, bars, and nightclubs, regarding a possible distribution contract. After which, we will directly solicit other bars, restaurants, and nightclubs within our target markets. Once retail distribution channels are established on a consignment basis, we will begin converting those distributors to wholesale buyers.

We will also be producing direct mail advertising to consumers, as well as placing print and broadcast advertising. Black Ty Brewing sales staff will also be attending a large number of trade shows and conferences over the course of the year. The plan also includes attendance at several fairs, community events, food shows, and brewing events. This will provide an opportunity to expose our beer to the public, which has proven to produce tremendous interest and "buzz" at previous events.

Dr. Rick Shephard will serve as Chief Marketing Officer for the company. Dr. Shephard holds a Ph.D. in Marketing Management and has over 30-years of experience in marketing across all channels. This should provide Black Ty Brewing a tremendous advantage in promotion of their brand and products.

### **5.1 Competitive Advantage**

The primary advantage that Black Ty Brewing Company holds over its competitors is their brewing process. Brewmaster, Tyrone Armstrong Sr., utilizes a proprietary brewing process that cannot be duplicated. This is what gives Black Ty Brewing's products their uniquely different level of taste and smoothness. Incorporated into this process is a series of proprietary recipes that allow Black Ty Brewing to produce their unique "TNA Candy Beer" and its large variety of fruit, tea, and candy infused flavors.

The company is focused on "quantity over quality." This means that Black Ty Brewing Company will not release or distribute any product that doesn't meet the company's high expectations for quality, taste, and satisfaction. Customer satisfaction is our goal, and we will stop at nothing to assure our customers the finest beers available anywhere.

### **5.2 Pricing**

Currently, Black Ty Brewing Company's total cost per bottle of TNA Candy Beer averages \$1.40. Based on the fact that similar beers with a large demand are selling at a retail price of as much as \$8.00 to \$12.00 per bottle, we are pricing our products at \$4.50 per bottle wholesale. This pricing structure allows for the traditional markup of 2.0 at the retail level, while still allowing a strong margin for Black Ty Brewing.

Wholesale pricing of the product will likely come down as we are able to leverage lower costs due to higher volume and entertaining new vendor contracts. Black Ty is targeting a final per-bottle production cost of \$0.95 which will allow us to offer a wholesale price

of \$4.00 while maintaining our margins. This will allow a retail establishment to charge as much as a 3.0 markup and still move a substantial amount of product on a regular basis.

In comparing other craft beers bottle in 12 ounce servings, we have found that the higher demand selections are consistently selling in the high end retail range of \$10.00 to \$12.00. Black Ty Brewing in convinced that the quality, uniqueness, and variety of our TNA Candy Beers will create a high enough demand to easily sell at these high end prices through bars and finer restaurants, especially in major cities.

### **5.3 Distribution Channels**

**Black Ty Brewing** will focus on a variety of distribution channels to get our beers into the market:

We will begin with offering our products, on a consignment basis, through local bars and restaurants. Additionally, we will offer free tasting at community food events, county fairs, and beer festivals, with the intention of creating a "buzz" and instant demand for the products. This is exactly what has happened at events Black Ty has attended in recent months.

As popularity for our products grows, we will begin negotiating wholesale contracts with bars, nightclubs, restaurants, and select retail establishments. The key to this effort will be in placing sales personnel in the field to solicit sales to our targeted market. During the first six months, these sales efforts will be handled by the team at Guru Marketing Group, and Principal Consultant Rick Shephard.

The company also plans on promotional campaigns that will target the public sector. These campaigns will include: Direct mail pieces, retail signage, billboards, and broadcast advertising. Additionally, we will seek out no-cost forms of promotion such as press releases and media appearances. These forms of promotion have previously been used with great success.

### **5.4 Promotional Plan**

Black Ty Brewing Company has begun promoting their TNA Candy Beers through appearances at trade shows, fairs, beer and food shows, and other community events. Brewmaster Tyrone Armstrong has been interviewed and has made numerous appearances on radio stations.

Prior to beginning full operation, Black Ty Brewing will continue to utilize public venues to drive interest in their TNA Candy Beer line of products with the primary goal of continuing to build on an already strong public interest in the products. "Celebratizing" Black Ty's Brewmaster, Tryone Armstrong, will be a cornerstone of our public relations campaign. Additionally, Black Ty Brewing Company seeks to be know as a highly recognizable contributor to local and nationwide charities.

After production startup, Black Ty Brewing Company will promote their brand and products through print and broadcast media, as well as with vertical and network

partnerships and a strong sales and customer service force with "boots on the ground" in all of our market territories.

### **5.5 Feedback**

The R&D Division of Black Ty Brewing Company, Inc., will solicit customer feedback in cooperation with our marketing partners. This feedback will be analyzed and utilized when considering perfecting of existing products as well as new product development.

Feedback will be solicited from retail partners through direct, face-to-face contact and email surveys. Email and "location based" surveys will also be used to gauge customer feedback.

## 6. Operating Plan

**Black Ty Brewing Company** will begin mass operations from a single building located in San Luis Obispo County, California. This building will serve as the brewing facility as well as a warehouse for product awaiting distribution. As demand increase indicates a need to increase production, Black Ty will seek out additional facilities far in advance, in an attempt to not inhibit our natural growth curve.

### 6.1 Location

**Black Ty Brewing Company, Inc.**, is located in San Luis Obispo, California, and plans on keeping operations local to this same community.

### 6.2 Facility

**Black Ty Brewing** will maintain an approximately 1200 square foot building as a manufacturing and warehouse facility. The rent on such a building in this area ranges from \$1,200 to \$1,500 per month. Due to the nature of our brewing operations, this building will provide sufficient room for at least the first two years of production and distribution of our products.

### 6.3 Operating Equipment

The company needs to secure some manufacturing (brewing) equipment to implement full-scale manufacturing of our initial products. Below is a listing of the equipment required by Black Ty Brewing, and their respective costs:

1. 52 Gallon Brewing Unit (X2) - \$15,750 each
2. Brewing Accessories (X2) - \$11,700 each

Consumable supplies such as: Bottles, bottle caps, crates, boxes, etc. must be purchases on a regular basis.

### 6.4 Suppliers and Vendors

Current vendors doing business with Black Ty Brewing Company are:

Doc's Cellar Brewing Supply Store, San Luis Obispo, Ca - Grains, Yeast, Hops

More Beer, Concord, Ca - Grains, Hops, Yeast, Kegs, Hoses, Hose Attachments, Fermenters, Brew Pots, Beer Kits, Co2 Tank, Beer Filters, Water Filters, and clamps.

Additional vendor relationships will be developed as the company nears full operation, and continues to grow over the coming months and years.

### 6.5 Personnel Plan

**Black Ty Brewing Company** anticipates the need to hire one additional Brewer/Apprentice by July of 2015. The company is also projecting the need for a Client Services person sometime within the first 12 months of beginning operations. The budgeted salaries for these two positions are \$42,000 and \$25,000 annually, respectively. Additional personnel will be required as the company grows in the first two years,

including: Sales Representative/Delivery Driver(s), and an additional Brewer.

Personnel will not be added to payroll until an actual need arises, as opposed to hiring in advance of company production needs.

### **6.6 General Operations**

**Black Ty Brewing Company, Inc.**, will maintain a standard forty-hour, Monday through Friday, work week. Additional hours may be delegated to temporary workers as needs arise. Specific needs such as assembly of equipment, facility modification/buildout, and cleaning/sanitation needs, will possibly require additional personnel.

## **7. Management, Organization and Ownership**

Initially, Judy Shapazian will serve as the Company CEO. Mr. Tyrone Armstrong, Sr., will serve as President and Brewmaster. C. Richard (Rick) Shephard will serve as Chief Operating Officer/Chief Marketing Officer.

Ms. Shapazian is an experienced Administrator with 30 years of management and operational experience.

Mr. Armstrong is an experienced Brewmaster with more than 8 years experience, as well as a background in community leadership.

Dr. Shephard holds a Doctorate degree in Marketing, with 30 years experience in marketing, sales, and business development.

The strength of the company's initial management team will assure a successful startup and accomplishment of future growth initiatives.

### **7.1 Management/Principals**

Judy Shapazian, CEO, will lead oversee all management and their staff going forward. Tyrone Armstrong, Sr., President and Brewmaster, will oversee all manufacturing operations and staff.

C. Richard Shephard, COO/CMO, will oversee all operational and distribution staff, as well as marketing and sales divisions.

Additional corporate officers and middle management will be acquired based on need, as the company grows.

### **7.2 Organizational Structure**

Chief Executive Officer: Judy Shapazian

President & Brewmaster: Tyrone Armstrong, Sr.

Chief Operating Officer / Chief Marketing Officer: C. Richard Shephard, Ph.D.

Black Ty Brewing Company will develop a Board of Directors within 90 days of initiating full operations.

### **7.3 Professional Consultants**

Dr. C. Richard Shephard and his firm, Guru Marketing Group, LLC., have been contracted to take plan and implement development of this startup company, as well as all marketing, sales, and promotions. Dr. Shephard is compensated with a 25% equity stake in the company.

### **7.4 Ownership and Boards**

Judy Shapazian and Tyrone Armstong, Sr., will share a 51% equity stake in the company. Dr. C. Richard Shephard will hold 25% of the equity, with the remaining stocks being held by individual investors.

Upon finalization of the C-Corporation status of Black Ty Brewing Company, a Board of Directors will be selected by the major shareholders.

## **8. Goals and Strategies**

**Black Ty Brewing Company, Inc.**, is assured tremendous success with its unique brand of candy beers. **The first two years income projections of \$1.12-million** will provide a substantial profit margin that will be utilized to pay out investors and take the company into its next growth phase.

### **8.1 Business Goals**

The company has established revenue targets of \$370,000 in year one, \$750,000 in year two, and \$1,660,000 in year three. The first two years are based on the sale of TNA Candy Beer, moving to the introduction of non-alcoholic, traditional brews, and snacks made from our candy beer line, in year three. Although assumptions are based on our initial sales goals, we are anticipating sales of as much as \$3.5 million, or more, in year three, with a combined three-year sales projection of over \$5.5-million.

### **8.2 Keys to Success**

A few significant critical items will bolster or hamper the success of this venture. First of all, the owners' industry connections are the primary assets of the company, which makes introduction to the target customer's much more possible. These relationships have been fostered over many years, and have been involved in observing the evolution of the company since day one. These contacts have already promised assistance in getting the first products into the hands of the public.

Competition is not a concern at this point. With Black Ty Brewing holding the trademark to the term "Candy Beer" as well as patents on all formulas and processes involved in the brewing of these products, we stand to be the only manufacturer of these innovative beer products for decades to come. In fact, these trademarks and patents are the key to huge profitability as the beer gains popularity, as it could open the door for licensing the brands and process to a larger brewing company.

The contracted relationship with Rick Shephard and Guru Marketing Group, LLC, will allow for an exceptional marketing and promo program to be developed and implemented. The long track record of success that Guru Marketing brings, will assure Black Ty Brewing Company and TNA Candy Beer will become household words in the very near future.

### **8.3 Future Plans**

The company's current plan is to get as many varieties of TNA Candy Beer into the hands of consumers as soon as possible. The product will sell itself at that point. Black Ty will then move forward with plans to add additional products such as; non-alcoholic beers, rational lagers, ales, and stouts, beer infused baked goods, and brand merchandise.

The final exit plan for Black Ty Brewing Company, Inc., involves either a sale of the company to a large, international entity such as Anheuser-Busch or Miller Brewing; or a licensing of our brands, products, and formulas, to one of these same major corporations.

## 9. Financial Assumptions

The enclosed financials are based on several assumptions. They assume the owners will attract a minimum of \$100,000 of investor funding to begin full production by February 2015. Assumptions are also based on the company's ability to align with trade partners to retail the products to consumers. No investor distributions have been included in this projection. Depending upon performance, distributions will be made when appropriate.

### 9.1 Assumptions

#### Beginning Balance Sheet

**Cash** - The amount of cash acquired through the anticipated infusion of \$250,000 from initial investors, will be utilized to secure a production/warehouse location (\$4000), obtain required state and federal licensing (\$1000), purchase a two (2) 52 Gallon Brewing Systems (\$15,750 X 2), purchase initial brewing accessories (\$23,400), and purchase initial brewing supplies (\$6000). The remaining cash will be held on deposit to cover additional operating expenses and shortfalls, registration and travel to various trade-shows and conventions, travel to community food and cultural events, initial marketing and promotional materials and media charges, and additional personnel (temporary and permanent) as needed.

**Inventory** - Black Ty Brewing Company plans on having a 60 day supply of product on hand at any given time. This is the amount Black Ty would like to have on hand at the beginning of its operation to meet its first two month's sales with no delay in delivery.

**Fixed Assets (net)** - Includes the planned purchase of building improvements (\$4000), plus limited office furniture and supplies contributed by the founders. Contributions consist of computers worth \$1500, a phone worth \$150, a printer worth \$75, and office furniture worth \$100.

**Total Equity** - This is anticipated investment by equity partners, as well as the value of the office equipment and supplies contributed by the founders.

#### Profit & Loss

**Income** - Assumptions are based n anticipated dollar sales. Year 1 projects \$370,000. Year 2 projects \$750,000. While year 3 projects \$1,660,000. All sales are assumed to be on credit at net 30-days, and no bad debt.

**COGS** - Calculated as \$1.50 per unit for 12 ounce bottles, (at 25% materials, 7% labor, and 1% other).

**Advertising** - Annual advertising expenses for Years 1, 2, and 3 are \$9,100, \$10,200, and \$14,750 respectively. These funds will primarily be used for ad placement, broadcast promos, and sales materials.

**Insurance** - Black Ty Brewing Company will establish business and product liability insurance at an annual cost of \$9,500.

**Legal and Accounting** - Legal and accounting expenses assume pay-as-needed fees. Initially there will be a legal fee of approximately \$2,500 for documentation and registration of the company's C-Corporation status. Additional legal fees of approximately \$2000 will be required for costs associated with documenting any equity partners.

**Manufacturing Personnel** - Black Ty Brewing Company plans on hiring a limited number of employees during the first three years of operations. Assumptions of a Brewing Apprentice by July of 2014, and a Client Services person by the end of 2015 will add a payroll cost of \$42,000 and \$25,000 annually, respectively.

**Marketing Personnel** - All marketing will be headed by C. Richard Shephard and his firm, Guru Marketing Group, LLC., per contracted agreement. Within the first 6 months of operation, it is assumed that Black Ty will need to hire one (1) outside sales representative who will double as a delivery person. The assumed cost will be \$40,000 annually.

**Rent** - Monthly rent is calculated based upon an annual established lease agreement for Black Ty Brewing Company to acquire a 1200 square foot facility in San Luis Obispo, California for a rate of \$1,500 per month.

**Repair and Maintenance** - Facility repairs and maintenance will be handled by the founders. There is a possibility of the need to hire a temporary employee at an assumed rate of \$10.00 per hour, to assist in the assembly of needed equipment. There is also an assumed build-out/remodel of the facility to bring it up to code requirements for a micro-brewery facility, which would be \$4000.

**Research & Development** - R&D Assumptions of \$10,800 annually are calculated into our projections.

**Salaries / Owners/Asst.)** - No owner salaries are calculated into this projection. However, based on performance of the company, a salary of \$10,000 per month will be calculated into the projection at a later date. Assistant salary will not be calculated until a need arises.

**Trade Shows** - These funds will be used for Black Ty personnel to attend several regional and national tradeshow. This monthly amount will be highly variable depending on the dates of the shows and their locations. Current assumptions are made on an annual basis, with Year 1,2, and 3, projections being calculated at \$3,900, \$7,300, and \$7,300 respectively.

**Travel** - These funds will enable Black Ty Brewing personnel to visit and train new

customers as well as attend trade shows.

**Utilities** - Utilities are based upon local historical average for building occupancy in the same location and size as what is being sought by Black Ty Brewing Company.

**Depreciation** - Depreciation is calculated on a straight-line method based upon the associated life of assets. Computers and telephones are depreciated over 5 years, office furniture is depreciated over 7 years, manufacturing equipment is depreciated over 5 years, and building improvements are depreciated over 39 years.

**Interest Expenses** - Black Ty Brewing Company, Inc., will incur no interest expenses, as no purchases will be made on credit or loans other than 30-net terms from specific vendors.

**Estimated Taxes** - The annual amount estimated to cover taxes is calculated at an average percentage of 40 percent of net income before taxes. This amount is computed on a monthly basis.

## **Balance Sheet**

**Accounts Receivable (net)** - Since Black Ty Brewing Company will be extending its customers credit terms of Net 30, this is the amount of uncollected cash that is owed to Black Ty Brewing each month.

**Inventory** - Black Ty Brewing Company plans on having 60 days' worth of inventory on-hand at all times, this is the amount of inventory Black Ty Brewing will have on-hand at the end of each month.

**Fixed Assets (net)** - This is the value of Black Ty Brewing Company's equipment net of depreciation.

**Accounts Payable** - This is the amount Black Ty Brewing Company owes its suppliers for inventory at the end of each month.

**Line of Credit** - Black Ty Brewing Company's line of credit will be established only as an emergency fund to cover time lags between due dates on payables and dates of receipts.

**Notes Payable** - As no operational loans are anticipated, there will be no notes payable within the first 3 years of operation.

**Current Maturities** - None

## **Cash Plan**

**Cash Receipts** - 85-90% of sales to customers will be made on Net 30 credit terms. The forecast assumes that cash will be received in the month following the sale. Due to the nature of Black Ty Brewing Company's target market, no bad debt is anticipated.

**Inventory Purchases** - Black Ty Brewing Company plans on having 60 days' worth of inventory on-hand at all times. Black Ty will negotiate supplier terms of Net 30. Inventory purchases are derived from the raw materials required to brew our beers, such as; hops, grains, yeast, etc. Additionally, supplies such as bottles, bottle caps, labels, and boxes, will be purchased and kept on a 60 day inventory supply.

**Other Costs of Sales** - Additional costs of sales would include shipping of orders to customers. Orders will be charged accordingly on a case-by-case basis.

**Issuance of Debt** - Black Ty Brewing Company is currently debt free, and there are no plans on acquiring any form of debt within the three year margins of this plan.

**Principal Payments** - No loan payments are anticipated.

**Interest Payments** - Please refer to "interest expenses" in the Profit & Loss section.

**Line of Credit Activity** - Black Ty Brewing's line of credit will be primarily inactive, except to provide relief in emergency cash situations if they arise.

## **10. Appendix**

The following pages contain additional information and supporting documentation.