

**SUPPLEMENT NO. 1**  
**TO INVESTOR PACKAGE**

**Up to \$550,000 Worth of Non-Patron Membership Interests**

This Supplement No. 1 to the Investor Package (the "Supplement") supplements and amends and should be read with the Investor Package dated August 8, 2018 (the "Investor Package") relating to the offering (the "Offering") by Foremost Brewing Cooperative, a Cooperative ("we," "us" and the "Company"), of up to \$550,000 worth of Non-Patron Membership Interests (the "Non-Patron Membership Interests") at an offering price equal to \$1 per Non-Patron Membership Interest. This Supplement is being provided to investors to inform them of recent events that have occurred since the date of the Investor Package.

**An investment in the Non-Patron Membership Interests is highly speculative, involves a high degree of risk and is suitable only for investors with substantial means who can bear the economic risk of the investment for an indefinite period of time, have no need for liquidity of the investment and have adequate means of providing for their needs and contingencies. An investment in the Non-Patron Membership Interests should be made only by persons able to bear the risk in the event the investment results in a total loss.**

In addition to this Supplement, each investor should carefully read the Investor Package, including, but not limited to, the information set forth in the Investor Package under the Section entitled "Risk Factors." The Investor Package contains more detailed information about the Company, its business and financial condition and the Non-Patron Membership Interests.

In making an investment decision, investors must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved. The Non-Patron Membership Interests have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Investor Package or this Supplement. Any representation to the contrary is a criminal offense.

All capitalized terms used but not defined in this Supplement have the definitions ascribed to them in the Investor Package. Except as otherwise expressly amended by this Supplement, the Investor Package remains in full force and effect.

The date of this Supplement No. 1 is July 5, 2019.

## **RECENT EVENTS**

- I. LOCATION HAS CHANGED** - *The location will 136 W Bridge/131 W Broadway (entrances on north and south sides of building). This double-wide building is still in historic downtown Owatonna just three blocks from the originally planned building at 224 N Cedar Ave. The new building is larger, provides greater flexibility in design, and the anticipated renovation costs are less. There are 3 floors (basement, street level, and second floor) each with approximately 4,000 square feet. Brewing will be located in the basement. The kitchen and front-of-house will be on the street level. The second level, as well as much of the basement, will be unused initially and available for future expansion.*
  
- II. OFFERING MINIMUM REDUCED** - *Foremost Brewing Cooperative requires a total investment of approximately \$395,000 to develop, build out and begin operations. Of this amount, \$125,000 will come from debt financing. The remaining amounts are comprised of \$200,000 from non-patron members, and \$70,000 from patron members. Thus, the Offering Minimum has been reduced to \$200,000.*
  
- III. TIMELINE** - *Anticipated opening is 2nd Quarter 2020.*
  
- IV. UPDATED EXHIBIT** - *Project financials and budget have been updated and are attached hereto as Exhibit A.*

**ACKNOWLEDGMENT AND AGREEMENT**

In connection with the offer and sale by Foremost Brewing Cooperative (the "Company") of up to \$550,000 worth of Non-Patron Membership Interests of the Company pursuant to the Investor Package dated August 8, 2018 (the "Investor Package"), and this Supplement No. 1 to the Investor Package dated July 5, 2019 ("Supplement"), the undersigned hereby acknowledges and represents to the Company that the undersigned has received and carefully reviewed the Investor Package and the Supplement, and the information set forth therein, and that the undersigned consents to the changes to the offering set forth in the Supplement.

Dated: \_\_\_\_\_

Signature \_\_\_\_\_

Type or Print Name of Investor \_\_\_\_\_

Signature of Second Investor (if joint) \_\_\_\_\_

Type or Print Name of Second Investor(if joint) \_\_\_\_\_

EXHIBIT A  
(see attached)

## Section 10 – The Financials, Revised May 2019

### Projected Uses of Capital

To open Foremost Brewing Cooperative and operate it effectively in its first few months, we propose a total project budget of \$395,000. The \$140,000 reduction from the original budget was accomplished primarily by scaling back the size of the initial brewing system. The brewpub business model (as compared to a brewery) allows us to get started with a smaller system as we can meet additional demand with guest beers. The size of the brewing system can be increased at a later date when operations are established and the company is producing profit. The budget is allocated as follows:

<b>Projected Sources &amp; Uses of Cash</b>			
<b>Development &amp; Startup Period</b>			
<b>SOURCES OF CASH:</b>			
Equity Contributions - Patrons	\$ 70,000	# Individuals 350	% Equity 25.9%
Equity Contributions - Non Patrons	\$ 200,000	100	74.1%
Loan Financing	125,000		
<b>TOTAL SOURCES OF CASH</b>		<b>\$ 395,000</b>	
<b>USES OF CASH:</b>			
Land & Building	0		
Leasehold Improvements	50,000		
Bar / Kitchen / Brewing Equipment	140,000		
Bar / Dining Room Furniture	30,000		
Professional Services	8,500		
Organizational & Development	15,000		
Interior Finishes & Equipment	28,000		
Exterior Finishes & Equipment	6,000		
Pre-Opening Expenses	97,500		
Working Capital & Contingency	20,000		
<b>TOTAL USES OF CASH</b>		<b>\$ 395,000</b>	
<b>Equity as % of Total Investment</b>		<b>68%</b>	

## Capital Budget

<b>Capital Budget</b>		<b>TOTAL COST</b>	<b>Detail</b>
<b>LAND &amp; BUILDING</b>	<b>0</b>		
Land		0	
Building - Construction / Contractor Fees		0	
<b>LEASEHOLD IMPROVEMENTS</b>	<b>50,000</b>		
Construction Contract		50,000	
Landlord Contribution		0	
<b>BAR / KITCHEN &amp; BREWING EQUIPMENT</b>		<b>140,000</b>	
<b>BAR / DINING ROOM FURNITURE</b>		<b>30,000</b>	
<b>PROFESSIONAL SERVICES</b>	<b>8,500</b>		
Architect & Engineering		0	
Legal & MInvest Offering		7,500	
Project Consultant		0	
Accounting & Tax		1,000	
Name, Logo & Graphic Design		0	
<b>ORGANIZATIONAL &amp; DEVELOPMENT</b>	<b>15,000</b>		
Deposits (utilities, sales tax, etc.)		3,000	
Insurance Binder (property, casualty, liability)		3,000	
Workers Comp. Binder		1,500	
Liquor & Brewing Licenses		3,000	
Building Permits		2,500	
Other Licenses & Permits		1,500	
Utility Deposits (gas, electric, water)		0	
Change, Operating Banks & Petty Cash		500	
Menus / Menu Boards		0	
Lease Deposit		0	
Travel, Research, Concept Development		0	
<b>INTERIOR FINISHES &amp; EQUIPMENT</b>	<b>28,000</b>		
Kitchen Smallwares		6,000	
Artwork & Specialty Décor		1,000	
Music/Sound/Audio-Visual Systems		12,500	
Cash Register / Point of Sale		2,000	
Phone System		500	
Office Equipment / Computer		4,000	
Office Supplies		500	
Interior Signs		1,500	

## Capital Budget

	TOTAL COST	Detail
<b>EXTERIOR FINISHES &amp; EQUIPMENT</b>	<b>6,000</b>	
Landscaping		
Exterior Signs & Decorations		6,000
Resurfacing		0
Parking Bumpers		0
Parking Lot Striping		0
<b>PRE-OPENING EXPENSES</b>	<b>97,500</b>	
Construction Period Utilities		4,000
Construction Period Building Lease		10,000
Construction Period Interest		0
Uniforms		1,000
<b>Opening Inventories -</b>		
Food		3,000
Brewing Supplies		10,000
Beer, Liquor & Wine		12,000
Paper & Other Supplies		2,000
<b>Marketing -</b>		
Advertising		2,500
Mechandise		3,000
Opening Parties		1,000
<b>Personnel -</b>		
Management & Master Brewer		26,300
Hourly Employees		11,600
Payroll Taxes & Employee Benefits		11,100
<b>WORKING CAPITAL &amp; CONTINGENCY</b>	<b>20,000</b>	
Working Capital		20,000
Contingency		0
<b>TOTAL PROJECT COST</b>	<b>\$ 395,000</b>	

<b>Project Cost Per Square Foot</b>	<b>\$49</b>
<b>Project Cost Per Seat</b>	<b>\$3,591</b>

## Sales Projection

The sales projection makes several conservative assumptions, including that we will be closed on Monday and Tuesday and that diners will have appetizers only. The average check is \$17.50 per person; this is an increase from the original \$15.55 due to inflationary and market increases since the plan was first developed. Food input costs have been increased proportionally. Beverage costs have been increased to account for a larger percentage of guest beers due to the smaller initial brewing system.

Sales Projection Worksheet - Typical Week											
Number of Seats		Daily Sales By Category									% of
		Table Turns	Covers	Food	Liquor	Beer Onsite	Beer Offsite	Wine	Total	Week	
Monday	Bev Only	0.0	0	0	0	0	0	0	0		
	Lunch	0.0	0	0	0	0	0	0	0		
	Dinner	0.0	0	0	0	0	0	0	0		
	Day Totals			0	0	0	0	0	0	0.0%	
Tuesday	Bev Only	0.0	0	0	0	0	0	0	0		
	Lunch	0.0	0	0	0	0	0	0	0		
	Dinner	0.0	0	0	0	0	0	0	0		
	Day Totals			0	0	0	0	0	0	0.0%	
Wednesday	Bev Only	0.9	99	545	0	950		238	1,733		
	Lunch	0.0	0	0	0	0		0	0		
	Dinner	0.0	0	0	0	0		0	0		
	Day Totals			545	0	950		238	1,733	10.6%	
Thursday	Bev Only	1.1	121	666	0	1,162		290	2,118		
	Lunch	0.0	0	0	0	0		0	0		
	Dinner	0.0	0	0	0	0		0	0		
	Day Totals			666	0	1,162		290	2,118	13.0%	
Friday	Bev Only	2.5	275	1,513	0	2,640		660	4,813		
	Lunch	0.0	0	0	0	0		0	0		
	Dinner	0.0	0	0	0	0		0	0		
	Day Totals			1,513	0	2,640		660	4,813	29.4%	
Saturday	Bev Only	2.6	286	1,573	0	2,746		686	5,005		
	Lunch	0.0	0	0	0	0		0	0		
	Dinner	0.0	0	0	0	0		0	0		
	Day Totals			1,573	0	2,746		686	5,005	30.6%	
Sunday	Bev Only	1.0	110	605	0	1,056		264	1,925		
	Lunch	0.0	0	0	0	0		0	0		
	Dinner	0.0	0	0	0	0		0	0		
	Day Totals			605	0	1,056		264	1,925	11.8%	
WEEK TOTALS (restaurant only)	Totals in \$			4,901	0	8,554	750	2,138	16,343		
	Sales Mix %			30.0%	0.0%	52.3%		13.1%	100.0%		
Special Events (banquets, parties, catering)	Ave. # of Banquets, Parties/ Week	0.0									
	Ave. # of Guests	0									
	Per Person Average \$	\$0.00									
	Sales Mix %	80%	10%	3%		7%	100%				
Special Event Sales Per Week	0	0	0		0	0		0			
WEEK TOTALS - All Sales	Totals in \$			4,901	0	8,554		2,138	16,343		
	Sales Mix %			30.0%	0.0%	52.3%		13.1%	100.0%		

  

RECAP: Key Sales Numbers:	
Annual Sales	\$849,810
Average Monthly Sales	\$70,818
Annual Sales Per Square Foot	\$106
Annual Sales Per Seat	\$7,726

  

Growler Sales	
Weekly #	50
Price per	\$15
Weekly Sales	\$750

  

REALITY CHECK	
891	Total Customer visits per week
46,332	Total Customer visits per year
25%	% of visits from individuals outside the trade area
34,749	Total annual visits by individuals in the trade area.
19,803	Total Individuals in trade area age 25-64 with Household income >\$40,000 ("Target market")
40%	% of Target Market that will visit at least once per year
4.4	Average # of visits per year by customers in trade zone that visit



## Summary Income Statement for First Year

### Annual Operating Projection - Summary

	MONTHLY AVE		ANNUAL	
<b>Sales:</b>				
Food	\$ 21,236	30.0%	\$ 254,826	30.0%
Beverage	49,582	70.0%	594,984	70.0%
<b>TOTAL SALES</b>	<b>70,818</b>	<b>100.0%</b>	<b>849,810</b>	<b>100.0%</b>
<b>Cost of Sales:</b>				
Food	6,795	32.0%	81,544	32.0%
Beverage	12,354	24.9%	148,246	24.9%
<b>TOTAL COST OF SALES</b>	<b>19,149</b>	<b>27.0%</b>	<b>229,791</b>	<b>27.0%</b>
<b>Gross Profit</b>	<b>51,668</b>	<b>73.0%</b>	<b>620,019</b>	<b>73.0%</b>
<b>Payroll:</b>				
Salaries & Wages	19,310	27.3%	231,724	27.3%
Employee Benefits	4,948	7.0%	59,371	7.0%
<b>TOTAL PAYROLL</b>	<b>24,258</b>	<b>34.3%</b>	<b>291,095</b>	<b>34.3%</b>
<b>PRIME COST</b>	<b>43,407</b>	<b>61.3%</b>	<b>520,886</b>	<b>61.3%</b>
<b>Other Controllable Expenses:</b>				
Direct Operating Expenses	1,619	2.3%	19,422	2.3%
Music & Entertainment	300	0.4%	3,600	0.4%
Marketing	800	1.1%	9,600	1.1%
Utilities	1,600	2.3%	19,200	2.3%
General & Administrative Expenses	3,073	4.3%	36,876	4.3%
Repairs & Maintenance	550	0.8%	6,600	0.8%
<b>TOTAL OTHER CONTROLLABLE EXP.</b>	<b>7,942</b>	<b>11.2%</b>	<b>95,298</b>	<b>11.2%</b>
<b>CONTROLLABLE PROFIT</b>	<b>19,469</b>	<b>27.5%</b>	<b>233,626</b>	<b>27.5%</b>
<b>Occupancy Costs &amp; Depreciation</b>				
Occupancy Costs	7,122	10.1%	85,460	10.1%
Depreciation & Amortization	4,208	5.9%	50,491	5.9%
<b>Other (Income) Expenses</b>				
Other (Income)	0	0.0%	0	0.0%
Interest Expense	566	0.8%	6,787	0.8%
Other Expense	0	0.0%	0	0.0%
<b>NET INCOME BEFORE PROFIT SHARING</b>	<b>\$ 7,574</b>	<b>10.7%</b>	<b>\$ 90,888</b>	<b>10.7%</b>
EMPLOYEE PROFIT SHARING	757	1.1%	9,089	1.1%
<b>NET INCOME AFTER PROFIT SHARING</b>	<b>\$ 6,817</b>	<b>9.6%</b>	<b>\$ 81,799</b>	<b>9.6%</b>
<b>ADD BACK:</b>				
Depreciation & Amortization	4,208	5.9%	50,491	5.9%
<b>DEDUCT:</b>				
Loan Principal Payments	(294)	(0.4%)	(3,531)	(0.4%)
<b>CASH FLOW BEFORE INCOME TAXES</b>	<b>\$ 10,730</b>	<b>15.2%</b>	<b>\$ 128,759</b>	<b>15.2%</b>

#### KEY RATIOS:

Sales Per Square Foot	\$106
Sales Per Seat	\$7,726
Sales to Investment	2.2

## Break Even Cash Flow Projection

### CASH FLOW Break-Even Worksheet

Fixed Costs		Annual	Monthly
Total Management Salaries		\$ 105,000	\$ 8,750
Minimum Hourly Labor	70%	\$ 88,707	\$ 7,392
Employee Benefits		\$ 53,174	\$ 4,431
Direct Operating Expenses		\$ 15,600	\$ 1,300
Music & Entertainment -		\$ 3,600	\$ 300
Marketing -		\$ 9,600	\$ 800
Utilities -		\$ 19,200	\$ 1,600
General & Administrative -		\$ 19,200	\$ 1,600
Repairs & Maintenance		\$ 6,600	\$ 550
Occupancy Costs:		\$ 85,460	\$ 7,122
Interest		\$ 6,787	\$ 566
Misc Other Expense		\$ -	\$ -
Loan Principal Payments		\$ 3,531	\$ 294
		<u>\$ 416,459</u>	<u>\$ 34,705</u>

Variable Costs	% of Sales	\$
Cost of Sales	27.0%	\$ 14,387
Hourly Labor	4.5%	\$ 2,380
Employee Benefits	0.7%	\$ 388
Credit Card Expense	2.1%	\$ 1,107
Paper Supplies	0.4%	\$ 239
	<u>34.8%</u>	<u>\$ 18,501</u>

	Annual	Monthly
Percentage Rent	\$ -	\$ -

	Annual	Monthly	Weekly
<b>Break-even Sales</b>	\$ 638,475	\$ 53,206	\$ 12,278

Sales Break-Down:	Annual	Monthly	Weekly
Food	\$ 191,455	\$ 15,955	\$ 3,682
Liquor	\$ -	\$ -	\$ -
Beer Onsite	\$ 334,176	\$ 27,848	\$ 6,426
Beer Offsite	\$ 29,301	\$ 2,442	\$ 563
Wine	\$ 83,544	\$ 6,962	\$ 1,607
<b>Total</b>	<u>\$ 638,475</u>	<u>\$ 53,206</u>	<u>\$ 12,278</u>

## Summary Income Statement for Years 1-5

### 5 Year Operating Projections

	Year 1		Year 2		Year 3		Year 4		Year 5	
<b>Sales:</b>										
Food	\$ 254,826	30.0%	\$ 265,019	30.0%	\$ 275,620	30.0%	\$ 286,645	30.0%	\$ 298,110	30.0%
Beverage	594,984	70.0%	618,783	70.0%	643,535	70.0%	669,276	70.0%	696,047	70.0%
<b>TOTAL SALES</b>	<b>849,810</b>	<b>100.0%</b>	<b>883,802</b>	<b>100.0%</b>	<b>919,154</b>	<b>100.0%</b>	<b>955,921</b>	<b>100.0%</b>	<b>994,158</b>	<b>100.0%</b>
<b>Cost of Sales:</b>										
Food	81,544	32.0%	84,806	32.0%	88,198	32.0%	91,726	32.0%	95,395	32.0%
Beverage	148,246	24.9%	154,176	24.9%	160,343	24.9%	166,757	24.9%	173,427	24.9%
<b>TOTAL COST OF SALES</b>	<b>229,791</b>	<b>27.0%</b>	<b>238,982</b>	<b>27.0%</b>	<b>248,542</b>	<b>27.0%</b>	<b>258,483</b>	<b>27.0%</b>	<b>268,823</b>	<b>27.0%</b>
<b>Gross Profit</b>	<b>620,019</b>	<b>73.0%</b>	<b>644,820</b>	<b>73.0%</b>	<b>670,613</b>	<b>73.0%</b>	<b>697,437</b>	<b>73.0%</b>	<b>725,335</b>	<b>73.0%</b>
<b>Payroll:</b>										
Salaries & Wages	231,724	27.3%	238,676	27.0%	245,836	26.7%	253,211	26.5%	260,807	26.2%
Employee Benefits	59,371	7.0%	61,152	6.9%	62,987	6.9%	64,876	6.8%	66,823	6.7%
<b>TOTAL PAYROLL</b>	<b>291,095</b>	<b>34.3%</b>	<b>299,828</b>	<b>33.9%</b>	<b>308,823</b>	<b>33.6%</b>	<b>318,087</b>	<b>33.3%</b>	<b>327,630</b>	<b>33.0%</b>
<b>PRIME COST</b>	<b>520,886</b>	<b>61.3%</b>	<b>538,810</b>	<b>61.0%</b>	<b>557,364</b>	<b>60.6%</b>	<b>576,571</b>	<b>60.3%</b>	<b>596,453</b>	<b>60.0%</b>
<b>Other Controllable Expenses:</b>										
Direct Operating Expenses	19,422	2.3%	20,005	2.3%	20,605	2.2%	21,223	2.2%	21,860	2.2%
Music & Entertainment	3,600	0.4%	3,708	0.4%	3,819	0.4%	3,934	0.4%	4,052	0.4%
Marketing	9,600	1.1%	9,888	1.1%	10,185	1.1%	10,490	1.1%	10,805	1.1%
Utilities	19,200	2.3%	19,776	2.2%	20,369	2.2%	20,980	2.2%	21,610	2.2%
General & Administrative Expenses	36,876	4.3%	37,982	4.3%	39,122	4.3%	40,295	4.2%	41,504	4.2%
Repairs & Maintenance	6,600	0.8%	6,798	0.8%	7,002	0.8%	7,212	0.8%	7,428	0.7%
<b>TOTAL OTHER CONTROLLABLE EXP.</b>	<b>95,298</b>	<b>11.2%</b>	<b>98,157</b>	<b>11.1%</b>	<b>101,102</b>	<b>11.0%</b>	<b>104,135</b>	<b>10.9%</b>	<b>107,259</b>	<b>10.8%</b>
<b>CONTROLLABLE PROFIT</b>	<b>233,626</b>	<b>27.5%</b>	<b>246,835</b>	<b>27.9%</b>	<b>260,688</b>	<b>28.4%</b>	<b>275,215</b>	<b>28.8%</b>	<b>290,446</b>	<b>29.2%</b>
<b>Occupancy Costs &amp; Depreciation</b>										
Occupancy Costs	85,460	10.1%	103,262	11.7%	112,150	12.2%	112,729	11.8%	113,319	11.4%
Depreciation & Amortization	50,491	5.9%	50,491	5.7%	50,491	5.5%	50,491	5.3%	50,491	5.1%
<b>Other (Income) Expenses</b>										
Other (Income)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Interest Expense	6,787	0.8%	6,588	0.7%	6,377	0.7%	6,155	0.6%	5,920	0.6%
Other Expense	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>NET INCOME BEFORE PROFIT SHARING</b>	<b>\$ 90,888</b>	<b>10.7%</b>	<b>\$ 86,494</b>	<b>9.8%</b>	<b>\$ 91,670</b>	<b>10.0%</b>	<b>\$ 105,840</b>	<b>11.1%</b>	<b>\$ 120,715</b>	<b>12.1%</b>
EMPLOYEE PROFIT SHARING	9,089	1.1%	8,649	1.0%	9,167	1.0%	10,584	1.1%	12,072	1.2%
<b>NET INCOME AFTER PROFIT SHARING</b>	<b>\$ 81,799</b>	<b>9.6%</b>	<b>\$ 77,844</b>	<b>8.8%</b>	<b>\$ 82,503</b>	<b>9.0%</b>	<b>\$ 95,256</b>	<b>10.0%</b>	<b>\$ 108,644</b>	<b>10.9%</b>
<b>ADD BACK:</b>										
Depreciation & Amortization	50,491	5.9%	50,491	5.7%	50,491	5.5%	50,491	5.3%	50,491	5.1%
<b>DEDUCT:</b>										
Loan Principal Payments	(3,531)	(0.4%)	(3,731)	(0.4%)	(3,941)	(0.4%)	(4,163)	(0.4%)	(4,398)	(0.4%)
<b>CASH FLOW BEFORE INCOME TAXES</b>	<b>\$ 128,759</b>	<b>15.2%</b>	<b>\$ 124,605</b>	<b>14.1%</b>	<b>\$ 129,053</b>	<b>14.0%</b>	<b>\$ 141,584</b>	<b>14.8%</b>	<b>\$ 154,737</b>	<b>15.6%</b>
<b>CASH FLOW Less Principal Payments</b>	<b>\$ 125,227</b>	<b>14.7%</b>	<b>\$ 120,874</b>	<b>13.7%</b>	<b>\$ 125,112</b>	<b>13.6%</b>	<b>\$ 137,420</b>	<b>14.4%</b>	<b>\$ 150,338</b>	<b>15.1%</b>

## Return on Investment Projection

### PROJECTED INVESTMENT RETURNS

	25%	50%	75%	85%	90%
Distributable Cash Flow Percent	25%	50%	75%	85%	90%
Distributable Cash Flow	\$31,307	\$60,437	\$93,834	\$116,807	\$135,305
<b>Cash Distribution:</b>					
Non-patron Members	\$23,190	\$44,768	\$69,507	\$86,524	\$100,226
Patron Members	\$8,117	\$15,669	\$24,327	\$30,283	\$35,079
	74%	74%	74%	74%	74%
	26%	26%	26%	26%	26%
<b>Non-Patron Returns:</b>					
Annual Return on Investment (before tax)	11.6%	22.4%	34.8%	43.3%	50.1%
Average Annual Return on Investment	32.4%				
<b>Average Patron Dividend</b>					
Average Patron Dividend	\$ 23.19	\$ 44.77	\$ 69.51	\$ 86.52	\$ 100.23
% of Total Sales by Patrons	25%	25%	25%	25%	25%
Average Annual Patron Spending	\$ 607	\$ 631	\$ 657	\$ 683	\$ 710
Dividend as a % of Patron Spending	4%	7%	11%	13%	14%

### INVESTMENT ASSUMPTIONS

<b>Total Equity Investment</b>	\$270,000
<b>Patron Members</b>	
Equity Contribution	\$70,000
<b>Non-Patron Members</b>	
Equity Contribution	\$200,000

### OPERATING ASSUMPTIONS - Years 2 - 5

<b>Sales - % Increase Over Prior Year</b>					
Food	4.0%	4.0%	4.0%	4.0%	4.0%
Beverage	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Cost of Sales - Cost as a % of Sales</b>					
Food	32.0%	32.0%	32.0%	32.0%	32.0%
Beverage	24.9%	24.9%	24.9%	24.9%	24.9%
<b>Salaries &amp; Wages - % Increase over Prior Year</b>					
Salaries & Wages	3.0%	3.0%	3.0%	3.0%	3.0%
Employee Benefits	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Other Expenses - % Increase over Prior Year</b>					
Direct Operating Expenses	3.0%	3.0%	3.0%	3.0%	3.0%
Music & Entertainment	3.0%	3.0%	3.0%	3.0%	3.0%
Marketing	3.0%	3.0%	3.0%	3.0%	3.0%
Utilities	3.0%	3.0%	3.0%	3.0%	3.0%
General & Administrative Expenses	3.0%	3.0%	3.0%	3.0%	3.0%
Repairs & Maintenance	3.0%	3.0%	3.0%	3.0%	3.0%
Occupancy Costs (Rent & Taxes increase more years 2&3)	2.0%	2.0%	2.0%	2.0%	2.0%
Depreciation & Amortization (assumed to be constant in years 1-5)					
Other (Income)	3.0%	3.0%	3.0%	3.0%	3.0%
Interest Expense (from annual interest expense on loan amortization schedule on "Assumptions" page)					
Other Expense	3.0%	3.0%	3.0%	3.0%	3.0%
Loan Principal Payments (from annual total principal payments on loan amortization schedule on "Assumptions" page)					

## Financial Projection Assumptions

These operating statements assume an annual sales growth rate of 4%. We project our busiest days to be Fridays and Saturdays with 280 covers on average and our quietest periods to be Tuesdays and Wednesdays with less than 110 covers on average. We project an average check of \$17.50 per person.

Food is estimated to be 30% of sales and beverage is projected to be 70% of sales. This ratio of beverage to food is considerably higher than what would generally be expected for a brewpub because Foremost's focus is primarily on the beer and we are intentionally keeping the menu small. We assume the cost of goods sold percentages will remain relatively stable as we will alter our menu to accommodate changes in individual item costs.

Labor costs including management salaries are projected to be 34.3% of sales. Together with food and beverage costs, this gives the operation a proposed prime cost percentage of 61.3%.

Occupancy cost is based on a triple-net, monthly rent of \$5,500 in the first year, \$6,240 in the second year, and \$6,935 each year thereafter; this is based on the agreement with Foremost Properties and assumes Foremost Properties will invest \$832,000 in the build out. Additional occupancy costs include taxes, insurance and common area maintenance.

Operating costs have been estimated both from the ground up as well as being compared with industry averages and area norms. The break-even sales point is \$12,278 per week.

The capital budget includes \$40,000 for brewing equipment. The vast majority of building renovation costs will be borne by Foremost Properties. Leasehold improvements by Foremost Brewing will primarily be finishes and modifications required for the brewing and restaurant equipment.

Given all of these conservative estimates, Foremost Brewing Cooperative projects a 9.6% operating profit in its first full year.

## Section 11 – The Offering

### Funds Required

Foremost Brewing Cooperative requires a total investment of approximately \$395,000 to develop, build out and begin operations. Of this amount, \$125,000 will come from debt financing. The remaining \$270,000 will be equity invested by members.