

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

**Up to \$500,000 Worth of Series A Units**

This Supplement No. 1 to the Investor Package (the "Supplement") supplements and amends and should be read with the Investor Package dated August 5, 2019 (the "Investor Package") relating to the offering (the "Offering") by Chanhassen Brewing Company, a Minnesota limited liability company ("we," "us" and the "Company"), of up to \$500,000 worth of Series A Units (the "Series A Units") at an offering price equal to \$1.00 per Units. 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 Series A Units 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 Series A Units 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 Series A Units.**

**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 Series A Units 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 14, 2020.**

## **RECENT EVENTS AND MATERIAL CHANGES**

- I. The Company has chosen a new prospective business location at 530 79th Street in Chanhassen, MN. See the Company's updated Business Plan attached as Exhibit A for further information. The Business Plan also includes updated Startup Costs.**
- II. Pursuant to the updated Business Plan, the Offering Minimum has decreased to \$200,000 and the Offering Maximum has decreased to \$500,000. The Investor Minimum has also decreased to \$2,500 per investor. To date, the Company has raised approximately \$235,000, which means it has already reached its Minimum Offering Amount.**
- III. Attached as Exhibit B is an updated Balance Sheet and Income Statement, as well as updated Financial Projections.**
- IV. Attached as Exhibit C is an updated list of Investment Perks.**
- V. The Pre-Money Valuation of the Company is now \$1,500,000. Consequently, if the Offering Maximum is reached, the Series A Members will own 33% of the Company's total outstanding units. The Founders will continue to own 1,500,000 units.**
- VI. Due to the new valuation, assuming the Offering Maximum is reached, the Series A Profits Interests amount will be 66.6% until such time as the Series A Members' Capital Contributions have been repaid. After such time, the Series A Members will receive distributions equal to 33.3%.**
- VII. The opening of the taproom is contingent on Chanhassen City Council approval.**
- VIII. We anticipate receiving a bank loan in the amount of \$500,000. We have had ongoing discussions with Old National Bank.**

**ACKNOWLEDGMENT AND AGREEMENT**

In connection with the offer and sale by Chanhassen Brewing Company (the "Company") of up to \$500,000 worth of Series A Units of the Company pursuant to the Investor Package dated August 5, 2019 (the "Investor Package"), and this Supplement No. 1 to the Investor Package dated July 14, 2020 ("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)



# **Chanhassen Brewing Company**

Business Plan

Matthew Rosati, Founder

Laura Rosati, Founder

# Confidentiality Agreement

THE UNDERSIGNED READER ACKNOWLEDGES THAT ANY INFORMATION PROVIDED BY **CHANHASSEN BREWING COMPANY** IN THIS BUISNESS PLAN, OTHER THAN INFORMATION THAT IS IN THE PUBLIC DOMAIN, IS CONFIDENTIAL IN NATURE, AND THAT ANY DISCLOSURE OR USE OF SAME BY THE READER MAY CAUSE SERIOUS HARM OR DAMAGE TO **CHANHASSEN BREWING COMPANY**. THEREFORE, THE UNDERSIDNED AGREES NOT TO DISCLOSE IT WITHOUT EXPRESS WRITTEN PERMISSION FORM **CHANHASSEN BREWING COMPANY**.

UPON REQUEST, THE UNDERSIGNED READER WILL IMMEDIATELY RETURN THIS DOCUMENT TO **CHANHASSEN BREWING COMPANY**.

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# **Executive Summary**

Chanhasen Brewing Company is in the business of producing and selling distinctive, superb craft beer to the Twin Cities region and Minnesota marketplace. The Company intends to produce a wide variety of beer each year in its production facility, including five year-round beers with seasonal and special release beers throughout the year.

The Chanhasen Brewing Company Taproom will feature on-premise beer sales by the pint, with growlers and crowlers, sold for off-premise consumption. Other services include off-site foods and Chanhasen Brewing Company merchandise.

As the brand grows and becomes more established, Chanhasen Brewing Company will look to distribute to a greater number of locations throughout the Twin Cities and wider state market area.

Initial production volume will be based on the allowances of a 3.5-barrel brewing plant (1 barrel/bbl =31 gallons or 2 kegs). The production capacity of a 3.5-barrel system with the proper number of fermentation tanks is approximately 600 barrels per year (brewing 5 days a week). Chanhasen Brewing Company plans to enter the market at a production rate of approximately 500 barrels per year with goals to increase to 1,200 barrels per year by the end of 2026. Chanhasen Brewing Company plans to supplement additional barrel production through contract brewing until additional equipment can be purchased

## **The Founder**

Matthew Rosati and Laura Rosati are the founder and Executive Officer of Chanhasen Brewing Company.

Matthew spent 10 years as Operations Manager for a 110,000 square foot warehouse. During his time as an operations manager he honed valuable skills and knowledge surrounding hiring and managing employees, filing detailed employee paperwork, adhering to OSHA safety requirements, training proper use of heavy equipment, standardizing daily operations, and accurately checking and keeping inventory. Matthew has over three years of experience with home brewing and wine making.

Laura Rosati has lived in Chanhasen for almost 6 years with her husband, Matthew Rosati, and their three children. She graduated with her Masters in Counseling and Student Personnel from the University of MN, and has been a middle school counselor for 14 years with the Minnetonka School District. Working in the Minnetonka district has afforded Laura the opportunity to enhance her



leadership skills and improve her relationships with families and the community. Laura also has 12 years of experience as a bartender and server in a restaurant and local bar setting.

## **Beer**

Chanhassen Brewing Company plans to open with five different beers on tap available year-round, and in time, seasonal and special release beers would be served on tap as well. Beer will be sold in the form of pints (and smaller sample pours), flights, crowlers, and growlers.

Chanhassen Brewing Company wants to have five well rounded beers that everyone can enjoy year round. Out of the five beers, we will represent the favorite styles of the standard American Craft Brewery: Pale Ale, Two India Pale Ale (“IPA”), Stout, Belgian, and a Wheat Ale.

Chanhassen Brewing Company plans on potentially offering the following styles as all year round beers:

### **American IPA**

A decidedly hoppy and bitter, moderately strong American Pale Ale.

- 7% ABV
- 64 IBU
- Malts: American Two-Row, Munich
- Hops: Horizon, Centennial, Simcoe, Amarillo

### **Imperial IPA**

An intensely hoppy, very strong pale ale without the big maltiness and deeper malt flavors of an American barley wine.

- 8.9% ABV
- 100+ IBU
- Malts: American Two-Row, Wheat Malt
- Hops: Warrior, Chinook, Centennial, Simcoe, Amarillo, Columbus

### **American Pilsner**

A clean, moderately hoppy lager, often with a substantial corn-like character.

- 6% ABV
- 35 IBU
- Malts: American Two-Row, Flaked Corn
- Hops: Czech Saaz

### **Belgian Pale Ale**

A moderately malty, fruity, somewhat spicy, easy-drinking, copper-colored ale.

- 5.3% ABV

- 26 IBU
- Malts: Pilsner Malt
- Hops: Kent Goldings

### **Porter**

A substantial, malty dark ale with a complex and flavorful roasty character.

- 6.5% ABV
- 37 IBU
- Malts: Crystal, Chocolate, Black Patent
- Hops: Kent Goldings, Fuggles

### **American Wheat**

A moderately dark, spicy, fruity, malty, refreshing wheat-based ale.

- 5.6% ABV
- 16 IBU
- Malts: Pilsner, Wheat, Munich
- Hops: Hallertau

### **Farmhouse Ale**

Rustic and refined, balancing expressive yeast character and moderate hopping with a dry, quenching finish.

- 5.9% ABV
- 35 IBU
- Malts: Michigan Pale Ale
- Hops: HBC 438, Citra, Galaxy

**ABV**= Alcohol by volume, **IBU**= International Bitterness Units scale

Chanhassen Brewing Company plans on offering a variety of limited unique beers throughout the year which may include Sour Ale, Lagers, Wood-Aged Beers, Barleywine and seasonal beers.

### **Merchandise**

Chanhassen Brewing Company plans to offer a variety of branded merchandise that features the logo and/or name of the brewery. Merchandise will be ideally sourced in bulk from third party suppliers and sold with a margin rate specific to each type of item. The best-selling products are expected to be souvenir Growlers, T-shirts/Clothing, Glassware, and Beer Accessories. Merchandise sales are expected to be offered in the Taproom as well as the online store at ChanhassenBrewing.com.

## **The Location**

Chanhassen Brewing Company I planning on leasing the property at 530 West 79<sup>th</sup> Street, Chanhassen, MN 55317. The property is close proximity to restaurants, boutique shops, and Chanhassen bike trails. Additionally, the location offers what we believe to be ample parking and adequate options for usable outdoor/patio space as well as opportunity for outdoor signage to increase visibility. The building is expected to have enough ceiling clearance to house the necessary brewing equipment.

The location is situated in a demographic area with strong economic indicators. There is an estimated population of 24,000 people within a 5-mile radius. The estimated household income of this 5-mile radius is \$120,000 in 2016. Finally, 83 acreages of developed retail and residential land off of Powers Blvd. and Lyman Blvd will be an asset to our location.

## **The Taproom**

The Chanhassen Brewing Company taproom will be designed to be an attractive and inviting space. Design elements are expected to include reclaimed barnwood, corrugated steel, stonework, and unique pictures of pioneer Chanhassen that will serve as conversation pieces.

The taproom will be Chanhassen Brewing Company's opportunity to build personal relationships with its customer base through friendly and personal service in an environment that feels like home for families and businesses.

We envision 75-125 seats with space for social games like Jenga, shuffleboard, "bags", board games, and potentially more. Chanhassen Brewing Company will host tours, community gatherings, and small festivals in the Taproom. These events will hopefully help build the brand and provide customers with the opportunity to learn more about Chanhassen Brewing Company's vision and production process.

Special events may be offered to drive more traffic to the brewery. Strong options include, Bingo Night, Trivia Night, and other unique family friendly events.

# **Business Overview**

The Chanhassen Brewing Company consist of a Brewery (production facility) and Taproom. The taproom is a location adjacent to a brewery where the owner sells craft beer produced by the brewery and contract brewing arrangements for consumption on the premises or for off-site consumption.

## **Mission Statement**

To create a brewery and adjoining taproom that produces, sells, and serves high-quality craft beer in a spacious, warm, and inviting atmosphere that appeals to all beer lovers and celebrates local history.

## **Financing Requirements**

Licensing  
City - Chanhassen

Chanhassen city code requires Chanhassen Brewing Company to apply for an on-sale brewer taproom license and a small brewer off-sale license. The state of Minnesota established the fees.

Chanhassen city code applies to a brewery operated in conjunction with a taproom, producing less than 3,500 barrels of malt liquor per year.

On-sale brewer taproom license is issued for an on-sale malt liquor produced by the brewer for the consumption on the premises of or adjacent to one brewery location owned by the brewery. The license fee for an on-sale brewer taproom is \$400.00.

Small brewer off-sale license is issued to a brew pub or brewery licensed for off-sale or malt liquor at its licensed premises that has been produced and packaged by the brewer. The license fee for small brewer off-sale license is \$200.00.

State – Minnesota

The state of Minnesota requires that a brewer who manufactures 2,000 to 3,000 barrels of malt liquor in a year will pay of fee of \$500.00.

The state of Minnesota requires that all malt liquor brands be registered with the state. There is an annual license fee of \$150.00 and a \$40.00 fee for each new brand label.

Federal- permits required

Every brewer shall, before commencing or continuing business, file with the officer designated for that purpose by the Secretary a notice in writing, in such form and containing such information as the Secretary shall by regulations prescribe as necessary to protect and insure collection of the revenue.

Applications and licenses are required for the brewery, labeling and renewing costs.

# **Business Description**

## **Management Team and Key Personnel**

Generally, the Company expects to hire full-time and part-time staff and does not intend to have “organized labor.”

Present Employees: The Company’s sole employees are its officers:

Matthew Rosati: Founder

Laura Rosati: Founder

## **Future Employees**

Taproom Manager: The primary duties of the Taproom Manager will be managing Taproom operations and staff, opening, closing, bartending, merchandise sales, leading tours, taproom cleanup, dish washing. Some assisting with the brewing process such as cleaning or kegging may be required. This will be a full-time position and will report to the Founder. The Company expects to offer this paid time off (“PTO”) of approximately fifteen days per year with starting pay at approximately \$45,000 (depending on skills and experience).

Head Brewer: The primary duties of the Head Brewer will be: Performing day-to-day brewery operations such as milling, brewing, cellaring, kegging, bottling, quality control, yeast management, and cleaning. The Head Brewer will also manage the production schedule/keep records as well as supervise assistant-level brewery operations staff. Other duties will include taproom serving/retail sales, leading tours, and assisting with deliveries. This will be a full-time position and will report to the Founder. The Company expects to offer this employee paid time off (“PTO”) of approximately fifteen days per year with a starting salary will be approximately \$50,000 per year (depending on skills and experience).

Taproom Servers: The primary duties of the Taproom Server will be reporting to the Taproom Manager, supporting Taproom operations, bartending, merchandise sales, leading tours, taproom cleanup, and dish washing. Some assistance with the brewing process such as cleaning or kegging may be required. This will be a part-time position and will report directly to the Taproom Manager (indirectly to the Founder). Starting salary will be approximately \$15,000 per year (based on an hourly wage). Tips are not included in this calculation.

## **Distribution**

Chanhassen Brewing Company would like to establish a relationship with a distributor for future distribution. The distribution would provide keg to vendors, stores and restaurants in the surrounding areas.

## **Suppliers**

With the realization that a quality product must be founded upon quality ingredients, Chanhassen Brewing Company hopes to work with the following suppliers in order to procure the freshest and highest-quality ingredients:

### **Barley and other Grains**

Cargill Malt could supply our malted barley and other grains. Cargill offers the special opportunity of working with a team that is based in the Twin Cities and has access to nearly all of Chanhassen Brewing Company's malt needs (including international products).

### **Hops**

The Founder is currently working to establish contracts with several hop providers including YCH/Hopunion, Hops Direct LLC, and Sugar Creek Hops LLC to procure a contract for hops supply. This mélange of suppliers would likely have access to specialty hops used in the IPA and European hops necessary for Belgian offerings.

### **Yeast**

The Founder is currently working with Wyeast Laboratories, Inc. and White Labs to procure a contract for yeast supply.

# **Market Research**

## **Regional Demographics**

The Twin Cities Metropolitan Statistical area is comprised of six counties: Carver, Dakota, Hennepin, Scott, Wright, and Ramsey. The total population of these counties was 2,600,349 in 2017 according to U.S. Census data. Although Chanhassen Brewing Company fully expects patronage from residents of all of these counties, the vast majority of customers are estimated to reside in Carver County, Hennepin County, and Scott County.

## Target Customers

Our marketing strategy will be primarily based on making a consistent product for our target customer. We will ensure that our products' prices take into consideration customers' budgets so that it is competitive with the surrounding market and is affordable to our customers.

Our strategy calls for the development of relationships with suppliers, distributors, and retailers to support our business. Regular visits will be undertaken to these areas to ensure that we are meeting their expectations.

# Competitive Analysis

**Unmapped Brewing:** Unmapped Brewing is located at 14625 Excelsior Blvd in Minnetonka, MN. The brewery was founded by avid outdoor enthusiasts with a passion for quality craft beer and an unshakeable entrepreneurial streak. Unmapped Brewing team is proud to offer their year-round lineup of flagship “Belgian & Stateside Ales” along with a diverse supporting cast of special and limited release beers of all styles in the taproom. Unmapped Brewing Company produces 1,200 bbl per year in 2019. Unmapped Brewing would be a strong competitor of Chanhassen Brewing Company due to its strong taproom sales model.

**Excelsior Brewing:** Excelsior Brewing is located at 421 3rd Street in Excelsior, MN. The brewery is housed in a newly-renovated former auto garage in downtown Excelsior. It is easily accessed by the heavy foot traffic that is characteristic of Excelsior (especially in summer). The taproom is open Tuesday through Sunday. Excelsior often is involved in or hosts events in the immediate Excelsior area. The taproom is very popular and sees a large number of people each day that it is open. Excelsior has expanded rapidly and has recently expanded distribution to include bottles. The brewery enjoys a fierce brand loyalty for those who live nearby. Excelsior Brewing produced 6,000 bbl per year in 2019. Overall, Excelsior would be a strong competitor of Chanhassen Brewing Company due to its strong taproom sales model.

**Steel Toe Brewing:** Steel Toe Brewing is located at 4848 West 35th Street in Saint Louis Park, MN. The brewery is housed in an industrial complex near the intersection of Highway 7 and Highway 100. It is very close to the popular regional trail and the thriving Uptown district. The taproom is open Monday-Sunday. Steel Toe originally began as a distribution brewery, but opened a taproom within two years of operation. Steel Toe has a reputation for brewing very high quality beer, and the beer was available in over 40 restaurants in only its 3rd year. The brewery has seen substantial growth since 2011. The brewery itself is located at the far eastern end of the local market area and draws heavily from the communities of Saint Louis Park and Uptown. Steel Toe produced roughly 3500 bbl in 2018. Overall, Steel Toe would be a strong competitor of Chanhassen Brewing Company due to its strong preexisting support in the Western Twin Cities.

**Enki Brewing:** Enki Brewing is located at 1495 Stieger Lake Lane in Victoria, MN. The brewery is housed in warehouse space down the road from its original location. It is adjacent to the Lake Minnetonka Regional Trail. The taproom is open Tuesday- Sunday. Enki Brewing is a small brewery, but it has been growing steadily since its opening in late 2012. The brewery has a loyal following from residents of the Victoria and Shorewood communities. Enki produced 1200 bbl in 2019. Overall, Enki should be considered a competitor of Chanhassen Brewing Company due to its established loyal following from residents of the immediate community.

**Shakopee Brewhall:** Shakopee Brewhall is located at 124 1<sup>st</sup> Ave East in Shakopee MN. The brewery is housed in an older 1860/70 building that is located in an area nicknamed “Little Chicago.” Shakopee Brewhall is a smaller brewery that has a variety of beers on tap. Shakopee Brewhall is a competitor because of its location near a park, river, and the downtown setting.

## Marketing Plan

### Social Media-

Utilizing social will be a key factor in promoting Chanhassen Brewing Company. Through Facebook, Twitter, Instagram, and a website, the brewery will post events, news and updates, and have contests to encourage more likes and shares to create an online buzz.

### Release Parties-

Initial promotional plans will evolve around the focus of the operation and Chanhassen Brewing Co. beer. Chanhassen Brewing Co. will feature special release parties for new and seasonal beers.

### Incentives to return-

Retaining the curiosity seekers as regular customers depends on serving a quality product in an enjoyable atmosphere. This is a crucial time in our development, and every effort will be made to make sure that each customer leaves ready to tell his/her friends about the quality experience they had at Chanhassen Brewing Co. Incentives may be offered to encourage repeat business through discounts and special offers.

## Growth/Marketing Plan

Chanhassen Brewing Company plans to meet growth goals by executing to the greatest and commercially reasonable extent possible, a detailed and effective Growth Plan. This plan will be partitioned into two phases. Phase 1 will primarily focus on establishing interest in the brewery and the Chanhassen Brewing Company brand pre-launch. Phase 2 will begin on Opening Weekend and will utilize techniques to solidify local market brand loyalty as well as drive expansion into the Twin Cities craft beer market as a whole.



**Phase 1-** Chanhassen Brewing Company may develop a wide variety of recipes that are intended to entice both “new” craft beer drinkers and craft beer “veterans”

- Recipes that are intended to entice “new” craft beer drinkers: Witbier, Saison, and Pale Ale.
- Recipes that are intended to entice “veteran” craft beer drinkers: Tripel, Quadrupel, IPA, and Barleywine.
- Chanhassen Brewing Company may attempt to promote the brand through printed/online media interviews, articles, and advertising (potentially paid advertising).
- A strong emphasis may be placed on sit-down interviews with local print media and bloggers who attract a “craft beer” following to their publications.
- Paid media advertisements may be needed to generate awareness outside of the craft beer demographic.
- Chanhassen Brewing Company may attempt to promote the brand through merchandise sales and free giveaways of logoed items. Online merchandise sales may be offered prior to launch if at all possible.
- Chanhassen Brewing Company may participate in local events/festivals (even without a beer product readily available) would be a great opportunity to hand out small logoed items such as magnets, “save the date” cards, bottle openers, and more.
- Chanhassen Brewing Company may create a “Kickstarter” fundraising (non-equity) campaign that might offer various merchandise for certain levels of giving.
- Chanhassen Brewing Company may attempt to promote the brand through strong online presence and social media marketing. Chanhassen Brewing is developing a website that suits the business needs of the company.
- Chanhassen Brewing may create original content and targeted posts through Twitter, Instagram, and Facebook.
- Social media is currently being implemented to help interested parties stay informed and encourage said parties to tell others about the progress.
- “Beer club” memberships offering a set amount of beer in exchange for an upfront “membership fee” may be considered.
- Chanhassen Brewing plans to place strong emphasis on taproom design to generate potential customer interest and retain existing customers.
- Chanhassen Brewing is working with Magney Architecture and Designer Darin Duch to design the building, taproom, and production spaces.
- Chanhassen Brewing may focus on a strong, targeted sales campaign involving local restaurants to establish keg and bottle distribution contracts.
- “Door-To-Door” sales strategies may be implemented.
- The Founder expects to participate in all initial sales meetings.

**Phase 2-** Chanhassen Brewing Company plans to develop a wide variety of “Seasonal” and “Special Release” Recipes that may encourage existing customers to return and try new products.

- Chanhassen Brewing may attempt to promote the brand through community involvement such as vending at local festivals and events, sponsoring local festivals and events, and hosting local festivals and events on site.
- Chanhassen Brewing may attempt to promote the brand through printed/online media interviews, articles, and advertising (potentially paid advertising).
- Chanhassen Brewing may attempt to promote the brand through merchandise sales and free giveaways of logoed items.
- Chanhassen Brewing may attempt to promote the brand through strong online presence and social media marketing.
- Chanhassen Brewing plans to maintain cleanliness and usability of the taproom at all times.
- Chanhassen Brewing plans to establish a high level of friendly customer service in the local market. This applies to both Taproom and Distribution customer relations.
- Chanhassen Brewing may introduce special weeknight events such as Bingo and Trivia to establish weeknight “regulars.”
- Chanhassen Brewing may introduce “Growler Sundays” to encourage growler sales. Growlers may be offered at a discounted price.
- Chanhassen Brewing may utilize taproom space for food trucks, musician performances, and more to increase traffic variety, and interest.
- Chanhassen Brewing plans to place strong emphasis on existing relations with restaurant/retail contracts as well as continue to use a personal sales approach to increase number of these restaurant/retail contracts.

## The Production Floor

The production floor is where the beer will be produced. This space will be separated from the taproom. The area will contain room for the following:

10 bbl Brewhouse (6) 20 bbl Unitanks and 3.5 bbl Pilot Brewhouse with Fermenters

A “cold room” with enough space for 200 kegs

A mill room for milling malt and space for malt storage

A flex auger system for handling grain

Floor space for 200 kegs

A craftcan15 canning system or reamer

A Clean-In-Place system Keg-filler

A Keg-washer

A loading dock for shipping and receiving

Other equipment that must be housed on the premises includes:

Steam Boiler

Glycol Chiller

## The Production Process

Chanhassen Brewing Company plans to produce at least seven different beers per year, all of which may be produced in a similar manner. The following is a general outline for the brewing process:

- The process begins with milling. Chanhassen Brewing Company will mill the malt onsite with a roller mill to create grist.
- The grist will then be transported to the mash tun where it will be mixed with hot water. This essentially creates the “mash.”
- The temperature of the mash will be raised to various “resting temperatures” for predetermined amounts of time before “mashing out” at 168 degrees Fahrenheit. Once mashed out, the liquid now is referred to as “wort.”
- The wort is transferred to the brew kettle where it is brought to a rolling boil for a predetermined amount of time. During the boil, hops and other ingredients will be added at specific times as prescribed by the recipes.
- After the boil is complete, the wort will be transferred through a heat exchanger. This process will cool the wort from 212 degrees Fahrenheit to a predetermined temperature that is optimal for whatever strain of yeast will be used for that particular recipe (most likely around 70 degrees Fahrenheit).
- The wort will then be transferred to a fermenting tank. Here, the yeast will be pitched. The beer will be allowed to ferment until it reaches its final gravity and/or is aged the proper amount of time.
- After the fermentation, the beer will be transferred to a brite tank. Here, the beer will be further aged, clarified, and carbonated.
- Once the beer is properly aged, carbonated, and clarified, the beer will be filtered and racked into kegs and crows where it will be ready for distribution or sale in the taproom.

# Location and Premises

## Days and Hours of Operation

The taproom will be open Tuesday through Sunday during the first two years of operation with special events added to Mondays. Hours of operation will be 4:00 PM to 10:00 PM on Tuesday, Wednesday, and Thursday, 4:00 PM to 12:00am on Friday, 12:00 PM to 12:00 AM on Saturday, and 12:00 pm to 10:00 on Sunday. Monday special events will not serve after 10:00 PM.

Monday	Closed- Special Events
Tuesday	4:00 PM- 10:00 PM
Wednesday	4:00 PM- 10:00 PM
Thursday	4:00 PM- 10:00 PM
Friday	4:00 PM- 12:00 AM
Saturday	12:00 PM- 12:00 AM
Sunday	12:00 PM- 10:00 PM

# Taproom Growth Projections

Taproom growth will be monitored through two measures: Drink sales, Growler Sales, and Crowlers sales. The Taproom Growth projections for Chanhassen Brewing were created based on actual growth seen by Twin Cities breweries of a similar size as well as expectations of a successful execution of the Growth/Marketing plan.

Figure 1 below shows that Chanhassen Brewing Company plans to sell 2,300 drinks per week at opening on January 1, 2021. This weekly number is projected to increase to 3091 on 1/1/2022; 3,804 on 1/1/2023, 4,756 on 1/1/2024; 5,677 on 1/1/2025.

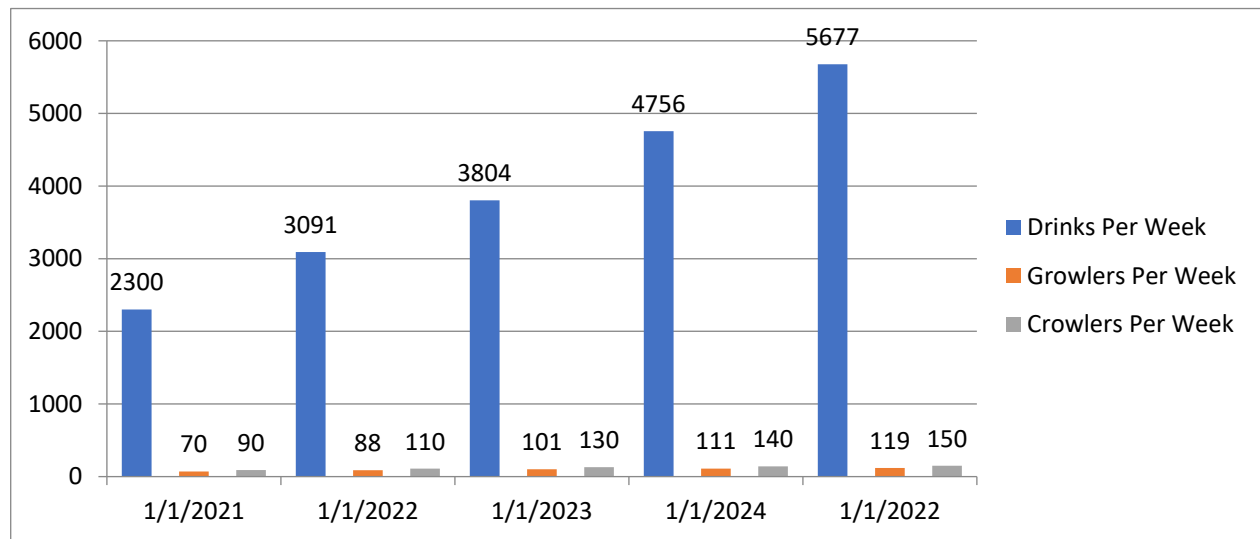


Figure 1

# Projected Pricing

Each Chanhassen Brewing beer will be priced based on a tiered structure. These tiers are determined by ABV (alcohol by volume) ranges:

Tier 1 = 0.00%-6.9% ABV

Tier 2 = 7.0%+ ABV

The tiered taproom drink pricing structure is as follows:

Tier 1 = \$6 for a 16-ounce glass

Tier 2 = \$7 for a 16-ounce glass

The tiered taproom crowler pricing structure is as follows:

Tier 1 = \$9 for a 750 ml can

Tier 2 = \$10 for a 750 ml can

The tiered taproom growler pricing structure is as follows:

Tier 1 = \$13 for a growler refill or \$18 without a growler deposit

Tier 2 = \$15 for a growler refill or \$20 without a growler deposit

# Sale Projections

Figure 2 below shows the sales projections per year for Chanhassen Brewing Company. These projections are broken down into categories for Taproom Sales, Crowler Sales, Growler Sales, and Merchandise Sales.

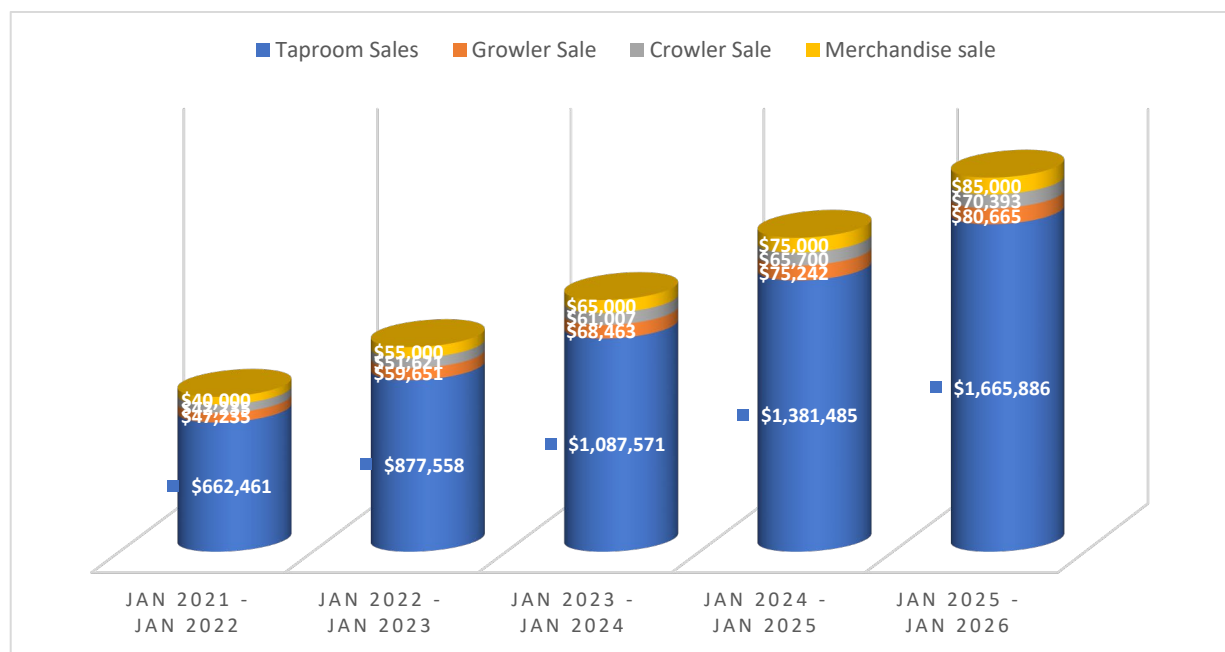


Figure 2

# **Cost Projections**

## **Building/Facility Costs**

Construction/remodel cost estimates can vary wildly depending on many different factors such as the size of the space, the layout of the space, and additional construction costs. Chanhassen Brewing anticipates a construction and design cost to be approximately \$500,000. This figure will be modified/adjusted once a space has been designed and construction bids arrive. The building and land will be leased (build to suit).

## **Maximum Brewing Equipment Costs**

Chanhassen Brewing Company estimates the brewing equipment and installation to cost approximately \$300,000.00.

## **Maximum Other Startup Costs**

These would include:

- a. Licenses and Fees
- b. Attorney Fees
- c. Advisor Fees
- d. Glassware
- e. Merchandise
- f. Operations costs
- g. Seven months of operation expenses
- h. Remodel/Renovation

These costs are expected to be approximately \$800,000.00.

## **Total Maximum Startup Costs**

By combining equipment costs and other startup costs, Chanhassen Brewing Company estimates that the total startup cost will be approximately \$800,000.

### **Minimum Brewing Equipment Costs**

Chanhassen Brewing estimates the brewing equipment and installation to cost at minimum \$200,000.00.

### **Minimum Other Startup Costs**

These would include:

- a. Licenses and Fees
- b. Attorney Fees
- c. Advisor Fees
- d. Glassware
- e. Merchandise
- f. Operations costs
- g. Seven months of operation expenses
- h. Remodel/Renovation

These costs are expected to be approximately \$400,000.00.

### **Total Minimum Startup Costs**

By combining equipment costs and other startup costs, Chanhassen Brewing Company estimates that the total startup cost will be approximately \$600,000.00.

### **Ongoing Costs**

Figure 3a below shows the estimated ongoing cost for the calendar year 2021. The total cost per week will be approximately \$10,657.35. The total cost per month will be approximately \$46,308.83. The total cost per year will be approximately \$555,705.95.

Figure 3b below shows the estimated ongoing cost for the calendar year 2022. The total cost per week will be approximately \$12,255.91. The total cost per month will be approximately \$53,255.00. The total cost per year will be approximately \$639,060.00.

These estimates include any and every expense made by the brewery. Utilities, rent, equipment purchasing and maintenance, taproom maintenance and enhancement, water management, keg, can and bottle materials, office supplies, legal fees, payroll, FICA and Medicare, Loan payment, and insurance are all accounted for in this table.

Jan 2021 to Jan 2022 Estimated Cost			
Line Item	Cost per Week	Cost per Month	Cost per Year
Brewing Cost*	\$1994.52	\$8,666.67	\$104,000.00
Building	\$115.07	\$500.00	\$6,000.00
Credit Card Fees	\$249.70	\$1,085.00	\$13,020.00
Equipment Purchase	\$115.07	\$500.00	\$6,000.00
Glassware*	\$115.07	\$500.00	\$6,000.00
Insurance	\$383.56	\$1,666.67	\$20,000.00
Keg/Cans/Growlers*	\$242.50	\$1,053.72	\$12,644.68
Lease	\$4,602.73	\$20,000.00	\$240,000.00
License	\$115.07	\$500.00	\$6,000.00
Loans	\$2,497.57	\$10,852.58	\$130,231.00
Marketing	\$191.78	\$833.33	\$10,000.00
Misc and Contingencies	\$230.14	\$1,000.00	\$12,000.00
Office Supplies/Expenses	\$19.18	\$83.33	\$1,000.00
Repair/Maintenance	\$76.71	\$333.33	\$4,000.00
Utilities Electric	\$69.04	\$300.00	\$3,600.00
Utilities Gas	\$69.04	\$300.00	\$3,600.00
Utilities Internet	\$23.01	\$100.00	\$1,200.00
Utilities Phone	\$23.01	\$100.00	\$1,200.00
Utilities Sewage	\$69.04	\$300.00	\$3,600.00
Utilities Water	\$69.04	\$300.00	\$3,600.00
Wages, FICA & Medicare	\$4,320.06	\$18,771.75	\$225,261.00
Water System	\$57.53	\$250.00	\$3,000.00
<b>Total:</b>	<b>\$15,648.44</b>	<b>\$67,996.38</b>	<b>\$815,956.68</b>

Figure 3a

Jan 2022 to Jan 2023 Estimated Cost			
Line Item	Cost per Week	Cost per Month	Cost per Year
Brewing Cost*	\$2,569.85	\$11,166.67	\$134,000.00
Building	\$115.07	\$500.00	\$14,945.00
Credit Card Fees	\$249.70	\$1,245.41	\$13,020.00
Equipment Purchase	\$115.07	\$500.00	\$6,000.00
Glassware*	\$115.07	\$500.00	\$6,000.00
Insurance	\$383.56	\$1,666.67	\$20,000.00



Keg/Cans/Growlers*	\$242.50	\$1,053.72	\$12,644.68
Lease	\$4,602.73	\$20,000.00	\$240,000.00
License	\$115.07	\$500.00	\$6,000.00
Loans	\$2,497.57	\$10,852.58	\$130,231.00
Marketing	\$191.78	\$833.33	\$10,000.00
Misc and Contingencies	\$230.14	\$1,000.00	\$12,000.00
Office Supplies/Expenses	\$19.18	\$83.33	\$1,000.00
Repair/Maintenance	\$95.90	\$416.67	\$5,000.00
Utilities Electric	\$69.04	\$300.00	\$3,600.00
Utilities Gas	\$69.04	\$300.00	\$3,600.00
Utilities Internet	\$23.01	\$100.00	\$1,200.00
Utilities Phone	\$23.01	\$100.00	\$1,200.00
Utilities Sewage	\$69.04	\$300.00	\$3,600.00
Utilities Water	\$69.04	\$300.00	\$3,600.00
Wages, FICA & Medicare	\$5,374.85	\$23,355.08	\$280,261.00
Water System	\$57.53	\$250.00	\$3,000.00
<b>Total:</b>	<b>\$17,469.30</b>	<b>\$75,908.47</b>	<b>\$910,901.68</b>

Figure 3b

## Profit Projection

Figure 4 below shows the projected gross profit. These numbers take into account the information present in the Sales Projection section and Ongoing Costs section.

Total projected gross profit before distribution is \$51,579 from 01/01/2021- 12/31/2021; \$196,603 from 01/01/2021- 12/31/2021; \$416,066 from 01/01/2021- 12/31/2021; \$655,781 from 01/01/2021- 12/31/2021; and \$920,274 from 01/01/2021- 12/31/2021.

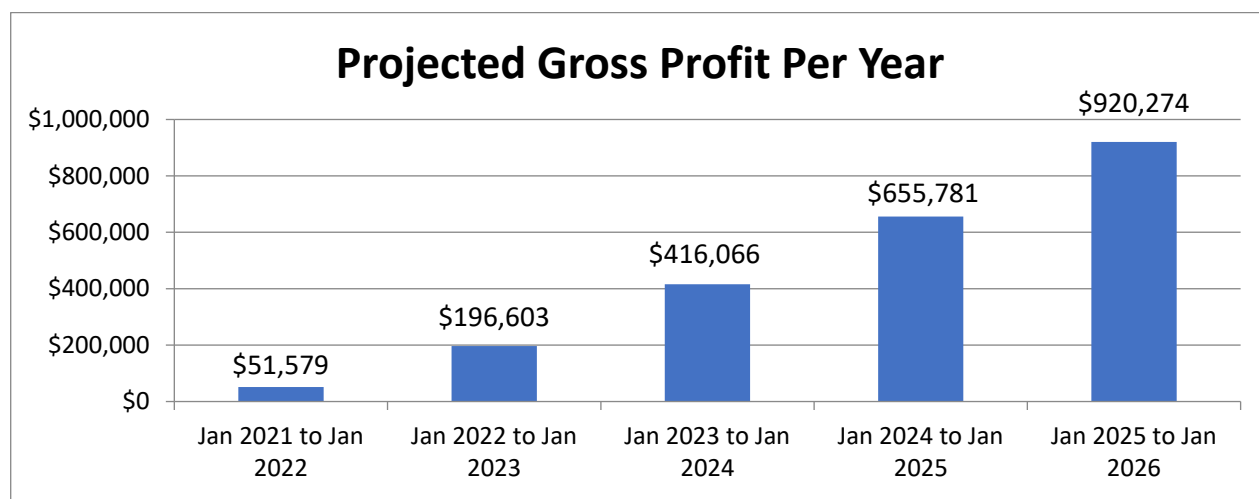


Figure 4

# Brewery Startup Costs

## Startup Costs

With a maximum needed of \$1,500,000.00, the maximum amount of \$500,000.00 will be provided through private equity raised and the \$500,000.00 will be provided through debt financing through a bank. The equity raised and the debt financing will cover brewing equipment, installation, fixtures, Licenses and fees, merchandise, operational costs, and operation expenses.

<b>Maximum Equity Raised Usage</b>	
<b>Source Funds</b>	<b>Estimated Amount</b>
Bank Loans (SBA)	\$500,000.00
Equity Raised	\$500,000.00
<b>Total Source of Funds</b>	<b>\$1,000,000</b>
<b>Uses of Funds</b>	<b>Estimated Amounts</b>
Brewing Equipment	\$150,000.00
Misc Large Equipment	\$15,000.00
Equipment Installation	\$20,000.00
Furniture, Fixtures and Misc Décor	\$50,000.00
Licenses and Fee	\$15,000.00
Attorney Fee/Professional Fee	\$10,000.00
Remodel/Renovation	\$500,000.00
Merchandise	\$10,000.00
Operation Costs	\$16,000.00
Seven Months of Operations Expenses	\$214,000.00
<b>Total Uses of Funds</b>	<b>\$1,000,000.00</b>

Figure 5

<b>Maximum Startup Ownership</b>			
<b>Land and Building</b>		<b>Brewery</b>	
Responsible Business	<b>Leasing Company</b>		<b>Chanhassen Brewing Company L.L.C</b>
Ownership		100%	Matthew Rosati
			Laura Rosati
			Total Investors combined
	<b>Uses of Funds</b>		
	Operation Costs		Brewing Equipment
	Remodel/Renovation		Misc Large Equipment
	Furniture, Fixtures and Misc Décor		Equipment Installation
	Licenses and Fee		Merchandise
	Attorney Fee		Seven Months of Operations Expenses
<b>Total Funds</b>			<b>\$1,000,000.00</b>

Figure 6

### Minimum Startup Costs

With a maximum needed of \$1,500,000.00, the minimum amount of \$300,000.00 will be provided through private equity raised and the \$1,200,000.00 will be provided through debt financing through a bank. The equity raised and the debt financing will cover brewing equipment, installation, fixtures, Licenses and fees, merchandise, operational costs, and operation expenses.

<b>Minimum Startup Cost Sources and Uses</b>	
<b>Source Funds</b>	<b>Estimated Amount</b>
Bank Loans (SBA)	\$600,000.00
Equity Raised	\$200,000.00
<b>Total Source of Funds</b>	<b>\$800,000.00</b>
<b>Uses of Funds</b>	<b>Estimated Amounts</b>
Brewing Equipment	\$100,000.00
Misc Large Equipment	\$10,000.00
Equipment Installation	\$10,000.00
Furniture, Fixtures and Misc Décor	\$50,000.00
Licenses and Fee	\$15,000.00
Attorney Fee/Professional Fee	\$10,000.00
Remodel/Renovation	\$300,000.00
Merchandise	\$10,000.00
Operation Costs	\$16,000.00
Five Months of Operations Expenses	\$279,000.00
<b>Total Uses of Funds</b>	<b>\$800,000.00</b>

Figure 7

<b>Minimum Startup Ownership</b>			
<b>Land and Building</b>		<b>Brewery</b>	
Responsible Business	<b>Leasing Company</b>	<b>Chanhassen Brewing Company L.L.C</b>	
Ownership		100%	
		Matthew Rosati	43.33%
		Laura Rosati	43.33%
		Total Investors combined	13.33%
<b>Uses of Funds</b>			
	Operation Costs	Brewing Equipment	
	Remodel/Renovation	Misc Large Equipment	
	Furniture, Fixtures and Misc Décor	Equipment Installation	
	Licenses and Fee	Merchandise	
	Attorney Fee	Seven Months of Operations Expenses	
<b>Total Funds</b>		<b>\$800,000.00</b>	

Figure 8

## Projected Brewery Goals

The following projected milestone dates represent the “best-case” scenario.

- Dec 2019: Launch official website. -Complete
- August 2019: Launch Private Equity Offer. -Complete
- July 2020: Collect bids for construction.
- Aug 2020: Receive 100 percent of private offering amount.
- Aug 2020: Receive SBA loan.
- Aug 2020 Receive approval from the City of Chanhassen.
- Aug 2020: Finalize all construction plans.
- Aug 2020: Start construction on building.
- Oct 2020: Hire a brewmaster.
- Dec 2020: Complete building construction.
- Dec 2020: Complete equipment installation.
- Jan 1<sup>st</sup>, 2021: Open Chanhassen Brewing Company.

## **The Craft Beer Industry**

American brewing was initially built on the back of the grand European tradition of simple, four-ingredient beers. Early commercial examples of American beer were brewed by German and Czech immigrants, often in Milwaukee, St. Louis, and New York, who were looking to bring the classic ales and lagers from their homelands to their new turf. These beers were apparently flavorful and made with quality grains and hops. While the origins of beer stretch all the way back to Mesopotamia and the brewing goddess Ninkasi, American craft brewing is a relatively new phenomenon. Today's fruit-infused sour ales and bourbon barrel-aged barleywines are light years ahead of the corn lagers colonists were first brewing when they landed on our shores.

American has always had brewing history that continued to grow until prohibition. By the time prohibition ended, American beer was transformed from brewing with quality grains to brewing with corn and rice. This style of brewing, a "lite" beer in a can, led to a new "corporate" industry that dominated America.

Luckily, in the last 50 years, the trend of home brewing, microbreweries and craft brewing has started to change the industry. Craft Brewers have succeeded in establishing high levels of quality, consistency and innovation, expanding the minds of the beer consumers and creating the most diverse brewing culture in the world. The number of craft brewers has gone from eight in 1980, to 537 in 1994, to over 6,000 in 2018.

The American craft brewing industry will continue to grow as breweries continue to experiment with new flavors and styles. According to Brewers Association, the State of Minnesota is currently ranked 15<sup>th</sup> with 170 breweries.

EXHIBIT B  
(see attached)



Perk	\$2,500 to \$4,999	\$5,000 to \$7,499	\$7,500 to \$9,999	\$10,000 to \$14,999	\$15,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$250,000
1 Free Beers	X						
Use of Sugar Maple Room		X	X	X	X	X	X
2 Free Beers		X	X	X	X	X	X
Chanhasen Brewing Company T-Shirt			X	X	X	X	X
Chanhasen Brewing Company Hat				X	X	X	X
2 Pint Glasses with Chanhasen Brewing Logo				X	X	X	X
Chanhasen Brewing Company Sweatshirt				X	X	X	X
22oz Ceramic Mug with Chanhasen Brewing Company Logo	X	X	X	X	X	X	X
1 Free Growler a month					X	X	X
Name a Beer							X

\*Sugar Maple Room can be reserved on a first come first serve basis

\*\*2 free beers in the taproom every day of operation;1 membership card per investor whether investing as an individual, couple or as an investor group, cards are non-transferable

\*\*\*22 oz Mug can be filled with a purchase of a regular priced beer

\*\*\*\* 1 free Growler refill a month. Must have a Chanhasen Brewing Company Growler and punch card

\*\*\*\*\*Beer name has to be approved by founders and has to be eligible to be registered

EXHIBIT C  
(see attached)





# Chanhasen Brewing Company

1798 Marigold Court, Chanhasen, MN 55317

Phone- 952-239-6419

Mrosati@Chanhasenbrewing.com

## Balance Sheet

<b>ASSETS:</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	5,000.00
Accounts Receivable	0.00
Inventory	0.00
Prepaid Expenses	36,609.01
Investment	0.00
Other Assets	0.00
<b>Total Current Assets</b>	<b>41,609.01</b>
<b>Property and Equipment</b>	
Land	0.00
Buildings and Improvements	0.00
Equipment	7,870.13
<b>Total Assets</b>	<b>49,479.14</b>
<b>LIABILITIES:</b>	
<b>Current</b>	
Account Payable and Accrued Liabilities	0.00
Bank Loan	0.00
Deferred Revenues	0.00
<b>Total Liabilities:</b>	<b>0.00</b>
<b>Owner's Equity</b>	
Paid in Capital	49,479.14
Owners Draws	0.00
Retained Earning	0.00
<b>Shareholders' Equity</b>	
Common Shares	0.00
Preferred "A" Shares	0.00
Preferred "B" Shares	1,500,000.00
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,549,479.14</b>



# Chanhasen Brewing Company

1798 Marigold Court, Chanhasen, MN 55317

Phone- 952-239-6419

Mrosati@Chanhasenbrewing.com

## Income Statement

<b>Revenue:</b>		
Gross Sales		0.00
Less Sales Returned/Allowance		<u>0.00</u>
<b>Net Sales</b>		<b>0.00</b>
<b>Cost of Goods Sold:</b>		
Purchases	0.00	
Delivery Charges	<u>0.00</u>	
Cost of Goods Sold:		<u>0.00</u>
<b>Gross Sales Profit (Loss)</b>		<b>0.00</b>
<b>Expenses:</b>		
Attorney Fees	9,937.50	
Office Supplies	862.64	
Water Quality report	42.00	
Business Supplies	55.61	
Meeting Expenses /Parking /Meals	291.93	
Professional Fees	2,500.00	
Website/Logo Design	1,766.00	
Email	84.00	
Brewing Equipment	7,870.13	
Brewing Supplies	3,434.99	
Brewing Consultant Fee	1,750.00	
Cans/Shipping	360.00	
Brewing Software	39.95	
Offering Portal	2,500.00	
Marketing	1,958.29	
Video	2,147.50	
Game	1,000.00	
Merchandise	787.60	
<b>Total Expenses:</b>		<u>44,479.14</u>
<b>Net Operating Income:</b>		<b>0.00</b>
<b>Other Income:</b>		
Income		<u>0.00</u>
<b>Total Other Income</b>		<b>0.00</b>
<b>Net Income (Loss)</b>		<u><u>0.00</u></u>



# Chanhasen Brewing Company

1798 Marigold Court, Chanhasen, MN 55317

Phone- 952-239-6419

Mrosati@Chanhasenbrewing.com

## Pro Forma Profit and Loss

<b>BBL Per Year</b>	<b>500 BBL</b>	<b>650 BBL</b>	<b>800 BBL</b>	<b>1000 BBL</b>	<b>1200 BBL</b>
<b>Assumptions:</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Average % of brew house capacity sold	15%	25%	30%	37%	45%
Average number of customers served per day	264	343	362	452	543
Days open during the week	6	6	7	7	7
Customers served per year	82,368	107,016	132,130	165,000	198,316
Pints needed per year	124,000	161,200	198,400	248,000	297,600
Batches needed per year	52	67	82	102	125
New mug club members	50	50	50	50	50
Square Feet in Facility	6052	6052	6052	6052	6052

<b>Revenue from operations</b>					
Revenue from beverage sales	868,000	1,128,400	1,388,800	1,736,000	2,083,200
Less: cost of goods sold	(112,069)	(144,570)	(176,759)	(218,573)	(266,261)
New Mug club mbr fees	5,000	5,000	5,000	5,000	5,000
<b>Net Revenue</b>	<b>751,931</b>	<b>988,830</b>	<b>1,217,041</b>	<b>1,522,427</b>	<b>1,816,944</b>
<b>Expenses</b>					
Loan	130,231	130,231	130,231	130,231	130,231
Credit Card Fees	13,020	14,945	16,743	18,464	20,138
Lease	240,000	240,000	240,000	240,000	240,000
Wages, taxes and benefits	225,261	280,261	315,261	375,261	400,261
Professional services	12,000	12,000	12,000	12,000	12,000
Utilities	14,400	15,200	17,000	18,800	20,000
Depreciation		32,000	32,000	32,000	32,000
Supplies	6,000	6,000	6,000	6,000	6,000
License	5,040	5,190	5,340	5,490	5,640
Water System	3,000	3,000	3,000	3,000	3,000
Phone/internet	2,400	2,400	2,400	2,400	2,400
Marketing	10,000	10,000	10,000	10,000	10,000
Repair/Maintenance	4,000	5,000	6,000	7,000	8,000
Office Expenses	3,000	3,000	3,000	3,000	3,000
Insurance	20,000	20,000	20,000	20,000	20,000
Misc and Contingencies	12,000	13,000	14,000	15,000	16,000
<b>Total operating expenses</b>	<b>700,352</b>	<b>792,227</b>	<b>800,975</b>	<b>866,646</b>	<b>896,670</b>
<b>Savings or (loss) on operations</b>	<b>51,579</b>	<b>196,603</b>	<b>416,066</b>	<b>655,781</b>	<b>920,274</b>
<b>Other costs: (Not Guaranteed)</b>					
Distribution (70%) Investors	36,105	137,622	291,246	344,509	0
Distributions After Return	0	0	0	93,381	276,082
<b>Adjusted to Retained</b>	<b>15,473</b>	<b>58,980</b>	<b>124,819</b>	<b>217,891</b>	<b>644,192</b>