



**SMALL-BATCH Roasted For ULTIMATE TASTE™**

**Confidential Information Memorandum**  
Fresh Cup Roastery Café, Saanichton, BC, Canada

November 15, 2017

## Contents

Purpose .....	3
Confidentiality .....	3
Inquiries and Next Steps .....	4
Disclaimer .....	4
Business Snapshot - Fresh Cup Roastery, Saanichton, BC .....	5
Executive Summary .....	6
Unique Opportunity .....	6
State Of The Industry .....	7
Business Valuation .....	7
Ownership .....	8
Customers .....	9
Products and Services .....	9
Food Program .....	10
Advertising and Marketing .....	11
Advertising .....	11
Competition .....	12
Growth and Expansion .....	12
Facilities .....	13
Furniture, Fixtures, and Equipment .....	13
Inventory .....	13
Financial Disclaimer .....	13
Appendix 1: Valuation .....	14
Appendix 2: Equipment List .....	17
Appendix 3: Selected Media Coverage .....	19

## Purpose

This Confidential Information Memorandum (CIM) is being furnished to those pre-screened prospective parties that have made a specific request for information regarding Fresh Cup Roastery Café Ltd. ("the Company") with the intention of determining if there is any interest in submitting an offer to acquire the Company and have subsequently executed a valid Confidentiality Agreement. This CIM is intended to provide a prospective purchaser with pertinent preliminary information regarding the Company opportunity and discuss the factors that create value within the Company. Any sale will take the form of a share sale.

## Confidentiality

All Financial or Business Plan information, in whole or in part (hereinafter referred to as the "Information" or "Plan"), prepared by management of the Company contains proprietary information and is not to be copied, reproduced, used or divulged to any person in whole or in part without proper authorization in writing, from an Officer or Director of the Company.

All information contained in any documentation provided by the Company is considered accurate as of the date provided.

In addition to the information found in the Financials or Business Plan, all other related verbal, written or recorded information provided by the Company is the exclusive property of the Company in perpetuity.

The Plan, in whole or part, is comprised of information supplied by the Company and or groups consulting to the Company, solely for use by prospective buyers or investors in the Company. This document does not purport to be all-inclusive or to contain all of the information that a prospective investor may desire. No representation or warranty is made as to the accuracy or completeness of any of the information contained herein.

Any party reviewing the Financials, Business Plan or related material, should not construe its content as legal, tax or investment advice. The Information and any documents that may be delivered herewith should be reviewed by each prospective buyer or investors financial, legal and tax advisors.

Each recipient of this document agrees that all of the information contained herein is of a confidential nature, that he/she will treat it in a confidential manner, and that he will not directly or indirectly, disclose, or permit his agents or affiliates to disclose, any such information without the prior written consent of the Company. Neither the Financials or Business Plan or accompanying memorandum(s), nor its delivery to any prospective investor, shall constitute an offer to sell or the solicitation of an offer to buy any securities of the Company, nor shall this memorandum be construed to indicate that there has been no change in the affairs of the Company since the date hereof.

## Inquiries and Next Steps

All questions, inquiries and proposals should be directed to:

James Townley  
Fresh Cup Roastery Café Ltd.  
2487 Shoreacres Rd., Sidney, BC  
(250) 888-2525  
jtownley@shaw.ca

Whereas neither the Company's employees nor its customers or competitors are aware of this transaction, no contact with those in the industry or the Company is permitted without the express written consent of the Company. All Purchaser visits will be arranged and hosted by the Company.

All interested parties may be required to submit a short, non-binding term sheet detailing a preliminary deal structure. As appropriate, more detailed discussions involving the Vendor and a visit will be scheduled at a later date. This process is designed to minimize wasted time for all parties.

For those not interested in this transaction, please immediately return or destroy this and any other copies of the CIM. However, we would nonetheless appreciate your honest feedback and assessment so that we may share your insights with the Company.

## Disclaimer

During the due diligence process, it is the responsibility of the Purchaser, with the aid of advisors, accountants and/or attorneys if necessary, to independently verify all representations which have been made by the Company, particularly as they relate to the adjustments made to the profit and loss Statements and any notes and assumptions upon which future projections were based. Readers of this report should understand that statements are not guarantees of value or results. Many factors will affect the company's actual financial results and cause them to vary materially from expectations. Factors that can affect the company's actual results include, among other things, future economic circumstances, industry conditions, company performance, availability and prices of materials, product pricing, the competitive environment, related market conditions, operating efficiencies, the Vendor's access to capital, actions of governments, regulatory factors and other risks.

The Company cautions readers to assume that any forward-looking results will differ from the actual results achieved. It is the responsibility of the Purchaser to verify all representations and to make a final purchase decision based on their own independent investigation.

Except where otherwise indicated, this CIM speaks as of the date hereof. Neither the delivery of this CIM nor the purchase of the Company shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

Neither the Company or its representatives undertake any compulsion to update any of the information discussed herein.

In obtaining a value, the Company uses commonly accepted methods of valuation including comparables obtained through a network of business brokers as well as benchmarks and multiples acquired through A Business Reference Guide, Pratts Stats, and PeerComps.

## Business Snapshot - Fresh Cup Roastery, Saanichton, BC

Opportunity	<p>Profitable, respected, established coffee house in an excellent location with outstanding traffic flows.</p> <p>Sales are strong and growing, profits are up and the future is extremely bright with the addition of new product lines.</p>
Location	814 square foot retail space with an adjoining 300 square foot patio in Central Saanich. Ample parking and an available additional 678 square foot food preparation area.
History	Business was founded in 2001
Employees	<p>6 Full Time</p> <p>5 Part Time</p>
Hours of Operation	<p>Monday to Friday 7 am - 5:30 pm</p> <p>Saturday 8 am - 5 pm</p> <p>Sunday 8 am - 5 pm</p>
Annual Revenues	~\$506,000 (2017)
Seller's Discretionary Earnings	~\$63,000 (2017)
Inventory	~\$15,000 (included)
Furniture, Fixtures, and Equipment	\$137,000 (included)
Fair Market Value	\$192,000
Asking Price	\$179,000
Website	<a href="http://www.freshcup.ca/">http://www.freshcup.ca/</a>
Business Highlights	<ul style="list-style-type: none"> <li>• Outstanding growth trajectory with new product offering</li> <li>• Revenue stability</li> <li>• Business systems and procedures in place</li> <li>• Multiple revenue streams</li> <li>• Excellent opportunity to expand services</li> <li>• Strong local brand recognition</li> </ul>

## Executive Summary

Award-winning Fresh Cup Roastery Cafe® is an independent craft coffee-roasting business that has been in operation for over 17 years. It now operates multiple locations, one in Saanichton and two in the lower mainland (within Fresh ST. Market grocery stores).

Fresh Cup uses farmer-direct, single-origin, organic beans. In-house roasting using patented Roastaire® technology enables community-friendly, environmentally sustainable coffee roasting, while ensuring consistent quality with the freshest, tastiest beans and cupped coffee possible.

The company's Saanichton cafe location has been voted 'Best Coffee on The Saanich Peninsula' and one of the 'Top 5 Coffee Houses' on Vancouver Island. Fresh Cup also recently won their second Silver medal for its single-origin Peru Organic, Swiss Water Decaf at the North American Golden Bean competition.



## Unique Opportunity

With the growth of Vancouver operations, Fresh Cup® is seeking the right buyer for their original store in Saanichton, BC. This location was the company's first concept store, and has been in operation since 2001. The Saanichton location offers a complete line of specialty coffee, roasted whole beans, and a food line-up that mirrors their high-quality coffee offerings.



Last year, topline revenues grew 8.1% which is considerable based on the numbers of years they've been in operation in this location. Currently, the community is going through another strong growth period. However, the time has come for the company to bring its patented coffee roasting technology to the mainstream market, and the owners must divest themselves of this location but would like to see the brand continue within the community.

To ensure the success of the potential buyers, Fresh Cup is offering the use of the Fresh Cup name as part of the packaged sale, provided the purchasers continue to acquire Fresh Cup coffee at fair market wholesale pricing.

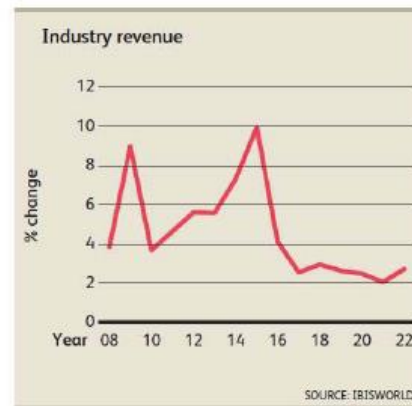
In 2016 revenues were up 8.6% year over year and another 3% from 2016 to 2017. The average daily gross sales were \$1,400.00.

## State Of The Industry

Coffee and Snack shops continue to exceed growth relative to other food service businesses in Canada and are expected to follow that pattern for the foreseeable future.

### Current Performance

The Coffee and Snack Shops industry has outperformed its closest competitors in the foodservices sector over the past five years, as coffee continues to be a vital part of the daily routine of many Canadians. According to the Canadian Coffee Association, 65.0% of Canadian adults drink coffee on a daily basis, and the average Canadian coffee drinker consumes an average of 2.6 cups of coffee each day. While the penetration rate of bottled water and juices has fallen over the past five years, coffee's penetration rate has remained steady. The majority of coffee consumption still occurs inside the home; however, rising household income has enabled more consumers to enjoy coffee prepared by cafes and coffee shops over the past five years. Industry revenue is expected to grow 6.5% per year on average over the



five years to 2016. In 2016, industry revenue is anticipated to grow 4.1% to reach \$11.1 billion.

The industry is considered mature but high growth potential still exists on the premium coffeehouse spectrum inhabited by coffee purveyors like Fresh Cup. Ibis World states:

"One of the fastest-growing segments of the industry over the past five years has been independent coffee shops targeting coffee connoisseurs with high-quality espresso, as well as siphoned and filtered coffee beverages. This trend, which has been termed 'third wave' or 'specialty' coffee, considers coffee an artisanal product, rather than a commodity, where the origin of the coffee bean is important, much like wine."

Fresh Cup Saanichton hits all the right notes when appealing to Saanich Peninsula's coffee connoisseurs with their emphasis on coffee quality and origins, ethical trade, and environmental stewardship.

## Business Valuation

The asking price for Fresh Cup Saanichton was determined primarily by comparing the company's normalized earnings and sales with other similar businesses that have been sold on the open market over the last number of years. In the view of the analyst, Fresh Cup Saanichton provides an excellent opportunity to maintain or expand the current owner's revenue and discretionary earnings. Its long history, solid growth and strong local brand presence makes it an ideal acquisition for an owner operator.

See Appendix 1 for a detailed opinion of value.

## Ownership

1034274 BC Ltd. (DBA - Fresh Cup Saanichton) is owned by Fresh Cup Roastery Cafe Ltd. with 2 Directors of Fresh Cup Roastery Cafe Ltd. responsible for business operations of the cafe. Mel and Jim Townley oversee the operations of the numbered company and are the sole Directors of 1034274 BC Ltd.

As part of the support of the new owners, Fresh Cup has professionally trained roasters to ensure the quality of their coffee continues into the future.

The current owners spend very little time managing the retail operation of the business. Mr. Townley is responsible for oversight and he estimates he spends about ten hours per week meeting his responsibilities. Mr. Townley's parents remain responsible for general bookkeeping, and daily deposits for Fresh Cup Saanichton. Together, they spend about 15-20 hours per week managing those tasks.

As part of the income statement normalization process, the wages noted above were removed and made available to a new owner.





## Customers

No single customer accounts for more than 1% of the sales.

Customer Type	Description
Local Workers	Customers who work for various stores and service businesses in the area frequent the cafe.
Commuters	Many customers stop by in the mornings to purchase coffee and breakfast snacks.
Whole Bean Purchasers	Many customers come from some distance away to purchase Fresh Cup's beans. The business does approximately \$75,000 per year in whole bean sales.

Repeat business is common with many customers frequenting the cafe every day.

## Products and Services

Fresh Cup Saanichton derives the bulk of their income through the sales of coffee and teas along with pastries and hot food.

It adds to its income through the sales of merchandise and whole coffee beans.

A small percentage of revenue comes from its nascent catering division. This is an area of growth the new owners could realize immediately.



Product / Service	Revenue Contribution
Coffee	13.1%
Specialty Coffee	25.3%
Hot Drink	2.5%
Cold Drink	1.4%
Frapps	1.4%
Bakery	18.8%
Lunch	11.3%
Soup and Salad	5.4%
Bulk Coffee	15.1%
<b>Total % derived from coffee /drink</b>	<b>58.8%</b>

## Food Program

Most of the food Fresh Cup Saanichton sells is prepared or finish-baked onsite. Approximately 70% of the food sold at Fresh Cup is made in-house, using time-tested and well-developed recipes. A complete line of Gluten-Free items has been developed and thus has increased the consumers who love coffee and are looking to avoid gluten.

The Fresh Cup website [www.freshcup.ca](http://www.freshcup.ca) showcases a list of the high-quality food that is offered in step with the 'Locally Roasted Organic Coffee' to complement their unique cafe experience. Fresh Cup only uses an outside supplier if their quality is equal to or better than what their in-house food team can produce.

They've refined the food program over the years and have very little waste with our current approach, and with the recent increase in traffic, management has looked to bring in more diverse, quality items to augment the line-up of pastries, baked goods and savouries to manage labour costs.



## Advertising and Marketing

After being in operation for over 17 years, the owners of Fresh Cup Saanichton market the cafe using more organic methods of advertising such as word of mouth, newspaper articles and local support for events. To maintain top-of-mind awareness within the community, activities have included the following:

- Fundraising programs with local community groups - focused to increase retail bean sales.
- Donations to various local groups: Roasted whole beans + gift cards to encourage higher foot traffic and increase retail bean sales.
- Donations of URNs of coffee to support the liquid component of the business in the community, which supports the social aspects of a coffee house.
- Seasonal print ads in the local Seaside Magazine during November and December to increase retail bean sales.
- Local newspaper stories to promote coffee innovations, with examples including: Cold Draught article, 100% Recyclable K-Cup, and National Post story as 'One of the 5 must-visit coffee places in Canada' (see Appendix 3).
- Bean Club: This program is designed to support retail bean sales as many of the local residents buy roasted beans and enjoy coffee at home. The Bean Club rewards customers who buy 10 lbs. of roasted beans and then receive a FREE lb. This program maintains the retail bean revenues, while reinforcing loyalty.

## Advertising

Over the past 15 years there has been considerable advertising done to build the customer base and brand on the Saanich Peninsula. It has been the ownership's position over the past couple of years that there is sufficient traffic coming to the Saanichton Village and the key is to now elevate the customer experience and increase the ASP (average sale per customer). The focus has shifted from standard advertising methods towards better trained and efficient staffing. In a changing time of media effectiveness, Fresh Cup also does the following:

- Use social media to promote day-to-day activities and send out a monthly e-newsletter to people on their mailing list, which now exceeds 800 local residents.
- In terms of future advertising, the owners of Fresh Cup Saanichton would recommend promoting small group catering to the continued focus on roasted beans and specialty coffee. Catering is a dimension that has never been fully leveraged as the focus has been on the Roastaire sustainable coffee roasting technology and its development. There is space and capacity to increase this aspect of the business and increase revenues.



- Many stories hang on the walls within the cafe as a testament to the work that's been done in the local community and coffee industry. Roast master Mel and Jim have worked to establish a loyal following of coffee lovers. See Appendix 3 for examples of media coverage.
- The future owners will benefit from a web presence that is driven by the parent company and its work to expand the brand into Vancouver. No additional cost to remain part of the Fresh Cup web component will be charged to the buyers of the Saanichton location.

## Competition

The coffeehouse industry is mature, meaning that there is no shortage of competition for customers. That said, local competition is limited. The only direct competitor is Spelt's Coffee located within walking distance on East Saanich Road in Saanichton Village. Spelt's focuses more on drip coffee, not specialty coffee.

There are McDonalds and Tim Horton's franchises within 10 km of Fresh Cup, but although Tim Horton's and McDonalds both serve coffee, they are not seen by the owners as direct competitors as they serve a slightly different demographic and appeal to the 'drive-through' crowd, not the coffee Connoisseur market.

## Growth and Expansion

The company has experienced stable revenues over the last number of years. In April 2016, the current owners cleaved off the retail component of Fresh Cup and began to optimize the business. They were able to reduce the dependence of the business on ownership by transferring responsibilities to staff. They also renewed the focus on customer service and as such were able to increase sales without increasing costs.



In the spring of 2016, cold-filtered coffee was introduced and it met with immediate success. The cafe is in the process of adding its own line of biodegradable K-cups to take advantage of customers who enjoy the Fresh Cup offerings but prefer to brew in their own homes.

Other opportunities include **expanding the catering line of business**. Currently, catering only accounts for a small amount of gross revenue for the store.

## Facilities

The business occupies two non-contiguous locations in the same building located at 1931 Mount Newton X Road in Saanichton, British Columbia.

Unit 104 is comprised of 814 square feet of retail space, licensed to accommodate 25 people. There is also an outdoor cover patio with 9 tables with seating for up to 25. The outdoor space is not included in the lease and the Landlord has never charged additional rent.

Unit 109 comprises 678 square feet of space currently used for food preparation and storage. The Roastaire division uses small portion of the space (200 sq. ft.) for on-site roasting and are willing to remove their roasting equipment should the new owners require the space.

## Furniture, Fixtures, and Equipment

Furniture, Fixtures and Equipment have a book value of approximately \$140,000. A complete list of included assets in Appendix 2.

## Inventory

Inventory for Fresh Cup Saanichton includes perishable and non-perishable items. Inventory levels are maintained at approximately \$15,000 and are included in the price of the business.

## Financial Disclaimer

An essential step in the review of a company is an analysis of its financial performance over time. Analyzing a company's financial statements provides an indication of historical growth, liquidity, leverage, and profitability, all of which influence the value of a company's assets or equity. The following section of this report examines the trend of the company's financial performance for the last three years or since its inception, whichever is longer.

The subject company's historical income statements have been adjusted to present the business as if it had been managed to maximize profitability. Since private companies tend to keep reported profits and resulting taxes as low as possible, adjusting the financial Statements is an important element to understanding the true earning capacity of the business. Our adjustments include any fringe benefits the owner may have had, unusual circumstances, liens that will be paid off, as well as EBITDA (Earnings Before Interest Taxes Depreciation, and Amortization). This will reflect a more realistic income for you as the new owner. Our analysis of the subject Company is based on an adjusted basis. A summary of the adjusted historical financial statements is contained in the following section.

All financial information and adjustments were provided by the Company. All numbers were taken from profit and loss reports or tax returns supplied by the Company or its accountant.

## Appendix 1: Valuation

### Income Normalization and Estimate of Value - 1034274 B.C. LTD db Fresh Cup Roastery

	2015	2016 1st half	2016 2nd half	2016	2017	notes
<b>Revenue</b>						1
Coffee	\$59,300	\$32,232	\$33,511	\$65,743	\$66,698	
Specialty Coffee	\$118,980	\$60,789	\$64,014	\$124,803	\$128,413	
Hot Drink	\$11,183	\$7,259	\$4,725	\$11,984	\$12,988	
Cold Drink	\$3,026	\$888	\$2,201	\$3,089	\$2,991	
Frapps	\$6,633	\$1,000	\$5,066	\$6,066	\$7,151	
Bakery	\$85,067	\$41,903	\$48,978	\$90,881	\$95,251	
Lunch	\$55,751	\$28,340	\$30,032	\$58,372	\$57,556	
Soup and Salad	\$29,631	\$13,765	\$14,879	\$28,644	\$27,594	
Bulk Coffee	\$63,441	\$42,179	\$36,198	\$78,377	\$76,709	
Gluten Free		\$0	\$1,174	\$1,174	\$0	
Discounts		-\$4,368	-\$4,182	-\$8,550	-\$8,092	
Retail Merchandise	\$3,348	\$2,300	\$1,456	\$3,756	\$9,260	
Wholesale Foods		\$474	\$0	\$474		
<b>Total Sales</b>	<b>\$436,360</b>	<b>\$226,761</b>	<b>\$238,052</b>	<b>\$464,813</b>	<b>\$476,519</b>	
<b>Other Income</b>						
Convenience Card	\$0	\$13,696	\$13,128	\$26,824	\$25,121	
Sundry Revenue	\$1,270	\$767	\$747	\$1,514	\$1,497	
Interest Revenue	\$0	\$0	\$1	\$1	\$4	
Cash Over / Short	\$1,270	\$334	-\$585	-\$251	\$2,933	
<b>Total Revenue</b>	<b>\$437,630</b>	<b>\$241,558</b>	<b>\$251,343</b>	<b>\$492,901</b>	<b>\$506,074</b>	
<b>Expenses</b>						
<b>Remuneration Expense</b>						
Wages	\$206,289	\$86,959	\$94,418	\$181,377	\$164,334	a.
UIC Expense	\$4,505	\$2,289	\$2,422	\$4,711	\$4,070	
CPP Expense	\$6,057	\$3,092	\$3,091	\$6,183	\$5,568	
WCB Expense	\$1,450	\$715	\$765	\$1,480	\$1,077	
<b>Total Remuneration Expenses</b>	<b>\$218,301</b>	<b>\$93,055</b>	<b>\$100,696</b>	<b>\$193,751</b>	<b>\$175,049</b>	
<b>Direct Costs</b>						
Freight and Shipping	\$625	\$0	\$70	\$70	\$105	
Milk	\$13,489	\$8,374	\$8,693	\$17,067	\$16,934	
Small wares	\$1,642	\$914	\$209	\$1,123	\$517	
Purchases	\$96,066	\$77,986	\$93,578	\$171,564	\$178,165	
Supplies	\$4,549	\$4,982	\$6,347	\$11,329	\$11,950	
Maintenance	\$1,897			\$0	\$3,115	
<b>Total Direct Costs</b>	<b>\$118,268</b>	<b>\$92,256</b>	<b>\$108,897</b>	<b>\$201,153</b>	<b>\$210,786</b>	

<b>Administration Expense</b>							
Accounting		\$1,500	\$2,750	\$2,865	\$5,615	\$5,105	
Advertising and Promotion		\$6,200	\$3,491	\$516	\$4,007	\$4,433	
Bank Charges and Interest		\$7,634	\$2,887	\$2,853	\$5,740	\$6,150.00	
Convenience Card			\$13,928	\$14,080	\$28,008	\$27,113	
Amortization				\$26,299	\$26,299		
Automobile				\$1,894	\$1,894		
Auto Insurance				\$1,080	\$1,080		
Telephone			\$1,349	\$2,006	\$3,355	\$2,754	4
Insurance		\$2,400	\$1,365	\$455	\$1,820	\$1,208	
Laundry			\$40	\$122	\$162	\$130	
Legal / licenses		\$900	\$0	\$322	\$322	\$578	
Office Expense		\$3,000	\$1,971	\$2,371	\$4,342	\$4,011	
Rent		\$41,362	\$17,133	\$17,181	\$34,314	\$30,847	
Entertainment						\$30	
Repair and Maintenance		\$2,600	\$3,076	\$913	\$3,989	\$1,591	
Utilities		\$8,364	\$8,521	\$4,264	\$12,785	\$12,659	
<b>Total Admin Expenses</b>		<b>\$73,960</b>	<b>\$56,511</b>	<b>\$77,221</b>	<b>\$133,732</b>	<b>\$96,609</b>	
<b>Total Expenses</b>		<b>\$410,529</b>	<b>\$241,822</b>	<b>\$286,814</b>	<b>\$528,636</b>	<b>\$482,444</b>	
<b>Adjusted Net Income</b>	<b>\$0</b>	<b>\$27,101</b>	<b>-\$264</b>	<b>-\$35,471</b>	<b>-\$35,735</b>	<b>\$23,630</b>	
<b>Discretionary Expenses</b>	<b>0</b>	<b>2015</b>	<b>2016 1st half</b>	<b>2016 2nd half</b>	<b>2016</b>	<b>2017</b>	
Total Remuneration Expenses		\$ 20,000.00			\$ 20,000.00		2
Remove highest paid employee		\$ 40,000.00			\$ 40,000.00	\$ 40,000.00	3
Amortization					\$26,299		5
Telephone					\$ 1,200.00		6
Automobile					\$1,894		7
Auto Insurance					\$1,080		8
Accounting					\$ 3,000.00		9
<b>Total Discretionary Expenses</b>	<b>\$ -</b>	<b>\$ 60,000.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 93,473.00</b>	<b>\$ 40,000.00</b>	
<b>Seller's Discretionary Earnings</b>	<b>\$0</b>	<b>\$87,101</b>			<b>\$57,738</b>	<b>\$63,630</b>	
Replace owner salary		\$ 40,000.00			\$ 40,000.00	\$ 40,000.00	
<b>EBITDA</b>	<b>\$0</b>	<b>\$47,101</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,738</b>	<b>\$23,630</b>	
Weighting	0%	0%			40%	60%	100%

#### Normalization Notes

- Fresh Cup separated the retail operation from wholesale roasting and equipment sales component of the business in May of 2016. Revenues and expenses prior to this separation were mixed with other operating entities, therefore only summaries are provided for the 2015 Fiscal Year.
- The business owner has not been actively involved in the business for more than two years. For normalization purposes the analyst has removed the wages of the family member acting as bookkeeper as well as wages and benefits paid directly to the business owner.
- Estimated Wage reduction if a new owner worked full time and replaced currently employed workers.
- 2015 Income statement is based on the best estimates for expenses because the expenses were intermingled with an associated business.
- Non-cash item
- Owner personal cell phone
- Personal vehicle expense
- Personal vehicle expense
- Excess accounting expense
  - Owner's mothers wages (\$21,632 annual salary) as she is not integral to the business

Financial Summary					
Weighted Normalized EBITDA		\$			21,273.21
Weighted Revenue		\$			500,804.81
Weighted Normalized SDE		\$			61,273.21
Market Comparables from PeerComps					
metric	Multiple	Value	Weighting	Value	
price to revenue	0.56	\$ 280,451	25%	\$ 70,112.67	
Price to EBITDA	3.84	\$ 81,689	5%	\$ 4,084.46	
Price to SDE	2.75	\$ 168,501	70%	\$ 117,950.93	
	<b>Totals</b>		<b>100%</b>	<b>\$ 192,148.06</b>	
Proposed Purchase Price and suggested Allocation					
	Fair Market Value from comparable sales	\$			192,148
	Proposed Sale Price	\$			179,000
	Inventory	\$			15,000
	Furniture, Fixtures and Equipment	\$			120,000
	Goodwill	\$			44,000



## Appendix 2: Equipment List

Fresh Cup Café - Equipment List		January 1st, 2017
QTY	Item Name	Comments
1	La Spaziale - 2 Group Tall Espresso Machine	New pump less than 2 yrs. Serviced every 6 mths.
2	Reg Barber customer Coffee Tamper	
1	ECM Espresso Ginder	New Oct 2015
1	Mazzer Mini Espresso Grinder	approx. 3 years old
1	Vitamix Blender & sound proof shroud	
2	Vitamix Blender Containers	
1	3 level counter top display unit	displays pastries, oats etc...
1	Dinerware P.O.S.	PC & Software License - full reporting capabilities
1	Touch Screen Display	
1	Receipt Printer for P.O.S.	
1	Kitchen Printer for P.O.S.	
1	Pole Display for P.O.S.	
1	UPS - Battery Back-up for P.O.S.	
1	Debit/Credit processing machine	Mounted on counter
2	Under counter Mini Fridges	Barista milk below counter, and cream storage
1	Counter Top Coffee Sign - by till	
1	3 door Burgundy cooler	New compressor and cooling coil April 2015
1	Muffin display shelf	
1	Stainless Hot Water Tank & Drip Tray	
1	Newco Coffee Brewer	
1	Curtis Gold Cup Coffee Brewer	
1	Curtis Stainless Brewer	purchased as a back-up - reconditioned
10	2.5 litre coffee diamond carafes	
1	TEC SL 2200 Commercial weigh scale	
1	Commercial Bunn Coffee Grinder	used for retail business as well as making drip coffee
1	undercounter Marvel 50 lb. ice-maker	New in September 2015
1	Full size refrigerator	1.5 years old
1	commercial soup warmer & Pans & ladles	
1	Jet-Tech Commercial Hi-Temp Dishwasher	serviced regularly, rebuilt 1 yr. ago
1	Amana commercial microwave	
6	Copper & Stainless Coffee storage bins	used to display coffee used in drip
1	cutlery holder & cutlery	
1	commercial Hobart convection oven	\$2200 new motor & main controls past 6 months
1	cooling rack system - above oven	
8	Jumbo muffin pans	
10	Half sheet baking pans	
1	commercial Belco conveyor toaster	
1	Panna-Bella double panini grill	new grill wiring within the past year
1	Panasonic 1200 watt microwave	less than 6 months
1	4' ft. Display Pastry Cooler	
1	Stainless cooler top pastry display unit	
1	50 gallon grease trap	
1	large double stainless sink	
1	Cold Draught Coffee dispensing system	New June 2015
1	PVR wall-mounted shelving unit	
1	PVR TV unit	
1	42" HD wall-mounted TV	
1	Stereo Receiver	
2	café speakers	
1	ipod with 1000 songs loaded	
1	Chrome shelving unit	
1	main café safe	
1	petty cash safe	
1	hide-a-way freezer	
1	water station base and jug	
3	bus pans	

Leaseholds		
1	Birch plywood front counter	
1	Stainless Fresh Cup Sign	
1	large birch plywood storage cabinet	cups etc...above burgundy cooler
5	Large magnetic menu boards	coffee menu, and retail bean sign
4	stainless steel shelves for tea tins	
1	hanging star lamp in corner	
2	custom coffee bean bag ceiling units	stainless cable mounted for sound reduction
1	Corner cabinet with hand wash sink	
1	corner cabinet with upper shelf	Coffee grinding station
1	custom stainless double sink & taps	
1	6 ft. stainless work top	main food prep counter
7	upper cabinet units	along rear wall above double stainless sink
1	small hot food prep counter with stainless top	used for soup warmer and storage below
1	large hot food prep counter with stainless top	used for toaster, and panini grill
1	birch plywood bus station	
1	wood condiment station	storage underneath for cups, lids etc...
1	locking wooden corner cabinet in washroom	used for paper products storage
1	folding ladder system	used to access storage above staff & washroom
1	Large Barista back bar with stainless shelves	powered to accommodate blender, and grinder
7	wooden blinds	
1	ribbon track lighting system with 6 halogen heads	
1	amber globe light	above Barista station
8	hanging ceiling pendants	4 New Oct 2015
3	wall sconces	New Feb 2016
1	lunch special board	
3	wall mount magazine holders	
16	black café chairs with cup design	reupholstered - last summer
1	black café stool with cup design	reupholstered - last summer
2	leather chairs	in corner
1	wall mounted table	between leather chairs
2	large oval glass custom coffee table	
2	large round glass custom coffee table	
1	small round glass custom coffee table	
Smallwares		Comments
26	Green and white oval serving plates	
16	Green and white round serving plates	
36	multi-coloured pastry serving plates	
30-36	Coffee mugs	Plus Christmas mugs up in storage
20	Blue & white Specialty Coffee Cups & Saucers	A number of misc. additional cups in storage
4	Demitasse espresso cups and saucers	
8	Stainless steel Tea Pots	
8	metal tea tins	
7	Stainless steel milk steaming pitchers	
20	black and brown display/ serving trays	plastic and fiberglass
16	plastic water glasses	
1	complete condiment container set	coffee station, lids, sugar, straws napkins etc...
2	Nissan stainless steel cream/milk containers	
2	water filtration systems	1 - drip machines, 1 for espresso machine
2	date guns for food and pastries	
2	whip cream dispensers	
12	syrup pumps	
5	various size garbage bins	
1	24" wall mount knife magnet	
6	large and small chrome wire display trays	for baking and pastry display
1	shop vacuum for café	
1	commercial mop and bucket	
1	2 - station hands free phone system	
1	Multiple boxes of additional Smallwares	up in storage above washroom
1	Complete set of Christmas decorations	tubs of lights, and lots of decorations

Patio Equipment		
1	stainless bus pan station	
5	custom coffee tables with glass top	
17	café chairs	new upholstery 1 year ago
3	marble out side tables	
4	stained concrete outdoor tables	
1	6 ft. 4" cedar outdoor table	
18	black powder-coated outdoor chairs	
6	boat-top material panels w/ windows	
2	extra large ceramic pots with wisteria	
3	stainless cables with locks	
1	pergola with metal roof	
1	large sandblasted Fresh Cup sign	mounted on front of patio at end
1	Commercial Retractable Awning	Mounted on front of pergola
Equipment in Unit # 109		
1	Foster walk-in Freezer w/ 2 chrome shelves	61" x 61" x 76" serviced regularly - new compressor Sept 2015
1	Delfield Double Door Stainless Freezer	51" x 32" x 79"
1	Lockwood full size commercial proofer	22" x 30" x 72"
1	Nu-Vu double convection oven	30" x 32" x 77" recent service and capacitor on motor
1	full size cooling rack for baking	26" x 20" x 69"
5	Jumbo Stickey Bun Pans	each pan makes 15 Stickey Buns
2	commercial loaf pans	each pan makes 12 units
28	full size baking sheets	
7	half size baking sheets	
1	20 quart commercial Hobart Mixer	serviced less than 2 years ago
1	stainless bowl for Hobart	
1	Hobart mixer set	paddle - whisk
1	Rolling metal cabinet with solid wood top	30" x 30" x 30" used to support Hobart Mixer
1	Free standing stainless counter w/ upper shelf	50" x 28" x 62"
1	3 compartment stainless sink w/ taps/sprayers	48" x 28" x 36"
1	Free standing chrome drying rack	36" x 18" x 76"
1	Foster double door cooler	51" x 30" x 75"
1	Kenmore Fridge/ Freezer	32" x 27" x 65"
1	Free Standing Quest Stainless work station	60" x 30" x 36" with upper shelf and drawer
1	Panasonic 1200 Watt with Inverter technology	mounted above stove in cooking area
1	Kenmore 4 burner stove/ oven combination	30" x 27"
1	Kitchen Aid Mixer	with mixing bowls and attachments
1	Cuisinart Food Processor	with various attachments
1	Maple top mobile work station	with lower shelf for storage
1	OMCAN medium size meat/cheese slicer	new motor ordered and will be installed week of May 26th
1	shorter chrome storage rack	48" x 18" x 28"
6	large cooking pots and lids	
1	Rubbermaid flour storage unit	
3	mobile under counter dry ingredient storage bins	
3	Rubbermaid flour storage bins	
1	custom wooden rolling storage trolley	for flour, sugar etc...
1	Tanita digital portioning scale	
1	JR portable portioning scale	
1	Detecto Bakers scale w/ weights	
1	Viking upright front loader freezer	used for cookies and squares
3	large baking frames	used with full pans to make squares
2	small baking frames	used with half pans to make squares
2	Bread baking pans	
1	free standing floor fan	used to move air through work space
1	Office Desk and Chair	

Leaseholds		
1	Office and mezzanine storage area	
1	Misc. shelves and cupboards in office	
7	upper cabinet storage units	
4	lower cabinet units	
1	large work top counters	
1	birch plywood storage unit with microwave mount	
1	3 shelf heavy duty storage unit	wall mounted to store dry ingredients
1	stainless spice shelf	
1	24" magnetic knife bar	
1	corner cabinet - lower with top	
1	black power coated shelf unit for computer	
Smallwares		
Misc	Large Salad Bowls	used in catering
Misc	Small Salad Bowls	used in catering
1	cast iron griddle for stove	used for waffles, flatbread etc...
Misc	BBQ utensils	used for catering
Misc	Dry ingredient tubs	
Misc.	Stainless food containers	
1	cutlery tray & misc. cutlery	
1	bus pan with Misc. cooking and baking utensils	
1	Commercial stainless steel mandolin	slicing veggies etc..
Misc.	Stainless bowls for baking	various sizes
Misc.	Strainers for baking and cooking	
20	plastic muffin batter containers	
Misc	plastic containers for food storage	

Please note: There are numerous small items included that have not been posted on this list. Smallwares, tools etc...the time to count each one would be enormous.



# Appendix 3: Selected Media Coverage

NATIONAL POST, SATURDAY, MAY 28, 2016

nationalpost.com WP3

## travel & escapes



# Bean there, drank that

Micro-roasters and independent coffee shops are changing the way we order and enjoy a good cup of coffee. And it's about more than just the hipster barista and speciality equipment.

Here are five small roasters worth travelling for. By Pay Chen

**FULL STEAM COFFEE**  
Guyabonough, N.S.  
Glyn Williams, a former Toronto Bay Street executive, opened up the Authentic Seacoast Company and launched Full Steam Coffee as a way to revive the 400-year-old trading tradition of Guysborough Harbour, N.S. Located on the eastern edge of the province, Guysborough has seen a decline in its traditional industries of lumber and fishing, but a local coffee roaster has managed to employ more than 20 people and keep the trading tradition alive.

Full Steam Coffee roasts certified organic and fair-trade beans, with the goal of highlighting and reminding coffee-sippers of the rich Maritime history. For example, the Louisbourg 1713 French Roast was developed with Parks Canada to celebrate the 300th anniversary of the Fortress of Louisbourg.

The most popular coffee by Full Steam is the Perfect Storm Dark Roast; it's big and smoky, with notes of baker's chocolate and cocoa. The kind of brew you'd want to weather any storm that blows your way. For a true east-coast experience, visit the skipping stone Café & Store on the picturesque Guysborough Harbour, where you can sip a cup of Full Steam brew and enjoy fresh treats from a nearby bakery, 72 Main St., fullsteamcoffee.com

**FRESH CUP ROASTERY**  
Saanichton, B.C.  
If one city in Canada had coffee culture before the rest of the country caught on, it would be Victoria. Home to a surprisingly large number of coffee roasters, the West Coast folks have long been flush with good beans in addition to their great weather. Who says you can't have it all? Fresh Cup Roastery Café, about 20 kilometres from downtown Victoria, is a favourite meeting spot for locals to enjoy fresh food and just-as-fresh coffee. President Jim Townley start-

ed roasting coffee in his garage 17 years ago. Townley saw how much energy was being used to roast coffee beans and created the Roastaire™ — a sustainable roaster that reduces emissions and energy consumption. Always aiming to be a leader in coffee trends, Fresh Cup recently launched the first "cask conditioned craft coffee" in Canada. Green coffee beans are infused with bourbon, amber rum, apple whiskey, wine or beer, and aged in bourbon casks before roasting. 10-4-1931 Mt. Newton Road, freshcup.ca

**MONOGRAM COFFEE**  
Calgary  
Three friends, each with several years of café and roaster experience behind them, launched Monogram Coffee in Calgary just a year ago and opened the doors to their second café in February this year. Jeremy Ho, Justin Eyford and Ben Put aim to bring in-season coffee to Calgary's caffeine lovers. Choosing beans as fresh from the harvest as possible means they can preserve the vibrancy of the flavours, and offer a constantly new and changing selection of coffee.

Their beans are roasted at Transcend Coffee in Edmonton and brought to the cafés. Seasonal lattes are always popular at Monogram Coffee and java fans are happy the guys have re-released their Galaxy Hopped Cold Brew — a cold brew of Ethiopian coffee with the addition of Galaxy hops to add a fruity, tropical flavour. The café is bright with a sleek, modern design, and those who can't sit and sip can serve themselves a cup of hot coffee from one of several keg taps and settle their bill on their own at the "honour bar".

Though the people running the café may be young, their team has won the last four National Barista Championships and Put took home third place in the 2015 World Barista Championship. It's

fair to say that Calgary is home to coffee champs. 4816 16 St. SW, 420 2nd St. SW, monogramcoffee.com

**DOGWOOD COFFEE**  
Winnipeg  
Winnipeg has experienced a boom of excellent coffee shops in recent years. Several experienced roasters (Green Bean Coffee, Black Pearl Coffee) existed long before that, but independent shops dedicated to serving these fragrant beans were much harder to find.

The Canadian outpost of Dogwood Coffee — the original location is across the border in Minneapolis — roasted its first batch of beans in February of this year. Three Manitobans — each with a café under their belt — opened their roastery and café in a historic warehouse smuggled in the trendy Exchange District. Locals can sip on the popular Neon Espresso blend (comprised of Costa Rica Santa Marta, Brazil Passieo and Colombia El Meridiano), or a glass of wine and watch their favourite beans go through the roasting process.

True coffee enthusiasts will want to get their hands on the unique beans and blends from small growers and producers in Columbia, Brazil and Ethiopia. The tasting notes include descriptions like, "strawberry wafers," "white gummy bear flavour" and "notes of currant, raspberry and raisin." Watch



Rewriting Shakespeare, Shatner on the week's hottest book releases nationalpost.com/Books

out, wine adjectives; coffee is catching up. 171 McDermott Ave., dogwoodcoffee.com

**PROPELLER COFFEE**  
Toronto  
It's a story that reads like TV show premise: a man becomes one of the first customers in his neighbourhood's new coffee shop, strikes up a friendship with the owner, they dabble in projects together, and with their mutual appreciation of good coffee, they decide to start a coffee company. In a few short years, they became one of North America's top speciality

roasters. That's the story behind Propeller Coffee. In the TV version, chaos ensues. In real life, new business partners Loeel Tethong and Geoff Polci surprised many by winning the award for 2016 Micro Roaster of the Year. Environmentally minded patrons will be happy to know they use 100 per cent renewable energy and 100 per cent of their gas is sourced from landfill gas projects that tap decaying organic matter in the landfill.

A former metal factory with high ceilings and exposed brick, Propeller also

doubles as a unique event space. Relax in the sun-lit, rustic café with its long wooden tables and mismatched chairs, and sip one of their top roasts: ace espresso — a medium/light roast made up of a seasonal blend of African and Latin American coffees, or the Turbo Espresso, a more traditional espresso style in a medium/dark roast, darker than the Ace and made of a seasonal blend of two south and Central American coffees. 50 Wade Ave., propellercoffee.com

Weekend Post



**Small-batch quality.  
Award-winning flavours.  
Exciting taste innovations.**



# Craft coffee conditioned in a cask in Saanichton

Steven Heywood  
News staff

First it was a Cold Draft Coffee than reminded drinkers of a stout — and now Saanichton's Fresh Cup Roastery is infusing its beans with the essence of additional spirits.

Owner Jim Townley has reached the end of a six-month experimentation and at the end of 2015, he revealed their unique process of infusing green coffee beans with spirits like honey mead, bourbon and rum.

"Back in the 1600s to 1700s, coffee used to be shipped in barrels and some of those were spiced or at one time carried alcohol," Townley explained. "In those days, the coffee was thrown out, thinking it was

ruined.

"Green coffee is sensitive to absorbing flavours and aromas and today, it's typically shipped by itself in clean containers."

Always looking for new and exciting ways to explore a craft coffee market, Townley said he was inspired by Victoria's strong craft brewing industry to take a risk on something new.

Instead of roasting the beans with flavours — as has been done before in such coffee beans as Irish Cream — Townley takes the green beans and ages them in barrels which once contained their spirit of choice.

He calls the process cask-conditioning and said it makes a special-occasion coffee bean — a coffee with the essence of the spirit, without the alcohol.



Fresh Cup is always coming up with new takes on coffee. This time, it's beans infused with unique spirits.

"We use bourbon casks from Washington State, rinse them to make them neutral ... it's taken six months ironing out the

logistics of this." The green coffee beans are stored in the casks as they absorb the flavours of the spirits — such as Tug-

well Creek's honey mead, amber rum and bourbon. Townley added he's looking at additional flavours — some as a honey rum or

even a blackberry brandy from Central Saanich's DeVine Vineyards.

Townley said his honey mead infusion scored 93 points from Coffee Review, with the tasting notes: "fruit-toned spirits, crisp roasted cacao nib in aroma and cup, velvety mouth feel, long persistent finish."

Fresh Cup had their first small batches of Cask Conditioned Craft Coffee ready for the holiday season, with the roasted beans packed into mini-growler bottles.

"People are always looking for new, unique tastes," Townley said, noting he's hoping the idea takes off and other coffee roasters pick up on it and together, start a new trend in specialty coffee — not unlike how craft brewers have put the region on the map.



**Small-batch quality.  
Award-winning flavours.  
Exciting taste innovations.**

CONFIDENTIAL



# Imagine a Guilt Free K-Cup

by Jim Townley  
President, Fresh Cup  
Roastery Café Ltd.

*“Continuously reinventing your organization doesn’t mean you have to start from scratch with each new innovation. Exploring new opportunities*

*is an incremental process that begins with sensitivity to changes in the broader environment.” ~ V. Govindarajan.*

As a local coffee micro-roaster for over 15 years, I’ve been hoping for the longest time that people would finally come to their senses about single-serve K-Cups™ and pods. In their quest for convenience, coffee drinkers have been generally receiving stale, low quality coffee. Worse is the hideous effect the plastic K-Cup waste stream has had on our environment. When the K-Cup first came out, Fresh Cup Roastery Café started selling reusable SoloFill™ filters to give our customers an environmentally-friendly option to use with our fresh beans. I watched the K-Cup trend, hoping those customers we had lost to convenience would come back. Well, four-plus years had passed and I soon realized that I underestimated the power of convenience; the single-serve category continued to grow. We needed to either adapt to what many customers wanted, or accept the status quo.

Our roasting team recognized that the worst aspects of traditional K-Cups are the typical lack of coffee freshness and the absence of sustainability. We asked ourselves: “What if we could fill the K-Cups on demand and in a recyclable alternative?” Under no circumstances would we compromise on our customers’ love of fresh coffee or our commitment to sustainability. Our search brought us to a company that supplies 100% recyclable K-Cups, as well as efficient table-top filling machines.

Fresh Cup is now proud to introduce our newest coffee innovation: the guilt-free K-Cup. It’s a single-serve coffee solution that doesn’t require our customers to choose convenience over fresh flavour and protecting our environment. The K-cups are also super fast and easy to rinse and recycle after use.

Starting November 15, we invite all coffee lovers to visit our Saanichton store to choose from your favourite, award-winning organic coffees, freshly roasted and delivered in 100% recyclable K-Cups, compatible with your brew machine, at home or office. ☘