



# CEOCFO

## Interviews & News!

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### Golden West Brewing And Its Subsidiary Butte Creek Brewing, Are Organic Pioneers In The Craft Brewing Movement, Who Brew The “Official Beers of Planet Earth”™



Consumer Goods  
Brewers  
(GWBC-OTC: BB)

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**Mark Simpson**  
President

#### BIO:

Brewmaster and Winemaker Mark Simpson has twenty-three years experience in food and beverage manufacturing. He has extensive experience in product development, supply chain management

and purchasing, quality assurance, public relations and marketing.

Mark has had a keen interest in fermentation since graduating from the UBC Microbiology program in 1982. He started his career with Molson Breweries, working with their core brands, as well as brewing international brands under license such as: Lowenbrau, Coors and Kirin.

This first assignment led to a nine-year stay as Brewmaster at Vancouver's Granville Island Brewing, where he developed award winning brands such as Cypress Honey Lager, the Belgian influenced Christmas Ale and oak cask aged Scottish Ale. In 2001, Mark joined RJ Spagnols Wine and Beer Making Products, a division of Vincor International, in a wine-making role, as Director of Research, Development and Quality Assurance.

Mark has a network of contacts and resources that is both extensive and worldwide. He brings a balanced and thorough approach to problem solving that brings the best out of people. Mark is skilled at recipe and process design for foods and beverages and possesses a keen insight into the successful branding and marketing of new products.

Mark's key values are: balance, integrity, enterprise, creativity and quality.

#### Company Profile:

Golden West Brewing Company, Inc. was formed in 2003 and completed a small self-underwritten public offering in 2006. Golden West, through its wholly owned subsidiary, Golden West Brewing Company, acquired the assets and certain liabilities of Butte Creek Brewing Company of Chico, California in August

2005. Founded in 1996, Butte Creek Brewing was founded in 1996 and is a pioneer of the organic beer movement in the USA. Our beer is affectionately known as “The Official Beer of Planet Earth”™.

**Interview conducted by:**  
**Lynn Fosse, Senior Editor**  
**CEOCFOinterviews.com**

**CEOCFO:** Mr. Simpson, what attracted you to Golden West Brewing?

**Mr. Simpson:** “What attracted me to Golden West Brewing was the great beer and great people; the underpinning of the brand. They make organic beers, which are delicious because the ingredients used lead to a high product quality. There are no pesticides; no additives and the ingredients are farmed using organic methods, which are more earth friendly. It is a good value package around with the organic positioning. The recipe and processes that have been employed results in an exceptionally tasty flavor profile. There are key assets to the brand and that is the first part. The second part is the Brewery that is located in Chico, California. Anyone that doesn't like going to California needs to have their head examined because it is a naturally beautiful state, with fantastic weather, lots of sunshine, proximity to Napa and San Francisco and a dynamic populace. The people in this business are entrepreneurial, friendly, dynamic, down-to-earth, not stuffy at all, just real people. Those three things made it an easy step to take.”

**CEOCFO:** What is happening at Golden West now?

**Mr. Simpson:** “Golden West Brewing is a holding company, a public company, and it was the funding and acquisitions

vehicle for Butte Creek. Butte Creek Brewing was founded in Chico, California by some local businessmen, about ten years ago. The business struggled along and grew slowly and organically but not with any great vibrancy. The first ownership group wasn't really successful so they decided to sell and the current ownership bought the company and created the Golden West Brewing shell, with a view of creating a diversified business. Butte Creek is currently the only operating business, but we are looking at diversification and merger acquisition strategies. That means looking for other businesses to work with."

**CEO CFO:** Would you tell us about the organic brewing industry in general?

**Mr. Simpson:** "We are part of a movement toward sustainable business practices with a customer base that are making buying decisions more on values, basic Organic foods and beverages are part of that movement. This is part of a growing desire for consumers to act more responsibly in their purchasing decisions because each small decision has a cumulative impact on our environment and therefore our future as a society. We are part of that movement for more responsible purchasing of product and consumers are seeking out

providers and suppliers that think about what they are doing a little more. If you think back a few years ago with that big oil tanker crash in Alaska, the sales of Exxon products plummeted because people decided that companies that are not going to take care of what they operate, will not be supported. The organic beer movement is a microcosm of that general consumer behavior and that is a huge trend, so the organic and natural products category is growing at double-digit rates. The craft beer movement in the US is growing at 11 to 12% rate and consumption of national brands like Budweiser and Miller is flat or declining. There are several things in play, one is a move of consumers to companies who act responsibly and that could be part social responsibility, how they treat their employees, how they process and deal with their effluent; all those things. The second part is

the migration of beer consumers from traditional big brand beers that focuses marketing on flavor to products with focus on flavor first, then marketing. We are right smack dab in the middle of all of those trends and in some ways personify these shifts in consumer behavior"

**CEO CFO:** What are your plans the next six months; where would you like to be and how do you get there?

**Mr. Simpson:** "The focus now is building a strategic and financial plan which existed but wasn't tight enough. The key part of that is to look at the market we are in, look at the reasons why the business performance isn't up at its potential More specifically that might mean improving the maintenance on the equipment to ensure less breakdowns or refining a processing method so the beer has a

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**- Mark Simpson**

longer shelf life. It might be improving the performance management of the team so they are sharper and execute better. My focus now is primarily operational and tactical. That is what the next three to six months look like. The bigger picture is to look for other businesses where we can synergize their operations and look for appropriate acquisitions, to increase our critical mass and improve our Cost of Goods. The Butte Creek strategic planning cycle is about driving business excellence, to perform to its highest possible capabilities.

The second part is on the corporate side or the Golden West Brewing Company mother corporation, which is to make sure that we are looking for ways to build critical mass. An analogy would be comparing five Breweries running around with half-empty trucks all barely making

ends meet, or you could have one Brewery group running around with a very full truck, with better economies of scale. We have one key acquisition that we are looking at and we hope to close in the next two months. We also have another like-minded brewery that we are talking to about a production sharing agreement and we have two Co pack (co pack = making their products under license in our facility) customers that we are currently working with. One is from in Berkeley California (Bison Brewing) and we are making t all of their beer in their facility. They have become what I call a virtual brand, which was formerly made in a small facility in Berkeley, which was decommissioned in October, with all of the production moving to our site. We also hired the owner and their CFO, Dan Del Grande; Dan has an engineering degree and a Masters in business administration and has joined us as CFO of Butte Creek Brewing. The other joint venture we have is with Matevesa, which is a beer make with Yerba Mate, which is a very interesting ingredient, so we are doing a co-packing relationship for them."

**CEO CFO:** Is there a trend toward consolidation in the industry?

**Mr. Simpson:** "That is an interesting question because every industry is cyclical. If you look

back over the last thirty years, our industry was almost an oligopoly with three or four major breweries; especially in Canada and probably in the US too, with Miller and Budweiser being the big houses. Through the 1980's and 1990's, there was tremendous proliferation of new, smaller businesses popping up taking advantage of smaller niches in the beer market. Through the late 1990's and more so in the last three or four years, we are in a consolidation phase. What has happened is we that have seen small players such as Red Hook and Pyramid grow into very popular regional brands. Red Hook is from Seattle Washington and Pyramid is based in Portland; those guys started as small breweries. Now they are grown up in big mature businesses with revenues in the millions and they recently announced a merger. That is the most recent example of a consolidation.

We are in a slight consolidation mode, but there are still a lot of start-ups; you can get statistics from the Brewers Association, at [www.beertown.org](http://www.beertown.org). That information set will show a lot of openings and very few closings. There are still a lot of start-ups but some of the mature players in the craft sector are binding together. These mergers and executed acquisitions are to achieve that critical mass where economies of scale are realized, but the businesses can still behave individually in the market; in other words make interesting beers and have a unique selling story.”

**CEO CFO:** How do you reach your potential customer?

**Mr. Simpson:** “By the web; it is probably the best. The worldwide web is probably the most efficient and organized and broad marketing platform there is.. Secondly, we reach our customer through retail; we do business with Costco, Whole Foods, Cost Plus World Market and other significant premium grocery chains. We participate in cooperative marketing campaigns where they may feature our beers in their flyers or marketing campaigns, or put them on limited time cost reduction program. The messaging that goes into those relationships often relate back to our core mission which is organic beer tastes better, is better for you and has a more responsible consumer good footprint.”

**CEO CFO:** Does the organic factor make it easier to get shelf space?

**Mr. Simpson:** “Yes, that is a huge difference for us, because more and more mainstream consumers are asking for organic products”

**CEO CFO:** What is your financial picture?

**Mr. Simpson:** “Our financial statements are in the public domain on the SEC website. We are trying to achieve profitability and we are not there yet. It is all about critical mass and the economies of scale. In Chico, we have between six and ten full-time employees depending on the time of year. We need to increase our volume to lower our cost base..”

**CEO CFO:** Why should potential investors be interested now, what sets Golden West Brewing apart?

**Mr. Simpson:** “There are three fundamentals, one is that we are underperforming and we are addressing it firmly and with urgency. We are making decisions that are going to improve our business performance in the near term, during fiscal 2008. Secondly is the array of products that are relevant and sharply focused on a growing consumer segment, so the demand is going to go up. We are not selling goods which people are going to reduce consumption as gasoline for example, we are not selling nuclear reactors that are out of step with the values of people in America now; we are a growth sector like hybrid cars, organic foods. Thirdly is the strength of the management team. We have a team of committed professionals, who are all passionate about our products and the values that drive them. We have a primary shareholder group who collectively are just an amazing group of entrepreneurs with a variety of business holdings. For example, John Powers, our CEO has some vineyard development in Napa, has large land and business holdings and his family comes from Vacaville with a long history in the business life of North and Central California. The family owned a restaurant called the Nut Tree, which is part of the history and culture of central Califor-

nia. There deep roots here with these people.”

**CEO CFO:** What should people remember about Golden West Brewing?

**Mr. Simpson:** “Part one, this is a company on the move and there is no where to go but up. There is a strong demand for our products in our sector and we are listening carefully to the market and evolving our business in a way that it is poised for growth. Part two is that as we will pursue other like-minded acquisitions and/or partnerships. We are going to align ourselves with other individuals and businesses that are going to add energy to our sphere of influence. We also want to seek out buy-and-hold investors; this is an important, because we don't want people that are going to turn the stock for a quick buck. We want people who are going to buy, see the opportunity and hold the stock for long term growth and get engaged in the business, make suggestions and be involved. Right now, we have 75 investors and probably a group of six that is the majority. The group of six is who I work mostly with and report to. The energy and input that comes from those guys is just amazing. One guy is a lawyer with tons of acquisition experience, another guy runs a successful oil company in Oklahoma and he has deep business experience. We would love to attract 500 people like that who say, ‘I just looked at your financials and your business performance and here are a couple ideas on how to make it better.’ What they will get in return for that input is growth in their stock because a company performs better with that input. We want to attract people who take an interest in our business and believe in what we are doing.”



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