

2013 and 2014 Benefit Corporation Report for Back to Basics Vermont, dba Hinesburgh Public House

As a Vermont Benefit Corporation, the Hinesburgh Public House is legally committed to serve the interests of five equally important stakeholder groups and to issue an annual report on how well we did. Our stakeholders are our guests, our staff, local community builders, area farmers and food producers and investors. Here is that report for 2013 and 2014.

Guests

We underestimated the demand for our restaurant in the greater Hinesburg market and so were unprepared to handle the volume of business in the first six months. There were long waits and inconsistent food and service. While business was very good and many guests were unfazed, those weighing in on social media such as Yelp and Trip Advisor often gave us bad ratings.

The patience and support of “Community Shareholders” who pre-purchased meals to provide us with operating capital at start-up were critical to our surviving early operational challenges. We held one “Shareholder” lunch in 2013 and received valuable feedback. But we had promised two and came up short. We did send regular email updates to the shareholders and got helpful feedback.

With significant changes in kitchen staff and upgrades to our equipment, we were able to catch up with the demand by the second half 2013. Customer comment cards in the 3rd quarter of 2013 and 2014 have reported that 85% of guests were “extremely satisfied” with their dining experience. This data also revealed that we continue to attract guests from a 15 mile radius and more than a third of guests over the first two years are first time visitors.

We instituted a Mug Club in the fall of 2013. Mug Club membership is open to all guests; members who use their mug get 20 oz servings of draft beer for the price of 16 oz; in essence, every 5th beer is free. To date, we’ve sold 75 memberships.

We strive to be a hub of activity for our local market by offering fun, philanthropic or educational events throughout the year. We’ve staged seven Meet the Brewers events that are growing in popularity, one book signing and a fund-raiser for a local farm ravaged by fire. Live jazz was offered on Sundays for most of the winter of 2014. We hope and need to do more to engage varied interests of our guests.

Looking ahead to 2015:

- Comment cards will maintain or exceed the 85% “extremely satisfied” rating.
- Our outreach efforts to guests through monthly Enews will grow and continue to be well received with “unsubscriptions” at <5%.
- We will expand the number of special events in 2015.

Staff

We issued 88 W-2's for 2013, three times more than our normal staff level. This rate of turnover in our first year reflects our commitment to provide highest quality service. We have employed half that number after the first ten months of 2014 as we find the skills and stability we require.

Our compensation strategy is designed to attract and retain the talent needed to accomplish our mission. We pay our employees more than all our surrounding competitors. Entry level hourly workers earn \$1.25 more than the minimum wage. Full time line cooks make between \$13 and \$15 per hour. Four management level jobs are salaried. Tipped staff all earn in excess of \$25/hour.

In the spring of 2014 we asked employees how they felt about the Public House workplace. The results

indicated a very disgruntled kitchen staff that did not feel respected by the chef and felt that management had ignored their complaints. Within 30 days we brought new leadership into the kitchen. Some respondents did not feel their contributions were valued by the business and we have committed to holding quarterly staff meetings.

Aside from minor cuts and burns in the kitchen, employee safety was not an issue in 2013.

Looking ahead to 2015:

- We will conduct a second employee survey in the spring of 2015 and expect improvement in the workplace.
- We will hold quarterly voluntary staff meetings to discuss the operations and mission of the business.

Community

First Tuesday Community Suppers began in early 2013 and have been well received. We partner with a local non-profit group with ties to Hinesburg or the surrounding communities to bring supporters to the Public House for a 4 course meal costing \$20. Half of that amount is then donated to the partner organization. Many of these events raise in excess of \$1000. As applicants for these fund-raisers increased we chose to narrow our screening to grass-roots organizations dedicated to community building or to those working to preserve and strengthen the working landscape. Through October of this year our 20 Community Suppers have raised \$16,343 for local grass-roots organizations.

We have also donated more than \$15,000 in gift cards to regional organizations to use as prizes for raffles and silent auctions.

Looking ahead to 2015:

- Our cost to stage a Community Suppers constitutes our largest monthly marketing expenditure and we will continue to make that investment. A successful Community Supper raises awareness of, and provides funds for, a small local community builder. But it also, hopefully, introduces new guests to our restaurant.
- We will continue to support fund-raising efforts with the donation of gift cards but we will impose a monthly cap on these donations.

Local Food Producers

100% of our beef, chicken, cheese and dairy products have been purchased from local farms and producers since we opened. 80-90% of produce has been purchased from local farmers. 100% of purchased desserts have come from Spoon and Sparrow bakery in Hinesburg or Kingdom Ice Cream in Hardwick. We have purchase food from 32 local farms and processors since we've opened.

On Labor Day, 2013, the Public House was closed and the majority of our staff volunteered to work on local farms from which we purchased food. It was a fun and rewarding day.

On January 28th of this year we partnered with Full Moon Farm to host a fund-raiser for Maple Wind Farm which had lost a large barn and tons of food to a fire. Full Moon donated most of the food and we served a buffet dinner which raised over \$10,000 for the farm.

Looking ahead to 2015:

- Our commitment to purchase local food often conflicts with our commitment to guest satisfaction as it drives our menu pricing beyond what some guests are comfortable paying.

We will continue to make local farms and food producers our priority and we intend to negotiate and contract with our suppliers to increase the volume of local food purchases at a price that allows competitive pricing.

- Vermont craft brewers are exceptional. We commit to having 50% of our draft beer taps dedicated to Vermont Brewers.

Shareholders

Will and Kathleen Patten own 100% of shares in Back To Basics Vermont. They have received 5% interest only payments on their investment without interruption. The business has not shown profit sufficient to repay principal on the investment and they have had to inject additional cash into the business on two occasions.

Looking ahead to 2015:

- Understandably, much of the cash flow in the first two years has been re-invested into necessary upgrades in equipment and leasehold improvements. We expect the rate of these upgrades to decrease and positive cash flow to increase in 2015.
- Discussion of exit strategies for the Pattens in the longer term have been initiated and we expect to finalize a plan by the end of 2015.

Other notes

We are committed to reducing our footprint on the environment. We recycle everything we can and send all organic waste to compost. Our used fryer grease is sent to a re-processor and converted to bio-diesel. We were singled out by Cassella Waste as one of 6 restaurants in Vermont that participates in all of their recycling programs.

In Summary

How easy it would be to have but one goal: to maximize profits. Our mission is bold. But we believe that a business that lives in harmony with its surroundings will live a longer and more fulfilling life. As we head into our third year, the Hinesburgh Public House is as committed as ever to demonstrating a new more organic business model.

A hearty thank you to all five stakeholder groups for joining us in this mission.

Back to Basics Vermont, Inc. Values, Vision, Mission

We Value:

- **Family, friends and neighbors**
- **Local and regional food**
- **Simplicity**

Our Vision:

A business led by those values will prosper and contribute to its community.

Our Mission:

- **To provide an experience to our guests that keeps them coming back.**
- **To create a workplace that is rewarding and fun.**
- **To help local farmers prosper.**
- **To strengthen our community by bringing people together.**
- **To provide a fair financial return to our investors.**

**Adopted by Back to Basics Vermont, Inc.
May 30, 2013**