



**MPIII: Final Business Plan  
Fall 2013**



## INTRODUCTION

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<b>Business Address</b>	<b>Casco Bay Natural Foods</b> <input type="text"/>
<b>Nature of Business</b>	Vegan Cheese Producer
<b>Statement of Financial Need</b>	\$175,000
<b>Contact Information for Principals</b>	<input type="text"/>

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## **EXECUTIVE SUMMARY**

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Casco Bay Natural Foods, Inc. d/b/as Casco Bay will be the premier New England producer of artisanal, handcrafted vegan cheese products.<sup>1</sup> By providing a premium and unique product offering, building strong relationships with buyers and end consumers, and promoting the passionate vision and mission of the company, Casco Bay will provide a differentiated specialty cheese experience previously unavailable to New England consumers.

### **VEGAN CHEESE INDUSTRY**

Whether out of a moral concern for the environment, or a desire to lead a lifestyle free of animal products, the vegan community is now a growing segment of the U.S. consumer market. Most of those who follow a vegan lifestyle were at some point omnivores and are aware of the foods they previously consumed, in taste, texture, and presentation. One such food that is often missed by vegans, and even sometimes a reason for not taking the additional step from a vegetarian to vegan lifestyle, is cheese. While there are various new entrants to the vegan cheese market, many do not use a base ingredient of nuts, which is preferred by consumers over tapioca and soy, are not available in gourmet varieties, and fall short of vegan consumers' expectations in taste. As veganism continues to gain momentum, consumers will demand that products meet not only dietary and lifestyle requirements, but follow the same standards of quality and variety.

### **GOAL**

Casco Bay will become the champion product for specialty, good-tasting vegan cheese, fulfilling an unmet need of vegan consumers in New England. As non-vegan consumers, who are health conscious and seeking "clean" products, or are facing lactose-free dietary concerns, discover this nut-based cheese alternative, there is an opportunity to reach additional markets which can benefit from Casco Bay's products.

### **EDUCATING THE CONSUMER**

Casco Bay will be the leading producer of New England vegan cheese products. The key to Casco Bay's success will be in building awareness and purchase intent through word-of-mouth. Through targeted publicity, in-store tastings and a presence at local vegan events, Casco Bay can reach the right consumers at the right times and with the right messaging. Due to the existing negative perception of vegan consumers towards vegan cheese products, Casco Bay will invest in education of the consumer market. Messaging will focus on the factors that vegan consumers care about most in making a vegan cheese purchase: natural ingredients, premium quality, and good taste; all of which differentiate Casco Bay's product from its competitors. Developing strong connections between consumers and

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<sup>1</sup> The business name "Culture" had been under consideration. Based on legal guidance around the name "Culture," the name "Casco Bay Natural Foods, Inc." was selected. This name has yet to be reviewed for trademark infringement.

Casco Bay's products, as well as with retailers selling direct-to-consumer, will be extremely important. Educating consumers, as well as retailers, about product ingredients, taste, and usages, not only allow Casco Bay to develop a loyal brand following, but provide Casco Bay strong feedback for future product extensions.

## **EXPANSION STRATEGY**

Casco Bay will serve the Portland, ME vegan market in its first year of operation. In year two of operation, Casco Bay will leverage its strong relationship with Whole Foods in Portland, ME to expand into Massachusetts. By year five of operation, Casco Bay will be the premier producer of vegan cheese in the Northeast, distributing in seventy-four Whole Foods stores from Maine to Pennsylvania. Assuming revenue projections are met in year five, Casco Bay can determine whether to expand its product offerings to better serve the vegan market in the Northeast.

## **FINANCING**

The analysis will support a financing requirement of \$175,000. This requirement assumes \$25,000 in the first year, followed by \$150,000 in the second year. Casco Bay will see a positive net income in year two, as well as positive cash flow from operations by year three. Lastly, gross margins stabilize around 50% by year three and operating margins will increase from (37.5%) to 2.3% by year five of operation.

Casco Bay's strong business model, extensive market research, and analysis of the vegan cheese industry, position Casco Bay for success in becoming the premier producer of vegan cheese in New England.

# INDUSTRY & COMPETITIVE ANALYSIS

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## THE CHEESE INDUSTRY

In the United States in 2012, retail sales of cheese amounted to 3.49 Billion tonnes with an estimated value of \$20.1 Billion. These figures included an aggregation of processed and unprocessed cheese with product categories of hard cheese (e.g. a block of cheddar), soft cheese (e.g. goat cheese) and spreadable cheese (e.g. cream cheese). Unprocessed cheese accounted for approximately 75% of the overall market.<sup>2</sup>

The market is highly commoditized with little brand differentiation between competitors and falling prices across much of the market. Kraft Foods leads the market with roughly 28% value share, which is more than the next ten largest cheese producers combined. Kraft owes its dominance in the market mostly to its Kraft Singles and Kraft Philadelphia brands, which account for a combined 24% of the market. Private label cheese accounts for just over 36% of the market.<sup>3</sup>

Cheese is mainly distributed through supermarkets and hypermarkets with distribution share equaling roughly 45% and 38% respectively. Independent small grocers and non-grocery retailers captured 4.7% and 6.5% of distribution share respectively.<sup>4</sup>

Even given the impact of the recession on the consumer, the cheese market is doing better compared to other food industries, with a sales increase of 6.1% in 2011 for national brands as well as private labels. Consumers are buying cheeses that have interesting flavors and are considered healthy and are trending towards supporting sustainable, and thus local, artisan cheeses. Mintel anticipates that the cheese market will continue to expand through 2016.<sup>5</sup> As consumers regain confidence in the stability of the economy, Americans are expected to spend more money on discretionary products, such as gourmet foods.<sup>6</sup> Additionally, increased consumer knowledge about different cheese varieties, especially around specialty cheeses will continue to aid sales growth in the future.<sup>7</sup>

## THE VEGAN FOOD AND CHEESE INDUSTRY

Veganism is an increasingly popular dietary and lifestyle choice where followers abstain from the consumption or use of animal products and byproducts, such as honey and casein, a dairy protein. Many studies conclude that a vegan diet can be lower in fat, cholesterol, calories, and can protect against some degenerative diseases.<sup>8</sup> In addition to health

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<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Mintel report – Cheese – US – June 2012

<http://academic.mintel.com.proxy.bc.edu/display/625056/>

<sup>6</sup> IBISWorld Industry Reports 44529 – Specialty Food Stores in the US – July 2013

<http://clients1.ibisworld.com.proxy.bc.edu/reports/us/industry/industryoutlook.aspx?entid=1046>

<sup>7</sup> Euromonitor International. *Cheese in the US*. Rep. N.p.: n.p., 2012.

<sup>8</sup> Priority Ventures LLC. *Vegetarian Means Business - Market Strategy and Research Report*. Rep. Arlington, VA: n.p., 2011.

benefits, consumers often convert to veganism based on the positive ethical implications of a diet that does not harm or impact animals.

There are very few studies measuring the number of U.S. vegans and their respective food consumption. Most research estimates the number of U.S. vegans to range from 1-3% of the total population, or roughly between 3 and 9 million Americans. A nationwide Gallup poll conducted in 2012 estimates that 2% of the population or 6.3 million Americans identify as vegan.<sup>9</sup> Given that Americans spent \$715.7 Billion on food and non-alcoholic beverages in 2012, it can be estimated that the total vegan food expenditure equates to approximately \$14.3 Billion in 2012. Using the same methodology, a conservative estimate of the vegan cheese market is approximately \$401.7 Million (see Figure A below – Exhibit A provides detailed calculations of estimates).

**Figure A-1: Estimated US Vegan Population**

Total U.S. Population	315.2M
Total Vegan Population (2% US)	6.3M

**Figure A-2: Estimated Vegan Cheese Industry Size**

Total U.S. Food & Beverage Industry	\$715.7B
Value of U.S. Cheese Industry	\$20.1B
Total Vegan Cheese Market Size (2%)	\$401.7M

Some assumptions have been made in the calculation of these figures including the assumption that proportionally vegans eat the same amount of cheese-like products as non-vegans. These figures also assume that consumer characteristics like gender, income, age and food consumption behaviors are similar among vegan and non-vegan segments. Also, these figures do not take into account the 44% of the population identified as omnivores who often seek meat-free food options.<sup>10</sup> Given that this is a growing consumer segment, a \$401.7 Million vegan cheese market estimate appears to be conservative.

The estimated market value for cheese in New England is \$1.098. Assuming the percentage of vegans in these regions is comparable to the percentage of vegans across the U.S., the potential Casco Bay market can be valued at \$21.95 Million in New England.

Anecdotal evidence suggests vegan and vegetarian diets are on the rise; however, no empirical evidence could be found to substantiate these claims. Industry research firm, Euromonitor predicts that the lactose-free food market will grow approximately 6% year over year from 2013 to 2018. Using this rate as the basis for growth in the vegan cheese market, the total U.S. vegan cheese market is projected to grow to \$575.79 Million in 2018. Using the same methodology, the New England vegan cheese market is projected to grow to

<sup>9</sup> Newport, Frank. "In U.S., 5% Consider Themselves Vegetarians." *In U.S., 5% Consider Themselves Vegetarians*. Gallup, n.d. Web. 06 Oct. 2013.

<sup>10</sup> Priority Venture Report



\$30.42 Million by the year 2018. Casco Bay plans to capture 1.3% (\$394,149) of the total New England vegan cheese market by 2018.

## **VEGAN FOOD INDUSTRY FUTURE OUTLOOK AND TRENDS**

In the aftermath of the financial crisis and its subsequent recession, the growth of the per capita disposable income in the United States has been limited to 0.6% and 0.8% in 2011 and 2012 respectively. However, the positive job growth and the lower savings are expected to lead a future positive growth, but at a slow annualized rate. The compound growth of the per capita disposable income is expected to be 2.5% from 2013 to 2018.<sup>11</sup>

As a result, consumers are expected to increase their food spending in the next five years, and as health problems such as heart diseases and diabetes increase in the United States, consumers are actively seeking substitutes for cholesterol-rich animal products. In addition, recent health scares involving meat, benefits of reducing meat consumption for the environment, concerns about food-borne illnesses and the integrity of food supply have led consumers to change their diets and opt for meat substitutes.<sup>12</sup>

Given the industry trends towards meat substitutes and alternatives, vegetarian diets are on the rise. According to a survey among American adults in 2012, 7% of female and 4% of male respondents said they considered themselves to be vegetarian.<sup>13</sup> In addition, a research conducted by Cultivate Research in 2005 showed that 7% of the respondents were willing to give up meat entirely. Another survey dated 2005 conducted by the Vegetarian Times demonstrated that 5.2% of the non-vegetarian respondents were "definitely interested" in adopting a vegetarian-based diet in the future.<sup>14</sup> Given the relatively new focus on vegan diets and the vegan food industry as a whole, and the lack of hard data around this niche part of the industry, it is estimated that the vegan food industry will follow a similar projected growth trend of the overall vegetarian industry.

Additionally, media coverage suggests the interest in vegan diets and the number of vegans may be on the rise. According to Google Trends, public interest in a vegan diet is higher than ever before, given the increased number of Google Searches including the word "vegan".<sup>15</sup> There are also more celebrity endorsements of a vegan diet, making the general public more aware of and interested in this lifestyle.

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<sup>11</sup> IBISWorld Business Environment Profiles – September 2013

<http://clients1.ibisworld.com.proxy.bc.edu/reports/us/bed/default.aspx?entid=33>

<sup>12</sup> Mintel report - Vegetarian Food (Processed) – US – June 2007

<http://academic.mintel.com.proxy.bc.edu/display/283991/>

<sup>13</sup> Statistica

<http://www.statista.com.proxy.bc.edu/statistics/237465/share-of-vegetarians-in-the-united-states-by-gender/>

<sup>14</sup> The Vegetarian Resource Group - website

<http://www.vrg.org/nutshell/market.htm#market>

<sup>15</sup> [http://www.huffingtonpost.com/2013/04/02/interest-in-vegan-diets-on-the-rise\\_n\\_3003221.html](http://www.huffingtonpost.com/2013/04/02/interest-in-vegan-diets-on-the-rise_n_3003221.html)

## **MARKET PARTICIPANTS**

Cheeses that are considered part of the vegan market include two major product categories: ingredient and stand-alone. Ingredient cheeses are typically used within a recipe, such as on a pizza or in a sandwich, instead of consumed on its own. This category includes two sub-categories: shredded and sliced cheese. Conversely, stand-alone cheese is typically consumed by itself or as the main component in an appetizer, such as the combination of brie and apples. Stand-alone cheese has two sub-categories: soft and hard cheese. Finally, spreadable vegan cheese can be considered parts of both the ingredient and stand-alone cheese categories.

All identified vegan cheese products use soy, tapioca flour or nuts as the primary ingredient with flavor and the ability to melt as differentiators. Based on consumer reviews, nut-based cheeses, such as Casco Bay, have better flavor than soybean and tapioca-based cheeses, while soy and tapioca-based cheeses have a greater ability to melt. Given these characteristics, nut-based cheeses are often created for stand-alone consumption, while soybean and tapioca-based cheeses are created for use as an ingredient. Casco Bay will initially compete in the stand-alone category with its vegan brie and goat cheese products.

## **COMPETITIVE SAMPLING**

The competitive landscape of vegan cheese (and dairy cheese substitutes) has grown dramatically over the past five years. The multiple small firms in the market compete over different flavors, the ability to melt, the ingredient base, and the overall taste. A survey of over 100 vegans indicated that of those who had sampled competitors' products, quality and taste (in relation to dairy-based cheese) were the most important purchase factors (see Exhibit B). Those competitors that ranked highest within those attributes were the existing nut-based, regional vegan cheese brands. Exhibit C provides a summary of information of competitors in the industry.

### ***Soybean-Based Competitors***

Follow Your Heart and Trader Joe's are the two key producers of soybean-based vegan cheeses. Follow Your Heart distributes its vegan cheese under the name "Vegan Gourmet," which can be found in Whole Foods Markets, typically in the dairy section. Trader Joe's vegan cheese can be found in all Trader Joe's locations. Soybean-based products can be found in a variety of flavors, but typically are found as ingredient cheeses, to be added to meals, such as on top of pizza.

### ***Tapioca-Based Competitors***

Daiya, the leading producer of vegan cheese on a mass basis, and Teese, a local Chicago, IL producer of vegan cheese, are the two key producers of tapioca-based vegan cheeses. While both produce a vegan cheese with a similar base and with similar flavors, the products are packaged differently (Teese in a packaging comparable to liverwurst packaging and Daiya in plastic packaging). Similar to the soybean-based cheeses, these products are typically

promoted and consumed as ingredient cheeses, to be added to a meal, not consumed individually.

### ***Key Nut-Based Competitors***

**Treeline:** Treeline is a vegan cheese manufacturer located in Kingston, NY that creates both soft and hard cheeses in a variety of flavors such as scallion, herb garlic, and cracked pepper, using cashews as its base ingredient. The company focuses production on cheeses that can be paired with crackers or consumed on its own, as a complimentary appetizer to other options such as hummus. The cheese does not melt, but it does soften when it is heated and browns when it grills.<sup>16</sup>

**Heidi-Ho:** Originating in Portland, OR and focused on west coast distribution, Heidi-Ho uses a variety of ingredients to produce cheese sauces, crumbles, and blocks. Heidi-Ho uses chia seeds as a base for the cheddar cheese sauce, soy for the feta cheese crumbles, and hazelnuts for the chipotle cheddar, Monterey jack, and smoked Gouda flavors. Because different types of cheeses are produced, Heidi-Ho focuses their products towards consumption with foods such as sandwiches, salads, nachos, and stuffed peppers. The cheeses do melt when heated, becoming softer and creamier.<sup>17</sup>

**Kite Hill:** Based in California and using homemade nut milk (made from almonds) as their base and only three other ingredients, Kite Hill produces four different types of cheese; Casuccio, Truffle Dill & Chive, Costonoa, White Alder, and Ricotta, and distributes these cheeses at west coast Whole Foods locations. The cheeses for the most part are soft and made to spread on crackers or bread and each is marketed as a pairing for a different wine varietal, based on the flavor.<sup>18</sup>

**Door 86:** Door 86 prides as “Hand-Crafted. Small-Batch. Cultured. Vegan.”<sup>19</sup> Door 86 is based in Nashville, TN is a cashew-based vegan cheese, available in a variety of flavors, including gruyere, brie, candied lemon, pepper jack, smoked cheddar, sriracha cheddar, and white cheddar. Door 86 also cheese balls, and packages all of its products together as the “Elvis.” Door 86 is available through two specialty stores in Tennessee and Missouri, as well as two restaurant locations.

Treeline, Heidi-Ho, and Kite Hill, and Door 86 given their small batch, locally focused production of vegan cheese using a nut-base, are the closest competitors to Casco Bay on a national level. However, Casco Bay will compete mostly with Daiya, Follow Your Heart and Trader Joe’s in the New England region given the lack of nut-based cheeses currently sold in the area.

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<sup>16</sup> <http://www.treelinecheese.com/index.html>

<sup>17</sup> <http://www.heidihoveganics.com/>

<sup>18</sup> <http://www.kite-hill.com/index.html>

<sup>19</sup> <http://door86.blogspot.com/>

## **FIVE FORCES ANALYSIS (EXHIBIT D)**

As a relatively new, but growing industry, the vegan cheese industry faces unique challenges compared to the greater dairy cheese industry. A small, typically geographically local competitive set allows new entrants to the industry to quickly establish themselves, especially given the relatively low capital-intensive nature of the industry and the few substitute options available. However, the vegan cheese industry is a niche industry within the greater cheese industry, where the bargaining power of both buyers and suppliers is very high.

### ***Competitive Rivalry:***

The current competitive rivalry within the vegan cheese industry is low. There are currently only eight competitors within the industry producing non-dairy cheese alternatives that are absent of all animal products and only four of these competitors are producing a nut-based cheese alternative. Additionally, these competitors have very fragmented distribution, allowing them to serve only a small part of the vegan cheese market, typically based on geography. The majority of rivals that do exist are not producing a high-end cheese alternative (comparable to a chevre or brie), but alternatives to lower-end cheese products (such as grated mozzarella cheese for pizza). Rivals producing similar quality products are highly localized, with fragmented distribution outside of its local market.

### ***Buyers:***

The existing bargaining power of buyers, which include supermarkets, hypermarkets, small grocers, and non-grocery retailers, is high. Although there are limited vegan cheese options, buyers can demand specific price points comparable to existing merchandise on their shelves to ensure products are purchased by end-consumers. Additionally, large buyers, such as supermarkets or hypermarkets, typically have existing relationships with suppliers and distributors and can hold new entrants to the same margins or distribution specifications as existing producers.

Looking further down the value chain to the end-consumer, the bargaining power of end-consumers is low to moderate. Vegan cheese products do exist, but not at a quality comparable to the cheese selection available to omnivores. Consumers have little control over what they can find through supermarkets or grocery outlets, especially since distribution in the vegan cheese market is based mostly on geography. Consumers can look online for vegan cheese products, but there are limited vegan cheese producers distributing online given the challenges with temperature control and shipping outside of their preferred geographic base. Additionally, the existing products within the vegan cheese industry that are more widely distributed are not even meeting demands of healthy or “clean” dieters looking for a healthy, low-cholesterol cheese alternative, given the processed nature of these products.

***Suppliers:***

The bargaining power of suppliers within the vegan cheese industry is high. Although production of vegan cheese is not capital-intensive (limited equipment is needed for production), space for fermentation and refrigeration is required, which is limited and often subject to specific requirements, especially in a shared space (typically require renters to haul out supplies, which is not possible when producing a fermented product). Due to the limited supply of commercial-grade kitchen space, suppliers can command higher prices for lease or purchase. The ingredients in vegan cheese are commodity products (specifically cashews) and are subject to supply shortages, allowing suppliers to have strong control over pricing and creating the potential for price fluctuations given limited supply in the future. Finally, distributors of vegan cheese - whether using mass distributors (such as the USPS, UPS, or FedEx) or a local distributor - can demand high prices given the need for the product to remain at a stable temperature through the delivery process to the buyer or end-consumer.

***Potential New Entrants:***

The threat from potential new entrants to the vegan cheese industry is high. There are currently very few competitors within the industry, which provides the opportunity for existing mass dairy cheese producers (such as Kraft) to develop their own product line. Mass producers, such as Kraft, already have the equipment, scale, and relationships with buyers and suppliers, which would allow a relatively easy entry into the market. Additionally, the relatively low capital-intensive nature of the industry, as well as the highly localized aspect of existing competitors, makes it attractive for other smaller-scale producers to enter the market.

***Substitutes:***

The threat of substitutes within the vegan cheese industry is low to moderate. Substitutes for vegan cheese do exist, but substitutes are typically not a “healthy” alternative (many substitutes are highly processed) and are not artisanal, high-end cheese alternatives. The existing substitutes do not appeal to the “flex” consumer (eats meat/dairy, but open to healthier, vegan alternatives) given the processed nature and lack of flavor within existing products.

While the potential new entrants to the vegan cheese industry are high and the power of buyers and suppliers are high, the lack of competitors in the specialty cheese segment in New England, combined with the lack of comparable substitutes to Casco Bay’s products, position Casco Bay for success in the New England, specialty vegan cheese industry.

**SWOT ANALYSIS (EXHIBIT E)**

Analyzing the strengths, weaknesses, opportunities, and threats within the vegan cheese industry further confirms the potential for Casco Bay’s success in the New England specialty vegan cheese segment.

***Strengths:***

By focusing on the growing number of consumers in the United States who identify themselves as vegans and by solving for an unmet need, Casco Bay will develop strengths in the marketplace through differentiation. Casco Bay is a non-dairy product, without casein, which allows for consumption by lactose intolerant and vegan individuals. The company's founder, Betsy Nelson, can also be leveraged as a strong asset, leading the company as a vegan herself. The idea to create Casco Bay stemmed from an inability to find quality, good tasting cheese that was free of animal products in New England. Ms. Nelson originally identified an unmet need in New England in this segment, which was only further reinforced through survey and focus group research.

***Weaknesses:***

The most prominent weaknesses of Casco Bay are its lack of awareness or position in the market and the nascent, undeveloped stage of the business. Casco Bay does not yet have the distribution, licensing or approval, facilities, relationships, suppliers, or capital in place to effectively produce, market, and sell its products. In order for Casco Bay to grow into a viable company, it needs to establish core relationships that will help to differentiate it from its current and future competitors.

***Opportunities:***

While products ranging from faux franks and chicken-free chicken patties to soy, almond, and rice milks are now widely available for vegans; vegan cheese is still very much a fragmented and under-developed market. Only a handful of companies in the United States produce and sell vegan cheese. A key opportunity is that many stores catering to healthy eaters, such as Whole Foods, do not universally offer a vegan cheese product. With the proper marketing and distribution strategies, Casco Bay can become the "champion" or "staple" product that will fulfill a potentially unmet demand in the marketplace. Additionally, there is no local, artisanal competitor currently operating in the greater New England region, providing Casco Bay with the opportunity to position itself as "the" premium New England vegan cheese product. Finally, the existence of Vegan Meet-Ups, as well as discussions with members of the vegan community, indicate that the vegan community itself is a powerful communication tool, providing a unique opportunity to share and distribute brand awareness and product satisfaction through its network.

***Threats:***

The market for vegan cheese is currently a small niche market. While the percentage of vegans in the United States is growing, the overall number of vegans in the United States is still relatively small. Several competitors such as Follow Your Heart, Trader Joe's, Daiya, Teese, Treeline, and Heidi-Ho have developed and are actively selling vegan cheese products that are produced from soybeans, tapioca, and/or nuts. These companies have relationships with manufacturers, suppliers, distributors, and most importantly, customers that Casco Bay has yet to establish. As previously mentioned, there is always the threat of a large competitor, such as Kraft, using its size and fiscal strength to very quickly and easily enter this market, offer a vegan alternative to traditional cheese, and overtake a small competitor like Casco Bay. Finally, there is nothing truly proprietary to Casco Bay's

products. Any current or future competitor could create a product that appears similar or uses a similar recipe. This creates a serious potential threat for Casco Bay, requiring the company to identify and strongly position its differentiating factors to the target market.

While there are a number of threats to Casco Bay's success and various weaknesses Casco Bay must address in order to be successful, the opportunity to capture an unmet need in the New England market with the potential of over \$25,000 in revenue in Year 1 bolster the potential for success of the business.

## **MARKET DEFINITION**

The primary target market for Casco Bay is made up of consumers who identify as vegan, with secondary markets of lactose intolerant or non-dairy consumers and generally health-conscious individuals open to food alternatives.

The vegan audience skews female, between the ages of 18 and 44 (focus on ages 25-34) with household income exceeding \$50K [Exhibit F-1, F-2]. Millennials (ages 17-34) are the largest age group in the U.S., representing 24.8% of the population and demand for natural products within this group is expected to grow as these consumers mature and influence the eating behaviors of friends and family. These consumers rely on sustained levels in discretionary income to support healthier, and often more expensive, food purchases. A 2007 Mintel study on the drivers for vegan/vegetarian diet adoption, report that 65% of respondents believe "it is more healthy," 43% explained they "don't like meat or animal products," 41% report that "vegetarian or vegan food/dishes are tasty" and 26% stated, "it is better for the environment."<sup>20</sup>

Casco Bay can also capitalize on lactose intolerance and generally higher incidences of food allergies, which reportedly increased from 1.9% of the population in 2007 to 2.2% in 2011, lending to consumers' diet modifications and the market need for dairy alternatives.<sup>21</sup> This new "free from" segment, where consumers exclude foods or food groups from their diets, has noticeable growth potential for companies able to enter this nascent market.<sup>22</sup> While this segment has the potential for growth, this will be a secondary segment and will not be the primary focus for marketing efforts.

With a greater national focus on quality food, higher health standards, and more purchase options, consumers are demanding more information about ingredient sourcing, label definitions, and production details. Shoppers are becoming increasingly aware of "issues such as GMOs (genetically modified organisms), animal welfare, farm workers' rights, health, food safety, sustainability, and world poverty" and are including these factors in their purchase decisions. This health and food quality-conscious consumer group is

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<sup>20</sup> Attitudes Toward Healthy Food-US, Mintel, June 2012

<sup>21</sup> Dairy Alternative Beverages in the U.S., Packaged Facts, January 2012

<sup>22</sup> Future Watch: Consumers and Food Intolerance – Real or Perceived, Passport, September 2013

promising for a company like Casco Bay, which uses all natural, organic ingredients and is sustainably sourced and produced.<sup>23</sup>

Focus group findings with non-vegans indicated a positive reaction to Casco Bay over existing vegan cheese products in the market. In addition, the non-vegan indicated that she would eat Casco Bay over regular dairy cheese due to her belief that a cheese made of cashews will be healthier than one made from dairy (see Exhibit G for Focus Group findings). These particular insights give further proof of Casco Bay's appeal to consumers outside of the vegan community. When discussing nutrition, all focus group participants (both vegan and non-vegan) said they were likely to choose a higher calorie food product if they knew the ingredients were natural and cleaner than lower calorie options. There was a common theme among the group that it is important to stay away from processed foods and seek the cleanest and most natural alternatives. This thought process follows many dieting and nutritional trends that dissuade consumers from cutting calories at the expense of natural food intake. <sup>24</sup> While focus group findings indicate a positive reaction to Casco Bay's products, similar to the lactose-intolerant segment, Casco Bay's products will provide an offering for this segment, but will not be primary target market through marketing efforts.

For those consumers who at one point enjoyed dairy products, it is important that dairy alternatives match flavor and taste expectations. However, in the cheese market "many vegans say there's no fake cheese that satisfies as well as the real thing."<sup>25</sup> This, combined with its vegan alignment and small-batch, natural ingredient production, presents a viable opportunity for Casco Bay.

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<sup>23</sup> Health and Wellness in the US, Passport, August 2013

<sup>24</sup> 11/7 Focus Group Finding

<sup>25</sup> How to Go Vegan, [http://well.blogs.nytimes.com/2013/01/14/how-to-go-vegan/?\\_r=0](http://well.blogs.nytimes.com/2013/01/14/how-to-go-vegan/?_r=0), The New York Times, January 2013



# MARKETING PLAN

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## MISSION AND OBJECTIVES

The mission of Casco Bay is to deliver a locally sourced, high-quality, artisanal cheese alternative to serve the unmet need of vegans in New England. The goal of the marketing plan is to build brand awareness and purchase intent among vegans who are either unaware of, or unhappy with, the current market offerings. To achieve this, the marketing plan highlights the unique positioning of Casco Bay against its competitors, focusing on the premium product line, the preferred nut-based recipe, its local sourcing and production and targeted approach to marketing and distribution. According to the survey results of 380 participants, 71% of consumers that are Very Likely or Likely to purchase a vegan cheese are vegan (see Exhibit B). By targeting messaging and choosing relevant events and promotional activities suited to this audience, Casco Bay anticipates capturing 20% of the vegan market during the first year in each market entered, based on what similar competitors, Heidi Ho and Kite Hill, have captured.<sup>26</sup> This equates to 264 potential consumers during the first year in Portland, ME (see Figure B). Using the purchase frequency of one unit per month, as identified in the survey findings, this presents the opportunity for sales of 3,168 units in year one, with the potential of \$47,520 in sales in year one. The financials use a conservative estimate to account for any unforeseen risks.

**Figure B: Potential Portland, ME Target Market**

<b>Portland, ME Population</b>	<b>2% Vegan Population</b>	<b>Total Potential Consumers</b>	<b>Annual Unit Sales (1/month)</b>	<b>Potential Year 1 Revenue</b>
66,000	1,320	264	3,168	\$47,520

Messaging is incredibly important to position Casco Bay products far from the existing vegan cheese competitors, particularly Daiya, which is currently being consumed by 81% of the target market. Unlike Daiya, Casco Bay produces only nut-based gourmet cheeses, creating a distinct competitive advantage. Survey results indicated that consumers are 10% more likely to purchase a vegan cheese with nuts as the base ingredient than those products using tapioca flour, soy, or tofu as a base. Additionally, Casco Bay can emphasize attribute factors that the target consumers care most about in their cheese purchases, including Natural Ingredients, Premium Quality, and Tastes Similar to Cheese.<sup>27</sup> Distributing marketing collateral at events, such as local food festivals, presents a great opportunity to convey this messaging. In her role on the management team, Ms. Nelson will be present and visible at each event, connecting with consumers to share her story, the vision of Casco Bay and to continue networking within the vegan and cheese communities. Additionally, ongoing collection of customer feedback at these events will ensure that

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<sup>26</sup> Identified via survey results – Exhibit B

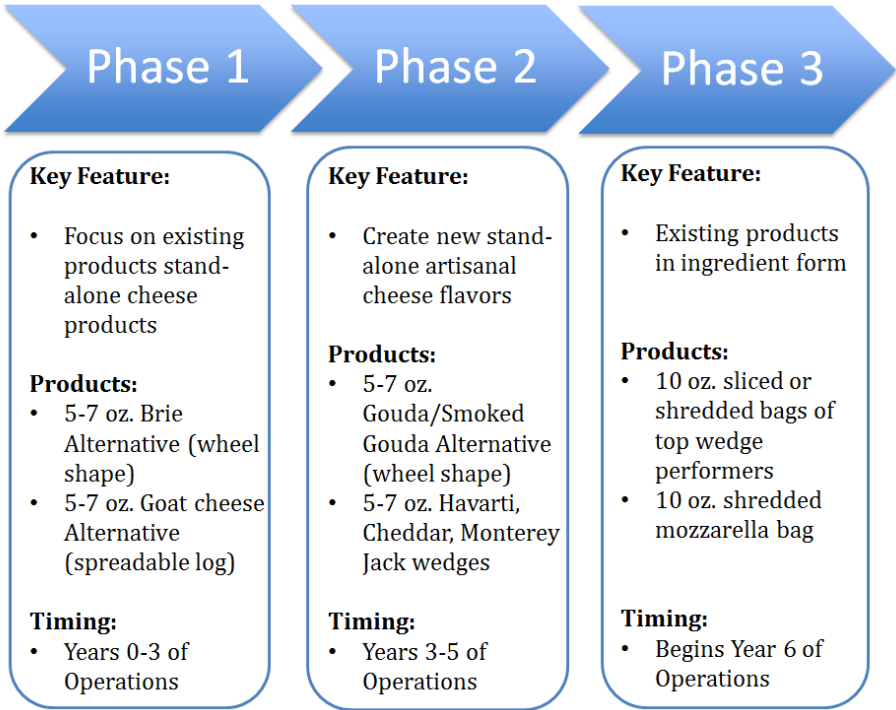
<sup>27</sup> See Survey Findings – Exhibit B

Casco Bay can continue to adapt its products and distribution to the needs of the target consumer.

**PRODUCT STRATEGY**

Casco Bay is currently in the introductory stage of its product lifecycle. Three product-specific characteristics that need to be determined within the cheese industry include: the type or flavor of cheese to be introduced, the quantities available, and finally, the shape of cheese (i.e. wheel, wedge, spreadable log, shredded, sliced). Casco Bay will enter its products into the market in three phases (see Figure C). Phases 1 and 2 will occur through product entries into the stand-alone cheese product category and Phase 3, which will occur after year six of operation, will be characterized by the entry into the ingredient cheese product category.

**Figure C: Phased Product Launch**



The current product offering has had positive reaction from the nearly 60 vegans who have sampled the products through focus groups and taste testing. Citing mostly flavor, initial reactions to the cheese were positive and described in the following ways:

- “It explodes in your mouth.”
- “It’s really intense. I really like it,”
- “It definitely tastes the most like cheese. It’s really intense at first which I wasn’t expecting but it has a lot of flavor.”

### ***Phase 1***

The first phase of the product launch will focus on two products: a brie-alternative and a chevre (goat cheese) alternative in 5-7 oz. quantities.<sup>28</sup> Casco Bay will market its products as substitutes for their closest dairy-cheese to help consumers make the connection between its product and the experience of purchasing specialty cheese.<sup>29</sup> Currently, Ms. Nelson has formulated recipes for these specific products and tested these products on consumers through farmers' market tastings. Nutritional product information for these two specific products must still be obtained through testing from the University of Maine Food Institute.

The brie-alternative will be produced as a small wheel, typical of what a consumer currently finds in the store when purchasing dairy-based brie cheese. Similar to the decision around the brie-alternative, the chevre-alternative will be introduced to market expectations in a roll - or log - style, typical of what consumers find when purchasing dairy-based goat cheese. Since these are new products, larger quantities or different sizes or shapes will not be recognizable to consumers. The chevre-alternative will initially be produced as an "original" or plain style, but varieties, such as an herb-topped chevre-alternative or a fruit-topped chevre alternative, will be offered at the end of Phase 1, similar to the dairy-based chevre products currently available to consumers.

### ***Phase 2***

Phase 2 of the product launch, which will take place when Casco Bay expands outside of New England in year three of operation, will include the introduction of new cheese flavors, maintaining consistency with the specialty image and positioning Casco Bay has portrayed to consumers. Casco Bay will introduce Gouda or smoked gouda-alternative to the market in a 5-7 oz. wheel, consistent with the dairy-based Gouda available in the market. Casco Bay will introduce these new products in the Portland, ME market where it will have developed a strong consumer base and can use its specialty retail distribution segment, as well as the Portland, ME Whole Foods for taste testing to build product awareness.

### ***Phase 3***

The final phase of Casco Bay's product launch, which will occur in year six of operation, will be entry into the ingredient cheese product category, which will include the introduction of shredded and sliced cheeses into the market. Casco Bay will also introduce wedge-based cheeses in the following flavors: Havarti, cheddar, and pepper jack. Consumers associate specific types of these dairy-based cheeses, specifically related to its age, with a specialty cheese and Casco Bay will be able to provide a vegan alternative to the existing products on the market. Based on the sales volume of each of the Casco Bay wedge cheeses (Havarti, cheddar, & pepper jack), Casco Bay will introduce top performers as sliced or shredded. The final cheese type that will be introduced into the market will be a mozzarella-alternative in shredded form only. The majority of existing Casco Bay products on the market are available in shredded or sliced form. Once Casco Bay has established itself and

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<sup>28</sup> Per legal guidance, the products can be called "brie" or "chevre" alternatives, as long as packaging indicates it is a "cheese substitute."

<sup>29</sup> Per legal guidance, the product cannot be referred to as "cheese," which is well-defined under state and federal law. All products will be packaged as "cheese alternatives."

gained brand recognition, movement into this product category will be necessary.

Over the course of five years, Casco Bay will have introduced three different flavors of cheese into the market and established itself as a dominant player in the specialty cheese space as a dairy-alternative, as well as moving into the existing vegan cheese space, capturing market share through its established customer base.

### ***Future Product Extensions***

After successfully entering the market with its initial products, Casco Bay will begin to explore future product extensions. Specific product extensions will include a product line of vegan cheese-based sauces, followed by vegan meals that would include these sauces (such as vegan pizza and vegan lasagna), based on survey findings indicating the prevalence of vegan cheese in pizza and other Italian foods.<sup>30</sup>

Casco Bay will not create products to further enter the dairy-substitute market outside of the vegan cheese market (e.g. dairy-milk or dairy-yogurt substitutes) due the saturated nature of this market. The number of firms competing in this space is expected to grow at a rate of 4% per year through 2017, which will focus on niche markets, such as hemp, coconut, and other vegetable-based milks.<sup>31</sup> Given the diversification of products by the major players in this market (Dean Foods & Blue Diamond); Casco Bay should not compete in this product segment.<sup>32</sup>

## **PACKAGING**

Packaging is an important part of Casco Bay's product strategy.<sup>33</sup> Through multiple conversations with industry experts and business executives, it was determined that the packaging must represent the gourmet brand personality as well as differentiate the product from other dairy and vegan cheeses. The package will be labeled as gourmet or artisanal due to the increase in a customer's willingness to pay for a gourmet product. The internal survey indicates that both vegans and non-vegans are willing to pay roughly 30% more for a cheese labeled as gourmet or artisanal. The package will include Casco Bay's story so consumers feel connected to the brand. It will also highlight the fact that all of the ingredients used are natural given the importance of this characteristic in much of the market research conducted. Finally, from examining the packaging of competitors' products, standard information, as well as the differentiating characteristics of the products, specific qualities and language will be present on the package. This includes: dairy or lactose-free, organic, cholesterol free, vegan product, a list of ingredients, perishability, recommendations for serving (e.g. keep refrigerated until serving), and animal free (see Exhibit H). Given the nut-base for the products, the presence of nuts must be disclosed on the packaging.<sup>34</sup>

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<sup>30</sup> See survey findings – Exhibit B

<sup>31</sup> Nanfeit, Mary; IBISWorld Industry Report; "Soy & Almond Milk Production in the US," March 2012

<sup>32</sup> Ibid.

<sup>33</sup> Per legal guidance, the packaging will also be considered distinctive and be pursued as a potential trade dress to protect Casco Bay's products from further copying and provide a long-term brand differentiator.

<sup>34</sup> Per legal guidance around FDA requirements.

The word vegan will be displayed on the package; however, it will not be displayed prominently in order to avoid alienating non-vegans.<sup>35</sup> In discussions with vegan consumers, the lack of food options was found to drive them to actively search for vegan foods by investigating product labels. At the same time, non-vegans often have negative perceptions of vegan food. In an internal survey, several respondents stated that they are not likely to purchase a vegan cheese because they, “generally do not think a vegan product will taste as good as dairy cheese.”

Displayed below (see Figure D) are examples of several types of packages and designs Casco Bay should explore for packaging. All of these designs communicate the essence of the brand, which is a natural, hand-made and environmentally friendly alternative to dairy cheese. The packages are elegant enough to support the higher price point and gourmet character of the cheese, but not so complex to increase costs significantly and erode margins. In addition, these package designs are unique enough to stand out in a crowded gourmet cheese section of a grocery store without looking out of place. From a physical standpoint, the product should be covered in plastic shrink-wrap in order to preserve freshness, then wrapped in either decorative paper or placed in a box.

**Figure D: Packaging Design Examples<sup>36</sup>:**



<sup>35</sup> Per review from the legal team, a product can be labeled as vegan without certification. In the future, should Casco Bay decide to package its products as “organic,” this will require certification at an additional fee.

<sup>36</sup> Source: [www.dieline.com](http://www.dieline.com)

## **PRICING STRATEGY**

Using a combination of cost-driven, customer willingness to pay and competitor-driven pricing, Casco Bay should set its brie and chevre cheese products at a manufacturer's suggested retail price (MSRP) of \$15.00 per six ounce unit.

For a six-ounce wheel of the brie product, ingredients make up approximately \$3.16 of the total cost and packaging amounts to \$1.00 for a total product cost of \$4.16. If the product is sold directly to a consumer (i.e. in a farmer's market), Casco Bay will make a healthy gross profit margin of \$10.84, or 72.29%.

When selling its products directly to retailers, Casco Bay should set its price at \$6.00 to take into account the retailer's margin. From discussions with the CEO of Dancing Deer Bakery, Frank Carpenito, retailers such as Whole Foods typically try to sell products for a 60% gross margin. Therefore, in order for Whole Foods to sell Casco Bay at the \$15.00 MSRP, they will need to purchase it from the distributor at \$6.00 or less.

Finally, Casco Bay should sell its products to distributors for \$5.00. From discussions with Frank Carpenito, food distributors typically add a 20% markup to the products they purchase directly from a manufacturer. That 20% markup translates to a \$6.00 selling price to a retailer like Whole Foods, which then sells it for a 60% margin or the \$15.00 MSRP. Figure E shows all of the calculations for cost-driven pricing.

## Figure E: Cost Driven Pricing Model

	Ounces of Cheese	6
<b>Total Ingredient Cost Per Ounce</b>	<b>Total Ingredient Cost Per Ounce</b>	<b>\$3.1567</b>
Hard Red Winter Wheat	Hard Red Winter Wheat	\$0.0633
Raw Cashews Pieces	Raw Cashews Pieces	\$1.6022
Sea Salt	Sea Salt	\$0.0372
Organic Coconut Oil	Organic Coconut Oil	\$1.2950
Nutritional Yeast Powder	Nutritional Yeast Powder	\$0.1589
	Total Repack Costs	\$0.0378
	Total Packaging Costs	<b>\$1.00</b>
	Inner Shrink Wrap	\$0.10
	Outer Label	\$0.90
	<b>Total Product Cost w/o distribution</b>	<b>\$4.1567</b>
	<b>Manufacturer's Suggested Retail Price</b>	<b>\$15.00</b>
	<b>Direct to Consumer Price</b>	<b>\$15.00</b>
	\$ Margin	\$10.84
	% Margin	72.29%
	<b>Suggested Price to Retailer</b>	<b>\$6.00</b>
	\$ Margin	\$1.84
	% Margin	30.72%
	<b>Suggested Price to Distributor</b>	<b>\$5.00</b>
	\$ Margin	\$0.84
	% Margin	20.29%

Although this price point is high when compared to non-gourmet products like Daiya and Follow Your Heart, it is in line with other direct competitors to Casco Bay. Two of the four competitors with similar products and positioning, Kite Hill and Door 86, sell nut-based artisan cheeses for anywhere from \$13.99 to \$16.00 (see Figure E).

**Figure E: Competitor Driven Pricing Analysis**

	<b>Brand</b>	<b>Price</b>	<b>Oz.</b>	<b>Price per oz.</b>	<b>Description</b>	<b>Vegan</b>
<b><u>Gourmet/Artisanal</u></b>	Kite Hill	\$14.99	6	\$2.498	White Adler	Yes
	Kite Hill	\$13.99	6	\$2.332	Costonoa	Yes
	Door 86	\$16.00	8	\$2.00	Various artisanal	Yes
	Treeline	\$7.99	6	\$1.33	French style scallion	Yes
	Heidi Ho	\$6.00	8	\$0.75	Chipotle Cheddar	Yes
	Teese	\$4.29	10	\$0.43	Cheddar	Yes
<b><u>Non-Gourmet</u></b>	Follow Your Heart	\$3.99	10	\$0.399	Cheddar block	Yes
	Daiya	\$4.99	7.1	\$0.703	Vegan Wedge	Yes
	Lisanatti Foods	\$3.99	8	\$0.499	Mozzarella Almond	Yes
	Go Veggie	\$3.39	8	\$0.424	Cream Cheese	Yes
	Daiya	\$4.99	8	\$0.624	Shredded Cheddar	Yes
	Go Veggie	\$3.49	8	\$0.436	Cheddar singles	Yes
	Soy Kaas	\$3.49	8	\$0.436	Singles	No

Discussions with potential customers and surveys show that customers are willing to pay more for a better tasting gourmet vegan cheese; however, some education (i.e. sampling) is needed to get the consumer to fully agree to the price point. On average, survey respondents said they would be willing to pay \$7.27 for an 8-ounce package of gourmet cheese. However, this figure increases by roughly 15% to \$8.32 for those respondents who have previously tried Kite Hill or Treeline – two of Casco Bay’s closest competitors in terms of product (see Figure G). Similar to survey respondents, focus group participants indicated a willingness to pay \$8.00 to \$9.00 for Casco Bay’s products after tasting the product, providing further evidence that after sampling a specialty vegan product, consumers are more comfortable with a higher price point. Given that the vegan cheese industry is in its infancy and other competitors have priced their products at or above the \$15.00 price point, Casco Bay should set its MSRP at \$15.00 to allow enough room for retailer and distributor margins.



**Figure G: How much would you be willing to pay for an 8 oz. package of gourmet cheese? (Source: Crosstab analysis on internal survey)**

<b>Buyer Profile</b>	<b>All Respondents</b>	<b>All Vegans</b>	<b>Vegans, Likely to Purchase, Income \$75k +</b>	<b>Tried Kite Hill</b>	<b>Tried Kite Hill or Treeline</b>
Price	\$7.27	\$6.77	\$7.96	\$8.74	\$8.32

## **PROMOTION STRATEGY**

The promotional plan covers all three phases of the product strategy and will be easily interchangeable, focusing more on the mission and objectives of the company, versus specific product lines and will be easily transferable to new markets, especially leveraging relationships with distributors and retailers. The survey indicates that vegan consumers learn about new products through word of mouth (62%), in-store (58%), and on social networks (54%). To promote word of mouth, tactics explored within this section are PR outreach, email marketing and event promotions. Outreach to food columns in local publications or in food-specific publications will also satisfy another way that 25% of vegans indicated learning about new cheese substitute products.<sup>37</sup> The priority of the promotional plan is to leverage tactics and mediums that are low-cost, effective at reaching the target market, can provide visibility and/or tasting options of the product, and offer opportunities for leave behinds and continued consumer interaction.

The marketing budget will be limited during the first five years of business, to be reviewed and evaluated each year by the management team. The marketing collateral needed for in-person events and tastings will comprise the majority of the budget for Years 1 and 2 (See Figure H below for marketing collateral pricing). Assuming increased in-store appearances and the introduction of costs to exhibit at local food festivals and trade shows, the budget is significantly increased in Years 3-5.

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<sup>37</sup> Survey Findings – see Exhibit B

**Figure H: Marketing Collateral Pricing**

<b>Marketing Collateral</b>	<b>Promotion Type</b>	<b>Cost</b>
Business Cards	Events, General Networking	\$26.24 per 1000 business cards
Oversized Postcards	Public Relations Outreach, Events, In-Store Tastings	\$172.48 per 1000 postcards (2-sided color)
8' Banner	Events	\$29.99

\*Source: VistaPrint

***Public Relations***

Whether in print or online, public relations can achieve many of the marketing objectives set out in this plan. Given the only costs incurred may be the production of a sample and shipping to the writer or editor, it is extremely cost effective. If the publication is in print, there is also an added leave behind benefit. Whether localized or topic specific, the messaging reaches a targeted audience, and because photos of the product, packaging, branding, and Ms. Nelson can be included, it immediately builds buzz and improves awareness and recognition. Ms. Nelson should also remember to mention where the cheese can be purchased to drive sales.

Local:

In the first year, two localized publications under consideration to pitch a local business story for Casco Bay are *Down East* and *Portland Magazine*. As Casco Bay expands to Boston and other major cities, additional publications would be identified. Ms. Nelson was also featured in the *Portland Press Herald* last month. In the article, “Natural Foodie: Here’s to locally made artisanal vegan cheese,” Ms. Nelson speaks to the consumer need within the vegan market and what her product, vegan cheese, sets out to accomplish.

With over 84K subscribers and 66% in New England, *Down East: The Magazine of Maine* is the largest Maine-wide general interest paid circulation magazine.<sup>38</sup> *Portland Magazine: Maine’s City Magazine* is known for excellent design, which is the type of publication in which Casco Bay wants to be highlighted. Total readership exceeds 100K, with 91% residing in Maine (see Exhibit I-2). The median age is 40, 55% female and 45% male, with an average income of almost \$150K. Circulation includes waiting rooms of local doctors’, lawyers’ and dentists’, Maine Bureau of Tourism Visitor Centers, Chamber of Commerce businesses, guest rooms for major luxury hotels, as well as for sale in most grocery, superstore chains in New England and complimentary to travelers on the Amtrak Downeaster to Boston, JetBlue to NYC, and airport business clubs in the Northeast. “The Maine 100” issue in October would be ideal for Casco Bay if a business highlight could be pitched.<sup>39</sup>

<sup>38</sup> Kantar Media (Standard Rate & Data Service), <http://next.srds.com.proxy.bc.edu/nmp/datacard/show/275/4>

<sup>39</sup> Portland Magazine Media Kit 2013

Topic Specific:

Casco Bay can also easily be pitched as a unique story for vegan/vegetarian specific sites or publications, focusing on its natural, nut-based ingredients and small batch production. According to the site analytics service, Compete.com, the top Vegan/Vegetarian site, measured by unique visitors, is vegetarianimes.com.<sup>40</sup> Vegetarian Times is also a well-known print publication, and was mentioned by several vegans in the survey. Vegnews.com was also mentioned by 18% of survey recipients as a reliable source for learning about new cheese substitute products.<sup>41</sup>

VegetarianTimes.com captures more than 450K monthly unique visits, an average time spent per user session of 2:04 minutes, and is a site recommended to friends by 64.8% of users (see Exhibit I-3). The visitor profile is primarily female (92%), with a median age of 42.5, and with a median household income of \$62K. The typical female reader is nutritionally conscious (65%) and entertains in her home more than once per month (58%). Other advertising opportunities for Casco Bay after Year 5 are My Vegetarian Times (weekly newsletter, 103,257 subscribers, \$1,425 flat), Vegan & Dairy Cheese (weekly newsletter, 83,890 subscribers, \$995 flat), and a Third Party E-Blast, which can be geo-targeted (email, 93,404 subscribers, \$95/1K emails or \$125/1K geo-targeted emails).<sup>42</sup>

VegNews.com is also targeted to anyone living a vegan lifestyle and, while a smaller audience, reaching 26,784 monthly unique visitors, with an average time spent of 3:17 minutes and pages per visit of 2.94, indicating an engaged audience (see Exhibit I-4). The typical visitor skews female (51%), across a large age range, and earns between \$60-\$100K.<sup>43</sup>

Contacting leading vegan and health bloggers to initiate stories and reviews of the product will also be leveraged. Story placement in these mediums will build awareness and credibility for the Casco Bay products. Blogs identified as a leading voice in the vegan community include:

<http://happyherbivore.com/blog/>

<http://www.theppk.com/blog/>

<http://veganyummy.com/>

<http://ohsheglows.com/>

<http://hellyeahitsvegan.com/>

<http://blog.fatfreevegan.com/>

<http://kblog.lunchboxbunch.com/>

<http://www.cestlavegan.com/>

<http://havecakewilltravel.com/>

<http://veganmofo.wordpress.com/>

<http://theveganstoner.blogspot.com/>

<http://vegancrunk.blogspot.com/>

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<sup>40</sup> <http://siteanalytics.compete.com>

<sup>41</sup> Survey Findings – see Exhibit B

<sup>42</sup> VegetarianTimes.com Media Kit 2014

<sup>43</sup> Kantar Media (Standard Rate & Data Service), <http://next.srds.com.proxy.bc.edu/nmp/datacard/show/349/3>

### ***Email Marketing***

Email marketing is a cost-effective and brand-controlled means of reaching the right consumer with the right messaging. Casco Bay will collect consumer information, including name, email, address or zip code, gender, and birthdate, on their website through pop-ups at entry and exit of site and during the newsletter sign-up process, as well as at local tastings and farmer's markets. Casco Bay can send monthly newsletters, offer coupons for purchase, ask for feedback through consumer surveys, run sweepstakes, or provide information on new product launches. With email marketing, there is also an easily implementable viral component; for example, asking the receiver to sign-up three friends to get a 10% off coupon for their next purchase.

### ***Event Promotions***

With Ms. Nelson as the face of the brand, it is important that she maintains public appearances and collects feedback directly from the consumers. Event promotions, through festivals and tastings, are the ideal way to showcase a new product, particularly one that relies so heavily on taste preferences and word of mouth, and needs to reach a very specific target market.

Currently in its 6<sup>th</sup> year, Harvest on the Harbor, is Portland, ME's largest food festival. The festival welcomes only Maine-produced culinary businesses and reaches an audience of approximately 5,000, consisting of Maine foodies (60%) and culinary travelers (40%). The audience profile is between the ages of 30-50, has a household income over \$90,000, and "frequently cooks and entertains at home for large dinner parties." The event most relevant for Casco Bay is "Samplings at the Marketplace," which focuses on tastings and would allow Casco Bay to educate and promote while providing samples. Cost to attend the event is \$45 and there is no charge for an exhibit table.<sup>44</sup>

Portland is also home to the Vegetarian Food Festival, which is hosted by the Maine Animal Coalition. This event, held in June and in its 9<sup>th</sup> year, organizes local exhibitors, vendors, and speakers for a targeted audience of approximately 750 people. There is no charge to exhibit at this event.<sup>45</sup>

The Boston Vegetarian Food Festival is held in late October and is in its 18<sup>th</sup> year of production making it a highlight for vegetarian and vegan consumers and exhibitors. The level of sponsorship for Casco Bay is still to be determined, but past exhibitors have said "'We had a great time, great response, and great sales!' and 'We gave out more samples in three hours at your show than we did in three days at the Natural Products Expo East.'"<sup>46</sup> In Years 3-5, Casco Bay can register as a formal Exhibitor and pay \$325 for the 8' exhibitor space. This cost also includes website and program listings, and allows Casco Bay to sell products, as well as to provide samples. Ms. Nelson should aim to sell 22 units to cover the

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<sup>44</sup> <http://www.harvestontheharbor.com/exhibit/why-participate>

<sup>45</sup> <http://www.maineanimalcoalition.org/vegetarian-food-festival>

<sup>46</sup> <http://www.bostonveg.org/foodfest/reviews.html>

cost of the event. This only slightly exceeds the 20 units expected to sell at each Farmer's Market event in the second year.<sup>47</sup>

### ***In-Store***

A key element for success is that consumers will have the opportunity to taste Casco Bay and share their experience throughout their network. Outside of tastings at Farmer's Markets and Festivals, in-store tastings present an excellent opportunity to increase trial of the product and can lead to immediate purchase. Additionally, because consumers have now tried Casco Bay and purchased in-store, there is now a better chance of recall next time they are in-store and are looking for a vegan or artisanal cheese. Cost is kept low by using small samples, but presentation and leave behinds are important, so Casco Bay will want to bring in marketing collateral for the consumer to take home. This may include a coupon to purchase in-store.

### ***Social Networks***

With more than 40% of Americans (128 million individuals) logging into Facebook each day, social media is an integral part to any consumer goods company's promotional strategy.<sup>48</sup> Casco Bay will use a dynamic social media strategy to engage and attract customers, increasing awareness and sales of its products. Social media will also be used to clearly articulate the brand's identity and differentiate Casco Bay from competitors.

Casco Bay will use a Facebook fan page as its social media hub. The main purpose of the page is to drive consumer engagement and showcase Casco Bay as the best vegan cheese product for its target market. The company will accomplish these goals by creating product-related content that potential customers will find useful such as vegan recipes and information on how to throw a successful dinner party. Facebook posts should also include information on locations where Casco Bay is available, as well as any special promotional events in which Casco Bay is taking part. Much of the content should showcase the product as the "hero" to increase appetite appeal. All content should be delivered using the brand's personality once it is defined.

Other social media platforms, such as Twitter, Pinterest and Instagram, are other no-cost mediums for building brand awareness and affinity with consumers.

## **DISTRIBUTION STRATEGY**

Based on existing research of competitors' distribution models as well as the data from the survey regarding consumer purchase behavior, Casco Bay will pursue distribution through farmer's markets, specialty retailers, and large chains & supermarkets. Online distribution will not be used as a distribution channel due to the high costs associated to preserve a perishable product. Casco Bay will focus on developing relationships with strategic retailers, which will be the key goal for the management team through year two of operation. Online distribution would not allow for this close relationship with buyers.

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<sup>47</sup> <http://www.bostonveg.org/foodfest/letter.html#sponsor>

<sup>48</sup> <http://mashable.com/2013/08/13/40-percent-americans-use-facebook-every-day/>

### ***Phased Distribution Strategy***

Similar to the phased approach for product launches, Casco Bay will pursue a phased distribution strategy. The first phase of distribution will be hyper-local, distributing through farmer's markets and specialty retailers in the Portland, ME market. The second phase of distribution will be characterized by entry into large chains and supermarkets, specifically Whole Foods, in Portland, ME. The third phase will focus on expansion into the Whole Foods throughout Massachusetts (28 locations total).<sup>49</sup> Finally, Casco Bay will expand into Whole Foods' locations in Connecticut, Rhode Island, New York, New Jersey, and Pennsylvania. Should Whole Foods' locations enter New Hampshire and Vermont, Casco Bay will also target them for distribution.

Given the lack of a local, artisanal cheese in the New England market (unlike the West Coast), the phased distribution strategy will allow Casco Bay the greatest opportunity to grow its customer base, while allowing the Casco Bay management team to establish strong connections with suppliers in the greater New England market to better understand and meet the demands of consumers.

### ***Phase 1: The Specialty Market***

Vegan foods, products, and meals are now commonly sold and served at many stores and restaurants in and around Portland, Maine. "Specialty" stores are defined as restaurants, cafes, grocery stores, bakeries, farmers markets, and food trucks that own and operate one to five locations within a 100-mile radius of Portland. This distance was determined because, unlike chain retailers, the distribution to these specialty channels and the relationship each channel would have with Casco Bay would be independent from each other. The specialty market is by nature extremely fragmented with independent locations, customer bases, management, and distribution. A list of 48 specialty locations was generated (see Exhibit J). The list includes different specialty channels that are classified as vegan, vegetarian, or vegan-friendly and all of which have a customer base that presumably share the same interests and buying habits as the prospective customers of Casco Bay. Additionally, while this is a fragmented channel, specialty stores have experienced an increase of 16.7% in their cheese sales from 2009 to 2011.<sup>50</sup>

While there are many different locations in and around Portland, Maine that either cater to vegan consumers or are "vegan-friendly", it would be very difficult for Casco Bay to focus its attention on selling its product to each specialty channel. Given the fragmented nature of the specialty market, Casco Bay will focus phase one of distribution on farmer's markets and small natural, organic food grocery stores.

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<sup>49</sup> Per legal advice, "Casco Bay Natural Foods, Inc." must obtain federal trademark protection of its brand and/or products before distributing outside of Maine for protection. Sales should be made outside of ME within six months of filing for federal patent protection.

<sup>50</sup> Mintel report – Cheese US – June 2012

<http://academic.mintel.com.proxy.bc.edu/display/625070/>

### Farmer's Markets:

Farmer's markets are relatively easy markets to enter and relatively inexpensive. They are also excellent venues to introduce the product to the consumer via free sampling. Consumers who frequent farmer's markets are typically less price sensitive and more interested in the quality of food products offered, including whether the product is fresh and sourced locally. Casco Bay will target farmer's markets in the Portland, ME area, specifically Cumberland, ME Farmer's Market, Falmouth, ME Farmer's Market, and Yarmouth, ME Farmer's Markets. The total cost to enter each of the farmers markets is \$25 for a day pass and \$75 for a seasonal pass. Casco Bay will obtain the necessary licenses required, which include a certificate of insurance, current resale certificate and a mobile vendors license.<sup>51</sup> Each of these farmer's markets currently has vendors that sell natural and organic foods, including locally grown vegetables and local farm produce such as cheese.

### Local, Natural/Organic Food Stores:

The three natural foods grocery stores that Casco Bay will target in Phase 1 to distribute through are: Lois' Natural Marketplace in Scarborough, ME, Royal River Natural Foods in Freeport, ME, and Bath Natural Market in Bath, ME. These stores were selected as the three primary specialty stores in Portland, ME because they currently sell vegan products, including cheese, and offer an easy process for new vendors to distribute their products.

#### *Lois' Natural Marketplace*

Lois' Natural Marketplace, which has been in operation since 1993 and has one location, is a locally owned organic and natural products marketplace that offers an eco-friendly shopping experience. Lois' offers hundreds of local and regional products and maintains a high standard of product quality by prohibiting artificial ingredients, colorings, preservatives, genetically modified ingredients or added trans fats to products it sells.<sup>52</sup>

The store manager shared that Lois' sells hundreds of vegan products including four types of vegan cheese. Once Casco Bay is in operation, store management has indicated that it would be willing to offer free sampling inside of the store so that the product could be introduced to the customer. This would allow Casco Bay to demonstrate and introduce its product first hand to its core customer base, which will be very beneficial and will help the product stand out from the other vegan cheese products currently sold.

#### *Royal River Natural Foods*

Royal River Natural Foods, which has been in operation since 1994 and has one location, is a community, natural food store that is committed to the well-being of its customers. Royal River currently sells local organic produce, specialty and raw cheeses, special dietary products including an extensive gluten-free and vegan section, and organic and specialty wines and local micro-brewed beer.

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<sup>51</sup> <http://www.portlandmaine.gov/voter/farmerrules.pdf>

<sup>52</sup> <http://www.loisnatural.com/>

### *Bath Natural Market*

Bath Natural Market has one location and sells natural and organic food, including local and organic dairy products, locally baked artisan breads, organic wines, supplements, and environmentally friendly products. Bath is proud to sell many Maine-made products.<sup>53</sup>

### ***Phase 2: New England Whole Foods Locations***

According to a Mintel Report on the cheese industry, the sales of cheese and cheese substitutes have increased significantly in the natural supermarket channel. The growing interest in local and artisan cheeses combined with the expanded product offerings from leading brands led to a 28.1% growth to reach \$126.6 million in sales from 2009 to 2011. Looking at the supermarket channel in general, this channel makes up 62.5% of the cheese market, representing \$11.8 billion in sales. It is forecasted that the supermarket cheese sales will continue to thrive as retailers incorporate new gourmet products, more unusual flavors and offerings and meet the consumers' demand for local and artisan made cheeses. Other retailers such as specialty stores have experienced an increase of 16.7% in their cheese sales from 2009 to 2011.<sup>54</sup>

Whole Foods Market is the world's leading retailer of natural and organic food and America's first national "Certified Organic" grocer. Its mission is to "promote the vitality and well-being of individuals by supplying the highest quality, most wholesome food available."<sup>55</sup> It emphasizes the importance accorded to healthy eating and the sustainability of the ecosystem, two values that are important for vegans. The store is committed to offering a broad and differentiated selection of products with a strong emphasis on perishable products and to buying from local producers that meet their high quality standards. In order to promote local food production they have established a budget of up to \$10 million and disbursed more than \$7.3 million in loans to 121 local producers company-wide as of September 30, 2012.<sup>56</sup>

In Phase 2, which is year two of operation, Casco Bay will develop a relationship with the Portland, ME Whole Foods "forager" (the individual responsible for identifying new products to sell in the store). Casco Bay will offer free in-store samples and develop a stronger relationship with the Whole Foods team responsible for cheese purchasing throughout New England to expand into the Massachusetts locations. Additionally, Casco Bay can leverage the marketplace experience, promotion, and advertising capabilities of Whole Foods Market to increase brand awareness (thanks to in-store sampling among others). In addition, it is important to choose a retailer that has a positioning aligned with that of Casco Bay. In Whole Foods, Casco Bay products will not be placed with competitor products (typically found in the dairy section – see Exhibit K), but in the specialty cheese area, providing vegan consumers with the specialty cheese purchasing experience.

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<sup>53</sup> [http://www.bathnaturalmarket.com/bnm\\_store\\_tour.htm](http://www.bathnaturalmarket.com/bnm_store_tour.htm)

<sup>54</sup> Mintel report – Cheese US – June 2012  
<http://academic.mintel.com.proxy.bc.edu/display/625070/>

<sup>55</sup> Whole Foods Form 10-K

<sup>56</sup> [http://www.wholefoodsmarket.com/sites/default/files/media/Global/Company%20Info/PDFs/WFM\\_2012\\_10K.pdf](http://www.wholefoodsmarket.com/sites/default/files/media/Global/Company%20Info/PDFs/WFM_2012_10K.pdf)



While Casco Bay could choose to continue expanding in specialty stores, the fragmented nature of this channel, need for multiple distributors to reach various markets, and the wide reach of Whole Foods through New England and the greater Northeast, make Whole Foods the ideal distribution partner for Casco Bay as it pursues its aggressive growth strategy.

***Phase 3: Whole Foods Northeast (CT, RI, NY, NJ) Locations***

After successfully penetrating the New England Whole Foods market and developing a successful relationship with Whole Foods, Casco Bay will begin distributing its products outside of New England in year three of operation. Casco Bay will work closely with Whole Foods to identify stores for in-store taste testing and allow Whole Foods knowledge of the vegan market outside of New England to determine stores for entry in those markets.

## OPERATIONAL PLAN

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With a focus on lean operations, efficiency, and low cost production, Casco Bay's operational plan will stress a commitment to maintaining high standards of quality in production, while balancing a cost effective strategy to maintain a strong financial position.

### INFORMATION TECHNOLOGY

The Company's name is still to be finalized, but the current name under consideration, Casco Bay Natural Foods, is an available domain name. Casco Bay can purchase the domain name, business protection, and a website builder through GoDaddy. Purchasing business protection will prevent the sharing of personal information and domain-related spamming. With an add-on website builder, Casco Bay will be able to easily create a branded online destination for the business, with no technical skills required. If additional disk space or an increase in data transfer is needed, upgrades are available.

**Figure I: Estimated IT Expenses**

<b>Product</b>	<b>Cost per Year</b>	<b>5 Year Total</b>
.COM Domain Registration	\$0.00	\$0.00
Business Protection	\$14.99	\$74.95
Business Website Builder	\$12.00	\$60.00
<b>TOTAL</b>	<b>\$26.99</b>	<b>\$134.35</b>

The content on the website will be kept simple. Headings will include "Our Story," "Our Products," "Find [Company Name]," and "Contact Us." "Our Story" should highlight Ms. Nelson's founding story, stressing the need and purpose behind the company and products. If Ms. Nelson is featured in PR or is able to collect positive customer feedback, this can also be a focus for the homepage. Within the "Our Products" section, each product should have a cover photo, logo/packaging image, and a unique description of the cheese, both in its ingredients and taste. Casco Bay may also want to consider providing suggestions for wine or beer pairings, recipes, or options for entertaining. A Store Locator map, integrated with Google Maps should be a full page within "Find [Company Name]." Also included in this section should be a Request Card download, so consumers who do not have access to Casco Bay products near them can share with the store manager at their local store. The "Contact Us" section should include address, phone number, and email address. Throughout the site, Connect with Us, Facebook, Twitter, and Pinterest icons will encourage consumers to share the website with their networks. A newsletter sign-up will also be featured on each page.

Additional information technology to be used by the company will include a laptop, complete with Microsoft Office, which will be installed with QuickBooks to manage the company's financials. Given the limited nature of the staff required, there is no need for additional hardware to be purchased.

## PRODUCT TESTING

Since Casco Bay is producing a fermented product, it must have its products tested by the Department of Food Science & Human Nutrition at the University of Maine. The team conducts testing and then writes a letter certifying that the product complies with the Food & Drug Administration's guidelines for food safety. Testing must occur in the product's final package before it is distributed, but will occur as soon as possible to ensure the microbial safety of its and ensure that Casco Bay's processing methods are sanitary and safe. Figure J lists the tests required by the University of Maine Institute, as well as the associated costs.<sup>57</sup> This process will take approximately three weeks to complete.

**Figure J: Product Testing Expenses**

<b>In-state:</b>	
<b>Test:</b>	<b>Pricing</b>
pH	\$13.00
Water activity	\$13.00
Microbial analysis	\$55.00
Water phase salt	\$30.00

Casco Bay must also have the following microbial testing done: aerobic plate counts, yeast and molds, Salmonella, Listeria, E. coli/coliforms, and Staphylococcus aureus to share with the University of Maine team to include in their review of the product.<sup>58</sup> Casco Bay has spoken with Katahdin Analytical, which offers a full suite of tests initially, and then subsequent testing (generally 6 rounds) at agreed upon intervals that make sense to confirm the proposed self-life of the product.<sup>59</sup> These tests, which cost \$200, will determine the perishability of the product, as well as provide information about the microbial nature of the product.

## LICENSING & CERTIFICATION

After completing the process and product review testing, Casco Bay must become certified as a commercial food processor license, as well as a mobile food vendor license (for sales in farmer's markets). These licenses are obtained from the Maine Department of Agriculture, Food & Rural Resources department to begin selling to consumers and wholesalers.<sup>60</sup> The commercial food processor license is \$50 and the mobile food vendor license is \$20. Each license must be renewed annually given the fermented nature of the company's products.

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<sup>57</sup> <http://foodsciencehumannutrition.umaine.edu/food-technology/process-and-product-reviews/>

<sup>58</sup> Requested via Dr. Beth Calder in email 11/5

<sup>59</sup> Discussion via email with Greg Lull at Katahdin Laboratory on 11/13

<sup>60</sup> <http://umaine.edu/publications/3101e/>

## **PRODUCTION SPACE & WORKFLOW**

### ***Production Space***

After comparing multiple options in Portland, ME, it is ideal for Casco Bay to begin renting licensed kitchen space for production. During the first year and a half, Casco Bay will be able to rent 40 hours a month at \$40/hour to meet production needs.<sup>61</sup> This cost includes the amount of time necessary to produce the products and accounts for the time needed to refrigerate during fermentation.

Once expansion into Whole Foods in Massachusetts takes place in month 18, the amount of production necessary to meet distribution needs makes renting kitchen space unfeasible. At \$40/hour, the costs associated with producing and storing the cheese will heavily impact Casco Bay's margins. In order to reduce this expense, Casco Bay will purchase a commercial kitchen for \$150,000 (includes cost of kitchen, licensing, additional equipment, etc.). This cost will depreciate over a useful life of 10 years. Additionally, as expansion increases, Casco Bay will need to hire an additional employee each year during Years 3-5 to help meet demand needs. Each employee will be paid \$20,000/year to help make and store the product.

### ***Production Workflow***

In order to produce a twenty (20) pound batch, which is the current capacity of Casco Bay in its test-kitchen facility, a 10-day cycle time is needed. Figure K illustrates each step in the production cycle and areas where bottlenecks may occur when production increases, and the solution for each bottleneck. The active time for each cycle is approximately 15 hours total. Given the fermented nature of Casco Bay's products, about 94% of the process is inactive.

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<sup>61</sup> Hourly rental space was found at \$15/hour at the Public House Market. Dry and refrigerated storage space were an additional charge. The Public House Market could not be reached for information on storage pricing, so an estimate was created.

**Figure K: Production Workflow**

<b>Production Step</b>	<b>Description</b>	<b>Time/Step</b>	<b>Potential Bottleneck(s)</b>	<b>Proposed Solution</b>
Fermented Liquid Production	Maine wheat is left to ferment in water. Process must occur at 40 degrees (or less).	4 days	Lack of sprouting lids to increase rejuvelac production.	Add additional sprouting lid containers to meet production.
Process Fermented Liquid	Add cashews to fermented liquid and process in blender. Cover & move blended product to bowls to ferment.	3 days	Lack of capacity to blend product.	Add additional blenders or containers for blending.
Product Molding	Product moved to standard mold to chill & set in final product size for packaging.	2.5 Hours	Lack of molds to chill and mold product.	Add additional molds to increase the number of products molded in less time.
Packaging	Final product removed from refrigerator and wrapped in packaging for distribution.	5 Hours	One person packaging will take too much time as capacity increases.	Add additional staff to support packaging.

**PRODUCTION EQUIPMENT & SUPPLIES**

In order to meet the increased production capacity, Casco Bay will invest in additional equipment that can be stored in the commercial kitchen space. A list of the equipment that Casco Bay currently uses for its temporary sample production, including the cost for those products, as well as the equipment that will be purchased in year one of operation to meet the increased production is listed in Figure L-1.

**Figure L-1: Existing Production Equipment**

<b>Product</b>	<b>Amount</b>	<b>Cost</b>	<b>Total</b>
1 Vitamix	1	\$500.00	\$500.00
2 Pyrex 4 qt bowls (lids)	4	\$20.00	\$80.00
Food Scale	1	\$25.00	\$25.00
Jars w/ lids	4	\$15.00	\$60.00
Colander	1	\$15.00	\$15.00
Measuring Cups	2	\$5.00	\$10.00
Utensils	1	\$10.00	\$10.00
Silicon Spatulas (3)	1	\$7.00	\$7.00
Cheesecloth (100 yds)	1	\$45.00	\$45.00
<b>Total Equipment Costs</b>			<b>\$752.00</b>

**Figure L-2: Additional Years 1-2 Production Equipment to Purchase**

<b>Product</b>	<b>Amount</b>	<b>Cost</b>	<b>Total</b>
Vitamix Containers	4	\$50.00	\$200.00
64 oz. Vitamix	1	\$500.00	\$500.00
Silicone Molds	24	\$10.00	\$240.00
Pyrex Glass Bowls	12	\$20.00	\$240.00
Jars w/ lids	4	\$15.00	\$60.00
Food Scale	1	\$25.00	\$25.00
Colander	2	\$15.00	\$30.00
Utensils	2	\$10.00	\$20.00
Measuring Cups	2	\$5.00	\$10.00
Silicon Spatulas (3)	2	\$7.00	\$14.00
Cheesecloth	3	\$45.00	\$135.00
Storage Containers (12)	1	\$102.00	\$102.00
<b>Total Equipment Costs</b>			<b>\$1,576.00</b>

As production increases, additional equipment will be required (specifically the silicon molds) to maximize efficiency within the operation, which are included in the cost of the commercial kitchen.

***Production Supplies***

To sell and distribute Casco Bay, all ingredients must be sourced through a wholesaler. Associated Buyers, located in Barrington, is a distributor of natural, organic, specialty and ethnic foods. All ingredients needed for the current two product offerings are available for order and Portland, ME falls within the delivery area. Figure M provides a summary of the materials costs.

**Figure M: Production Supplies & Estimated Wholesale Costs**

<b>Ingredient</b>	<b>Full Quantity (lbs)</b>	<b>Minimum Increments (lbs)</b>	<b># of Increments in Full Quantity</b>	<b>Price per Increment</b>	<b>Repack Charge (per lb under full quantity)</b>
Hard Red Winter Wheat	50	10	5	\$11.40	\$0.15
Raw Cashew Pieces	25	5	5	\$41.20	\$0.25
Sea Salt	50	10	5	\$6.70	\$0.15
Organic Coconut Oil	0.875	0.875	1	\$7.77	\$-
Nutritional Yeast Powder	50	5	10	\$28.60	\$0.25

The minimum purchase order is \$400, and as sales and inventory needs fluctuate, Casco Bay can purchase full quantities or smaller increments, paying only a small repack charge for this convenience. The process to become a customer is simple. Casco Bay can complete the customer inquiry form at <http://www.assocbuyers.com/customer.asp> and a customer service representative will call to complete the first order and to setup a delivery schedule. A complimentary catalog will also be mailed for future reference.

**INVENTORY MANAGEMENT**

Casco Bay will manage its inventory using Microsoft Excel. Casco Bay understands the amount of inventory required to produce one batch (twenty (20) pounds of cheese) and will track each production cycle via Excel. This system will also allow for Casco Bay to track when orders have been placed from suppliers. Once a batch has been started, Casco Bay will update the inventory management file and will reorder supplies when they fall below a specific level. Since there is a \$400 charge for each supply order, it is crucial for Casco Bay to maximize the supply order from its vendor to keep costs as low as possible. As Casco Bay increases its production capacity, the management team will review if purchase of inventory management software is necessary to provide automatic alerts, or even automatically coordinate with vendors to reorder crucial supplies.

**PACKAGING**

Casco Bay will incur two major packaging costs – the initial package design and the subsequent manufacturing of the package for each unit. The founder of Bonnieville’s Power Cookies, a vegan food product currently sold at Whole Foods, referred her package designer, Julie DeWald, as a potential design vendor. Depending on the actual creative requests, Ms. DeWald’s approximate cost for the entire design process will fall somewhere between \$500 and \$1000. Her service includes several initial concepts as well as up to three redesigns of a selected concept.

Once a design has been finalized, Casco Bay can commercialize the package through specialty package manufacturers. In a conversation with Denis Plante, an executive from full-service premium packaging agency, *Design Packaging*, he recommended Casco Bay source its packaging from a firm like his own or another firm that specializes in food manufacturing. Without seeing an actual design, it was difficult for Mr. Plante to give an estimate on manufacturing costs but he believes a package similar to the one listed in the packaging section above would cost less than \$1.00. Additional features like a window or a ribbon will increase the cost. The minimum order for packages like this are typically 10,000 to 15,000 units. In addition, Casco Bay will need to source a cover for the product before it is placed into a box-like package. Denis suggested a simple piece of plastic that would cost no more than \$0.10 per unit. Both the inner and outer packaging would be sent to Casco Bay's headquarters where the company could physically package the product. The total cost of packaging is therefore estimated at \$1.00 per unit.

## **DISTRIBUTION**

Through year two of operation, the Casco Bay management team will distribute its products personally to farmer's markets, specialty retailers, and the distribution warehouse of the Portland, ME Whole Foods. In Year 3, Casco Bay will begin to use distributors. United Natural Food Inc. has been targeted as a potential distributor. United Natural Food Inc. is the largest distributor for Whole Foods.



## **ORGANIZATIONAL PLAN**

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### **FORM OF OWNERSHIP**

Casco Bay will be configured as a Limited Liability Corporation (LLC), which is ideal for a small start-up business with an aggressive growth strategy. Additionally, the LLC designation provides the limited liability protection of a corporation, while providing the tax benefits of a partnership. Operating as a LLC, Casco Bay will avoid corporate taxes, with all profits taxed from the individual firm's member's personal income tax returns. The LLC designation will also protect the assets of the individual firm members in the case of a lawsuit outside of the bounds of the insurance coverage. Given the nature of the business, as a consumer product within the specialty food industry, providing additional protection in the case of a potential lawsuit is critical.

### **MANAGEMENT TEAM**

Casco Bay will require a dedicated management team, passionate about delivering high quality products to consumers. Given Casco Bay's aggressive growth strategy, the management team must possess a fast-paced work style, entrepreneurial mindset and capability to wear multiple hats to drive the business towards success. The company's founder, Betsy Nelson, as well as Siobhan Skizim, will assume strategic positions within the firm to advance its strategy. Specifically, Ms. Nelson will oversee all Sales & Marketing and Ms. Skizim will oversee all Business Operations. Given the small size of the business, there will not be a President or Chief Executive Officer until year three of the business. This individual will be selected from within the existing management team, or outside of the firm based on the skills needed at the time of the firm.

The management team will rely heavily on the Advisory Board (see below for further details) for strategic guidance around key business decisions. Monthly management team meetings will be held to review the firm's performance against key indicators, such as product sales & distribution, meeting cost forecasts, and a ROI on marketing and distribution efforts. The management team's performance will be reviewed semi-annually by the Advisory Board and will be based on the financial stability of the firm, as well as the results of an aggressive sales and distribution strategy in the Portland, ME area in Year 1, and greater New England in Year 2 through 5.

Semi-annual performance evaluations will take place including the full team of Advisory Board members and each individual will be evaluated based on performance within his or her functional area. The Advisory Board will play an active role in setting performance goals with the management team during these review periods to provide direction for each member of the management team. If team members are successful in meeting or exceeding these goals, an increase in compensation may be provided. A failure to meet these expectations may result in reduced compensation or dismissal from the firm.

### ***Founder & Vice President of Sales & Marketing***

Betsy Nelson, Founder of Casco Bay, will serve as the Vice President of Sales & Marketing. Ms. Nelson graduated from Syracuse University with a degree in Surface Pattern Design. Her passion for the product, dedication to the vegan lifestyle, and awareness of the specialty food market in Portland, ME and greater New England position her to represent the company as the face of the brand in its expansion strategy. Additionally, her creative backgrounds provide expertise towards implementing a lean, highly creative marketing strategy. As the Vice President of Sales & Marketing, she will create strategic relationships with specialty stores, wholesalers, and the media in Portland, ME and greater New England. She will also be responsible for product development and production. Ms. Nelson's primary performance goal will be to meet or exceed the firm's sales estimates within the first five years of operation.

### ***Vice President of Business Operations***

Siobhan Skizim will serve as the Vice President of Operations. Ms. Skizim graduated from the University of Virginia with a degree in politics and is currently a MBA candidate at the Boston College Carroll Graduate School of Management. Ms. Skizim has worked extensively in the nonprofit sector in fundraising & operations. Her experience creating and managing budgets, creating forecasting models, managing quality control within organizations and developing efficient processes, as well as the ability to work in a lean, yet fast-paced environment, make her well positioned to succeed in this role. As the Vice President of Operations, she will be responsible for managing inventory, identifying areas for cost-savings, preparing financial statements, developing forecasting models, managing quality control within the firm's day-to-day processes and working with the necessary vendors to manage the firm's financial operations. Her primary performance goal is to maintain or reduce the cost level of the firm, while maintaining the use of all natural, local ingredients.

### ***Culinary Assistant***

In Year 4 of operations, Casco Bay will hire a Culinary Assistant on a contractual basis to provide expertise around future product development, as well as the techniques used to create the existing product line. This role will have the opportunity to develop into a full-time role with management potential as the firm grows. Casco Bay will target an individual with trained culinary experience, within the restaurant or food production industry, with experience producing natural – preferably vegan – food products.

### ***Production Personnel***

By Year 3 of operations, Casco Bay will hire hourly staff to support cheese production. Experience with food production or within the restaurant industry is preferred, but will not be required, since it will be more cost-effective to target and hire individuals familiar with batch process production.

## **ADVISORY BOARD**

Casco Bay will create an Advisory Board to provide strategic guidance around key business decisions. Advisory Board members were selected based on their expertise in specific areas

that will contribute to the growth of the firm. Currently, two Advisory Board members have been identified. Casco Bay has identified three additional members that will be added to the Advisory Board within the first year of operation.

***Allison Dahl, Product Management, athenahealth<sup>62</sup>***

Ms. Dahl currently works for athenahealth within their product management organization. Prior to getting her MBA at Boston College, she worked for five years at Pitney Bowes within the Strategy & Innovation unit, conducting customer research and developing new business concepts and managing an internal open innovation program. She has a BFA in Communications Design from Syracuse University, where she met Casco Bay's founder. She is a connoisseur of all types of cheeses, but her favorite is goat and has been a supporter of Casco Bay since its outset. Her expertise in operations management, technology, and product development will be integral to her role advising the management team.

***Stephen Quirk, Founder, Factory Portland<sup>63</sup>***

Mr. Quirk founded Factory Portland in 2010 to aid musicians with design, photography, and marketing goals and has just expanded its services to include Wordpress support and content creation for the web. He previously worked in Maine College of Art's Technology Department and served as Creative Director and board member of a Boston-based nonprofit organization focused on raising funds for secondary education in East Africa. Mr. Quirk has been an advisor to Casco Bay's founder, Ms. Nelson, and his experience developing social media marketing strategies, as well as the entrepreneurial network in Portland, ME, will provide Casco Bay with unique marketing perspectives.

Within six months of operation, Casco Bay will identify three to five additional Advisory Board members. The specific individuals or types of individuals identified to join the Advisory Board within six months of operation are:

***Eli Cayer, Founder, Urban Farm Fermentory***

Mr. Cayer, a native of Maine, founded Urban Farm Fermentory as an experimental fermentation center for developing local Maine ingredients into fermented products. Given his expertise with fermentation and connections with Maine supplier and retailers, he will provide strategic guidance around sourcing, production, and sales. Additionally, his entrepreneurial expertise around creating a business will provide invaluable insight to the Casco Bay management team as it looks to grow the business.

***Ricki Carroll, Cheese Consultant, New England Cheesemaking Supply Company***

Ms. Carroll is dubbed the "Patron Saint of America's Specialty Cheesemakers" and has been offering cheese expertise and support since 1978. Given her expertise within the specialty cheese segment, Ms. Carroll will provide strategic guidance around product development and techniques for product creation.

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<sup>62</sup> Confirmed via email - 11/11/13

<sup>63</sup> Confirmed via email - 11/12/13

***Ron Kriesman, Attorney***

Recently listed as one of the top 50 people who have made a difference in Maine, Mr. Kriesman has spent his career supporting individuals who need support, but lack an advocate.<sup>64</sup> Most recently, he served as the Executive Director of Immigrant Legal Advocacy Project. He is an avid vegan and supporter of Maine's natural resources and has become a personal fan of Casco Bay. His connections throughout the vegan community in Maine, as well as his legal background will provide Casco Bay with influential connections in the greater Maine vegan community.

***Consumer Packaged Goods (CPG) Industry Expert<sup>65</sup>***

Casco Bay will identify a seasoned CPG industry professional, ideally with experience in a medium-sized firm specializing in specialty or organic products within the food & beverage industry. This individual will provide strategic guidance around distribution expansion strategy, as well as offer expertise around growth strategies beyond a local market.

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<sup>64</sup> <http://themainemag.com/people/features/2285-50-people.html>

<sup>65</sup> Casco Bay identified Frank Carpenito, CEO of Dancing Deer Company to serve in this role. The team met with Mr. Carpenito on 11/1, where he provided strategic guidance to the team in this area. When asked to serve on the Advisory Board, Mr. Carpenito declined to accept the position.

## FINANCIAL PLAN

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Casco Bay's Financial Plan projects the first five years of operations, with fiscal years running from January 1<sup>st</sup>-December 31<sup>st</sup>. Included in the Financial Plan are the following components: Financial Statement Assumptions & Analysis, Financial Ratios, Sensitivity Analysis, and Capitalization Analysis.

### FINANCIAL STATEMENT ASSUMPTIONS & ANALYSIS

Our assumptions contain information about projections for Revenue, Cost of Goods Sold, SG&A Expense, Other Expenses, Capital Expenditures, Depreciation, and Tax Implications for Years 1, 2, and 3-5. These assumptions were calculated based on primary and secondary research, and are located on the first page of the financial statements (see Exhibit L-1 & Monthly Revenue Assumptions for Years 1 & 2 in Exhibit L-3). Assumptions around in-stores sales growth were formed conservatively after calculating the projected growth of the vegan population in the markets Casco Bay seeks to enter (see Exhibit L-2).

**Balance Sheet:** In order to illustrate Casco Bay's financial position at a point in time, Assets, Liabilities, and Owner's Equity are illustrated by month for Years 1 and 2, and projected annually during Years 3-5. During Years 1 and 2, growth takes place, impacting the Balance Sheet, specifically through increased production and purchase of PP&E (commercial kitchen space). The Balance Sheet for Years 3-5 illustrates depreciation of the property and equipment, as well as demonstrates an increase in assets on hand due to the increase in Whole Foods stores utilized for distribution (see Balance Sheets in Exhibit L-4).

**Income Statement:** Revenues, Expenses, Gains, and Losses are illustrated monthly for Years 1 and 2, and yearly during Years 3-5. As mentioned in the assumptions, revenue is generated from sales at specialty stores, Whole Foods in Maine, and continued expansion throughout Whole Foods in the Northeast. Additional expenses will include SG&A expenses, such as salaries for employees and a part time consultant, as well as Other Expenses, which include kitchen rental, licenses and registration, travel costs, and business insurance. The main variable costs associated with Casco Bay are raw materials and packaging and labeling. Quasi-Fixed Costs which are impacted due to the expansion strategy are the increase of employees as production increases, as well as a larger budget for marketing during Years 3-5 (see Income Statement in Exhibit L-5).

**Statement of Cash Flows:** It is important to break out cash flows by operations (CFO), financing (CFF), and investments (CFI). Years 1 and 2 are broken out monthly, while Years 3-5 are illustrated on an annual basis. Included in our CFO are Accounts Receivable (sales in stores) and Depreciation (PP&E which consists of commercial kitchen and production equipment). CFF in Year 1 includes an initial \$25,000 principle borrowed from friends and family to purchase equipment, and an additional \$150,000 borrowed in Year 2 to purchase commercial kitchen space in Portland, ME. In Year 1, \$2,328 of the \$25,000 is used to purchase equipment (discussed in Operational Plan) and \$150,000 in Year 2 is used to

purchase the kitchen space. These are both considered initial investments under CFI in the Cash Flow Statement. Cash Flows Statements can be found in Exhibit L-6.

**Summary of Five Year Statements:** The summary of statements illustrates year over year changes in the Balance Sheet, Income Statement, and Statement of Cash Flows. Additionally, the summary includes the Operating Margin for each year. This summary is illustrated below. Exhibit L-7 provides the full five year pro-forma for further analysis.

**Figure N: Casco Bay Five Year Summary Financials**

Category	Year 1 (2014)	Year 2 (2015)	Year 3 (2016)	Year 4 (2017)	Year 5 (2018)
Revenue	\$ 25,351.45	\$ 126,124.99	\$ 206,484.04	\$ 300,623.04	\$ 394,148.81
Cost of Goods Sold	\$ 8,016.48	\$ 76,682.77	\$ 101,272.59	\$ 149,492.36	\$ 197,448.44
Gross Profit	\$ 17,334.96	\$ 49,442.22	\$ 105,211.45	\$ 151,130.68	\$ 196,700.37
Operating Expenses	\$ 26,297.60	\$ 36,238.40	\$ 92,318.40	\$ 152,318.40	\$ 172,318.40
Depreciation	\$ 465.60	\$ 7,965.60	\$ 15,465.60	\$ 15,465.60	\$ 15,465.60
Operating Income	\$ (9,428.24)	\$ 5,238.22	\$ (2,572.55)	\$ (16,653.32)	\$ 8,916.37
Operating Margin	-37.2%	4.2%	-1.2%	-5.5%	2.3%

Operating Margins begin at (37.2%) in Year 1 due to the expenses necessary to start the business. During Year 2, there is a positive operating margin of 4.2% due to the expansion into 28 Whole Foods' locations in Massachusetts, and the margin decreases in Year 3 to (1.2%), due to additional expansion in New England. The decrease in Operating Margin in Year 4 is due to the additional salary of hiring a Culinary Consultant, on an as needed basis, as expansion increases. Margins begin to increase after this hire in Year 5, due to continued expansion and fixed costs spread across a larger revenue base.

## FINANCIAL RATIOS

Financial ratios have been generated using the pro forma financials (see Figure O). Key results include:

- While net margins fluctuate between (37%) and 2% over five years of operation, gross margins remain relatively stable around 50% in years three through five of operation. The net margins are impacted primarily due to Casco Bay's aggressive growth strategy.
- Casco Bay's return on equity is 3% in year two of operations, and becomes negative again, reaching (11%) in year four of operation. However, ROE grows to 6% in year five of operation. Again, the fluctuations in ROE can be attributed to the aggressive growth strategy.

**Figure O: Key Financial Ratios**

<b>Financial Ratios</b>					
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Return on Assets	-61%	3%	-2%	-11%	6%
Return on Equity	-61%	3%	-2%	-11%	6%
Gross Margins	68%	39%	51%	50%	50%
Net Margins	-37%	4%	-1%	-6%	2%
Revenue Growth	n/a	398%	64%	46%	31%
Net Income Growth	n/a	-156%	-149%	547%	-154%

While the financial ratios illustrate major fluctuations in Casco Bay’s financial position, the aggressive growth strategy, and investment in the personnel and production required to support this strategy, are the greatest cause for these fluctuations.

### **SENSITIVITY ANALYSIS**

A sensitivity analysis was prepared to analyze the effect on net income in Years 3, 4, and 5 if the number of new Whole Food stores (estimated at 15 new stores per year) that Casco Bay hopes to expand into changes, as well if the projected average annual sales per store (estimated at \$6,000) changes. Per the sensitivity analysis, the total number of new store openings per year was set between 7 and 21 stores and was analyzed at increments of 2 stores. Additionally, the projected average annual sales per store in the sensitivity analysis ranges from \$5,000 to \$7,000 and was analyzed at increments of \$250. Based on this analysis, in Year 3 only 26 of the 72 different scenarios tested resulted in a positive net income for the year. In Year 4, only 10 of the 72 different scenarios resulted in a positive net income and in Year 5, 43 of the 72 scenarios were positive.

The sensitivity analysis highlights that Casco Bay will need to focus on an increase in per stores sales, while simultaneously growing geographically into more stores per year in order to be profitable in Years 3 through 5. The sensitivity analysis is shown below, as well as in Exhibit L-8.

**Figure P: Casco Bay Sensitivity Analysis Results**

Sensitivity Analysis: Year 3 Net Income (Avg. Annual Sales per Whole Foods Store vs. No. New Whole Foods Stores)										
\$ (2,572.55)	\$ 5,000.00	\$ 5,250.00	\$ 5,500.00	\$ 5,750.00	\$ 6,000.00	\$ 6,250.00	\$ 6,500.00	\$ 6,750.00	\$ 7,000.00	
7.00	\$ (29,192.55)	\$ (28,345.55)	\$ (27,498.55)	\$ (26,651.55)	\$ (25,804.55)	\$ (24,957.55)	\$ (24,110.55)	\$ (23,263.55)	\$ (22,416.55)	
9.00	\$ (24,352.55)	\$ (23,263.55)	\$ (22,174.55)	\$ (21,085.55)	\$ (19,996.55)	\$ (18,907.55)	\$ (17,818.55)	\$ (16,729.55)	\$ (15,640.55)	
11.00	\$ (19,512.55)	\$ (18,181.55)	\$ (16,850.55)	\$ (15,519.55)	\$ (14,188.55)	\$ (12,857.55)	\$ (11,526.55)	\$ (10,195.55)	\$ (8,864.55)	
13.00	\$ (14,672.55)	\$ (13,099.55)	\$ (11,526.55)	\$ (9,953.55)	\$ (8,380.55)	\$ (6,807.55)	\$ (5,234.55)	\$ (3,661.55)	\$ (2,088.55)	
15.00	\$ (9,832.55)	\$ (8,017.55)	\$ (6,202.55)	\$ (4,387.55)	\$ (2,572.55)	\$ (757.55)	\$ 1,057.45	\$ 2,872.45	\$ 4,687.45	
17.00	\$ (4,992.55)	\$ (2,935.55)	\$ (878.55)	\$ 1,178.45	\$ 3,235.45	\$ 5,292.45	\$ 7,349.45	\$ 9,406.45	\$ 11,463.45	
19.00	\$ (152.55)	\$ 2,146.45	\$ 4,445.45	\$ 6,744.45	\$ 9,043.45	\$ 11,342.45	\$ 13,641.45	\$ 15,940.45	\$ 18,239.45	
21.00	\$ 4,687.45	\$ 7,228.45	\$ 9,769.45	\$ 12,310.45	\$ 14,851.45	\$ 17,392.45	\$ 19,933.45	\$ 22,474.45	\$ 25,015.45	
Sensitivity Analysis: Year 4 Net Income (Avg. Annual Sales per Whole Foods Store vs. No. of Total Whole Foods Stores)										
\$ (16,653.32)	\$ 5,000.00	\$ 5,250.00	\$ 5,500.00	\$ 5,750.00	\$ 6,000.00	\$ 6,250.00	\$ 6,500.00	\$ 6,750.00	\$ 7,000.00	
7.00	\$ (50,533.32)	\$ (47,871.32)	\$ (45,209.32)	\$ (42,547.32)	\$ (39,885.32)	\$ (37,223.32)	\$ (34,561.32)	\$ (31,899.32)	\$ (29,237.32)	
9.00	\$ (45,693.32)	\$ (42,789.32)	\$ (39,885.32)	\$ (36,981.32)	\$ (34,077.32)	\$ (31,173.32)	\$ (28,269.32)	\$ (25,365.32)	\$ (22,461.32)	
11.00	\$ (40,853.32)	\$ (37,707.32)	\$ (34,561.32)	\$ (31,415.32)	\$ (28,269.32)	\$ (25,123.32)	\$ (21,977.32)	\$ (18,831.32)	\$ (15,685.32)	
13.00	\$ (36,013.32)	\$ (32,625.32)	\$ (29,237.32)	\$ (25,849.32)	\$ (22,461.32)	\$ (19,073.32)	\$ (15,685.32)	\$ (12,297.32)	\$ (8,909.32)	
15.00	\$ (31,173.32)	\$ (27,543.32)	\$ (23,913.32)	\$ (20,283.32)	\$ (16,653.32)	\$ (13,023.32)	\$ (9,393.32)	\$ (5,763.32)	\$ (2,133.32)	
17.00	\$ (26,333.32)	\$ (22,461.32)	\$ (18,589.32)	\$ (14,717.32)	\$ (10,845.32)	\$ (6,973.32)	\$ (3,101.32)	\$ 770.68	\$ 4,642.68	
19.00	\$ (21,493.32)	\$ (17,379.32)	\$ (13,265.32)	\$ (9,151.32)	\$ (5,037.32)	\$ (923.32)	\$ 3,190.68	\$ 7,304.68	\$ 11,418.68	
21.00	\$ (16,653.32)	\$ (12,297.32)	\$ (7,941.32)	\$ (3,585.32)	\$ 770.68	\$ 5,126.68	\$ 9,482.68	\$ 13,838.68	\$ 18,194.68	
Sensitivity Analysis: Year 5 Net Income (Avg. Annual Sales per Whole Foods Store vs. No. of Total Whole Foods Stores)										
\$ 8,916.37	\$ 5,000.00	\$ 5,250.00	\$ 5,500.00	\$ 5,750.00	\$ 6,000.00	\$ 6,250.00	\$ 6,500.00	\$ 6,750.00	\$ 7,000.00	
7.00	\$ (32,223.63)	\$ (27,746.63)	\$ (23,269.63)	\$ (18,792.63)	\$ (14,315.63)	\$ (9,838.63)	\$ (5,361.63)	\$ (884.63)	\$ 3,592.37	
9.00	\$ (27,383.63)	\$ (22,664.63)	\$ (17,945.63)	\$ (13,226.63)	\$ (8,507.63)	\$ (3,788.63)	\$ 930.37	\$ 5,649.37	\$ 10,368.37	
11.00	\$ (22,543.63)	\$ (17,582.63)	\$ (12,621.63)	\$ (7,660.63)	\$ (2,699.63)	\$ 2,261.37	\$ 7,222.37	\$ 12,183.37	\$ 17,144.37	
13.00	\$ (17,703.63)	\$ (12,500.63)	\$ (7,297.63)	\$ (2,094.63)	\$ 3,108.37	\$ 8,311.37	\$ 13,514.37	\$ 18,717.37	\$ 23,920.37	
15.00	\$ (12,863.63)	\$ (7,418.63)	\$ (1,973.63)	\$ 3,471.37	\$ 8,916.37	\$ 14,361.37	\$ 19,806.37	\$ 25,251.37	\$ 30,696.37	
17.00	\$ (8,023.63)	\$ (2,336.63)	\$ 3,350.37	\$ 9,037.37	\$ 14,724.37	\$ 20,411.37	\$ 26,098.37	\$ 31,785.37	\$ 37,472.37	
19.00	\$ (3,183.63)	\$ 2,745.37	\$ 8,674.37	\$ 14,603.37	\$ 20,532.37	\$ 26,461.37	\$ 32,390.37	\$ 38,319.37	\$ 44,248.37	
21.00	\$ 1,656.37	\$ 7,827.37	\$ 13,998.37	\$ 20,169.37	\$ 26,340.37	\$ 32,511.37	\$ 38,682.37	\$ 44,853.37	\$ 51,024.37	

**CAPITALIZATION**

In order to begin operations, Casco Bay will need to receive initial funding of \$25,000 to purchase equipment, as well as put funds towards kitchen rental, raw materials, and licensing. During the first 18 months, Ms. Nelson will not receive a salary, but will instead use capital to expand Casco Bay.

In Year 2, an additional \$150,000 is required in order to purchase a building for kitchen space. This cost will include the purchase of the kitchen and is based on secondary research of recent kitchen space purchased in Portland, ME, as well as the costs associated with purchasing additional appliances such as refrigerators for storage. This cost will depreciate over a useful life of 10 years.

Source of Funding:

The following three avenues were explored in order to identify the best form of start-up capital:

*Venture Capital and Angel Investor Funding:* After speaking with two specialists who participate in Venture Capital deals for a living, Casco Bay was advised that the potential revenues do not have a high enough multiple for an initial seed investment. After expansion throughout New England and eventually the greater Northeast, there is a chance Casco Bay can receive later round funding, but initially, this path is not feasible. A conversation with an Angel Investor resulted in the same thinking. The common theme



was that as long as the product cannot be easily purchased and distributed, it will be difficult to make the necessary profits for VC investment. The food products VC firms focus on are cookies, crackers, and chips, that can be produced relatively easily in mass quantity, and have the opportunity for purchase by a large company, such as Nabisco.

*Bank Loans:* Without collateral, a bank loan for initial investment is not feasible. An unsecured loan for \$25,000 for a company will have a rate of 18-22%, making it extremely difficult to pay back on time, while growing Casco Bay. In Year 2, a loan for \$150,000 will have cheaper rates, due to collateral presence (the kitchen), but will still not be feasible based on the margins. Interest payments will negatively impact Net Income and will delay growth. Growth at this point in the business life is essential in order to succeed.

*Friends and Family:* After speaking with proven experts in the vegan product industry, friends and family will be pursued as the first step to obtain funding. At first, asking family for funding will be uncomfortable, but since Casco Bay’s founder, Betsy Nelson, believes in the potential of this product, this will be the safest route. Receiving the initial \$25,000 in Year 1 will allow Casco Bay to expand through farmer’s markets and specialty stores in Maine, increasing brand awareness. In Year 2, additional funding will allow Casco Bay to purchase an asset, with value, instead of continuing to rent space at increased costs, without any increase in assets. Over time, these benefits will show in improved operating margins, due to costs saved with purchasing.

Below describes the amount of ownership distribution to friends and family who invest with Casco Bay. The valuation of Casco Bay for Year 1 is based on 4x sales and for Year 2, 3x sales. The initial \$25,000 is illustrated in Year 0 and reflects Year 1 sales. Therefore, she will be giving up roughly 24.5% of her company. In Year 2, sales are estimated to be \$206,484. At 3x sales, the \$150,000 investment will reflect 24.5% ownership, leaving Ms. Nelson with the remaining 51%.<sup>66</sup>

**Figure Q: Project Ownership Distribution**

Casco Bay Natural Foods						
Year	Investment	Projected Sales	Valuation Estimate	Valuation Assumption	Investor Ownership	Founder Ownership
0	\$25,000.00	\$0.00	\$0.00			
1	\$0.00	\$25,351.00	\$101,404.00	4X Sales	24.65%	
2	\$150,000.00	\$206,484.00	\$619,452.00	3X Sales	24.21%	
					48.87%	51.13%

<sup>66</sup> No ownership will be provided to Siobhan Skizim by request.

# RISK ASSESSMENT & SUSTAINABILITY ANALYSIS

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## RISK ASSESSMENT

There are a variety of risks that Casco Bay faces in creating a successful business. These key risks are outlined below.

### ***Product Related Risks***

Two key risks exist related to the supply and production of Casco Bay's products.

#### Risk to the Supply of Raw Ingredients & Price Volatility:

The raw ingredients used in the recipes of Casco Bay's products are raw cashew pieces, grains, coconut oil, and nutritional yeast powder. There are potential risks related to using commodity products. Specifically, issues on the supply side could generate uncertainty and present a major factor in the volatility of commodity prices. A year of bad harvest could result in less commodity products to be sold and higher prices charged to obtain those products. Fluctuating commodity costs coupled with ineffective price management could endanger the company's success. If increasing raw ingredients costs coincide with decreasing sales, an erosion of the company's margins is inevitable. In order to prevent such a scenario, Casco Bay will not only track commodity price changes, but will also establish clear terms with suppliers. The supplier contract terms will explain when pricing is subject to adjustments and include regularly scheduled reviews.

#### Risks from the Results of Nutritional Information Testing & Food & Drug Administration (FDA) Approval:

The University of Maine Food Institute will be used to test Casco Bay's products that the company intends to sell. One potential risk would be that testing reveals that the products are not safe for public consumption. Not only does the nutritional information have to be reviewed, but also the production process has to comply with the Food Safety Standards established by the FDA. An inability to obtain the FDA approval could impede the company's initial success, as it would prevent sales. If the results from the testing performed by the University of Maine Food Institute reveal that the products do not comply with the FDA standards, a modification in the recipes used will be considered.

### ***Threat of New Entrants to New England Market***

By the time Casco Bay plans to enter the Massachusetts market and expand into New England (Years 2 to 5 of operations), another firm could already have gained that market. Therefore, there is a potential risk of not gaining market share. However, if Casco Bay is a first mover and its products find success in the market, there is also the potential risk that other sole proprietors and firms could start to offer similar products given the low barriers to entry. The risk of losing consumers and market share resides in the fact that there is nothing proprietary in Casco Bay's products, as the recipe used is very prevalent online and only slightly modifications have been made. In order to prevent such a scenario, Casco Bay must find a way to differentiate itself, through options such as product certifications

(vegan, organic, locally produced). Casco Bay will also put a significant amount of marketing efforts in building a strong brand with an emphasis on Ms. Nelson's personal story. Vegan consumers will be more loyal to a brand whose spokesperson is a passionate vegan and whose products truly meet consumers' needs and expectations.

### ***Distribution Risks***

Casco Bay will have to establish agreements with many distribution channel partners: specialty stores within the first two years and then supermarkets, to market and sell its products. The financial results could be adversely impacted for many reasons, such as the termination of the contracts with partners, or a decrease in the level of demand for the partners' products. An additional risk is that there is no evidence that Casco Bay will be successful in establishing, maintaining or expanding the distribution channels, which will result in lost sales opportunities, customers and market share.

Casco Bay is mitigating this risk by planning to distribute to a chain of supermarkets whose popularity is growing and in a good financial position: Whole Foods. To minimize the risk of not having its products selected by Whole Foods, Casco Bay will build a strong record of its past sales and collected customer feedbacks. While expanding to Whole Foods, another potential risk is the ability to produce cheeses on a larger scale. Partnering with an efficient distributor will allow the company to better handle the expansion process while focusing on the production instead of the distribution side of the business.

### ***Key Person Dependency Risks***

Ms. Nelson is the face of the Casco Bay brand and her public relations (prospecting customers at farmer's markets and leading sampling) has been given particular consideration in establishing the marketing plan. Additionally, she will be the only employee of the company for the first two years and she will develop all of the knowledge and skills critical to business operations of the company. One potential risk is that Casco Bay must consider what will happen if Ms. Nelson finds herself in a situation where she will not be able to continue to run the business (emergency, sickness, death). Although a business cannot prevent the sudden temporary or permanent loss of a critical employee, it can be compensated through key person insurance. The proceeds from a key person policy can provide funds to recruit, hire, and train a replacement, restore lost profits, and reassure customers that business operations will continue.

### ***Start-Up Capital and Sales Shortfalls***

A potential risk can be derived from the uncertainties associated with raising start-up capital and maintaining sufficient funding. Operations cannot commence until sufficient funds are raised to fund the rental of a commercial kitchen approved by the FDA and other initial working capital requirements. Casco Bay is planning to collect funding from friends and family to fund start-up expenses. There is a potential risk that sales, and therefore revenues, could be less than forecasted. If such a risk should occur, a comprehensive review will take place to determine not only the cause, but also areas where additional revenues can be realized. In addition, monthly forecast meetings will be put in place with the management team and Advisory Board members to adjust the forecasts as needed.

## **SUSTAINABILITY ANALYSIS**

By offering vegan, all natural products, and reducing the consumption of natural resources (animals), Casco Bay is promoting both sustainable living and environmental improvement. The very nature of the vegan movement is derived from a growing concern about the unnecessary use and killing of animals, as well as from a willingness to achieve a healthier lifestyle and reduce one's eco-footprint. In that sense, the company goals align with the goals of sustainable entrepreneurship, striving simultaneously for profit and for improving local and global environmental and social conditions.

However, performing as a 100% sustainable business is not part of the strategy of the company for its early years of operations. The costs associated with implementing sustainable practices across the entire supply chain will impede the expected profitability and growth. In addition, the benefits will not be worth the extra-costs, as focus group participants indicated that a sustainable label would not be an essential factor in determining purchase behavior. Casco Bay will try to use sustainable suppliers and distributors as much as possible within the early stages of operations.

## APPENDIX

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## EXHIBIT A: CHEESE MARKET SIZE ESTIMATES

Market Sizes | Historic/Forecast | Retail Value RSP | US\$ mn | Constant 2013 Prices | Fixed 2013 Exchange Rates

Categories	Geographies	2012	2013	2014	2015	2016	2017	2018
Cheese Value (Mn)	USA	20,097.5	20,357.8	20,626.3	20,814.2	21,185.4	21,651.5	22,059.1
US Population (Mn)	USA	315.2	317.5	319.9	322.3	324.7	327.1	329.5
Avg. Cheese Value/Person (\$)	USA	63.8	64.1	64.5	64.6	65.3	66.2	67.0
Avg. US Food Expenditure (\$)	USA	2,270.9	2,279.4	2,322.1	2,354.9	2,390.2	2,423.0	2,449.4
US Vegans (Mn)	USA	6.3						
US Vegans (%)	USA	2.00%						
Total Est. US Vegan Cheese Consumption (\$)	USA	401.7	426.2	450.53	476.67	506.70	540.14	575.79
Vegan Share of Cheese Market (%)	USA	2.00%	2.09%	2.18%	2.29%	2.39%	2.49%	2.61%
Total Est. Vegan Food Consumption (Mn)	USA	14,306.7						
Cheese Value (Mn) for New England	NE	1098.00	1096.90	1107.30	1113.10	1128.40	1148.70	1165.60
Vegan Cheese Value (Mn) for New England	NE	21.95	22.97	24.19	25.49	26.99	28.66	30.42

### Market Size Process & Calculations:

#### Steps:

1. Estimate US Vegan Cheese Market Value
2. Determine Growth Rate of Vegan Cheese Market
3. Determine US Vegan Cheese Market Value Forecasts
4. Estimate % of US Vegans for next 5 years
5. Determine Cheese Mkt. Values for New England
6. Determine Cheese Mkt. Value for ME
7. Determine Vegan Cheese Values for New England + ME

#### Calculations:

Multiply % of US Vegans by US Cheese Value  
 Used growth rates of lactose-free foods  
 Lactose Free Growth rates x Vegan Cheese market value  
 Vegan Cheese Mkt Value / Cheese Mkt Value  
 Given from Euromonitor  
 see calculations on forecast by state (have to back numbers out)  
 Multiply % of Vegans x Cheese Mkt. Values

**EXHIBIT B: CASCO BAY SURVEY**

A survey was administered to further understand the industry. There were 380 participants, including 158 vegans.

<b>Consumer Profile</b>	<b>Gender</b>	<b>Average Age</b>	<b>HHI</b>	<b>Type of Residence</b>	<b>State of Residence</b>
Survey Participants	30% M 70% F	33yo	30% \$100k+ 22% \$50k-75k 18% \$25k- \$50k	55% Urban 37% Suburban 22% Rural	26% MA 18% ME 16% CA 11% NY 8% NJ
Participants Identified as Vegan	28% M 72% F	43yo	27% \$100k+ 24% \$25k-50k 20% \$50k-75k	58% Urban 35% Suburban 6% Rural	33% MA 20% CA 5% ME 5% FL 5% NY
Participants Likely to Purchase Vegan Cheese	28% M 72% F	41yo	30% \$100k+ 22% \$25k-50K 20% \$50k-75k	61% Urban 32% Suburban 7% Rural	35% MA 19% CA 8% ME 6% NY 4% DC

**1. What eating lifestyle do you most identify with?**

<b>Eating Lifestyle</b>	<b>Response</b>	<b>%</b>
Omnivore (defined as a person that eats food of both plant and animal origin)	157	41%
Omnivore, but does not consume dairy	14	4%
Vegetarian	42	11%
Vegetarian, but does not consume dairy	9	2%
Vegan	158	42%
Total	380	100%

**With Filter: Those VERY LIKELY or LIKELY to purchase vegan cheese**

Eating Lifestyle	Response	%
Omnivore (defined as a person that eats food of both plant and animal origin)	18	13%
Omnivore, but does not consume dairy	4	3%
Vegetarian	12	9%
Vegetarian, but does not consume dairy	6	4%
Vegan	100	71%
Total	140	100%

**2. On average, how often do you enjoy the following types of cheese or cheese substitute products (i.e. non-dairy or vegan)?**

Type	Never	Less than Once a Month	Once a Month	2-3 Times a Month	Once a Week	2-3 Times a Week	4-6 Times a Week	Daily	Total Responses	Mean
Hard Cheeses	59	61	35	47	39	35	17	7	300	3.51
Soft Cheeses	59	55	55	56	36	32	12	4	309	3.39
Shredded	42	49	52	54	64	35	12	7	315	3.75
Cheese Singles	132	59	26	28	18	15	12	6	296	2.54
Cream Cheese	64	87	59	48	29	17	4	3	311	2.91



**With Filter: VEGAN**

Question	Never	Less than Once a Month	Once a Month	2-3 Times a Month	Once a Week	2-3 Times a Week	4-6 Times a Week	Daily	Total Responses	Mean
Hard Cheeses	46	42	11	8	6	3	2	0	118	2.18
Soft Cheeses	38	36	25	10	7	8	2	0	126	2.56
Shredded	19	27	23	25	21	17	3	2	137	3.55
Cheese Singles	55	31	14	3	7	5	3	0	118	2.18
Cream Cheese	32	39	24	14	12	7	1	1	130	2.73

3. Do you cook with cheese or a cheese substitute product? If yes, please indicate 3 recipes in which you use cheese.

Answer	Response	%
Yes	221	68%
No	103	32%

**With Filter: VEGAN**

Answer	Response	%
Yes	102	73%
No	38	27%

Categories of food respondents typically use vegan cheese products:

Type of Food	# Respondents
Mac & Cheese	20
Pizza	31
Italian	63
Mexican	41
Breakfast	24
Cheese Plates	5
Other	48

**4. Where do you purchase hard or soft cheese/cheese substitute products most often? Select top 2 choices.**

Answer	Response	%
Trader Joe's	104	35%
Whole Foods	151	50%
Other Large Grocery Chain (If so, which one(s)?)	165	55%
Online (If so, what website(s)?)	7	2%
Local Specialty Store (If so, which one(s)?)	75	25%
Farmers Market (If so, which one(s)?)	8	3%

**With Filters: VEGAN + MA (With Filters: VEGAN + RI → 2 responses: Whole Foods + Trader Joe's)**

Answer	Response	%
Trader Joe's	7	23%
Whole Foods	26	87%
Other Large Grocery Chain (If so, which one(s)?)	5	17%
Online (If so, what website(s)?)	2	7%
Local Specialty Store (If so, which one(s)?)	10	33%
Farmers Market (If so, which one(s)?)	0	0%

**Local Specialty Store Examples:**

Name	# Respondents Referenced
Harvest Co-Op (Cambridge, MA)	6
Good Health (Hanover, MA)	1
Cambridge Naturals	1
City Feed & Supply	1
Debra's (Concord, MA)	1
River Valley Market (Northampton, MA)	1
Vermont Natural Food Stores	1
Rutland Co-Op	1

**5. How do you learn about new hard or soft cheese/cheese substitute products? Select all that apply.**

<b>Answer</b>	<b>Response</b>	<b>%</b>
Local publications (If so, which one(s)?)	7	2%
Food publications (If so, which one(s)?)	47	16%
Blogs (If so, which one(s)?)	31	11%
Social networks	86	30%
In-store	183	64%
Restaurants or cafes	66	23%
Farmers Markets	29	10%
Word of Mouth	159	55%
Other	40	14%

**With Filter: VEGAN**

<b>Answer</b>	<b>Response</b>	<b>%</b>
Local publications (If so, which one(s)?)	4	3%
Food publications (If so, which one(s)?)	31	25%
Blogs (If so, which one(s)?)	20	16%
Social networks	68	54%
In-store	72	58%
Restaurants or cafes	26	21%
Farmers Markets	2	2%
Word of Mouth	77	62%
Other	23	18%

**Food Publications Examples:**

- Veg News (Top Result: 22 responses)
- Vegetarian Times (8 responses)
- Energy Times
- Vegan Cuts Newsletter
- Naked Food Magazine

**Blog Examples:**

- Fat Free Vegan
- Mouthwatering Vegan
- Chloe Choserelli
- Food Babe
- Vegan Score
- VeganSauras
- Vegan Crunk
- Your Vegan Mom
- Post Punk Kitchen
- Dairy-Free Mom
- Amanda Eats SLC
- Laziest Vegans in the World

**Other:**

- Boston Vegetarian Food Festival (4 responses)
- Boston Vegetarian Society
- Boston Vegan Association
- Boston Vegan and Vegetarian Meetups
- Vegan celebrities like Annie Shannon, Kathy Freston, and Alicia Silverstone
- Emails and/or Internet ads from manufacturers

**6. How important are each of the following attributes in your hard or soft cheese/cheese substitute product purchase decision?**

<b>Question</b>	<b>Not at all</b>	<b>Very Unimportant</b>	<b>Somewhat Unimportant</b>	<b>Neither</b>	<b>Somewhat Important</b>	<b>Very Important</b>	<b>Extremely Important</b>	<b>Mean</b>
Price	24	8	53	20	103	53	19	4.45
Brand Name	79	29	41	58	47	19	7	3.18
Tastes Similar to Cheese	16	11	8	17	53	84	88	5.47
Nutritional Facts	17	17	30	25	89	59	42	4.78
Premium Quality	15	7	10	29	72	94	49	5.22
Availability	13	8	9	26	72	98	48	5.27
Natural Ingredients	14	10	13	21	61	84	71	5.34
Organic Ingredients	24	15	24	39	66	63	47	4.74
Recyclable Packaging	40	25	35	58	79	27	13	3.88
Local Product	40	25	40	55	84	24	9	3.82

**With Filter: VEGAN**

Question	Not at all	Very Unimportant	Somewhat Unimportant	Neither	Somewhat Important	Very Important	Extremely Important	Mean
Price	10	6	24	9	43	21	7	4.33
Brand Name	43	14	15	25	14	6	3	2.86
Tastes Similar to Cheese	6	2	5	13	37	32	27	5.27
Nutritional Facts	3	8	12	9	43	22	25	5.02
Premium Quality	7	2	3	11	32	40	22	5.28
Availability	3	2	2	6	26	49	29	5.68
Natural Ingredients	5	5	5	8	24	32	39	5.48
Organic Ingredients	9	5	11	14	22	31	29	5.02
Recyclable Packaging	12	12	12	18	38	20	8	4.25
Local Product	21	15	20	26	28	8	2	3.48

**7. How likely are you to purchase a vegan cheese?**

Answer	Response	%
Very Likely	111	39%
Likely	29	10%
Somewhat Likely	27	10%
Undecided	34	12%
Somewhat Unlikely	21	7%
Unlikely	28	10%
Very Unlikely	32	11%

**With Filter: VEGAN**

<b>Answer</b>	<b>Response</b>	<b>%</b>
Very Likely	89	72%
Likely	11	9%
Somewhat Likely	8	7%
Undecided	7	6%
Somewhat Unlikely	4	3%
Unlikely	2	2%
Very Unlikely	2	2%

**8. In a few short sentences, please explain why you are likely or unlikely to purchase vegan cheese (or why you are undecided). If you are undecided or unlikely, please also explain what would encourage you to purchase this type of product.**

106 respondents provided responses to the above question, which were categorized into three categories: Yes, Undecided, and No. Sub-categories causing the purchase decision are listed below, along with the number of respondents that referenced each sub-category.

<b>Yes</b>	
<b>Purchase Factor</b>	<b># Respondents</b>
Limited Ingredients/Local Sourcing	3
Affordable Price	2
Tastes Good	12
Lead a Vegan or Vegetarian Lifestyle	4
Have Dairy Issues	11
Healthier Alternative	5
Recommendation from Friend	2

Undecided	
Purchase Factor	# Respondents
Tastes Good	8

No	
Factor	# Respondents
Not Vegan	13
Tried it; Tastes Bad	9
Not Interested	4
Perceive it Tastes Bad	7
Don't Eat Substitutes	4
Uncertain of Ingredients	1
Not Cheese	7
Need More Information	3

9. Vegan cheeses are produced with varying main ingredients instead of dairy. How likely are you to purchase a vegan cheese with each of the following as the main ingredient?

Main Ingredient	Very Unlikely	Unlikely	Somewhat Unlikely	Undecided	Somewhat Likely	Likely	Very Likely	Mean
Tapioca Flour	31	16	14	58	32	57	69	4.77
Nuts (excluding peanuts)	22	9	5	30	40	74	96	5.4
Soy	30	23	22	32	50	54	66	4.71
Tofu	33	26	22	34	43	53	66	4.63



**With Filter: VEGAN**

Main Ingredient	Very Unlikely	Unlikely	Somewhat Unlikely	Undecided	Somewhat Likely	Likely	Very Likely	Mean
Tapioca Flour	3	4	3	12	13	33	53	5.8
Nuts (excluding peanuts)	0	1	0	8	8	35	68	6.33
Soy	3	5	9	8	20	27	49	5.6
Tofu	4	6	7	9	17	28	50	5.59

**10. Which of the following vegan cheese brands have you purchased/consumed? Select all that apply.**

Answer	Response	%
I have never tried vegan cheese	88	32%
Heidi Ho	8	3%
Kite Hill	11	4%
Daiya	136	49%
Follow Your Heart	83	30%
Wayfare	17	6%
Teese	55	20%
Dr. Cow	20	7%
Treeline	15	5%
Trader Joe's	78	28%
Vegan Gourmet	97	35%
Go Veggie!	102	37%
Soy Kaas	43	15%
Others not included here	53	19%

#1 "Other" answer: Tofutti (18 responses)

**With Filters: VEGAN + CA**

<b>Answer</b>	<b>Response</b>	<b>%</b>
I have never tried vegan cheese	0	0%
Heidi Ho	4	19%
Kite Hill	5	24%
Daiya	17	81%
Follow Your Heart	17	81%
Wayfare	4	19%
Teese	8	38%
Dr. Cow	5	24%
Treeline	1	5%
Trader Joe's	12	57%
Vegan Gourmet	14	67%
Go Veggie!	10	48%
Soy Kaas	7	33%
Others not included here	8	38%

11. Please rate the following vegan cheese brands on a 1-7 scale (1: Strongly Disagree, 7: Strongly Agree) based on the attributes listed below. For brands you're unfamiliar with, please use NA.

	Price I like	Brand I trust	Tastes similar to cheese	Meets my nutritional needs	Quality I like	Easily available
Heidi Ho	3.8	4.7	3.5	4.6	4.5	2.3
Kite Hill	2.2	5.0	5.1	5.4	5.3	3.2
Daiya	4.5	5.7	5.1	4.4	5.5	5.7
Follow Your Heart	4.5	5.3	4.3	4.4	4.8	5.4
Wayfare	4.0	5.3	4.5	4.6	4.9	3.6
Teese	3.9	5.0	3.9	3.9	4.0	3.3
Dr. Cow	2.4	5.7	5.3	5.2	6.0	2.6
Treeline	3.3	5.7	5.1	4.7	5.8	3.6
Trader Joe's	5.6	5.8	4.5	4.9	5.0	5.8
Vegan Gourmet	4.4	5.1	4.2	4.3	4.6	5.3
Go Veggies	4.6	4.6	3.8	4.1	4.1	5.4
Soy Kaas	4.0	3.9	3.4	4.0	3.5	4.6

12. How much would you be willing to pay for the following types of vegan cheese?

An 8 oz. package of hard cheese	An 8 oz. package of soft cheese	An 8 oz. package of shredded cheese	A package of 8, 1 oz. cheese singles	An 8 oz. package of gourmet cheese	An 8 oz. container of cream cheese
\$5.63	\$5.42	\$4.44	\$4.41	\$7.27	\$4.18

**With Filter: VEGAN**

An 8 oz. package of hard cheese	An 8 oz. package of soft cheese	An 8 oz. package of shredded cheese	A package of 8, 1 oz. cheese singles	An 8 oz. package of gourmet cheese	An 8 oz. container of cream cheese
\$5.18	\$4.85	\$4.73	\$4.27	\$6.77	\$4.22

**13. In a few words, please describe your reason for following a vegan lifestyle.**

101 respondents answered this question and major categories of their responses were classified below.

<b>Cause of Vegan Lifestyle</b>	<b># Respondents</b>	<b>% Respondents</b>
Health Reasons	51	50%
Ethics/Moral Reasons	25	25%
Environmental Concerns	28	28%
Treatment of Animals	55	54%
Kindness/Compassion	9	9%
Other	5	5%

**EXHIBIT C-1: COMPETITOR INFORMATION**

Company	Types of cheese	Flavors	Ingredients/base	HQ Location	Annual Sales <sup>67</sup>
DAIYA	Shreds, pizza, wedges, slices, cream cheese, pepper jack	Jalapeno Havarti, Jack, Cheddar, Mozzarella, Green Onion, Strawberry, Plain (Cream Cheese)	Tapioca	Vancouver, BC	\$1M
FOLLOW YOUR HEART	Shreds, Nacho, Block, Sour Cream, Cream Cheese	Fiesta Blends, Cheddar, Mozzarella, Monterey Jack, Nacho	Soybeans	Canoga Park, CA	-
TEESE	Comes in a skin type packaging, similar to liverwurst. Long and soft	Mozzarella, Cheddar, Nacho (has spice), Creamy Cheddar	Tapioca	Chicago, IL	-
TRADER JOE'S	Shredded	Mozzarella	Soybean	Monrovia, CA	-
TREELINE CHEESE	Soft & Hard	Soft Scallion, Herb & Garlic Hard: Smokey, and Cracked Pepper	Cashews	Kingston, NY	-
HEIDI HO	Sauces, crumbles, hard cheese	Cheddar cheese sauce, feta, chipotle cheddar, Monterey jack, & smoked gouda	Chia seeds, Soy, & Hazelnuts	Portland, OR	-
KITE HILL	Soft Cheeses	Cassucio, Truffle Dill & Chive, White Alder, and Costonoa	Almonds (nut milk)	Hayward, CA	\$88,000
DOOR 86	Hand Crafted, Small Batch, Artisanal Cheeses	Brie, Smoked Cheddar, Sriracha Cheddar, Pepper Jack, Gruyere, Lemon Dessert, Cheese Ball	Cashew	Nashville, TN	-

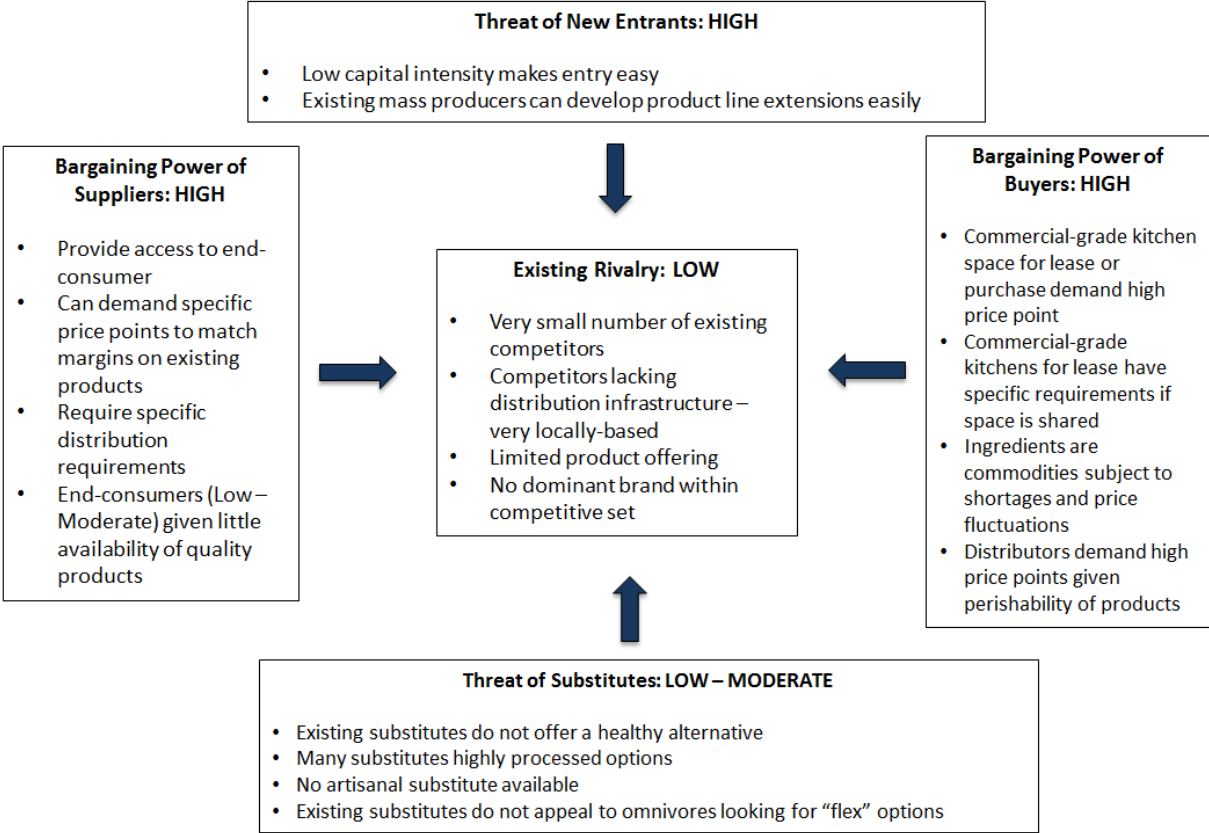
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<sup>67</sup> Hoover's

**EXHIBIT C-2: COMPETITOR INFORMATION CONTINUED**

Companies	Does the cheese melt?	Where to Buy?	Price	Additional Notes
DAIYA	The shredded cheese melts	<b>Restaurants:</b> Peace O Pie (MA), Leonardo's Pizza (ME), Portland Pie Co (ME) <b>Retail Shops:</b> Whole Foods, Stop & Shop, Hammafords <b>Online:</b> Veganstore.com, Veganessentials.com, Amazon.com	\$5-\$7 per 8 oz.	Debuted in 2009 at a Natural Products Expo in CA
FOLLOW YOUR HEART	Yes, on stove, in oven, in microwave	<b>Restaurants:</b> Peace O Pie (MA), True Bistro (MA) <b>Retail Shops:</b> Whole Foods, Butcherie, Hammafords, New Morning Natural Foods <b>Online:</b> store.followyourheart.com	\$4-\$5 per 8 oz.	Also sells vegan mayonnaise and salad dressing
TEESE	Heavily focused on meltable cheese	Not in Maine! Only Store in New England that sells it is in MA: Cornucopia Foods	\$4.49 per 10 oz.	Long Shelf Life: 6 months unopened, 3-4 weeks after being opened
TRADER JOE'S	Yes, but not as great as Daiya	Most Trader Joe's Locations nationwide	\$3.49 per 8 oz.	Cannot microwave or freeze
TREELINE CHEESE	No, doesn't stretch either. Softens when heated, browns when grilled	<b>Retail Shops:</b> Cambridge Naturals, Lois' Natural Marketplace, Natural Choice, Debra's Natural Gourmet <b>Online:</b> Veganessentials.com	\$9.99 per 6 oz.	Packaging is 100% recyclable, tubs are made of 50% recycled plastic
HEIDI HO	Yes, creamier and softer	<b>Online:</b> Spencersmarket.com, heidihoveganics.com	\$6.00 per 10 oz.	West Coast distribution, calls products "nut" cheese
KITE HILL	No	Available exclusively in the cheese and prepared food departments of select Whole Foods Market stores (All current locations are in WA, OR, and CA)	\$13-\$14 per 6 oz.	Does not use traditional names to describe cheese (i.e. cheddar, jack, etc.)
DOOR 86	N/A	<b>Restaurants:</b> Depot Bar and Grill (Nashville), The Wild Cow Restaurant <b>Specialty:</b> Our Serenity Shop (Nashville), Nature's Own Health Market (Kansas City, MO)	\$16 per 8 oz., \$30 per 16 oz.	Competitor we found late in the project via Google alert.

**EXHIBIT D: PORTER FIVE FORCES ANALYSIS**



**Conclusion:** Lack of local, specialty competitors in New England position Casco Bay for success in New England, specialty cheese segment, although the potential of new entrants and the power of powers and suppliers are all high.

## EXHIBIT E: SWOT ANALYSIS

### STRENGTHS

- Underserved market
- Fragmented market without a dominant competitor
- Growing Customer base
- Differentiated from other cheese products based on unique ingredients
- Founded based on a belief and passion for the product

### WEAKNESSES

- Small niche market
- Unproven demand or desire in the marketplace
  - No established brand name or recognition
  - Lack of key relationships with distributors, suppliers, customers, etc.
- Competitors currently in the marketplace

### OPPORTUNITIES

- Vegan population has grown 250% in the last three years
- Competitors have yet to reach “dominant” status and key retailers are yet to universally carry a vegan cheese product
- Vegan foods have grown in popularity and product breadth

### THREATS

- Several companies are already selling a vegan alternative to traditional cheese
  - The cheese market is a mature and highly competitive market
- Dominant cheese producers have the resources and relationships in place to push out smaller producers if they chose to enter the vegan cheese market

**Conclusion:** Opportunity to capture an unmet need in the New England market with the potential of \$25,351 in revenue in Year 1, outweigh the threats and weaknesses facing the business. These must be addressed as the business grows and in order to achieve success in the New England market.



## EXHIBIT F-1: VEGAN AUDIENCE STATISTICS

Interest in Vegan Foods

Base: 1,339 adults 18+ who have Internet access and who are interested in natural/organic products<sup>68</sup>

	ALL	18-24	25-34	35-44	45-54	55-64	65+
Very Interested	15%	14%	22%	14%	11%	6%	4%
Somewhat Interested	19%	20%	23%	20%	15%	21%	11%
Neither Interested nor Disinterested	22%	22%	17%	22%	21%	22%	29%
Somewhat Disinterested	15%	15%	16%	14%	14%	15%	18%
Not at all Interested	32%	29%	23%	30%	38%	36%	38%

## Exhibit F-2: VEGAN AUDIENCE STATISTICS

Interest in Vegan Foods

Base: 1,339 adults 18+ who have Internet access and who are interested in natural/organic products<sup>69</sup>

	ALL	<\$25K	\$25K-49K	\$50K-\$74K	\$75K-\$99K	\$100K+
Very Interested	15%	9%	10%	14%	13%	20%
Somewhat Interested	19%	14%	22%	21%	18%	18%
Neither Interested nor Disinterested	22%	27%	23%	28%	21%	18%
Somewhat Disinterested	15%	12%	14%	18%	18%	16%
Not at all Interested	32%	38%	32%	30%	31%	27%

<sup>68</sup> Attitudes Toward Healthy Food-US, Mintel, June 2012

<sup>69</sup> Attitudes Toward Healthy Food-US, Mintel, June 2012

## EXHIBIT G: FOCUS GROUP FINDINGS

**Question 1:** Participants were asked to provide background information.

	Participant 1	Participant 2	Participant 3
<b>DEMOGRAPHICS</b>			
<b>Age</b>	28	22	27
<b>Gender</b>	F	F	F
<b>City</b>	Boston	Boston	Boston
<b>Occupation</b>	Practice Manager	Civil Engineer	Civil Engineer
<b># of years Vegan</b>	4	1/2 year vegetarian several years ago (couldn't keep up with the demands of the diet)	4
<b>Primary Reason for being Vegan</b>	Health, Environment, Animal Treatment, Rights	Health, Animal Cruelty, Energyuse and resource depletion	animal rights

**Question 2:** Before tasting vegan cheese, participants were asked to provide information about their experience with vegan cheese products.

	Participant 1	Participant 2	Participant 3
<b>PRE-TASTE TEST</b>			
<b>1st Favorite Vegan Cheese</b>	Daiya	Have never tried any	Daiya
<b>Reason 1</b>	Delicious		Melts
<b>Reason 2</b>	Melts		Taste
<b>Reason 3</b>	Versatile		Ingredients
<b>2nd Favorite Vegan Cheese</b>	Home		Trader Joe's
<b>Reason 1</b>	Cheap		Availability
<b>Reason 2</b>	Easy		Ingredients
<b>Reason 3</b>	Tasty		Taste

**Question 3:** Participants tasted 4 cheese types (Daiya Cheddar Jack, Vegan Gourmet Cheddar, Go Veggie Cream Cheese, & Casco Bay Brie) and then were asked to provide their initial thoughts on the product (positive & negative), as well as the price they would pay for the product.

	Participant 1	Participant 2	Participant 3
<b><u>TASTE TEST RESULTS</u></b>			
<b>Sample 1: Daiya Cheddar Jack</b>			
<b>Sample 1 First Impression</b>	Excited	Excited	Excited
<b>Positive 1</b>	Taste & texture	Good texture	Good texture
<b>Positive 2</b>	Like real cheese	Has a sharp cheddary taste	Good flavor
<b>Positive 3</b>	Good alone and unmelted	Smooth	
<b>Negative 1</b>	None	None	
<b>Negative 2</b>			
<b>Negative 3</b>			
<b>Price WTP (8 oz. block)</b>	\$4.99	\$7	\$7.00
<b>Sample 2: Vegan Gourmet Cheddar</b>			
<b>Sample 2 First Impression</b>	Turned off	Turned off	Neutral
<b>Positive 1</b>	Cuts easily	Nothing	Ok flavor
<b>Positive 2</b>			
<b>Positive 3</b>			
<b>Negative 1</b>	Spongy and watery	No flavor	More slimy and spongy
<b>Negative 2</b>	Airy	Falls apart, not chewy enough	Falls apart, not chewy enough
<b>Negative 3</b>	Lacks flavor	Watery	
<b>Price WTP (8 oz. block)</b>	Wouldn't buy	Wouldn't buy	\$3.00

	Participant 1	Participant 2	Participant 3
<b>TASTE TEST RESULTS</b>			
<b>Sample 3: Go Veggie Cream Cheese</b>			
<b>Sample 3: First Impression</b>	Neutral	Pleased	No data
<b>Positive 1</b>	Good texture	Tastes fatty and creamy	Good consistency
<b>Positive 2</b>	Look	Very light	
<b>Positive 3</b>	Light	Looks like cream cheese	
<b>Negative 1</b>	Needs more flavor	A little low on flavor	Little aftertaste
<b>Negative 2</b>			
<b>Negative 3</b>			
<b>Price WTP (8 oz. block)</b>	\$2.99	\$6.00	\$4.00
<b>Sample 4: Betsy's Cheese (Casco Bay)</b>			
<b>Sample 4: First Impression</b>	Excited	Excited	No data
<b>Positive 1</b>	Yum!	Amazing	Intense flavor
<b>Positive 2</b>	Busting with Flavor	Really strong taste	Shape is good
<b>Positive 3</b>	Good texture	Tastes like real cream cheese	Seems like good ingredients
<b>Negative 1</b>	None	A bit too intense to eat alone	A bit too intense to eat alone
<b>Negative 2</b>			
<b>Negative 3</b>			
<b>Price WTP (6 oz. wheel)</b>	\$4.99	\$9.00	\$8.00

**Question 4:** After tasting Casco Bay, 10 key differentiating attributes of the product were shared with participants. Participants were then allotted 100 points total to rate each of the 10 attributes on how the attribute would factor into their purchase decision.

<b>ATTRIBUTE IMPORTANCE</b>			
	<b>Participant 1</b>	<b>Participant 2</b>	<b>Participant 3</b>
<b>Attribute 1: The Cheese if made from fermented cashews.</b>	6	5	5
<b>Attribute 2: The cheese is made locally in Portland, ME.</b>	8	0	10
<b>Attribute 3: The cheese has a Vegan label on the package.</b>	16	0	20
<b>Attribute 4: The process involved in making the cheese is friendly to the environment.</b>	16	15	2
<b>Attribute 5: The cheese is healthier for me compared to other cheese alternatives on the market.</b>	8	10	5
<b>Attribute 6: The cheese contains 100% natural ingredients and zero preservatives.</b>	12	20	50
<b>Attribute 7: The cheese is 100% organic, which means that its ingredients were farmed without synthetic pesticides and chemical fertilizers.</b>	12	20	2
<b>Attribute 8: The cheese does not contain casein.</b>	11	5	5
<b>Attribute 9: The cheese is considered gourmet or artisanal.</b>	0	5	0
<b>Attribute 10: The cheese is 100% sustainably made.</b>	11	20	1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

**EXHIBIT H-1: SPECIALTY CHEESE PACKAGING**



Images from Whole Foods Specialty Cheese Section In Brookline, MA

**EXHIBIT H-2: COMPETITOR PACKAGING**



Images from Whole Foods & Trader Joe's Dairy Section in Brookline, MA

**EXHIBIT I: PROMOTIONAL STRATEGY INFORMATION**

**EXHIBIT I-1: PRINT – DOWN EAST MAGAZINE**

**Audience Profile**

<b>Readership</b>	<b>Geography</b>	<b>Age</b>	<b>Gender</b>	<b>HHI</b>
84,544	66% New England			

**EXHIBIT I-2: PRINT – PORTLAND MAGAZINE**

**Audience Profile**

<b>Readership</b>	<b>Geography</b>	<b>Age</b>	<b>Gender</b>	<b>HHI</b>
100,000+	91% Maine; across 43 states	Median Age: 40; Target: 18-90	55% F/ 45% M	Avg. Income: \$145,822

**EXHIBIT I-3: ONLINE – VEGETARIANTIMES.COM**

**Audience Profile**

<b>Age</b>	<b>Gender</b>	<b>HHI</b>	<b>Other</b>
Median Age: 42.5	92.4% F / 7.6% M	\$62,500	58.0% Entertain at Home 1+ Month 65.0% Nutritionally Conscious 64.8% Recommend Site to Friends

**Performance Metrics**

<b>Total Page Views</b>	<b>Monthly Unique Visitors</b>	<b>Average Time Spent</b>
1,361,359	469,343	2:04 minutes

**Rate Card**

<b>Ad Format</b>	<b>Rate</b>	<b>Notes</b>
Newsletter: My Vegetarian Times	\$1,425 Flat	103,257 Subscribers
Newsletter: Vegetarian	\$525 Flat	109,412 Subscribers
Newsletter: Vegan & Dairy Free	\$995 Flat	83,890 Subscribers
Email Blast	\$125/1K emails	Includes geo-targeting

**EXHIBIT I-4: ONLINE – VEGNEWS.COM**

**Audience Profile**

<b>Age</b>	<b>Gender</b>	<b>HHI</b>
Broad Range	51% F / 49% M	\$60K-\$100K

**Performance Metrics**

<b>Pages per Visit</b>	<b>Monthly Unique Visitors</b>	<b>Average Time Spent</b>
2.94	26,784	3:17 minutes

## EXHIBIT J: SPECIALTY CHANNELS

Specialty Channels with 100 Mile Radius of Portland, Maine				
Name	State	Style	Type	Description
Local Sprouts Café	Portland, ME	Café & Catering	Natural/Organic	Local/Organic foods and menus
Lois' Natural Marketplace	Scarborough, ME	Grocer	Natural/Organic	Locally owned organic and natural products marketplace
Royal River Natural Foods	Freeport, ME	Grocer	Natural/Organic	Community, natural food store
New Morning Natural Foods	Biddeford, ME	Café & Grocer	Natural/Organic	Family-owned, café and grocer with local, natural foods
Bath Natural Market	Bath, ME	Grocer	Natural/Organic	Natural, organic produce and foods
Little Lad's Bakery and Café	Portland, ME	Bakery & Café	Vegan	Vegan, American buffet
Roost House of Juice	Portland, ME	Restaurant	Vegan	Vegan, organic, juice bar, beer/wine
Green Elephant Vegetarian Bistro	Portland, ME	Restaurant	Vegetarian	Vegan-friendly, lacto, beer/wine
Boda	Portland, ME	Restaurant	Veg-friendly	Vegan-friendly, Thai kitchen, tapas and skewer bar
El Rayo Taqueria	Portland, ME	Restaurant	Veg-friendly	Vegan-friendly, Mexican style food. Vegan option: grilled vegetable tacos
Leonardo's Pizza	Portland, ME	Restaurant	Veg-friendly	Vegan-friendly Pizza restaurant. Vegan option: olive oil garlic sauce or there is a pizza with soy cheese, veggies and organic crust.
Pepper Club	Portland, ME	Restaurant	Veg-friendly	Half of the food options are vegetarian or vegan.
Maine Squeeze Juice Café	Portland, ME	Juice bar & grocer	Vegetarian	Vegetarian juice & smoothie bar that serves light food and plenty of vegan options
Pom's Thai Taste Restaurant	Portland, ME	Restaurant	Veg-friendly	Thai restaurant which serves vegan meal options.
Silly's Restaurant	Portland, ME	Restaurant	Veg-friendly	Serves many vegan options and offers tofu-based meals. Also has a dedicated vegan fryer.
Yosaku	Portland, ME	Restaurant	Veg-friendly	Serves many vegan options and offers tofu-based meals. Also has a dedicated vegan fryer.
Mojo Health Bar	Cape Elizabeth, ME	Café	Vegetarian	Spa and wellness center with a café area that serves vegetarian food.
Chia Sen	Scarborough, ME	Café	Veg-friendly	Asian food that does serves meat but also offers vegan options.



Farmers Market	Falmouth, ME	Farmers Market	Veg-friendly	Wednesdays 2:30 - 5:30 PM June through mid-October
Cumberland Famers Market	Cumberland, ME	Farmers Market	Veg-friendly	Open air farmers' market
Farmers Market	Yarmouth, ME	Farmers Market	Veg-friendly	Thursday's 2:30 - 5:30 PM, early June through mid-October
Bandaloop	Kennebunkport, ME	Restaurant	Veg-friendly	Serves many vegan options and offers tofu-based meals.
Good Karma Café	Exeter, NH	Café	Vegetarian	Mostly vegan café which features in-house-made baked goods and raw desserts.
Revitalize Café and Juice Bar	Newburyport, MA	Café	Vegan	Located in solar-powered Tannery Mill Center, it is a quick service vegan café.
VO2 Vegan Café	Cambridge, MA	Café	Vegan	Vegan café attached to the front of O2 Yoga.
Bread and Roses Bakery	Ogunquit, ME	Bakery & Café	Vegetarian	Bakery, coffee, vegetarian breakfast and lunch place. Uses egg and dairy but has vegan options.
Taste of Eden Bakery and Café	Norway, ME	Bakery & Café	Vegan	All vegan café with a holistic approach to food.
The Juicery	Portsmouth, NH	Café	Vegan	Café serving vegan food and smoothies.
Susty's Café	Northwood, NH	Café	Vegan	Vegan food café. Menu features lasagna, BBQ seitan, tempeh hash, and grilled cheese.
Hampton Natural Foods	Hampton, NH	Café	Vegetarian	Salad bar with vegetarian dishes.
Wild Garlic	Amesbury, NH	Restaurant	Vegetarian	Vegetarian restaurant that focuses on using local ingredients.
Café DiCocoa and Market	Bethel, ME	Café	Vegetarian	Vegetarian café.
Mandarava	Newburyport, MA	Café	Vegan	Café offering organic food, drinks, and baked goods with gluten free options.
Spoon Revolution Vegan Bistro	Concord, NH	Café	Vegan	An artisan, and all gluten free bakery with vegan and vegetarian food options.
Café Indigo	Concord, NH	Bakery & Café	Vegan	Café offering vegan foods.
Berry Delicious Bakery	Plymouth, NH	Bakery	Vegetarian	An artisan, and all gluten free bakery with vegan and vegetarian food options.
Organic Garden Café	Beverly, MA	Restaurant	Vegan	Vegan restaurant and juice bar with large menu of appetizers, wraps, soups, etc.

Live Alive Urban Oasis and Organic Café	Salem, MH	Café	Vegetarian	Vegetarian restaurant that focuses on using local ingredients.
Chase's Daily	Belfast, MA	Restaurant	Vegetarian	Breakfast and brunch restaurant that uses local ingredients and serves vegan dishes.
Udupi Bhavan	Nashua, NH	Restaurant	Vegetarian	Vegetarian restaurant serving Indian cuisine with vegan options.
True Bistro	Somerville, MH	Restaurant	Vegan	Contemporary vegan cuisine that offers gluten and nut-free meal options.
Dosa-N-Curry	Somerville, MH	Restaurant	Vegetarian	South Indian cuisine with many vegan options.
Taco Party Food Truck	Boston, MA	Food Truck	Vegetarian	All menu items are vegan with the option to add dairy cheese.
My Thai Vegan Café	Boston, MA	Restaurant	Vegan	Vegan restaurant serving Thai and Chinese food.
Veggie Galaxy	Cambridge, MA	Restaurant	Vegetarian	Diner serving modern takes on classic American diner. Most of menu is vegan by design.
Root	Allston, MA	Restaurant	Vegan	Vegan restaurant provides plant-inspired food and juices.
Grasshopper Restaurant	Allston, MA	Restaurant	Vegan	Offers extensive Asian vegetarian and vegan food menu.
Masao's Kitchen	Waltham, MA	Restaurant	Vegan	Restaurant serves macrobiotic and vegan cuisine.

**EXHIBIT K: COMPETITOR IN-STORE PRODUCT PLACEMENT**



*Images from Whole Foods & Trader Joe's Dairy Section in Brooklyn*



*Images from Whole Foods & Trader Joe's Dairy Section in Brookline, MA*

## EXHIBIT L-1: FINANCIAL ASSUMPTIONS

### Casco Bay Financial Assumptions Year 1

<b>Notes on Assumptions:</b>	
<b>Revenue</b>	
<b>Farmers Markets</b>	Average unit sold per even at farmer markets were estimates based on conversations with other vendors selling in the Boston area. It was assumed that average units sold would increase as brand recognition increased and as the maturity of her business increased.
<b>Specialty Stores</b>	Units sold at specialty stores are based on buyer habits reflected in our survey results and assume a 20% growth rate as the business and brand recognition increases. Units sold were based on the size of the vegan market in the Maine area.
<b>Whole Foods</b>	No Whole Foods distribution in Year 1
<b>Cost of Goods Sold</b>	Based on the list of ingredients needed to produce the Brie and Goat Cheese versions, the average cost of raw materials is \$0.43/oz. We spoke with multiple suppliers and purchasers to come up with the lowest feasible cost. Each wheel is 6 oz. and therefore, raw materials will cost \$2.58/wheel. Additionally, after researching packaging and labeling costs, we are able to package each wheel for \$1.
<b>Distribution Margin</b>	<b>Farmers Market:</b> The entire price of the product (\$15) is being recuperated by Betsy due to no costs associated with distribution. <b>Specialty Stores (Direct to Retailer):</b> Based on discussions with experts in the field, there is a 60% margin associated with going directly to specialty stores. This margin includes costs associated with spoilage. <b>Whole Foods (Direct to Distributor):</b> Based on primary research with experts in the industry, a 20% markup is normal for expansion, using a direct to distributor route. This margin includes costs associated with spoilage.
<b>SG&amp;A Expenses Margin</b>	Betsy will not take a salary for the first year. The company will also not have a significant marketing and promotional advertising budget. The marketing focus will be direct to consumer and word of mouth at farmers markets. Vegan Cheese will also plan on advertising by Social Media (Facebook, Twitter, YouTube) and issue newsletters to spread the word.
<b>Other Expenses</b>	
<b>Kitchen Rent</b>	Kitchen rental costs are assumed to be 10 hours a week at \$40/week, leading to \$1600/month. This is based on researching different kitchen space rental prices in Portland, ME
<b>Travel Costs</b>	Vegan Cheese will be in Portland, ME, limiting traveling costs. The \$150/month includes fuel and parking costs.
<b>Licensing &amp; Registration Fees</b>	Farmers Market Registration Fees, paid semiannually
<b>Insurance Costs</b>	There is a \$400,000 minimum limit on insurance at a farmers markets. We spoke with other business owners to come up with a reasonable estimate of what a \$500,000 liability insurance would be and it was roughly \$400/year (\$33/month).
<b>Capex</b>	Based on discussing with Betsy initial capital expenditures, we need \$2,328 for equipment. A line item breakdown is given.
<b>Depreciation</b>	5 years straight lined depreciation based on capex assumption. Comes out to \$465/year for 5 years.
<b>Taxes</b>	Vegan Cheese is an LLC and therefore income and taxes will be part of the owner's tax return. A Schedule C will need to be filed with owner's return and a 1040 form will be submitted if profit is made.

## EXHIBIT L-1: FINANCIAL ASSUMPTIONS (CONTINUED)

### Casco Bay Financial Assumptions Year 2

<u>Notes on Assumptions:</u>	
<u>Revenue</u>	
<b>Farmers Markets</b>	Farmers Market events per month decreases to 4 per month, due to expansion in other venues, but units sold per event increases 25% because of brand name recognition and customers hearing about the product.
<b>Specialty Stores</b>	Units sold at specialty stores are based on buyer habits reflected in our survey results and assume a 15% growth rate for the first 6 months as the business and brand recognition increases. Units sold are based on the size of the vegan market in the Maine area. The growth rate for the second 6 months is 10%, which is based on brand awareness and saturation of market.
<b>Whole Foods</b>	Distribution will be in the single store in ME (Portland). The growth rate during the first 6 months will be 25% per month, and will decrease to 20% per month for the second 6 months. Additionally, during months 18-24, Vegan Cheese will be expanding to all 28 stores in MA, with a growth rate of 25% per month as it increases brand awareness.
<u>Cost of Goods Sold</u>	Based on the list of ingredients needed to produce the Brie and Goat Cheese versions, the average cost of raw materials is \$0.43/oz. We spoke with multiple suppliers and purchasers to come up with the lowest feasible cost. Each wheel is 6 oz. and therefore, raw materials will cost \$2.58/wheel. Additionally, after researching packaging and labeling costs, we are able to package each wheel for \$1.
<u>Distribution Margin</u>	<b>Farmers Market:</b> The entire price of the product (\$15) is being recuperated by Betsy due to no costs associated with distribution. <b>Specialty Stores (Direct to Retailer):</b> Based on discussions with experts in the field, there is a 60% margin associated with going directly to specialty stores. This margin includes costs associated with spoilage. <b>Whole Foods (Direct to Distributor):</b> Based on primary research with experts in the industry, a 20% markup is normal for expansion, using a direct to distributor route. This margin includes costs associated with spoilage.
<b>SG&amp;A Expenses Margin</b>	Betsy will not take a salary for months 12-17, but will make \$3333/month during months 18-24 (based on a \$40,000/year salary). The company will also not have a significant marketing and promotional advertising budget. The marketing focus will be direct to consumer and word of mouth at farmers markets. Vegan Cheese will also plan on advertising by Social Media (Facebook, Twitter, YouTube) and issue newsletters to spread the word.
<u>Other Expenses</u>	
<b>Kitchen Rent</b>	Kitchen costs don't go up between months 12-18 because she has the capacity to make more units under the rent assumptions for year 1. As MA expansion takes place, kitchen rental costs will decrease to \$0 and she will need her own licensed commercial kitchen (in ME) to handle the 800% increase in demand from selling to 8x as many stores. With this increase in production, kitchen rental is estimated to be 40 hours a week. At \$40/hour, purchasing a kitchen and appliances as assets is more cost effective. This is illustrated in capital expenditures.
<b>Travel Costs</b>	Vegan Cheese will be in Portland, ME, limiting traveling costs. The \$150/month includes fuel and parking costs.
<b>Licensing &amp; Registration Fees</b>	Farmers Market Registration Fees, paid semiannually
<b>Insurance Costs</b>	Insurance for year two will double as her minimum liability goes up to \$1 million
<b>Capex</b>	Licensed Commercial Kitchen cost at \$150,000 (includes space, large appliances, licensing, etc)
<b>Depreciation</b>	Equipment continues to be depreciated at \$465/year (refer to Assumptions Year 1). Additionally, kitchen cost will continue to depreciate over 10 years for the facility and equipment
<b>Taxes</b>	Vegan Cheese is an LLC and therefore income and taxes will be part of the owner's tax return. A Schedule C will need to be filed with owner's return and a 1040 form will be submitted if profit is made.

## EXHIBIT L-1: FINANCIAL ASSUMPTIONS (CONTINUED)

### Casco Bay Financial Assumptions Years 3-5

<b>Notes on Assumptions:</b>	
<b>Revenue</b>	
<b>Farmers Markets</b>	Vegan Cheese will no longer distribute to Farmers Markets starting the beginning of Year 3
<b>Specialty Stores</b>	Specialty Stores will continue to grow by 7%, 6%, and 5% Years 3-5 respectively. This is due to more customers being aware of the products
<b>Whole Foods</b>	Whole Foods in Portland, ME will grow 15%, 10%, and 7% during Years 3-5 respectively. Regarding expansion into new stores, Vegan Cheese will expand to 15 new Whole Foods a year. The states they will expand to are RI, CT, NY, and NJ, and PA.
<b>Cost of Goods Sold</b>	Based on the list of ingredients needed to produce the Brie and Goat Cheese versions, the average cost of raw materials is \$0.43/oz. We spoke with multiple suppliers and purchasers to come up with the lowest feasible cost. Each wheel is 6 oz. and therefore, raw materials will cost \$2.58/wheel. Additionally, after researching packaging and labeling costs, we are able to package each wheel for \$1.
<b>Distribution Margin</b>	<b>Farmers Market:</b> The entire price of the product (\$15) is being recuperated by Betsy due to no costs associated with distribution. <b>Specialty Stores (Direct to Retailer):</b> Based on discussions with experts in the field, there is a 60% margin associated with going directly to specialty stores. This margin includes costs associated with spoilage. <b>Whole Foods (Direct to Distributor):</b> Based on primary research with experts in the industry, a 20% markup is normal for expansion, using a direct to distributor route. This margin includes costs associated with spoilage
<b>SG&amp;A Expenses Margin</b>	Betsy will continue to make a \$3333/month (based on a \$40,000/year salary). Vegan Cheese will have a \$5,000/year budget for marketing and advertising. As expansion increases, there will be a new employee hired each year at \$20,000 to help with kitchen operations. Employee salary is based on research looking at wages for similar skills; \$10/hour, 40 hrs/week. We will also hire a food consultant year 4 to provide services on a paid as needed basis. This will cost Vegan Cheese, \$40,000/year (Year 4 and 5)
<b>Other Expenses</b>	
<b>Kitchen Rent</b>	There will be no kitchen rent for years 3-5, due to the purchase of a commercial kitchen.
<b>Travel Costs</b>	Vegan Cheese will be in Portland, ME, limiting traveling costs. The \$150/month includes fuel and parking costs.
<b>Licensing &amp; Registration Fees</b>	Farmers Market Registration Fees, paid semiannually
<b>Insurance Costs</b>	Liability insurance policy will remain at \$1 million/year
<b>Capex</b>	No additional Capex during Years 3-5
<b>Depreciation</b>	Equipment continues to be depreciated at \$465/year (refer to Assumptions Year 1). Additionally, kitchen cost will continue to depreciate over 10 years for the facility and equipment
<b>Taxes</b>	Vegan Cheese is an LLC and therefore income and taxes will be part of the owner's tax return. A Schedule C will need to be filed with owner's return and a 1040 form will be submitted if profit is made.

## EXHIBIT L-2: GROWTH RATE ASSUMPTIONS & PROJECTIONS

Growth Rate Projections:	
Vegan Population	2%
Lactose-Free Market Growth Rate	6%
Months/Yr	12
Market Capture	20%
Pop Growth	1%

Current Population Figures:	
MA	6,460,000
NYC	8,337,000
RI	1,050,000
CT	3,590,000
NY State	19,500,000
NY (minus NYC)	11,163,000
NJ	8,865,000
PA	12,760,000

### Yr 1 -Portland, ME

Location	Population	2% Vegan	Total Potential Consumers	Annual Unit Sales
Portland, ME	66,000	1320	264	3168

### Yr 2 - Portland, ME + MA

Location	Pop	Vegan	Potential Consumers	Unit Sales
Portland	66,660.00	1,413.19	282.64	3,391.66
MA	6,524,600.00	138,321.52	27,664.30	331,971.65
<b>Total</b>	<b>6,591,260.00</b>	<b>139,734.71</b>	<b>27,946.94</b>	<b>335,363.31</b>

### Yr 3 - Portland, ME + MA + RI + CT + 3NYC

Location	Pop	Vegan	Potential Consumers	Unit Sales
Portland	67,326.60	1,427.32	285.46	3,425.58
MA	6,589,846.00	139,704.74	27,940.95	335,291.36
RI	1,071,105.00	22,707.43	4,541.49	54,497.82
CT	3,662,159.00	77,637.77	15,527.55	186,330.65
NYC	8,504,573.70	180,296.96	36,059.39	432,712.71
<b>Total</b>	<b>19,895,010.30</b>	<b>421,774.22</b>	<b>84,354.84</b>	<b>1,012,258.12</b>

## EXHIBIT L-2: GROWTH RATE ASSUMPTIONS & PROJECTIONS (CONTINUED)

### Yr 4 - Portland, ME + MA + RI + CT + NY + 5NJ

Location	Pop	Vegan	Potential Consumers	Unit Sales
Portland	67,999.87	1,441.60	288.32	3,459.83
MA	6,655,744.46	141,101.78	28,220.36	338,644.28
RI	1,081,816.05	22,934.50	4,586.90	55,042.80
CT	3,698,780.59	78,414.15	15,682.83	188,193.96
NYC	8,589,619.44	182,099.93	36,419.99	437,039.84
NY	11,501,250.06	243,826.50	48,765.30	585,183.60
NJ	4,566,809.18	96,816.35	19,363.27	232,359.25
<b>Total</b>	<b>36,162,019.65</b>	<b>766,634.82</b>	<b>153,326.96</b>	<b>1,839,923.56</b>

### Yr 5 - Portland, ME + MA + RI + CT + NY + NJ + PA

Location	Pop	Vegan	Potential Consumers	Unit Sales
Portland	68,679.86	1,456.01	291.20	3,494.43
MA	6,722,301.90	142,512.80	28,502.56	342,030.72
RI	1,092,634.21	23,163.85	4,632.77	55,593.23
CT	3,735,768.40	79,198.29	15,839.66	190,075.90
NYC	8,675,515.63	183,920.93	36,784.19	441,410.24
NY	11,616,262.56	246,264.77	49,252.95	591,035.44
NJ	9,224,954.55	195,569.04	39,113.81	469,365.69
PA	13,278,107.17	281,495.87	56,299.17	675,590.09
<b>Total</b>	<b>54,414,224.29</b>	<b>1,153,581.55</b>	<b>230,716.31</b>	<b>2,768,595.73</b>

#### Assumptions:

- 1) Vegan growth rate based on 6% projected growth rate of lactose-free segment
- 2) Pop growth rate based on expected 1% population growth
- 3) Populations are based on US Census Bureau numbers



**Exhibit L-3: Monthly Revenue Assumptions for Year 1**

Per Unit Costs	
\$ 0.43	/oz.
6	# oz./unit
\$ 2.58	\$/unit
\$ 1.00	\$/unit
\$ 3.58	\$/unit
TOTAL PER UNIT COST	

Product Pricing	
Direct to Consumer	\$ 15.00
Direct to Retailer (60% Margin)	\$ 6.00
Direct to Distributor (20% Markup)	\$ 5.00
Distrib. To Retailer	\$ 6.00

Growth Rates	
Year 1	
Specialty Stores	n/a
Jan - June	n/a
July - Dec.	20%

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014
<b>Sales at Farmers Markets</b>													
Number of Farmer Market Events	8	8	8	8	10	10	10	10	12	12	12	12	120.0
Averaged Units Sold Per Event	5	6	7	8	9	10	11	12	13	14	15	16	10.50
Price Per Unit Sold	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Total Monthly Sales	\$ 600.00	\$ 720.00	\$ 840.00	\$ 960.00	\$ 1,350.00	\$ 1,500.00	\$ 1,650.00	\$ 1,800.00	\$ 2,340.00	\$ 2,520.00	\$ 2,700.00	\$ 2,880.00	\$ 19,860.00
<b>Sales at Specialty Stores Near Portland, ME (Lois' Natural Marketplace, Royal River Natural Foods, &amp; Bath Natural Market)</b>													
Number of Specialty Stores						915,2416	70	84	100.8	181.44	217.728	261.2736	
Averaged Units Sold Per Month Per Store	0	0	0	0	0	0	35	42	50	60	73	87	2.50
Whole Sale Price Per Unit Sold	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Total Monthly Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 420.00	\$ 504.00	\$ 604.80	\$ 1,088.64	\$ 1,306.37	\$ 1,567.64	\$ 5,491.45
<b>Sales at Whole Foods stores</b>													
Number of Whole Foods Stores													0.0
Averaged Units Sold Per Month Per Store	0	0	0	0	0	0	0	0	0	0	0	0	0
Whole Sale Price Per Unit Sold	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Total Monthly Sales	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ -
Total Revenue	\$ 600.00	\$ 720.00	\$ 840.00	\$ 960.00	\$ 1,350.00	\$ 1,500.00	\$ 2,070.00	\$ 2,304.00	\$ 2,944.80	\$ 3,608.64	\$ 4,006.37	\$ 4,447.64	\$ 25,351.45
Revenue Growth (%)		20.00%	16.67%	14.29%	40.63%	11.11%	38.00%	11.30%	27.81%	22.54%	11.02%	11.01%	--
<b>Cost of Goods Sold</b>													
Raw Materials Per Unit	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58
Labeling & Packaging Costs Per Unit	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
No. of Units Sold	40	48	56	64	90	100	180	204	257	349.44	398	453	1,405
Total Costs	\$ 143.20	\$ 171.84	\$ 200.48	\$ 229.12	\$ 322.20	\$ 358.00	\$ 644.40	\$ 730.32	\$ 919.34	\$ 1,251.00	\$ 1,423.87	\$ 1,622.72	\$ 8,016.48
Gross Profit	\$ 456.80	\$ 548.16	\$ 639.52	\$ 730.88	\$ 1,027.80	\$ 1,142.00	\$ 1,425.60	\$ 1,573.68	\$ 2,025.46	\$ 2,357.64	\$ 2,582.50	\$ 2,824.92	\$ 17,334.96
Margin Profit %	76.13%	76.13%	76.13%	76.13%	76.13%	76.13%	68.87%	68.30%	68.78%	65.33%	64.46%	63.52%	68.88%

**Exhibit L-3: Monthly Cost Assumptions for Year 1**

**Marketing, Promotional, & Advertising Expenses**

Farmer's Market	8.00	8.00	8.00	8.00	10.00	10.00	10.00	10.00	10.00	12.00	12.00	12.00	12.00	12.00	12.00
Number of events	8.00	8.00	8.00	8.00	10.00	10.00	10.00	10.00	10.00	12.00	12.00	12.00	12.00	12.00	12.00
Number of samples/event	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
COGS/sample	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58
Signage, Advertising, etc.	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
<b>Total Cost</b>	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 229.00	\$ 229.00	\$ 229.00	\$ 229.00	\$ 229.00	\$ 264.80	\$ 264.80	\$ 264.80	\$ 264.80	\$ 264.80	\$ 2,748.00

**Specialty Stores & Whole Foods**

Promotional Taste Testing Events	-	-	-	-	-	-	-	-	-	2.00	2.00	2.00	2.00	2.00	2.00
Number of samples/event	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
COGS/sample	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58
<b>Total Cost</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71.60	\$ 71.60	\$ 71.60	\$ 71.60	\$ 71.60	\$ 71.60
<b>Marketing &amp; Advertising</b>	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 229.00	\$ 229.00	\$ 229.00	\$ 229.00	\$ 300.60	\$ 300.60	\$ 336.40	\$ 336.40	\$ 336.40	\$ 336.40	\$ 3,177.60

**SG&A**

Employee Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total SG&amp;A</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total SG&amp;A</b>	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 229.00	\$ 229.00	\$ 229.00	\$ 229.00	\$ 300.60	\$ 300.60	\$ 336.40	\$ 336.40	\$ 336.40	\$ 336.40	\$ 3,177.60

**Other Expenses**

Commercial Kitchen Rent (Portland, ME)	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00	\$ 19,200.00
Travel Costs (inc. fuel and parking costs)	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 1,800.00
Licensing & Registration Fees for Farmers Markets	\$ 110.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220.00
Licensing, Legal Fees, & Other Certifications	\$ 1,500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500.00
Insurance Costs (min. \$500k limit per City of Portland, ME requirement)	\$ 33.33	\$ 33.33	\$ 33.33	\$ 33.33	\$ 33.33	\$ 33.33	\$ 33.33	\$ 33.33	\$ 33.33	\$ 33.33	\$ 33.33	\$ 33.33	\$ 33.33	\$ 33.33	\$ 400.00
<b>Total Other Expenses</b>	\$ 3,393.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 1,893.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 23,120.00
<b>Initial CapEx Investment</b>	\$ 2,328.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,328.00
<b>Total Cost</b>	\$ 5,914.53	\$ 1,976.53	\$ 1,976.53	\$ 1,976.53	\$ 2,012.33	\$ 2,012.33	\$ 2,012.33	\$ 2,012.33	\$ 2,193.93	\$ 2,083.93	\$ 2,119.73	\$ 2,119.73	\$ 2,119.73	\$ 2,119.73	\$ 28,625.60

**Exhibit L-3: Monthly Revenue Assumptions for Year 2**

Per Unit Costs	
\$ 0.43	/5oz.
6	# oz./unit
\$ 2.58	\$/unit
\$ 1.00	\$/unit
\$ 3.58	\$/unit
TOTAL PER UNIT COST	

Product Pricing	
Direct to Consumer	\$ 15.00
Direct to Retailer (60% Margin)	\$ 6.00
Direct to Distributor (20% Markup)	\$ 5.00
Distrib. To Retailer	\$ 6.00

Growth Rates	
Year 2	
Specialty Stores	
Jan - June	15%
July - Dec	10%
Whole Foods	
1st 6 Months	25%
2nd 6 Months	20%

	Average Salary	Betsy	Marketing	Consultant
1	\$20,000	\$40,000	\$5,000	\$40,000

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	2015
<b>Sales at Farmers Markets</b>													
Number of Farmer Market Events	4	4	4	4	4	4	4	4	4	4	4	4	48.0
Averaged Units Solds Per Event	20	20	20	20	20	20	20	20	20	20	20	20	20
Price Per Unit Sold	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Total Monthly Sales	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 14,400.00
<b>Sales at Specialty Stores Near Portland, ME (Lois' Natural Marketplace, Royal River Natural Foods, &amp; Bath Natural Market)</b>													
Number of Specialty Stores	3	3	3	3	3	3	3	3	3	3	3	3	3.0
Averaged Units Solds Per Month Per Store	100	115	132	152	175	201	222	244	268	295	324	357	216
Whole Sale Price Per Unit Sold	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Total Monthly Sales	\$ 1,802.79	\$ 2,073.21	\$ 2,384.19	\$ 2,741.81	\$ 3,153.09	\$ 3,626.05	\$ 3,988.66	\$ 4,387.52	\$ 4,826.27	\$ 5,308.90	\$ 5,839.79	\$ 6,423.77	\$ 46,556.04
<b>Sales at Whole Foods stores (without distributor)</b>													
Number of Whole Foods Stores (Only Portland, ME)	1	1	1	1	1	1	1	1	1	1	1	1	1.0
Averaged Units Solds Per Month Per Store	35	44	55	68	85	107	128	154	185	221	266	319	139
Whole Sale Price Per Unit Sold	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Total Monthly Sales	210	262.5	328.125	410.15625	512.6953125	640.8691406	769.0429688	922.8515625	1107.421875	1328.90625	1594.6875	1913.625	\$ 10,000.88
Total Revenue	\$ 3,212.79	\$ 3,535.71	\$ 3,912.31	\$ 4,351.97	\$ 4,865.78	\$ 5,466.92	\$ 5,957.70	\$ 6,510.37	\$ 7,133.69	\$ 7,837.81	\$ 8,634.48	\$ 9,537.39	\$ 70,956.92
Revenue Growth (%)		10.05%	10.65%	11.24%	11.81%	12.35%	8.98%	9.28%	9.57%	9.87%	10.16%	10.46%	--
<b>Sales at Whole Foods stores (w/ distributor)</b>													
Number of Whole Foods Stores (Massachusetts locations)	-	-	-	-	-	-	28	28	28	28	28	28	28
Averaged Units Solds Per Month Per Store							35	44	55	68	85	107	66
Whole Sale Price w/ Distributor Per Unit Sold	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Total Monthly Sales	0	0	0	0	0	0	4,900.00	6,125.00	7,656.25	9,570.31	11,962.89	14,953.61	\$ 55,168.07
Total Revenue	\$ 3,212.79	\$ 3,535.71	\$ 3,912.31	\$ 4,351.97	\$ 4,865.78	\$ 5,466.92	\$ 10,857.70	\$ 12,635.37	\$ 14,789.94	\$ 17,408.12	\$ 20,597.37	\$ 24,491.01	\$ 126,124.99
Revenue Growth (%)		10.05%	10.65%	11.24%	11.81%	12.35%	98.61%	16.37%	17.05%	17.70%	18.32%	18.90%	--
<b>Cost of Goods Sold</b>													
Raw Materials Per Unit	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58
Labeling & Packaging Costs Per Unit	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
No. of Units Sold	415.46	469.28	532.05	605.33	690.96	791.15	1,852.95	2,190.06	2,600.20	3,100.36	3,711.66	4,460.29	21,420
Total Costs	\$ 1,487.36	\$ 1,680.04	\$ 1,904.75	\$ 2,167.08	\$ 2,473.65	\$ 2,832.33	\$ 6,633.56	\$ 7,840.42	\$ 9,308.71	\$ 11,099.30	\$ 13,287.73	\$ 15,967.83	\$ 76,682.77
Gross Profit	\$ 1,725.42	\$ 1,855.67	\$ 2,007.57	\$ 2,184.90	\$ 2,392.13	\$ 2,634.59	\$ (675.86)	\$ (1,330.05)	\$ (2,175.02)	\$ (3,261.50)	\$ (4,653.26)	\$ (6,430.44)	\$ (5,725.84)
Margin Profit %	53.70%	52.48%	51.31%	50.20%	49.16%	48.19%	-11.34%	-20.43%	-30.49%	-41.61%	-52.89%	-67.42%	-8.07%







**Exhibit L-5: Monthly Income Statement (Year 1)**

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014
Revenue	\$ 600.00	\$ 720.00	\$ 840.00	\$ 960.00	\$ 1,350.00	\$ 1,500.00	\$ 2,070.00	\$ 2,304.00	\$ 2,944.80	\$ 3,608.64	\$ 4,006.37	\$ 4,447.64	\$ 25,351.45
<b>COGS</b>													
Production Cost	\$ 143.20	\$ 171.84	\$ 200.48	\$ 229.12	\$ 322.20	\$ 358.00	\$ 644.40	\$ 730.32	\$ 919.34	\$ 1,251.00	\$ 1,423.87	\$ 1,622.72	\$ 8,016.48
Gross Profit	\$ 456.80	\$ 548.16	\$ 639.52	\$ 730.88	\$ 1,027.80	\$ 1,142.00	\$ 1,425.60	\$ 1,573.68	\$ 2,025.46	\$ 2,357.64	\$ 2,582.50	\$ 2,824.92	\$ 17,334.96
<b>Expenses</b>													
Marketing & Advertising	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 229.00	\$ 229.00	\$ 300.60	\$ 300.60	\$ 336.40	\$ 336.40	\$ 336.40	\$ 336.40	\$ 3,177.60
Selling General & Administrative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Expenses	\$ 3,393.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 1,893.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 1,783.33	\$ 23,120.00
Operating Income	\$ (3,129.73)	\$ (1,428.37)	\$ (1,337.01)	\$ (1,245.65)	\$ (984.53)	\$ (870.33)	\$ (768.33)	\$ (510.25)	\$ (94.28)	\$ 237.91	\$ 462.77	\$ 705.19	\$ (8,962.64)
Depreciation	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (465.60)
Other Income (Expense)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Before Taxes(=EBIT)	\$ (3,168.53)	\$ (1,467.17)	\$ (1,375.81)	\$ (1,284.45)	\$ (1,023.33)	\$ (909.13)	\$ (807.13)	\$ (549.05)	\$ (133.08)	\$ 199.11	\$ 423.97	\$ 666.39	\$ (9,428.24)
Income Tax (No Tax for LLC)													
Net Income	\$ (3,168.53)	\$ (1,467.17)	\$ (1,375.81)	\$ (1,284.45)	\$ (1,023.33)	\$ (909.13)	\$ (807.13)	\$ (549.05)	\$ (133.08)	\$ 199.11	\$ 423.97	\$ 666.39	\$ (9,428.24)
Retained Earning	\$ (3,168.53)	\$ (1,467.17)	\$ (1,375.81)	\$ (1,284.45)	\$ (1,023.33)	\$ (909.13)	\$ (807.13)	\$ (549.05)	\$ (133.08)	\$ 199.11	\$ 423.97	\$ 666.39	\$ (9,428.24)

**Exhibit L-5: Monthly Income Statement (Year 2)**

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	2015
Revenue	\$ 3,212.79	\$ 3,535.71	\$ 3,912.31	\$ 4,351.97	\$ 4,865.78	\$ 5,466.92	\$ 10,857.70	\$ 12,635.37	\$ 14,789.94	\$ 17,408.12	\$ 20,597.37	\$ 24,491.01	\$ 126,124.99
<b>COGS</b>													
Production Cost	\$ 1,487.36	\$ 1,680.04	\$ 1,904.75	\$ 2,167.08	\$ 2,473.65	\$ 2,832.33	\$ 6,633.56	\$ 7,840.42	\$ 9,308.71	\$ 11,099.30	\$ 13,287.73	\$ 15,967.83	\$ 76,682.77
Gross Profit	\$ 1,725.42	\$ 1,855.67	\$ 2,007.57	\$ 2,184.90	\$ 2,392.13	\$ 2,634.59	\$ 4,224.14	\$ 4,794.95	\$ 5,481.23	\$ 6,308.82	\$ 7,309.63	\$ 8,523.18	\$ 49,442.22
<b>Expenses</b>													
Marketing & Advertising	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 193.20	\$ 2,318.40
Selling General & Administrative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 20,000.00
Total Other Expenses	\$ 3,426.67	\$ 1,816.67	\$ 1,816.67	\$ 1,816.67	\$ 1,816.67	\$ 1,816.67	\$ 326.67	\$ 216.67	\$ 216.67	\$ 216.67	\$ 216.67	\$ 216.67	\$ 13,920.00
Operating Income	\$ (1,894.44)	\$ (154.20)	\$ (2.30)	\$ 175.03	\$ 382.27	\$ 624.72	\$ 370.94	\$ 1,051.75	\$ 1,738.03	\$ 2,565.62	\$ 3,566.43	\$ 4,779.98	\$ 13,203.82
Depreciation	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (38.80)	\$ (1,288.80)	\$ (1,288.80)	\$ (1,288.80)	\$ (1,288.80)	\$ (1,288.80)	\$ (1,288.80)	\$ (7,965.60)
Other Income (Expense)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Before Taxes(=EBIT)	\$ (1,933.24)	\$ (193.00)	\$ (41.10)	\$ 136.23	\$ 343.47	\$ 585.92	\$ (917.86)	\$ (237.05)	\$ 449.23	\$ 1,276.82	\$ 2,277.63	\$ 3,491.18	\$ 5,238.22
Income Tax (No Tax for LLC)													
Net Income	\$ (1,933.24)	\$ (193.00)	\$ (41.10)	\$ 136.23	\$ 343.47	\$ 585.92	\$ (917.86)	\$ (237.05)	\$ 449.23	\$ 1,276.82	\$ 2,277.63	\$ 3,491.18	\$ 5,238.22
Retained Earning	\$ (1,933.24)	\$ (193.00)	\$ (41.10)	\$ 136.23	\$ 343.47	\$ 585.92	\$ (917.86)	\$ (237.05)	\$ 449.23	\$ 1,276.82	\$ 2,277.63	\$ 3,491.18	\$ 5,238.22



**Exhibit L-6: Monthly Cash Flow Statement in Year 1**

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	#REF! 2014
<b>Cash from Operating Activity</b>													
Net Income	\$ (3,168.53)	\$ (1,467.17)	\$ (1,375.81)	\$ (1,284.45)	\$ (1,023.33)	\$ (909.13)	\$ (807.13)	\$ (549.05)	\$ (133.08)	\$ 199.11	\$ 423.97	\$ 666.39	\$ (9,428.24)
Change in AR (sales at stores)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (420.00)	\$ (84.00)	\$ (100.80)	\$ (483.84)	\$ (217.73)	\$ (261.27)	\$ (1,567.64)
Depreciation	\$ 38.80	\$ 38.80	\$ 38.80	\$ 38.80	\$ 38.80	\$ 38.80	\$ 38.80	\$ 38.80	\$ 38.80	\$ 38.80	\$ 38.80	\$ 38.80	\$ 465.60
Net Cash Provided By Operating Activities	\$ (3,129.73)	\$ (1,428.37)	\$ (1,337.01)	\$ (1,245.65)	\$ (984.53)	\$ (870.33)	\$ (1,188.33)	\$ (594.25)	\$ (195.08)	\$ (245.93)	\$ 245.04	\$ 443.92	\$ (10,530.28)
<b>Cash from Investing Activity</b>													
Initial Investment	\$ (2,328.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,328.00)
Net Cash Used in Investing Activities	\$ (2,328.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,328.00)
<b>Cash from Financing Activity</b>													
Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principle Amounts Borrowed from Others	\$ 25,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000.00
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Provided By Financing Activities	\$ 25,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000.00
Beginning Cash Balance	\$ -	\$ 19,542.27	\$ 18,113.89	\$ 16,776.88	\$ 15,531.23	\$ 14,546.69	\$ 13,676.36	\$ 12,488.03	\$ 11,893.77	\$ 11,698.70	\$ 11,452.77	\$ 11,697.81	\$ -
Increase/Decrease in Cash	\$ 19,542.27	\$ (1,428.37)	\$ (1,337.01)	\$ (1,245.65)	\$ (984.53)	\$ (870.33)	\$ (1,188.33)	\$ (594.25)	\$ (195.08)	\$ (245.93)	\$ 245.04	\$ 443.92	\$ 12,141.72
Ending Cash Balance	\$ 19,542.27	\$ 18,113.89	\$ 16,776.88	\$ 15,531.23	\$ 14,546.69	\$ 13,676.36	\$ 12,488.03	\$ 11,893.77	\$ 11,698.70	\$ 11,452.77	\$ 11,697.81	\$ 12,141.72	\$ 12,141.72

**Exhibit L-6: Monthly Cash Flow Statement in Year 2**

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	2015
<b>Cash from Operating Activity</b>													
Net Income	\$ (1,933.24)	\$ (193.00)	\$ (41.10)	\$ 136.23	\$ 343.47	\$ 585.92	\$ (917.86)	\$ (237.05)	\$ 449.23	\$ 1,276.82	\$ 2,277.63	\$ 3,491.18	\$ 5,238.22
Change in AR (sales at stores)	\$ (25.15)	\$ (322.92)	\$ (376.61)	\$ (439.66)	\$ (513.81)	\$ (601.14)	\$ (5,390.78)	\$ (1,777.67)	\$ (2,154.57)	\$ (2,618.17)	\$ (3,189.25)	\$ (3,893.64)	\$ (21,303.37)
Depreciation	\$ 38.80	\$ 38.80	\$ 38.80	\$ 38.80	\$ 38.80	\$ 38.80	\$ 1,288.80	\$ 1,288.80	\$ 1,288.80	\$ 1,288.80	\$ 1,288.80	\$ 1,288.80	\$ 7,965.60
Net Cash Provided By Operating Activities	\$ (1,919.59)	\$ (477.12)	\$ (378.91)	\$ (264.63)	\$ (131.55)	\$ 23.59	\$ (5,019.84)	\$ (725.92)	\$ (416.54)	\$ (52.56)	\$ 377.18	\$ 886.34	\$ (8,099.54)
<b>Cash from Investing Activity</b>													
Initial Investment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (150,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (150,000.00)
Net Cash Used in Investing Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (150,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (150,000.00)
<b>Cash from Financing Activity</b>													
Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principle Amounts Borrowed from Others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000.00
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Provided By Financing Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000.00
Beginning Cash Balance	\$ 12,141.72	\$ 10,222.13	\$ 9,745.02	\$ 9,366.11	\$ 9,101.48	\$ 8,969.93	\$ 8,993.52	\$ 3,973.68	\$ 3,247.76	\$ 2,831.22	\$ 2,778.66	\$ 3,155.84	\$ 12,141.72
Increase/Decrease in Cash	\$ (1,919.59)	\$ (477.12)	\$ (378.91)	\$ (264.63)	\$ (131.55)	\$ 23.59	\$ (5,019.84)	\$ (725.92)	\$ (416.54)	\$ (52.56)	\$ 377.18	\$ 886.34	\$ (8,099.54)
Ending Cash Balance	\$ 10,222.13	\$ 9,745.02	\$ 9,366.11	\$ 9,101.48	\$ 8,969.93	\$ 8,993.52	\$ 3,973.68	\$ 3,247.76	\$ 2,831.22	\$ 2,778.66	\$ 3,155.84	\$ 4,042.18	\$ 4,042.18

**Exhibit L-7: 5 Year Pro Forma**

Avg. Annual Sales Per Wholefoods Store w/distrib.			\$	6,000.00
Year	Whole Foods ME Growth Rate	New Stores	Annual Sales per Store Increase	Specialty Store Growth Rate
Year 3	15.00%	15	\$ 90,000.00	7%
Year 4	10.00%	15	\$ 90,000.00	6%
Year 5	7.00%	15	\$ 90,000.00	5%

	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018
Revenue	\$ 25,351.45	\$ 126,124.99	\$ 206,484.04	\$ 300,623.04	\$ 394,148.81
Revenue Growth (%)		397.51%	63.71%	45.59%	31.11%
Days (per Month or Year)	365	365	365	365	365

Number of Farmers Market Events (Yearly)	120.00	48.00	-	-	-
Farmers Market Wheels (Yearly)	1,324.00	960.00	-	-	-
Number of Specialty Stores (Yearly)	2.50	3.00	3.00	3.00	3.00
Specialty Store Wheels (Yearly)	915.24	7,759.34	8,302.49	8,800.64	9,240.68
Number of Whole Foods w/o Distributor	-	1.00	1.00	1.00	1.00
Whole Foods w/o Distributor Wheels (Yearly)	-	1,666.81	1,916.84	2,108.52	2,256.12
Number of Whole Foods with Distributor	-	28.00	43.00	58.00	73.00
Whole Foods w/Distributor Wheels (Yearly)	-	11,033.61	29,033.61	47,033.61	65,033.61

Revenue Per Wheel (Farmers Market)	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Revenue Per Wheel (Specialty Stores)	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Revenue Per Wheel (Whole Foods w/o Distributor)	\$ -	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Revenue Per Wheel (Whole Foods w/Distributor)	\$ -	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Cost of Goods Sold	\$ 8,016.48	\$ 76,682.77	\$ 101,272.59	\$ 149,492.36	\$ 197,448.44
Gross Profit	\$ 17,334.96	\$ 49,442.22	\$ 105,211.45	\$ 151,130.68	\$ 196,700.37
Operating Expenses	\$ 26,297.60	\$ 36,238.40	\$ 92,318.40	\$ 152,318.40	\$ 172,318.40
Depreciation	\$ 465.60	\$ 7,965.60	\$ 15,465.60	\$ 15,465.60	\$ 15,465.60
Operating Income	\$ (9,428.24)	\$ 5,238.22	\$ (2,572.55)	\$ (16,653.32)	\$ 8,916.37
Operating Margin	-37.2%	4.2%	-1.2%	-5.5%	2.3%

**5 Year Income Statement**

	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018
Revenue	\$ 25,351.45	\$ 126,124.99	\$ 206,484.04	\$ 300,623.04	\$ 394,148.81
<b>COGS</b>					
Production Cost	\$ 8,016.48	\$ 76,682.77	\$ 101,272.59	\$ 149,492.36	\$ 197,448.44
Gross Profit	\$ 17,334.96	\$ 49,442.22	\$ 105,211.45	\$ 151,130.68	\$ 196,700.37
<b>Expenses</b>					
Marketing & Advertising	\$ 3,177.60	\$ 2,318.40	\$ 7,318.40	\$ 7,318.40	\$ 7,318.40
Selling and Gen. Admin.	\$ -	\$ 20,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00
Total Other Expenses	\$ 23,120.00	\$ 13,920.00	\$ 60,000.00	\$ 120,000.00	\$ 140,000.00
Operating Income	\$ (8,962.64)	\$ 13,203.82	\$ 12,893.05	\$ (1,187.72)	\$ 24,381.97
Depreciation	\$ 465.60	\$ 7,965.60	\$ 15,465.60	\$ 15,465.60	\$ 15,465.60
Income Before Taxes(=EBIT)	\$ (9,428.24)	\$ 5,238.22	\$ (2,572.55)	\$ (16,653.32)	\$ 8,916.37
Income Tax (No Tax for LLC)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ (9,428.24)	\$ 5,238.22	\$ (2,572.55)	\$ (16,653.32)	\$ 8,916.37
Retained Earning	\$ (9,428.24)	\$ 5,238.22	\$ (2,572.55)	\$ (16,653.32)	\$ 8,916.37

5-Year Balance Sheet

	Year 1	Year 2	Year 3	Year 4	Year 5	2018
	2014	2015	2016	2017	2018	2018
<b>Asset</b>						
Cash	\$ 12,141.72	\$ 4,042.18	\$ 9,806.24	\$ 3,618.52	\$ 18,000.49	\$ 18,000.49
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PP&E	\$ 1,862.40	\$ 143,896.80	\$ 128,431.20	\$ 112,965.60	\$ 97,500.00	\$ 97,500.00
Accounts Receivable	\$ 1,567.64	\$ 22,871.01	\$ 30,000.00	\$ 35,000.00	\$ 45,000.00	\$ 45,000.00
<b>Total Current Assets</b>	<b>\$ 15,571.76</b>	<b>\$ 170,809.99</b>	<b>\$ 168,237.44</b>	<b>\$ 151,584.12</b>	<b>\$ 160,500.49</b>	<b>\$ 160,500.49</b>
<b>Total Assets</b>	<b>\$ 15,571.76</b>	<b>\$ 170,809.99</b>	<b>\$ 168,237.44</b>	<b>\$ 151,584.12</b>	<b>\$ 160,500.49</b>	<b>\$ 160,500.49</b>
<b>Liability</b>						
Short Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Liability</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Equity</b>						
Owner's Investment	\$ 14,905.38	\$ 167,318.81	\$ 170,809.99	\$ 168,237.44	\$ 151,584.12	\$ 151,584.12
Retained Earnings	\$ 666.39	\$ 3,491.18	\$ (2,572.55)	\$ (16,653.32)	\$ 8,916.37	\$ 8,916.37
<b>Total Equity</b>	<b>\$ 15,571.76</b>	<b>\$ 170,809.99</b>	<b>\$ 168,237.44</b>	<b>\$ 151,584.12</b>	<b>\$ 160,500.49</b>	<b>\$ 160,500.49</b>
<b>Total Liabilities and Owner's Equity</b>	<b>\$ 15,571.76</b>	<b>\$ 170,809.99</b>	<b>\$ 168,237.44</b>	<b>\$ 151,584.12</b>	<b>\$ 160,500.49</b>	<b>\$ 160,500.49</b>
	<i>Balance Sheet Check</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>

5 Year Cash Flow Statement

	Year 1	Year 2	Year 3	Year 4	Year 5	2018
	2014	2015	2016	2017	2018	2018
<b>Cash from Operating Activity</b>						
Net Income	\$ (9,428.24)	\$ 5,238.22	\$ (2,572.55)	\$ (16,653.32)	\$ 8,916.37	
Change in AR (Sales at Stores)	\$ (1,567.64)	\$ (21,303.37)	\$ (7,128.99)	\$ (5,000.00)	\$ (10,000.00)	
Depreciation	\$ 465.60	\$ 7,965.60	\$ 15,465.60	\$ 15,465.60	\$ 15,465.60	
<b>Net Cash Provided By Operating Activities</b>	<b>\$ (10,530.28)</b>	<b>\$ (8,099.54)</b>	<b>\$ 5,764.06</b>	<b>\$ (6,187.72)</b>	<b>\$ 14,381.97</b>	
<b>Cash from Investing Activity</b>						
Initial Investment	\$ (2,328.00)	\$ (150,000.00)	\$ -	\$ -	\$ -	
<b>Net Cash Used in Investing Activities</b>	<b>\$ (2,328.00)</b>	<b>\$ (150,000.00)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Cash from Financing Activity</b>						
Debt	\$ -	\$ -	\$ -	\$ -	\$ -	
Principle Amount Borrowed from Others	\$ 25,000.00	\$ 150,000.00	\$ -	\$ -	\$ -	
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Net Cash Provided By Financing Activities</b>	<b>\$ 25,000.00</b>	<b>\$ 150,000.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Beginning Cash Balance	\$ -	\$ 12,141.72	\$ 4,042.18	\$ 9,806.24	\$ 3,618.52	
Increase/Decrease in Cash	\$ 12,141.72	\$ (8,099.54)	\$ 5,764.06	\$ (6,187.72)	\$ 14,381.97	
<b>Ending Cash Balance</b>	<b>\$ 12,141.72</b>	<b>\$ 4,042.18</b>	<b>\$ 9,806.24</b>	<b>\$ 3,618.52</b>	<b>\$ 18,000.49</b>	

	Year 2	Year 3	Year 4	Year 5
Farmers Market	\$ 14,400.00			
Specialty Stores	\$ 46,556.04	\$49,814.96	\$52,803.86	\$55,444.06
Whole Foods w/o Distributor	\$ 10,000.88	\$11,501.01	\$12,651.11	\$13,536.69
Whole Foods w/Distributor	\$ 55,168.07	\$145,168.07	\$235,168.07	\$325,168.07
TOTAL	\$ 126,124.99	\$ 206,484.04	\$ 300,623.04	\$ 394,148.81

Number of Units	Price			
Specialty Stores	6	8302.49	8800.64	9240.68
Whole Foods w/o Distributor	6	1916.84	2108.52	2256.12
Whole Foods w/Distributor	5	29033.61	47033.61	65033.61

Growth Rates	Year 2	Year 3	Year 4	Year 5
Specialty Stores		7.00%	6.00%	5.00%
Whole Foods w/o Distributor		15.00%	10.00%	7.00%
Whole Foods w/Distributor		\$90,000.00	\$90,000.00	\$90,000.00

Sensitivity Analysis: Year 3 Net Income (Avg. Annual Sales per Whole Foods Store vs. No. New Whole Foods Stores)										
\$	(2,572.55)	\$ 5,000.00	\$ 5,250.00	\$ 5,500.00	\$ 5,750.00	\$ 6,000.00	\$ 6,250.00	\$ 6,500.00	\$ 6,750.00	\$ 7,000.00
7.00	\$ (29,192.55)	\$ (28,345.55)	\$ (27,498.55)	\$ (26,651.55)	\$ (25,804.55)	\$ (24,957.55)	\$ (24,110.55)	\$ (23,263.55)	\$ (22,416.55)	\$ (21,569.55)
9.00	\$ (24,352.55)	\$ (23,263.55)	\$ (22,174.55)	\$ (21,085.55)	\$ (19,996.55)	\$ (18,907.55)	\$ (17,818.55)	\$ (16,729.55)	\$ (15,640.55)	\$ (14,551.55)
11.00	\$ (19,512.55)	\$ (18,181.55)	\$ (16,850.55)	\$ (15,519.55)	\$ (14,188.55)	\$ (12,857.55)	\$ (11,526.55)	\$ (10,195.55)	\$ (8,864.55)	\$ (7,533.55)
13.00	\$ (14,672.55)	\$ (13,099.55)	\$ (11,526.55)	\$ (9,953.55)	\$ (8,380.55)	\$ (6,807.55)	\$ (5,234.55)	\$ (3,661.55)	\$ (2,088.55)	\$ (515.55)
15.00	\$ (9,832.55)	\$ (8,017.55)	\$ (6,202.55)	\$ (4,387.55)	\$ (2,572.55)	\$ (757.55)	\$ 1,057.45	\$ 2,872.45	\$ 4,687.45	\$ 6,497.45
17.00	\$ (4,992.55)	\$ (2,935.55)	\$ (878.55)	\$ 1,178.45	\$ 3,235.45	\$ 5,292.45	\$ 7,349.45	\$ 9,406.45	\$ 11,463.45	\$ 13,520.45
19.00	\$ (152.55)	\$ 2,146.45	\$ 4,445.45	\$ 6,744.45	\$ 9,043.45	\$ 11,342.45	\$ 13,641.45	\$ 15,940.45	\$ 18,239.45	\$ 20,538.45
21.00	\$ 4,687.45	\$ 7,228.45	\$ 9,769.45	\$ 12,310.45	\$ 14,851.45	\$ 17,392.45	\$ 19,933.45	\$ 22,474.45	\$ 25,015.45	\$ 27,556.45

Sensitivity Analysis: Year 4 Net Income (Avg. Annual Sales per Whole Foods Store vs. No. of Total Whole Foods Stores)										
\$	(16,653.32)	\$ 5,000.00	\$ 5,250.00	\$ 5,500.00	\$ 5,750.00	\$ 6,000.00	\$ 6,250.00	\$ 6,500.00	\$ 6,750.00	\$ 7,000.00
7.00	\$ (50,533.32)	\$ (47,871.32)	\$ (45,209.32)	\$ (42,547.32)	\$ (39,885.32)	\$ (37,223.32)	\$ (34,561.32)	\$ (31,899.32)	\$ (29,237.32)	\$ (26,575.32)
9.00	\$ (45,693.32)	\$ (42,789.32)	\$ (39,885.32)	\$ (36,981.32)	\$ (34,077.32)	\$ (31,173.32)	\$ (28,269.32)	\$ (25,365.32)	\$ (22,461.32)	\$ (19,557.32)
11.00	\$ (40,853.32)	\$ (37,707.32)	\$ (34,561.32)	\$ (31,415.32)	\$ (28,269.32)	\$ (25,123.32)	\$ (21,977.32)	\$ (18,831.32)	\$ (15,685.32)	\$ (12,539.32)
13.00	\$ (36,013.32)	\$ (32,625.32)	\$ (29,237.32)	\$ (25,849.32)	\$ (22,461.32)	\$ (19,073.32)	\$ (15,685.32)	\$ (12,297.32)	\$ (8,909.32)	\$ (5,521.32)
15.00	\$ (31,173.32)	\$ (27,543.32)	\$ (23,913.32)	\$ (20,283.32)	\$ (16,653.32)	\$ (13,023.32)	\$ (9,393.32)	\$ (5,763.32)	\$ (2,133.32)	\$ (1,467.32)
17.00	\$ (26,333.32)	\$ (22,461.32)	\$ (18,589.32)	\$ (14,717.32)	\$ (10,845.32)	\$ (6,973.32)	\$ (3,101.32)	\$ 770.68	\$ 4,642.68	\$ 9,124.68
19.00	\$ (21,493.32)	\$ (17,379.32)	\$ (13,265.32)	\$ (9,151.32)	\$ (5,037.32)	\$ (923.32)	\$ 3,190.68	\$ 7,304.68	\$ 11,418.68	\$ 15,536.68
21.00	\$ (16,653.32)	\$ (12,297.32)	\$ (7,941.32)	\$ (3,585.32)	\$ 770.68	\$ 5,126.68	\$ 9,482.68	\$ 13,838.68	\$ 18,194.68	\$ 22,550.68

Sensitivity Analysis: Year 5 Net Income (Avg. Annual Sales per Whole Foods Store vs. No. of Total Whole Foods Stores)										
\$	8,916.37	\$ 5,000.00	\$ 5,250.00	\$ 5,500.00	\$ 5,750.00	\$ 6,000.00	\$ 6,250.00	\$ 6,500.00	\$ 6,750.00	\$ 7,000.00
7.00	\$ (32,223.63)	\$ (27,746.63)	\$ (23,269.63)	\$ (18,792.63)	\$ (14,315.63)	\$ (9,838.63)	\$ (5,361.63)	\$ (884.63)	\$ 3,592.37	\$ 7,174.37
9.00	\$ (27,383.63)	\$ (22,664.63)	\$ (17,945.63)	\$ (13,226.63)	\$ (8,507.63)	\$ (3,788.63)	\$ 930.37	\$ 5,649.37	\$ 10,368.37	\$ 15,087.37
11.00	\$ (22,543.63)	\$ (17,582.63)	\$ (12,621.63)	\$ (7,660.63)	\$ (2,699.63)	\$ 2,261.37	\$ 7,222.37	\$ 12,183.37	\$ 17,144.37	\$ 22,105.37
13.00	\$ (17,703.63)	\$ (12,500.63)	\$ (7,297.63)	\$ (2,094.63)	\$ 3,108.37	\$ 8,311.37	\$ 13,514.37	\$ 18,717.37	\$ 23,920.37	\$ 29,123.37
15.00	\$ (12,863.63)	\$ (7,418.63)	\$ (1,973.63)	\$ 3,471.37	\$ 8,916.37	\$ 14,361.37	\$ 19,806.37	\$ 25,251.37	\$ 30,696.37	\$ 36,141.37
17.00	\$ (8,023.63)	\$ (2,336.63)	\$ 3,350.37	\$ 9,037.37	\$ 14,724.37	\$ 20,411.37	\$ 26,098.37	\$ 31,785.37	\$ 37,472.37	\$ 43,158.37
19.00	\$ (3,183.63)	\$ 2,745.37	\$ 8,674.37	\$ 14,603.37	\$ 20,532.37	\$ 26,461.37	\$ 32,390.37	\$ 38,319.37	\$ 44,248.37	\$ 50,123.37
21.00	\$ 1,656.37	\$ 7,827.37	\$ 13,998.37	\$ 20,169.37	\$ 26,340.37	\$ 32,511.37	\$ 38,682.37	\$ 44,853.37	\$ 51,024.37	\$ 57,195.37