

Mother Lode Foods



USDA Inspected Slaughter/Meat Production

Specialty Foods Production

Business Plan Prepared By:

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For:

Calaveras Grown Steering Committee

Forward

The concept for Mother Lode Foods was conceived out of a need to provide the ranchers and farmers of the Mother Lode region of California with a quality focused processing plant that will provide USDA inspection for meats harvest/processing services. Further, there are many agricultural products being raised and harvested in this region that it is time to create value added consumer ready products to compete in the grocery stores as “Locally Grown” and “Locally Made” products. Our goal is to reach into every grocery store of California where Mother Lode Foods will become the consumer’s choice when selecting what brand to buy!

Many critical factors are involved in the preparation of this business plan that necessitates some explanation before venturing into details. The goal of this plan is to put into context what it will cost to build, own, and operate a full service facility that can handle the harvesting/processing of cattle, hogs, sheep, and goats. Additionally, a food production facility is planned that will produce sauces, niche meat products, as well as dressings, marinades and other products. These facilities will have to be profitable and will require strict controls on labor and operating costs while creating innovative products that will increase revenues to the company. Every aspect of this operation will need to be developed in a manner that conforms to USDA, FSIS, FDA, State of California and County health codes. Through this development process there will be many topics to be discussed in brief but not detailed in this document. Further development of integral operation plans will come later in the planning stage.

The magnitude of work details, food handling procedures, sanitation, animal handling, Human Resources needs, public relations, local and state political associations, business networking, marketing and distribution, accounting, inventory control and animal tracking are critical topics needing consideration and planning. In order to create a viable business of this magnitude it is imperative that the stakeholders that will be responsible for ownership and management be prepared in advance with the knowledge and education that is absolutely mandatory in operating a facility of this type. It is also recommended that the principle owners of this business begin forging contractual agreements with ranchers to provide the forecasted amount of beef needed to maintain a steady supply of product.

This business is not just about having a facility approved for local animal processing. No. There are many more benefits and positive consequences of this business. Here are the top 10!

10. Ranchers of Calaveras County and surrounding counties have a USDA inspected facility that is able to handle their animal slaughter/cutting needs and will be looking to

purchase whole animals for MLF's sales and distribution. This will lower the cost to ranchers in; time, cost of transportation, and incentivize them to raise more animals.

9. Ranchers will put on extra help as needed which will add to local employment numbers.

8. The building of the plant and other aspects of the business will employ construction contractors, sub-contractors, and their crews from our local area. This will put local money into our economy that will be dollars spread around to other businesses.

7. The resultant effect of more money being spent locally will increase the needs of other businesses thereby requiring them to hire more people.

6. Mother Lode Foods will itself generate 20-30 jobs in its first year of operation.

5. As business needs increase more jobs will be created.

4. The products that will be produced will be of gourmet quality and priced so that a wide range of consumer groups will be able to afford these quality products.

3. This business along with the many other outstanding businesses such as wineries, restaurants, destination activities and lodging will see an increase in activity because of name recognition to "The Mother Lode," "Calaveras County," and other advertising/marketing concepts that can be employed. Drawing more visitors to our area brings in revenues to be shared in many ways.

2. By taking risks, managing through experienced training and educating we reinforce the work ethic for our youth who are looking for jobs so they can lead positive and productive lives here at home.

1. We help start to reverse the trend of negative economic conditions in our county, state and country. We once again prove that American craftsmanship, workmanship, ingenuity, creativity and innovation are attributes that are alive and well in America!

Many more positive consequences are surely to occur which strengthens our resolve to get this project developed. As stated above, this business plan will always keep its goals of showing a viable projection of how this business can succeed in the present and in the future. Let us begin now to explain this business concept in greater detail.

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Section 1.

Executive Summary

Mother Lode Foods

Providing you gourmet meats and foods from California's Mother lode!

This business plan represents an enterprise to be built and developed in Calaveras County as a USDA inspected multi species harvest and processing meat plant. The plant is designed to house other activities which are described below. Mother Lode Foods will be located in the Valley Springs area of Calaveras County at 3525 Double Springs Rd and Highway 26 intersection. The proposed 22 acre campus will be home to our main plant and corporate headquarters.

1.2 Plant and Facilities

Total plant size equals 20,000 square feet with 20 ft high ceilings. Water will be supplied from local water district with a back up supply from a drilled well. A commercial septic system for wastewater treatment, and a compost station for decomposition of waste tissues from the plant. The plant houses the following:

- Slaughter/kill room
- Quick chill locker
- 2 Walk-in refrigerated hanging/aging rooms.
- Full service cut and wrap room.
- A Charcuterie kitchen for smoked & cured meats and sausage making room.
- Ware washing room.
- 2 Walk-in Storage freezer.
- Warehouse storage
- Shipping and receiving terminal.
- A graphic design office with label production printers.
- Various administrative offices.
- Retail sales floor with will call pick up.
- Food production mixing room for sauces, dressings and other products, with a fully integrated bottling line.
- Employee restrooms.
- Locker Rooms.

1.3 Mission Statement

The purpose for which Mother Lode Foods has been created is to optimize the usage of locally grown and raised agricultural products in the production of our own high quality product lines. Our support of local and regional ranchers and farmers creates new revenue flowing into our communities and perpetuates a positive business atmosphere.

1.4 Business start up

- The business structure and ownership is still yet to be determined. In order for Mother Lode Foods to evolve this will be the first priority for the Calaveras Grown Steering Committee members. Once this is decided they will file for the new business license from the County of Calaveras, California, as soon as possible. It can be assumed that Mother Lode Foods (MLF) will adopt a corporate business structure. Also, an individual who has access to necessary capital resources may step up to take ownership as well. Such is the case with a new facility being built and developed in Yreka California.
- It is strongly recommended that a consultant/opening plant manager be considered in this process. Aaron Baustad is the current consultant/PMGR at the new Yreka facility and has vast experience with these operations.

1.5 Company founders:

- The following people are members of the Calaveras Grown Steering Committee or independent contractors who have researched and written the documentation for the Mother lode Foods project.

Calaveras Grown Steering Committee:

Sean Krilitich
Michael Krilitich
Jim Dodge
Bob Garamendi
Dan Port
Fred Hunt

Independent Contractors:
Carina Bassin
Tim Saunders.

1.6 Planned Management/hourly positions

- During the year zero which will be referred to as “Construction Stage” the following management positions will be filled first in order to accomplish all of the planning requirements this business demands.

1. Chief Executive Officer/Owner
2. Plant operations Manager
3. Human Resources Manager
4. Sales and Marketing Manager
5. Food Production Manager
6. IT Systems Manager
7. Head Butcher
8. Chef/Garde Manger

Prior to full start up of operations the HR Manager and department managers will begin the hiring and training process. There are a total of 26 hourly jobs planned at this time. Through the strategic planning process more may be added. For detailed list of positions see management and labor section of the financial projections section in the appendix.

1.7 Services rendered/Products manufactured

- Full service USDA inspected livestock slaughter/cut & wrap services.
- Livestock to include cattle, sheep, hogs and goats.
- The plant is designed to harvest 12 to 15 head of cattle per day/4 days per week. During peak months of animal harvesting, a second shift may be brought on to handle overtime operating hours.
- These services are open to all producers and ranchers. Calendar scheduling is required and guidelines are asked to be followed.
- Cattle and Hogs purchased by MLF will be picked up at producer's farm and will be transported back to main plant for processing.
- Transportation services of producer livestock intended for processing for producer pickup is the responsibility of the producer. This service may be offered at a later time.
- Niche meats such as sausages, hams, bacon, corned beef and pastrami, prosciutto, beef salami. Beef to be sold wholesale as primal cuts by the case, bulk ground beef, ground beef patties. Retail sales to the public will be handled by our in-house retail sales counter.
- Barbecue sauces, grilling sauces, marinades, sauté sauces, dressings, and salsas.

1.8 Banking and investor relationship information:

Mother Lode Foods has to be creative in its quest to be profitable and sustainable. Private investment is the most desired type of funding. This can be accomplished through several types of organizational structure. The most likely options are a standard C corporation, Sub-chapter S corporation, or limited liability company (LLC). A typical C corporation is a simple structure which can accommodate many owners but has complications when solicitation for the selling of stock to those investors and requires securities registration. The latter two are the most logical because of elimination of double taxation. A business law firm in the area should be engaged to guide this process. Another possibility is sole proprietor; however this puts the burden of ownership on one person. The new plant being built in Yreka California is owned by a sole proprietor and is financed completely by this one individual.

Should outside funding be sought there are several ways to accomplish this. Some private investment will be required by lending institutions.
(More information to be added here when available)

1.9.1 Funding Requirements

Need:	Source of funds:	Amount	Int. Rate	Terms
Land purchase 21 acres just off hwy 12 in Valley Springs area	Bank/USDA/SBA Financed	\$450,000	3.9 %	240 months
Land grading and road paving, parking areas.	Bank/USDA/SBA Financed	\$1 million	3.9%	
Building 20,000 sq ft facility @ \$200 per sq ft	Bank/USDA/SBA Financed Private capital	\$4 million \$2 million	3.9 %	240 months
Capital Equipment	Private capital	\$2million		
Start up management costs	Private capital	\$450,000		
Startup expenses	Private capital	\$400,000		
Working capital yr 1	Private capital	\$600,000		

Mother Lode Foods is seeking funding of \$5.5 million to be applied to the purchase of 22 acres of land described herein. This also covers land grading and road/parking lot construction. This amount also covers 67% of building costs.

Private investment for this project will total an equal amount of \$5.5 million.

Cash flow projections for the first three years show profitability through maintaining a continual flow of products and services. During construction phase it is imperative to build relationships with cattle producers to assure the supply of beef needed to create revenue from services offered. Also, contractual agreements need to be put into place for supplying MLF with certified grass-finished beef/organically raised beef to meet supply agreements with wholesale accounts. Achieving a balance of supply to meet demand will require a strong marketing plan. Strategic planning by the ownership and management team will provide detailed scheduling and lead times needed by producers.

The following link is to the web page for Solamere Capital. I am including this here because it represents what is possible in this industry.

<http://www.solameregroup.com/bio/item/3/index.html>

1.9.2

3 year financial model projection:

SOURCE	Startup year	Year 1	Year 2	Year 3
Cash on hand	\$400,000	\$600,000	\$1,604,526	\$2,885,052

Cash on hand	\$400,000	\$600,000	\$1,604,526	\$2,885,052
EBITDA ^a		\$5,936,000	\$6,085,000	\$6,044,000
Total Expenses		\$4,331,474	\$4,324,974	\$4,324,974
Annual estimated Profit/Loss		\$1,604,526	\$1,760,026	\$1,719,026

Red depicts private/owner investment capital

^{a.} **Earnings before interest, taxes, depreciation, amortization.**

The success of Mother Lode Foods will rest on an ability to build a cooperative arrangement with cattle producers in the seven county areas that surrounds Calaveras County. They are: Amador, El Dorado, Sacramento, Tuolumne, Stanislaus, San Joaquin, and Merced.

This region will serve as the primary focus for marketing the harvest/processing services, and where MLF will seek to build its contracted supply of certified grass fed beef. "Local" is a concept that has become a value to the consumer. Consumers are paying more attention to where products come from while considering whether a product is a healthier choice.

Future marketing decisions will follow and pursue this trend as it grows and becomes the normal thinking of the consumer.

Section 2. Market Analysis

In 2010 and the decade prior, cattle and calves were the No. 1 agricultural commodity for Calaveras County. The annual value of this agricultural product was valued at just over 7 million dollars. According to the 2010 Agricultural Report, this is a significant increase of 21% from the previous year. Analysis of the numbers for the previous decade shows a fluctuation in total crop output value ranging from \$33 million in its peak year of 2004 to 20 million in 2009. These fluctuations occur when any one industry is affected for a variety of reasons. In 2010, severe weather conditions played a significant role in the wine/grape industry in our county. Market values for timber decreased creating a dip in the value of that product even though more was produced than the previous year. The cattle industry has seen prices for beef rise due to the drought in Texas and the Midwest United States. These market fluctuations can and will happen throughout each segment of the agricultural industry and must be planned for accordingly.

Review of the county's agricultural report reveals a startling revelation. Livestock and poultry values totaled nearly 12 million dollars for 2010 yet there was only \$22,000 reported as livestock and poultry products being produced. This is a huge disparity of under usage of local commodities being used to create value added products for resale to consumers. Most likely, our agricultural and livestock are being shipped out of our county to other processors giving them the opportunity to generate revenues from our products. This fact brings forth the greatest reason to consider building, operating, and

developing the Mother Lode Foods brand of products. Through the development of this business, the creation of new revenues will be spent by local workers at local businesses creating a greater cash flow within this county.

As a USDA inspected facility we become qualified to be suppliers of locally grown and raised livestock and poultry products to the grocery and restaurant industry. Additionally, the plant will be equipped to produce value added niche meats. These will include sausages, pastrami and corned beef, marinated cuts of meats, salami, etc.

2.1 Industry Description and Outlook

2.1.1 Beef/Livestock

The food production industry can never have enough quality suppliers of food products. At the present time a shortage of USDA inspected harvest/processing facilities exists in California. However, demand from producers is increasing and customer demand for grass fed beef and organically raised beef is steadily rising in most population areas throughout the state. The concept of “buy local” has become a very popular concept for much of the consuming public. Many consumers now are adamant about knowing where their food has come from, and specifically shop for locally produced products. By purchasing locally produced agricultural products as well as other locally made products for consumption, the consumer participates in helping to sustain local farmers, ranchers, and businesses that otherwise would not have a market to sell in.

There are other niche meat processors who operate and sell locally. One of these is Lockeford Meats. They have an outstanding reputation for quality and unique products. However, they only do sausage and a few other niche products and only sell out of their small retail outlet.

The livestock industry in Calaveras County and its regional neighbors is vibrant and growing. Beef cattle remain one of California's most important agricultural products, ranking fifth in 2001 at \$1.35 billion in value of production, behind dairy, grapes, nursery products and lettuce. In June of 2010, the following inventory numbers of beef cattle were released through the California Department of Agriculture. The eight counties that represent the regional area we predict would welcome the opportunity to have their beef harvested and processed at the MLF plant are:

1. Calaveras- 9000
2. Amador- 8000
3. El Dorado- 3000
4. Tuolumne- 7000
5. Sacramento- 12000
6. Stanislaus- 38000
7. San Joaquin- 21000
8. Merced- 21000

Total= 119,000 head of beef cattle

10%= 12,000 head of beef cattle.

With a projected annual capacity of 2400 to 3000 cattle for harvest and processing, MLF should have no problem operating at capacity year round. By capturing 4% of available cattle MLF would be operating above capacity. This is a promising statistic for future years expansion and may justify extra harvest shifts where carcasses are then shipped back out for processing elsewhere.

2.1.2 Food products, bottled

The food production department will face other considerations during the year as seasonality of crops has a wider effect on production runs and the products that are produced for our product line. These will include; barbecue sauces, grilling sauces, marinades, sauté sauces, dressings, and salsas. Gourmet jams and preserves featuring locally grown berries, grapes, and other commodities. Other possible products can include olive oil production. The possibilities are very exciting as more research and development will be an ongoing mission.

The main thrust of our marketing of these products will be into grocery stores throughout California and the West Coast. This will be accomplished through building demand for these products through store demonstrations, sampling, and targeted advertising campaigns. Forming an alliance with a food brokerage firm such as “The Sturdivant Company” could be a key component to the MLF marketing plan. Here is a description of what services a food brokerage can offer:

2.1.3 Food Brokerage Services

- The role of a food broker is to act as a selling agent for food manufacturers and producers. They work on behalf of their clients to negotiate sales of their products to wholesalers and retailers.
- A broker has extensive knowledge about local markets and has strong connections with food businesses that can prove invaluable to their clients.
- Food brokers provide marketing services as well. Primarily food brokers are sales people, and a good food broker knows how to market your product to potential buyers and work towards getting maximum sales volumes for your product.
- Food broker services aren't limited to sales and marketing, however. They provide additional service to help increase their clients' sales volumes such as keeping them up to date on local market conditions. This is in both their interest and their clients' interest, as the more sales their clients get the more commission they get.
- If a customer has a complaint about your product then you don't have to deal with it directly, instead they will deal with your food broker. This food broker service can be very beneficial and it can be helpful having someone else sorting out all the problems while you concentrate on what you do best.

- In some cases, food broker services can also include developing and maintaining inventories of their clients' stock as well as large marketing campaigns for new products.
- In addition a food broker may also help in moving stock, rearranging product displays and preparing reports on market conditions for their clients.

2.1.4 Who Needs Food Broker Services?

- Food broker services can be very beneficial, but are not the best choice for every food producer or manufacturer. Depending on where you want your product to be sold as well as what expectations and goals you have for the product will determine whether food broker services will be beneficial to you.
- One of the main reasons why people use food broker services is because it's more cost effective than having a dedicated sales person to sell and market the product. However, large food manufacturers and producers may find that it is much more profitable to have permanent sales staff working for them as their large sales volumes can justify it. Food brokers get paid a commission of their clients sales, so if you are selling significant amounts of your product then food broker services can work out less financially beneficial.
- Food broker services are best suited to those running a small to medium sized business as their services and expertise can help you break into the market and get your product on the shelves at a minimum cost. Food brokers have several clients so they can charge a lower rate than having a dedicated sales person as their overheads are shared by other manufacturers and producers.

2.1.5 Cost of Food Broker Services

- Food broker services vary in their costs, however almost all work in a commission basis whereby they are paid by percentage of sales. If they fail to sell your products then you do not pay them.
- Food brokers generally charge between three to ten percent commission, however this will vary depending on the volume of products being sold and the amount of labor required to sell them.
- When you meet with food brokers they will negotiate a commission fee and also discuss the option of paying for additional food broker services such as organizing promotion schemes and market research.
- In most cases, the smaller your business and the less reputation you have the higher your commission rates will be. This is because the food broker will have to put in additional work to be able to market and sell it to wholesalers and retailers.
- Sometimes your food broker will charge you an up-front fee of around \$1000 for the first six months, however this is sometimes deducted from future commission payments.

2.2 Target Market

The target market for MLF depends on which service or product we are describing. For instance, our slaughter/cut and wrap processing of livestock targets local and regional livestock ranchers who desire to have their cattle processed in a USDA facility. Our target market for wholesale and retail sales will include direct sales to grocery and restaurant businesses and bulk sales of primal cuts of meats and specialty niche meats. Additional markets will include the private consumer who wants to purchase grass fed beef in bulk and will either pickup at our will call, or pay for shipping to their location.

The food processing segment will seek a larger distribution channel into a higher volume of grocery stores. The target markets for these products are every consumer who enters and shops in those grocery stores. The thrust of our marketing strategy is to build on the concept of “Buy Local”. Consumers like to know that the products they are using are made in their local community, county, and state. They understand that this is a way to help support the local economy and also purchase products that have not traveled thousands of miles to get to a retail store shelf.

The distinguishing characteristics of the major/primary market we will target are consumers who have a love for great quality beef products but want a healthier choice. They have become self educated through the latest media efforts and know that grass fed beef locally grown is a much better choice when comparing against animals that are corn fed and corn finished.

Grass-Fed—According to the United States Department of Agriculture, this means that the cattle ate only grass and forages (leafy plants), never grain or grain by-products, and had continuous access to pasture during the growing season. Grass-fed cattle may or may not be organic.

Corn-Fed—Most cattle are fed grain—usually corn—towards the end of production to increase their size and marble their meat. Corn-fed cattle may or may not be organic.

2.2.1 SWOT Analysis

Internal	External
<p style="text-align: center;">Strengths</p> <p>USDA Harvest/processing of livestock is a major advantage over State inspected facilities.</p> <p>Custom processing by experienced butchers.</p> <p>Ability to expand services with added shifts for workers.</p>	<p style="text-align: center;">Opportunities</p> <p>Grass fed/Organically grown beef is in more demand according to market surveys.</p> <p>Due to shortage of USDA facilities in California, MLF will lead central California in beef, pork, lamb processing.</p> <p>USDA inspection allows MLF to pursue the grocery and restaurant industry with a steady supply of product.</p>
<p style="text-align: center;">Weaknesses</p> <p>Business is brand new and requires that new strategic alliances be developed with</p>	<p style="text-align: center;">Threats</p> <p>Drought! Lack of water can have an adverse affect on cattle prices and</p>

<p>producers. This will require strong negotiation skills.</p> <p>Availability of skilled workers to handle plant positions.</p>	<p>availability.</p> <p>Grass fed beef takes longer to raise and requires more grass and hay than grain finished beef.</p> <p>Ranchers going out of business.</p>

2.2.2 Competition

Due to the apparent need for more USDA-inspected meat processing plants to serve farmers, it is assumed there is little to no competition for USDA-inspected custom processing services in the region. At the present time Johannes’s Meats in Orland Ca. is the only USDA inspected Slaughter/processing facility. This is a two to four hour one way trip for the ranchers of the region MLF will target. Johannes’s is currently operating at capacity. Coming online in September 2012 is the Yreka facility which will service mainly the plant owner’s cattle, approximately 1000 head per year. Yreka will also provide services to a few producers in the Northern Ca. and Oregon region. This plant is too far north to have any impact on harvest/processing business at MLF.

For customers that do not require USDA inspection, MLF would have competition from several regional custom-exempt small plants. These include Stagnos of Modesto, Rawhide Meats in Jamestown, and a few other small butcher shops.

For processed meat items, most products produced outside the region that would be similar to those produced by this plant would be considered competition.

Once again, because USDA harvest and processing is so limited in California, the demand for locally raised grass finished beef is higher than what is being supplied.

See “Making the case for Grass Fed Beef” in appendix.

Section 3. Business Description

3.1 Mission Statement

Preamble

The management of Mother Lode Foods here set forth our belief as to the purpose for which the company is established and the principles under which it should operate. We pledge our effort to the accomplishment of these purposes within these principles.

Purpose

The purpose for which Mother Lode Foods has been created is to optimize the usage of locally grown and raised agricultural products in the production of our own high quality product lines. Our support of local and regional ranchers and farmers creates new revenue flowing into our communities and perpetuates a positive business atmosphere. These efforts create a viable and important link in developing a sustainable regional food chain of highly desired products.

3.2 Planned Operations-Products and Services

- Full service USDA inspected livestock slaughter/cut & wrap services.
- Livestock to include cattle, sheep, hogs and goats.
- The plant is designed to harvest 12 to 15 head of cattle per day/4 days per week. During peak months of animal harvesting, a second shift may be brought on to handle overtime operating hours.
- These services are open to all producers and ranchers. Calendar scheduling is required and guidelines are asked to be followed.
- Cattle and Hogs purchased by MLF will be picked up at producer's farm and will be transported back to main plant for processing.
- Transportation services of producer livestock intended for processing for producer pickup is the responsibility of the producer. This service may be offered at a later time.
- Niche meats such as sausages, hams, bacon, corned beef and pastrami, prosciutto, beef salami. Beef to be sold wholesale as primal cuts by the case, bulk ground beef, ground beef patties. Retail sales to the public will be handled by our in-house retail sales counter.
- Barbecue sauces, grilling sauces, marinades, sauté sauces, dressings, and salsas.

We work with and contract with local and regional ranchers to provide them a USDA inspected slaughter/cut and wrap facility where they can bring their livestock to

be professionally processed. Mother Lode Foods will acquire, process, and wholesale/retail “Certified Grass Fed Beef” and “All Natural Organic Beef” which can be grain finished for producing USDA Prime, Choice, and Select grades of beef products.

These services will be offered to local and regional livestock producers who are in need of USDA inspection and certification of their meat products. The need for this type of facility is verified through the input of local ranchers who are hamstrung in their abilities to realize a profit on their livestock. Shipping livestock to a USDA facility is a costly and time consuming effort that when everything is paid for, there is very little profit to be realized by the producer. By providing an in county slaughter/cut and wrap facility we become the only USDA inspected facility within several hours drive of Calaveras County. Demand for this type of service is high in respect to the amount of opportunity that is currently being wasted in the county and from surrounding counties.

MLF will also purchase cattle through producer contractual agreements for the company’s own wholesale and retail sales, and production of niche meats.

The Foods Production Division will use locally raised fruits, vegetables, nuts, and other food products from the area in the further development of consumer based products such as sauces, marinades, dressings, and more. To accomplish this, strategic planning will design a road map of activity that takes into account the growing seasons and harvest times, as well market demand for these products. Some ingredients will have to be purchased to fulfill recipe requirements. These may or may not be produced locally. Research and development will be a key factor in developing new and innovative uses for our products. At MLF, a strong commitment must be maintained to developing outstanding products and services that will keep MLF ahead of the competition.

3.3 Business Location

Mother Lode Foods will be located in the Valley Springs area of Calaveras County at the Double Springs Rd and Hwy 26 intersection. The address is 3525 Double Springs Rd. The proposed 21 acre campus will be home to our main plant and corporate headquarters. Because the main plant will only require 25% of the land initially, the balance of acquired land will be used for expansion and further development business operations.

Lot 1

- Price:
\$565,000
- Lot Size:
21.37 AC
- Price/AC:
\$26,438.93
- Lot Type:
Industrial (land)
- APN / Parcel ID:



040-002-014

- Commission Split:
3%
- Borders Highway 26 and Double Springs Rd. Bare land.

3.4 Strategic Objectives

- Obtain long term financing for purchase of land, building, capital equipment, and begin construction of main facility by November 1st, 2012.
- Contract with local and regional ranchers to provide Grass fed/ organically raised grain finished cattle per slaughter schedule of plant. These contracts should be written as 3 to 5 year commitments.
- Grand opening of plant for food production services by Jan 1st 2014.
- Slaughter and cut and wrap services to begin by Nov 15th, 2013.
- Obtain necessary contracts to supply “Grass Fed Beef” and “organically raised grain finished beef” to restaurant and grocery distributors.

3.5 Strategic Goals

- Acquire USDA inspection for slaughter and meat cutting.
- Develop niche meat products such as sausages, salami, pastrami, marinated cuts of meat.
- Market our services to local and regional ranchers to create a continuous flow of business for slaughter, aging, and processing for customers.
- Operate our own finishing herd of cattle and the raising of hogs to supply MLF the necessary meat products for sale and distribution.
- Create and develop food production capabilities using locally grown produce, nuts, and vegetables.

Section 4 Meat Processing Requirements in California

It is anticipated that MLF will harvest animals four days per week with a volume of 12 to 15 head of beef per day. Two days are for MLF cattle that supply wholesale and retail needs of the company. Two other days will be for ranchers who desire USDA inspection and processing. Scheduling can be adjusted to accommodate other species such as hogs, lambs, and goats. Poultry has not been figured into the operation as of this time. However, this activity may be added at a later time. Two to three people will be required to work the harvest floor while three people will be working the processing room. Workers will be cross trained to work in either area and will be closely evaluated and trained.

The three scenarios for slaughter and processing of cattle, swine, sheep, and goats, depending on ownership and sales status, are outlined below.

Scenario #1 Meat for Personal Consumption. Livestock producers may slaughter their own animals or contract with mobile custom slaughterers for on-farm slaughter of animals to be consumed within their household as described above. Meat from animals slaughtered on-farm cannot be sold.

Scenario #2 Live Animal Sales. Live animals may be sold then transported to either a USDA or a CDFA slaughterhouse for slaughter, and a USDA or Custom Exempt processing facility for post-slaughter processing. This meat is intended for consumption in the owner's (the person who purchased the animal) household and must be consumed by the owner or members of the owner's household, which can include the owner's non-paying guests and employees.

Scenario #3 Meat Sales. All meat sold in California must be slaughtered at a USDA-inspected slaughter facility and, in most cases, processed¹ at a USDA-inspected processing plant. The only cases in which USDA-slaughtered meat can be processed at other than USDA facilities and sold are:

1. USDA-slaughtered animals are processed at a County Environmental Health Services (EHS)-inspected retail facility, such as a restaurant, grocery store meat department, or specialty meat market, and sold retail on-site.
2. USDA-slaughtered animals are smoked, dried, cured, or rendered at a California Department of Food and Agriculture (CDFA)-inspected facility and sold retail on-site.

4.1 Byproducts/Waste Products

The greatest liability to a new meat plant is disposal of waste products. Materials such as waste fat, most bones, blood, and inedible offal represent a significant percentage of the animal's carcass that must be disposed of. In the U.S., these are often picked up by rendering companies who process them into animal supplements. However, there are often no rendering companies close to these plants, which results in costly "pick-up" charges by companies many miles and in some cases, many states away. Therefore, the following is a discussion of various materials and their target market opportunity or disposal options.

4.1.1 Hides

Fresh "green" hides would be picked up routinely by a hide company. The plant will have to manage hides to prevent their deterioration. Salt curing is the most effective method of preventing deterioration and increasing the flexibility of marketing hides to a variety of customers. Initially, hides will be laid out salted and stored in a facility adjacent to or in a subterranean portion of the plant.

4.1.2 Offal

Initially, the tongue, liver, and oxtail from cattle and the heart and hocks from hogs

will be cleaned, frozen, and packaged for specific customers. The remaining offal (kidney, lungs, stomach and some hearts) would be considered waste material for disposal.

4.1.3 Bones/ Fat/ Tissue

The heads, hooves, bones, waste fat, and soft tissue of inedible offal will be disposed of utilizing the strategies outlined in the next section (Section 4.2).

4.1.4 Blood

Fresh blood will be collected at the plant. Some of it can be collected in stainless steel receptacles and sold if the price justifies it. Some of the blood could be used by farms for fertilizer. However, most of the blood will be disposed of along with the other waste materials as discussed in the next section (Section 5.2).

4.1.5 Paunch

Paunch is the material left in the rumen of cattle and lambs when the animal is harvested/slaughtered. This material can be used for fertilizer and can be fed back to animals as a small percentage of the diet. Also, this material can be disposed of in the same manner as other waste materials discussed in the next section (Section

4.2)

4.2 Disposal of Waste Materials

There are typically three options for disposal of waste tissues from a small meat plant:

- Pick up by a rendering company for a fee. The fees depend on volume and distance from the rendering plant. A common pricing strategy is to charge by volume (\$x per 55 gallon drum or barrel). Many rendering companies will take blood as well as bones, inedible organs, meat scraps, fat, hooves, and heads. Some companies will pick up hides and debit the value from the cost of the rendering pick-up.
- Incineration. There are commercially-available incinerators for burning all unwanted tissues. The disadvantage to this strategy is the energy cost to fuel the incinerator and the emission concerns from neighbors if the plant is located near other businesses or residences.
- Composting. Stockpiling waste tissues (fat, bones, inedible organs, heads, hooves, and blood) is becoming increasingly popular with small plants as rendering pick-up costs increase and composting experience improves. A concrete pad is poured in a selected area close to the plant and often curbed to prevent run-off of leachette. Dry ground wood chips or other forms ground organic matter is required for mixing with the waste materials from the plant for

proper microbial growth in the compost pile. The grinding of long bones and head bones is often necessary to reduce partial size. Inedible offal soft tissue, bones, inedible fat, blood and paunch will be added daily to the compost pile and covered with the ground organic matter and the piles turned with a loader at least once per week. After the compost has had adequate time to fully decompose, the resultant material can be used for organic fertilizer. Financial models in this business plan assume that composting will be the strategy used to dispose of waste materials. **Due to state restrictions, small plants in California are not Allowed to compost.**

4.3 Treatment of Specified Risk Materials

Due to issues with Bovine Spongiform Encephalomyelitis (BSE), the heads and small intestines of beef cattle (cows or cattle under 30 months) will not be sold for human consumption and will be composted. The only Specified Risk Materials (SRM's) of beef carcasses that need disposal are the spinal column and tonsils (when selling beef tongues). For beef cows over 30 months, the entire head, the vertebral bone, and dorsal root ganglia must also be removed and disposed of. These materials will be composted or land-filled. Sheep heads should be handled in the same way as cow heads.

4.4 Effluent and Water Use

4.4.1 Water use

Beef will require approximately 300 – 450 gallons of water per animal carcass per day. Therefore, this is also the approximate volume of wastewater produced. The water should be potable, good quality (low nitrates and sulfates), and have high volume per gallon. Small stock uses less than 100 gallons per animal. If the source of water is an on-premise well, water tests for water quality should be conducted.

It is anticipated that the plant would use city supplied water with a well system backup.

4.4.2 Wastewater

The most sensitive and critical part of planning a new slaughter plant or expanding an existing plant is the effluent or wastewater system. All process wastewater (effluent) from the slaughter floor should pass through a screen to catch and separate solids. Screened effluent pumps and pipe system will convey screened process wastewater to the proposed effluent treatment system. A five-day Biological Oxygen Demand (BOD) value is used to measure the level of treatment needed to discharge effluent safely. The BOD for all food-processing effluent is relatively high compared to other industries. A high BOD level indicates that effluent contains elevated amounts of dissolved and suspended solids, minerals and organic nutrients containing nitrogen and phosphorus. The following is assumed for a small multi-species plant:

- Average daily process flow of 2,500 gallons per day of wastewater based on a 7-day average. The peak daily flows = 6,000 gallons per day when harvesting cattle. It may be necessary to utilize a surge tank to collect daily wastewater effluent to be released at an even prescribed rate into a municipality or into the plant's own treatment system.
- Incoming BOD into treatment – maximum of 1,600 mg/l
- Total suspended solids – 300 to 500 mg/l
- Total nitrogen = 140 to 160 mg/l

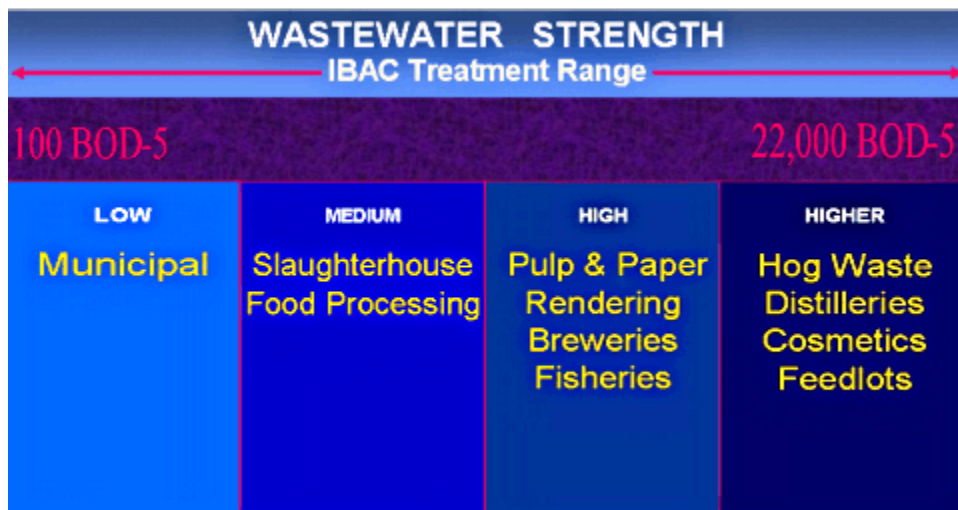
The simplest strategy for handling effluent is accessing a municipal sewage line and allow the municipally to treat the effluent if there is the capacity to do so. If the municipal plant is not accessible or does not have the capacity, the plant will have to treat their own effluent. There are several options for the plant to treat its own effluent and a licensed wastewater engineer should be engaged to design a system specific for the plant and its own area of the country. For the purposes of this business plan, a commercial water treatment system should be fully investigated.

4.4.3 BioDyne Systems and Services

BioDyne provides biological wastewater treatment systems and services for a wide range of applications. The company has presence in Canada and USA. BioDyne's technology has major advantages and economies, including compact plant footprint, outstanding performance specs, lower capital costs, lower maintenance costs, lower operating costs, much less sludge generation, remote monitoring and control facilities, as well as co-treatment of solids and liquids and removal of harmful nutrients.

<http://www.biodynegroup.com/index-1.html>

For more information on the Biodyne technology please visit the website above.



4.5 Regulatory Restrictions

4.5.1 Offal Disposal

California does not permit on-ranch composting of offal (or any mammalian tissue; see California Environmental Protection Agency statute Section 17855.2), and so a processor must dispose of it off-site. To do this requires an “inedibles” permit from the [California Department of Food and Agriculture \(CDFA\) Meat, Poultry, & Egg Safety](#) branch. The permit establishes an approved rendering plant, pet food plant, or collection station where the processor may take the offal.

Sacramento Rendering Company
11350 Kiefer Boulevard
Mather, CA. 95830

Designed into the building construction plan should be an under-main floor refrigerated disposal room. Disposal drop shoots are built in to dispose quickly and cleanly of offal into roll able tanks that are supplied by the rendering company. This system of removal eliminates the need for the rendering company to enter into the plant operations area risking any outside contamination.

4.5.2 HACCP

MLF will prepare a written Hazard Analysis Critical Control Point (HACCP) program for each department of food handling. Specifically, Animal slaughter room, meat hanging rooms, meat processing room, Charcuterie kitchen, mixing and bottling rooms, refrigerated walk-in rooms, dry storage and warehouse storage, and retail sales room. Also, the prerequisite programs that accompany the HACCP including:

- Sanitation Standard Operating Procedures (SSOP)
- Good Manufacturing Practices (GMP's).

These programs should be written by a food industry professional that is HACCP certified.

5.1 Marketing and Sales

Within the context of business operations there are numerous aspects that need to be considered and thoroughly planned. 98% of all information gained will most likely come from internet research. Other information may come from trade journals, or gleaned from industry professionals. The future success of Mother Lode Foods will be determined by an aggressive approach to marketing and sales. Each service or product must be examined and planned out so as to maximize time, materials, and labor.

1. USDA Slaughter services.

This service is to be scheduled on the plants ability to process 12 to 15 head of beef per day. The head butcher is responsible for managing kill room schedule, aging rooms, and processing rooms.

Q. Does customer request dry aging?

Q. Will customer ship carcass to another processing facility or have the beef aged and processed by MLF?

2. USDA Processing of meat.

Q. Type of processing requested by customer?

Q. Does customer want vacuum sealed portions to be picked up fresh or frozen?

3. MLF wholesale/retail sales of beef products.

Wholesale of grass fed beef/organic grown beef will be sold by boxed primal cuts, roasts, ground beef chubs, ground beef patties, and special ordered steaks. All are vacuum sealed, boxed, and weighed.

Retail sales will take place in house in the retail outlet. All wholesale items above will be available in the retail outlet.

4. Charcuterie products will also be available for wholesale and retail sales. These will include: Several varieties of sausages, pastrami, prosciutto, ham, smoked bacon, liverwurst, salami, etc.

5. Food products such as Barbecue sauces, grilling sauces, marinades, sauté sauces, dressings, and salsas. Will be produced at the MLF plant and available for wholesale and retail sales.

6. All production items in #4 & 5 must be appropriately labeled including UPC symbols, nutritional facts, ingredients, etc. See Ca State labeling laws.

7. It is highly recommended that Mother Lode Foods contract with an established food brokerage firm in order to facilitate sales and distribution of products.

8. Label design and printing will be done in house as well. This should save considerable time and money.

5.2 Pricing

Pricing strategies have to be evaluated often to ensure MLF products are competitive and profitable. Particular attention needs to be paid to the competition and what they are pricing their similar products at. Quality and cost are considerations as

well. Products might be similar but quality of product or ingredients can raise the price above the competition. One of the four major elements of the marketing mix is price. Pricing is an important strategic issue because it is related to product positioning. Furthermore, pricing affects other marketing mix elements such as product features, channel decisions, and promotion.

While there is no single recipe to determine pricing, the following is a general sequence of steps that might be followed for developing the pricing of a new product:

1. **Develop marketing strategy** - perform marketing analysis, segmentation, targeting, and positioning.
2. **Make marketing mix decisions** - define the product, distribution, and promotional tactics.
3. **Estimate the demand curve** - understand how quantity demanded varies with price.
4. **Calculate cost** - include fixed and variable costs associated with the product.
5. **Understand environmental factors** - evaluate likely competitor actions, understand legal constraints, etc.
6. **Set pricing objectives** - for example, profit maximization, revenue maximization, or price stabilization (status quo).
7. **Determine pricing** - using information collected in the above steps, select a pricing method, develop the pricing structure, and define discounts.

These steps are interrelated and are not necessarily performed in the above order. Nonetheless, the above list serves to present a starting framework.

6.1 Organization and Management

The following positions are listed as a proposed staffing plan. Further develop of companies business structure may add or eliminate some of these positions. Each position has been considered as an integral function within the operational dynamics of this business. Only brief job descriptions are given here. More detailed areas of responsibility will be designed later by Human Resources. For further list of hourly employees see labor and management page of Financials.

Chief Executive Officer-

- The Chief Executive Officer (CEO) is the highest ranking executive manager in a corporation or organization. The CEO has specific responsibilities depending on the needs of his or her organization. The job description of a CEO varies by organization.
- The CEO may also own the business, and may have founded the business, so his or her commitment to the business is significant. In these cases, a Board of Directors may exist, but its authority is nominal and advisory.

Plant Operations Manager-

- Plant operations managers maximize manufacturing processes. Plant operations managers plan, lead, organize and control the production of manufactured goods and assume responsibility for ensuring effective and efficient business operations. They manage the industrial processes that convert materials, labor and energy into marketable products. Operations managers also coordinate with sales, marketing, warehousing or other departments that support or depend on the manufacturing function.

Human Resources Manager-

- Develop the Human resources department
- Advising managers about issues relating to managing people
- Employee orientation, development, and training
- Performance management and improvement systems
- Organization development
- Employment and compliance to regulatory concerns
- Policy development and documentation

Sales/Marketing Manager

- Responsible for the development and performance of all sales activities in assigned market. Staffs and directs a sales team and provides leadership towards the achievement of maximum profitability and growth in line with company vision and values. Establishes plans and strategies to expand the customer base in the marketing area and contributes to the development of training and educational programs for clients and Account Executives.

Food Production Manager

- A production manager is involved with the planning, coordination and control of manufacturing processes.
- A production manager ensures that goods and services are produced efficiently. They ensure the correct amount is produced at the right cost and at the right level of quality.
- The scope of the job depends on the nature of the production system: jobbing production, mass production, process production, or batch production. The job role is also sometimes referred to as an operations manager.
- Many companies are involved in several types of production, adding to the complexity of the job. Most production managers are responsible for both human and material resources.

IT Systems Manager-

- Accomplishes information systems staff results by communicating job expectations; planning, monitoring, and appraising job results; coaching, counseling, and disciplining employees; initiating, coordinating, and enforcing systems, policies, and procedures.
- Maintains staff by recruiting, selecting, orienting, and training employees; developing personal growth opportunities.
- Maintains safe and healthy working environment by establishing and enforcing organization standards; adhering to legal regulations.
- Sustains information systems results by defining, delivering, and supporting information systems; auditing application of systems.
- Assesses information systems results by auditing application of systems.
- Enhances information systems results by identifying information systems technology opportunities and developing application strategies.
- Safeguards assets by planning and implementing disaster recovery and back-up procedures and information security and control structures.
- Accomplishes financial objectives by determining service level required; preparing an annual budget; scheduling expenditures; analyzing variances; initiating corrective action.
- Maintains professional and technical knowledge by attending educational workshops; reviewing professional publications; establishing personal networks; benchmarking state-of-the-art practices; participating in professional societies.
- Contributes to team effort by accomplishing related results as needed.

Accounting Department Manager

- The Accounting Manager is responsible for all areas relating to financial reporting. This position will be responsible for developing and maintaining accounting principles, practices and procedures to ensure accurate and timely financial statements.
- The Accounting Manager supervises five staff accountants and is responsible for managing the team to ensure that work is properly allocated and completed in a timely and accurate manner.
- This position addresses tight deadlines and a multitude of accounting activities including general ledger preparation, financial reporting, year end audit preparation and the support of budget and forecast activities.
- The Accounting Manager will have contact with senior-level Attorneys and the firm's Executive Director and Controller which requires strong interpersonal communication skills both written and verbal.

Head Butcher

- Work in slaughtering, meat packing, or wholesale establishments performing precision functions involving the preparation of meat. Work may include

specialized slaughtering tasks, cutting standard or premium cuts of meat for marketing, making sausage, or wrapping meats.

- Works under the supervision of the Plant Operations Manager. Coordinates with Sales and Marketing Manager to schedule production needs.
- Supervises and works kill room and processing room activities.
- Schedules and trains hourly personnel personnel.
- Works directly with the Charcuterie Chef

Charcuterie Chef

- Production:
- Self-starter: internally driven by a desire to be successful in the food service business.
- Work closely with USDA inspector to accommodate requirements
- Implement and enforce HACCP
- Take a proactive approach to inspections, product quality and production
- Understand, manage and be accountable for production projections.
- Production of fresh items according to sales demands
- Effectively control the ageing process and timeliness of dry cured products
- Regularly conduct product testing
- Conduct product research and development
- Motivate sales of new products to sales representatives
- Monitor daily sales activities
- Monitor daily inventory
- Monitor quality assurance programs
- Safety and Sanitation
Sanitation manager will report directly to this position
- Maintain a clean, organized and sanitary working environment
- Maintain perfect sanitation scores
- Work closely with USDA and FDA to ensure a wholesome production environment
- Enforce a safe working environment for employees

7.1 Assumptions

This being a brand new business venture there is no financial history on which a track record might be examined. Cash flow projections are based upon volume of sales estimated by demand MLF expects to realize from market share of population.

Revenue streams from products and services fluctuate due to seasonality. However, because of the shortage of USDA harvest/processing for livestock in Central California a high demand for services is predicted and planned for. Revenue streams for

MLF: USDA slaughter and aging, Cut and wrap processing of beef, Wholesale sales of Grass Fed Beef, Retail sales of Grass Fed Beef, Niche meat sales, Food product sales.

Because of projected demand for these services, four kill days per week are scheduled. At the present time only beef have been used for calculating slaughter and processing numbers. It is estimated the plant will harvest and process 48 to 60 head of beef per week. See revenue streams page of financial pages.

The final construction design should include any possible expansion needed to be added later. The vision for the MLF plant and business operations is very similar to the Yreka plant that is nearly finished. Contracting with the consultant on the Yreka plant would be a favorable step in proceeding forward with this project.

Labor wages and management salaries have been estimated to reflect the best industry estimates. 30 % of wages and salaries have been estimated to cover taxes and vacation earnings. Unknown is the effect of health care legislation and what a business of this size can expect.

Section 8 Appendices:

8.1 Financial Information

8.1.1 Projected Cash Flow Statements for Year 1,2,3

8.1.2 Projected Management salaries and Hourly wages

8.1.3 Revenue streams and assumptions

8.1.4 Annual Balance Sheet-To be added later

8.1.5 Personal Balance Sheets of Principle Stakeholders-To be added later

8.2 Proposed layout for Mother Lode Foods

Cost of Goods Sold/Beef	27500	27500	27500	27500	27500	27500
Propane/Nat Gas	500	500	500	500	500	500
Offal Disposal	5000	5000	5000	5000	5000	5000
Waste water treatment	3000	3000	3000	3000	3000	3000
Misc. Expenses:	1000	1000	1000	1000	1000	1000
packaging supplies	12000	12000	12000	12000	12000	20000
corrugated boxes	1000	1000	1000	1000	1000	1000
spices/sausages and niche meats	3000	3000	3000	3000	3000	3000
Sauce/dressing ingredients	15000	15000	15000	15000	15000	20000
Laundry	800	800	800	800	800	800
Office supplies	400	400	400	400	400	400
Labels	5000	5000	5000	5000	5000	5000
Carcass labeling	200	200	200	200	200	200
Advertising	20000	20000	20000	20000	20000	20000
Store Demonstration	12000	12000	12000	12000	12000	12000
Vehicle Leases:	4000	4000	4000	4000	4000	4000
Vehicle insurance	800	800	800	800	800	800
Workers Comp INS.	4000	4000	4000	4000	4000	4000
 Total Utilities/General Expenses	 123200	 123200	 123200	 123200	 123200	 136200
 Total expenses	 354,165	 338,165	 326,165	 331,165	 326,165	 420,665
 Repay beginning Cash on Hand	 668,836	 753,671	 850,507	 942,342	 1,039,178	 1,156,513
Cash Forward	668,836	753,671	850,507	942,342	1,039,178	1,156,513

Year 2 Monthly Cash Flow

	January	February	March	April	May	June
Cash on hand	1,604,526	1,645,862	1,702,197	1,768,533	1,834,868	1,901,204

Mother Lode Foods

Revenue streams:

USDA Slaughter/aging service	15,000	15,000	15,000	15,000	15,000	15,000
Cut/Wrap service	80000	80000	80000	80000	80000	80000
Wholesale Sales/GF Beef	80000	80000	80000	80000	80000	120000
Retail Sales/GF Beef	175000	175000	175000	175000	175000	225000

spices/sausages and niche meats	3000	3000	3000	3000	3000	3000
Sauce/dressing ingredients	15000	15000	15000	15000	15000	20000
Laundry	800	800	800	800	800	800
Office supplies	400	400	400	400	400	400
Labels	5000	5000	5000	5000	5000	5000
Carcass labeling	200	200	200	200	200	200
Advertising	20000	20000	20000	20000	20000	20000
Store Demonstration	12000	12000	12000	12000	12000	12000
Vehicle Leases:	4000	4000	4000	4000	4000	4000
Vehicle insurance	800	800	800	800	800	800
Workers Comp INS.	4000	4000	4000	4000	4000	4000
Total Utilities/General Expenses	123200	123200	123200	123200	123200	136200
Total expenses	393,665	378,665	368,665	368,665	368,665	475,165
Cash Forward	1,645,862	1,702,197	1,768,533	1,834,868	1,901,204	1,976,039

Year 3 Monthly Cash Flow

Cash on hand	January	February	March	April	May	June
	2,885,052	2,923,388	2,976,723	3,040,059	3,103,394	3,166,730

Mother Lode Foods

Revenue streams:

USDA Slaughter/aging service	17,000	17,000	17,000	17,000	17,000	17,000
Cut/Wrap service	75000	75000	75000	75000	75000	75000
Wholesale Sales/GF Beef	80000	80000	80000	80000	80000	120000
Retail Sales/GF Beef	175000	175000	175000	175000	175000	225000
Niche meat sales	35,000	35,000	35,000	35,000	35,000	35,000
Food Product sales	50000	50000	50000	50000	50000	75000

Total Revenues	432,000	432,000	432,000	432,000	432,000	547,000
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Fixed Expenses:

Food Broker Commission 10%	34000	34000	34000	34000	34000	45500
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Mortgage-Land&Buildings (25yr)	18334	18334	18334	18334	18334	18334
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Capital equipment loan (7yr)	25335	25335	25335	25335	25335	25335
Interest expense	16433	16433	16433	16433	16433	16433
Property Taxes						60000
Legal Expense	20000					
Licenses	3000					
Association Dues	2000					
Trade show events		10000				10000
Management/Labor Bonuses	42000	42000	42000	42000	42000	54000
Total Fixed Expenses	161102	146102	136102	136102	136102	229602

Labor/Management	29,000	29000	29000	29000	29000	29000
Labor/Hourly	55125	55125	55125	55125	55125	55125
Labor expense (30% of Labor cost)	25,238	25,238	25,238	25,238	25,238	25,238
Total labor Cost	109,363	109363	109363	109363	109363	109363

Utilities/General expenses						
Electrical	5000	5000	5000	5000	5000	5000
Water	2000	2000	2000	2000	2000	2000
Cell Phones/Phone/Internet	1000	1000	1000	1000	1000	1000
Cost of Goods Sold/Beef	27500	27500	27500	27500	27500	27500
Propane/Nat Gas	500	500	500	500	500	500

Offal Disposal	5000	5000	5000	5000	5000	5000
Waste water treatment	3000	3000	3000	3000	3000	3000
Misc. Expenses:	1000	1000	1000	1000	1000	1000
packaging supplies	12000	12000	12000	12000	12000	20000
corrugated boxes	1000	1000	1000	1000	1000	1000
spices/sausages and niche meats	3000	3000	3000	3000	3000	3000
Sauce/dressing ingredients	15000	15000	15000	15000	15000	20000
Laundry	800	800	800	800	800	800
Office supplies	400	400	400	400	400	400
Labels	5000	5000	5000	5000	5000	5000
Carcass labeling	200	200	200	200	200	200
Advertising	20000	20000	20000	20000	20000	20000
Store Demonstration	12000	12000	12000	12000	12000	12000

Vehicle Leases:	4000	4000	4000	4000	4000	4000
Vehicle insurance	800	800	800	800	800	800
Workers Comp INS.	4000	4000	4000	4000	4000	4000
Total Utilities/General Expenses	123200	123200	123200	123200	123200	136200
Total expenses	393,665	378,665	368,665	368,665	368,665	475,165
Cash Forward	2,923,388	2,976,723	3,040,059	3,103,394	3,166,730	3,238,565

4000	4000	4000	4000	4000	4000	48000
800	800	800	800	800	800	9600
4000	4000	4000	4000	4000	4000	
136200	136200	136200	136200	136200	136200	1569400
425,165	405,165	421,165	359,665	396,665	399,665	4,760,974
3,405,401	3,592,236	3,763,072	3,935,407	4,045,743	4,168,078	4,168,078

Revenue Steams	January	February	March	April	May	June	July
USDA Slaughter/aging service	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Cut/Wrap service	75000	75000	75000	75000	75000	75000	120000
Wholesale Sales/GF Beef	80000	80000	80000	80000	80000	120000	120000
Retail Sales/GF Beef	175000	175000	175000	175000	175000	225000	225000
Sausage/Pastrami/other	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Food Product sales	50000	50000	50000	50000	50000	75000	75000

Assumptions:

2 Kill days per week at 15head per day for MLF Production

24 head @ 1100lb hot weight, avg Cwt.

(REF Line 3) 2 Kill day per week for ranch producers 12 head

(REF Line 3) 24 Head per week:slaughter \$125 per head.

(REF Line 4)Cut and wrap -\$1.65 lb Hot weight.

Income based on avg of 1100 lb per head.

(REF Line 5)avg of 700 lb per head of salable product.

(Ref Line 5) \$4.95 lb avg X 700 lb X 12

(REF Line 6) Retail sales to avg 7.99 per lb

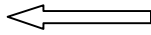
(REF Line 8) BBQ Sauces, Marinades, Dressings

(REF Line 8) Based on sales of 1250 Cases per month

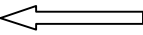
August	September	October	November	December	Annual Total
13,000	13,000	13,000	13,000	13,000	156,000
120000	120000	80000	80000	75000	1045000
120000	120000	100000	100000	120000	1200000
225000	225000	225000	225000	225000	2450000
30,000	30,000	30,000	30,000	30,000	360,000
75000	75000	75000	50000	50000	725000
					5,936,000

Mother Lode Foods

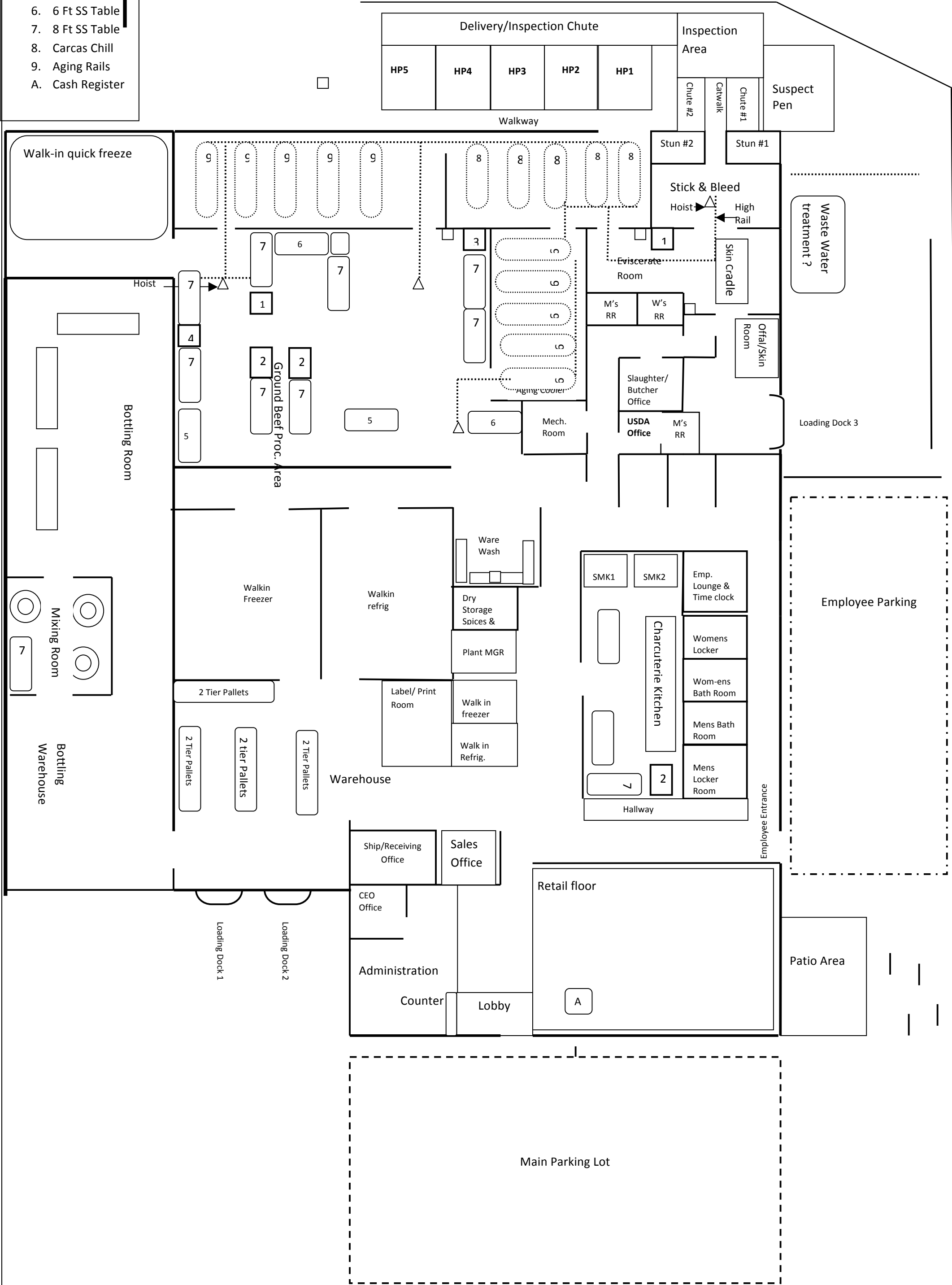
Southern View Dr



Cattle Drive Row



- 1. Scale
- 2. Grinder/mixer
- 3. Tenderizer
- 4. Band Saw
- 5. Vac wrap
- 6. 6 Ft SS Table
- 7. 8 Ft SS Table
- 8. Carcas Chill
- 9. Aging Rails
- A. Cash Register

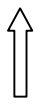


Waste Water treatment ?

Loading Dock 3

Employee Parking

Western Dr.



High Way 12 ← East
→ West

8.3 Making the Case for Grass Fed Beef

May 3 2010 -- The demand for grass fed beef is strengthening in the US, according to an analyst.

Gerard Brickley, Manager, Meat Division, at the Irish Food Board, Bord Bia, told Feedinfo News Service: "Since the 1950's, when a system of grain feeding cattle in feedlots developed on a widespread basis in the US, consumers there have come to know and love a special flavour and extra tenderness in their heavily marbled beef. However, over recent year's health, environmental and animal welfare concerns are converging and speeding up a return to grass fed beef."

Mr Brickley added: "Health benefits are expected from the leaner grass fed beef, which has twice the levels of omega 3s, lower levels of dietary cholesterol, and higher levels of vitamin A, E and cancer fighting antioxidants such as GT and SOD activity, as compared to grain-fed beef. For consumers, grass fed beef is considered slightly tougher and has a different flavour.

Mr Brickley said that the entire "natural beef" segment of the US market, which includes grass-fed and organic, is valued at approximately \$400 million, some 3% of the US beef market. He added: "The sector has been growing at a rate of over 20% for the last five years, and double digit growth is predicted to continue for the coming years, with sales growing both at retail and foodservice. Price is higher for the grass fed, which also trades on a "local" image. There are no official reported prices to verify the exact differential, but some restaurants report paying as much as three times normal price, at \$25/lb for steaks." (Food Alert, <http://www.bordbia.ie>.)

The following paragraph is taken from a Winrock International report titled: Expanding Grass-Based Animal Agriculture in the Midwest: The Pasture Project

The grass-fed meat industry is part of a growing market in the United States, accounting for an estimated 3% of total beef consumption, and expanding at 20% annually.¹ Double digit growth has been predicted in the demand for ground meat from grass-fed beef, as hamburger chains vie for consumers that prefer the taste and health profile of grass-fed meats.² According to a study by USDA's Economic Research Service, grass-based meat production is on the rise in the Upper Midwest. For example, Thousand Hills Cattle Company markets 1,300 cattle annually from 40 producers located in Minnesota, Wisconsin, Iowa and South Dakota.³ This same study estimates there are 25,000 beef ranchers in Minnesota alone engaged in some aspect of production.⁴ Wisconsin boasts several large dairy operations that have significant or solely grass-based operations. A visit to most farmers markets in the Upper Midwest will usually find multiple producers selling meat from grass-fed animals. Many are engaged only in direct marketing but are looking at options for expansion into wholesale. On the other hand, branded programs such as Thousand Hills cannot find enough product to meet demand. This gap between supply and demand represents both a problem and an opportunity. (<http://www.wallacecenter.org/our-work/current-initiatives/pp/Pasture%20Project%20Final%20Report%20Phase%20I%20for%20WEBSITE.pdf>)

This report listed above was compiled for the Midwest region however it contains vital information that can be studied and utilized in developing Mother Lode Foods operational capabilities and its partnership relations with ranch producers and farmers.

California raised grass fed beef is a growing market as consumers invest in healthier eating choices and expand their understanding of nutritional values in the foods they eat. Consumers are very aware now of industry related problems occurring due to the use of antibiotics in animals. The livestock industry has been accused of poor feeding practices that translate into problematic circumstances that ultimately affect the consuming public. Much has been documented to bring to light a troubled industry whose continual practices have damaged their reputations in other regards as well. MLF's must place significant importance on standard operating procedures and ethical humane practices that place their reputation for business practices above the competition.

Distribution of products throughout California is accomplished through contractual agreements with food brokers or grocery distributors to grocery chains that will carry our product line. The population of California is approximately 38 million people. If 10% of the population is practicing a purchase plan of higher quality, leaner grass fed beef; this translates to 3.8 million possible customers. IF MLF can compete

and capture at least 10% market share of this group then we are planning to reach a minimum of 380,000 customers annually. This goal for sales should be increased in annual sales projections and serve as an incentive to our livestock producers to plan on increasing their production to meet the demand.

Whole Foods Markets inc. has already established they will only sell meats and poultry products that meet their 5 step animal welfare rating. They state: "We've chosen to partner with Global Animal Partnership to certify our producers' animal welfare practices. We're rolling out their 5-Step™ Animal Welfare Rating Standards in every Whole Foods Market store in the United States and Canada.

[Global Animal Partnership](http://wholefoodsmarket.com/meat/welfare.php) is a non-profit organization dedicated to continually improving the lives of farm animals. They have developed the 5-Step Animal Welfare Rating Standards that rate how pigs, chickens and cattle are raised for meat. Standards for other species (turkeys, lambs and others) are in development, so stay tuned and be sure to look for Global Animal Partnership 5-Step ratings the next time you stop by our meat department." (<http://wholefoodsmarket.com/meat/welfare.php>).

It is only logical that other supermarket chains will follow this course to offer their customers healthier choices as well. In fact, this trend is happening right now in every grocery chain and the demand is rising. Competition for the consumer dollar is high and with health issues being so closely tied to nutritional considerations, healthier products are much in demand.

The size of our primary target market should increase annually as demand for this type of quality grows. Consumers pay close attention to labeling these days. Misleading the public has already occurred in supermarkets and strict labeling procedures must be followed to ensure proper and honest representation is given to the consumer. MLF should see a growth in sales of 5 to 7% annually in order to stay competitive. Currently, market information that is published concerning beef products shows increased demand is not being met for grass fed and organically grown beef. This kind of demand is a promising trend that does not show any sign of reversal. People will always want and need beef products while desiring to purchase a healthier quality product.

Possible competitors may arise in the future and create further supply of quality beef products. Factors such as price, product line, and consistency will determine competitive advantage.

8.4 California County Map Depicts area of Focus

