

MINDFUL MEALS:

BUSINESS PLAN

By

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A Thesis Submitted to The Honors College

In Partial Fulfillment of the Bachelors degree

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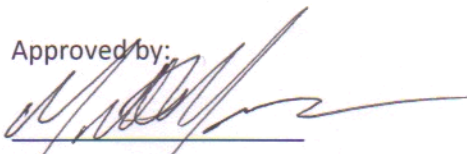
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ROLE IN GROUP PROJECT

The following business plan was completed as a group project for the McGuire Entrepreneurship Program. The group consisted of myself, Kara Beaudet, Toni Teplitsky, Ryan Malham, and Kathryn McGlamery. As the only honors student in my group, I, Kara Beaudet, took on the leadership role of General Manager of our venture.

As General Manager, I held most of the responsibility for scheduling and organization of the group. I created agendas and took minutes of all of our meetings and emailed them out to the group and our mentor so we were all aware of our status and activities. I was also responsible for scheduling meetings with mentors, outside consultants, law teams, and group members. In addition, I was in charge of analyzing the results from the online surveys of our target market. I also conducted other various research for pricing and validation of our venture idea. For the final business plan, I wrote the "Opportunity," "Service," and "Business Summary" sections. In addition, I did all of the formatting of the paper and assisted the team in making final edits. Finally, I designed our venture pitch PowerPoint presentation and presented with my group on numerous occasions.

In addition to the work I did on the venture concept, I also completed three additional assignments for honors credit. During the fall semester, I was required to complete two extra assignments. The first was to keep a journal of the classes we had with the graduate students. In this journal, I addressed the topics we covered and the discussion that arose during class. I also kept track of my personal participation in class activities. The second additional assignment I completed was a written paper about my experience participating in the graduate level class. In this paper, I addressed the unique difficulty our venture team had since I was the only member of my group in honors, and therefore separated for most of the class material. During the spring semester, the extra honors project consisted of a separate group project. For this project, our group was required to develop a business model for a business development center that would allow people to invest ideas and expertise in startup ventures instead of capital. To complete this project, we gave a presentation in front of three judges on the Innovation Day Showcase sponsored by the McGuire Entrepreneurship Center. We also wrote a 10-page paper explaining our business model.



Business Plan

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Executive Summary

At most elementary schools around the country, lunch menus still include items such as beef and cheese nachos, brunch for lunch, turkey gravy with mashed potatoes, and cheeseburgers on wheat buns. In spite of the recent movement to make school lunches more nutritious, real change is still many years away. In addition, there are few alternatives for children who need special dietary considerations.

We at Mindful Meals are a nutritious lunch delivery service for school children. Our lunches are crafted with the utmost nutrition in mind and can be customized for those needing dairy-free and gluten-free meals. Parents log on to the easy-to-use website and purchase one of our membership options and begin customizing the lunches for their children. The meals are delivered directly to schools each day, ensuring quality and convenience.

In order for schools to receive federal government subsidies for their lunches, they must meet the government nutrition guidelines. However, these guidelines are the bare minimum and result in schools providing nutritionally deficient meals. Making the problem worse is the decreasing time parents have available to prepare a nutritious lunch for their children. Further, many children in this country suffer from dietary restrictions, yet no companies have focused on delivering a meal to meet their needs. Mindful Meals' target market consists of middle to upper-middle class families who value nutrition, especially when it comes to their children. These professional parents will have the discretionary income and willingness to pay extra to ensure their child's nutrition. We will work with various schools, both public and private, whose students range in age from 1st to 8th grade.

The school lunch industry is made of either small, local companies or very large, international food providers. A growing trend among many companies is providing healthier options and wider menu choices, showing that the industry trends are moving in our favor. We are entering this market at the right time, as there is also a growing public demand to improve the lunches that children are receiving.

All sales will be handled through our website and our customers will pay with a credit card. Our business model is a monthly membership subscription, with monthly rates ranging from \$45 to \$120 based on the number of meals desired and whether or not the child has any special dietary needs. Our biggest advantage over our competitors is our focus on delivering nutrition to children. While other school lunch delivery companies exist, their primary focus is on convenience, and nutrition tends to take a backseat.

With an executive team comprised of four undergraduate business students, along with experts in the industry, Mindful Meals will achieve significant growth by year 5. We hope to finish year 1 with sales of about \$270,000 and an EBITDA of about (\$196,000). By year 5, sales will be over \$18 million, with an EBITDA of nearly \$3.6 million. Due to the non-capital intensive nature of our venture, Mindful Meals represents a tremendous opportunity for investment. We are looking for \$200,000 to get us off the ground and kick-start our business.

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Opportunity

For many busy parents, it is easier to send their child to school with lunch money to buy their lunch. However, schools then serve children food that is often over-processed and contains high levels of sugar, fat and sodium. In addition, while many schools are attempting to provide better food, they continue to offer less nutritious options that are more attractive to children who do not understand the requirements for a healthy diet.

The current federal government regulations offer a tremendous opportunity for improvement. At the moment, regulation for minimum requirements are in the process of being improved and changes have been proposed. However, most of the changes involve specifying the fat content of milk served, as well as specifying and slightly increasing the amount of fruits and vegetables. For specific information on the proposed changes to government regulation, see Appendix I. The low standard in government nutrition requirements provides the opportunity to offer parents an alternative with meals that go above the minimum government requirements to give children superior nutritional value.

Another opportunity available to our company is the increasing trend of families that have both parents working full time. According to the article in USA Today, “Working at Home: Family-Friendly,” during the 30 years between 1979 and 2008, only 33% of children have one parent home full time. This means that at least 67% of children do not have any parents that stay at home full time. Most of these parents will not want to spend the little time they have with their children making lunches.

Finally, there are an ever-growing number of children who suffer from dietary restrictions. According to the Food Allergy & Anaphylaxis Network, over 12 million Americans have food allergies. More importantly, 3 million children in the United States have food allergies, and the number is increasing. The growth in children with food allergies allows Mindful Meals an opportunity to address a growing market. In addition, there are currently no major companies targeting food services to this niche market.

Service

The solution to these opportunities is Mindful Meals: a customizable service that provides nutritious, fresh lunches to schools. In a survey we distributed to 123 parents, we found that many parents want a better alternative to school-provided lunches and home packed lunches. Mindful Meals will deliver our nutritious lunches to the schools for students to pick up. These lunches will be ordered through an easy to navigate website where parents can go online and set up an account.

The process will begin once a parent logs on to the website. They will be prompted to create an account and choose the school their child attends. If we are not currently

available at their child's school, they will be able to request that we provide lunches to that particular school. Other information the parent should provide includes the age and grade level of their child, and if their child requires attention to any specific dietary restrictions, such as gluten-free and dairy-free diets. Once they have provided this information, they will then choose a meal plan that is the best fit for them. Pricing for each plan is based on a meals-per-month system. Parents will pay a monthly fee at the beginning of each month, which will be recurring unless it is cancelled. This will ensure Mindful Meals a recurring revenue stream. More detailed information on the different tiers can be found in the Business Model section.

After the parents have chosen a meal plan, they will be directed to a page that shows the user contract which outlines the extent of Mindful Meals' liability and describes the terms of the subscription plan (see Appendices N-P). Once parents have electronically accepted the terms and conditions, they will be able to start building their child's meals. Mindful Meals has developed three menus, which can be found in Appendices J-M, and keep in mind foods that would be most nutritionally beneficial to the children. Parents will be able to choose from an assortment of entrees, sides, desserts and beverages to create their own custom meal. There will also be clearly marked choices for children needing special meals that are gluten or dairy-free. Parents must log in and create their meals weekly before Wednesday night to ensure the orders are received.

Once they place their orders for the week, we handle the rest. The evening before delivery, orders will be printed out and given to the chefs in each kitchen. These forms will include a picture of the child and the lunch, a color-coded indicator based on whether the child is gluten-free, dairy-free or has no dietary restrictions, as well as the order the parent placed, including any preparation specifications. After the chefs cook the children's lunches, they will be delivered to schools just in time for their lunch break. This ensures each child receives a fresh, nutritious meal.

Target Market

Based on the market segmentation, the overall market that Mindful Meals would like to target is professional parents and their children, ages 5- 14 years old. Both the parents and the children are equally important to target. The parent is the ultimate decision-maker of the purchase, but their child's influence plays a significant role in their decision making process.

Mindful Meals Market Segmentation		
Parents	Demographics: <ul style="list-style-type: none"> • Generation X, ages 29-44 • Moms and Dads • Single, Married or Divorced • College education, some with higher education • Average household income of \$75,000 or higher 	Psychographics: <ul style="list-style-type: none"> • Willing to try new products that make their lives less stressful • Try to do the “right” thing for themselves and their family • Leading healthier lifestyles than their elders • Value work-life balance
Children	Demographics: <ul style="list-style-type: none"> • Generation Z, ages 5-14 • Live with at least 1 parent, or other caregiver • Elementary school and Middle school • May have food allergies 	Psychographics: <ul style="list-style-type: none"> • All about school, sports, extra-curricular activities • Sociable, fitting in with friends is important • Altruism – kids like to share what they know

Demographics

Targeting children ages 5 to 14 years old is beneficial to our business due to the growing kids population. It is expected to increase to 37.5 million in 2012 and kids between the ages of 3 to 5 years will grow the fastest by 4.4%. Our specific market of 5 to 14 year olds represents 20% of the U.S. population and is expected to grow by 4%. It is important for our product to be appealing to the children, because they are the ones who most greatly influence their parents' purchase choices. Parents spend a total of \$123 billion on food, clothing and miscellaneous items for their children, which give 3 to 11 year olds an estimated aggregate income of \$19.1 billion. This number is expected to increase to \$22 billion in 2012 (Marketresearch.com, 2008).

The Phoenix, Arizona market provides a great opportunity to find parents of these children. According to the U.S. Census Bureau, there are 327, 496 total families with an average family size of 3.7. We can assume from this that each family has an average of 2 children. There are 178, 582 households with children under the age of 18. Children ages 6 to 17 years old can be found in 52.5% of these households, which is roughly 84,000 households in the Phoenix area.

Psychographics

We are specifically targeting the parents of these children who value relationships, family ties, nutrition and lead a well-balanced lifestyle. According to a Packaged Facts report found on MarketResearch.com, the majority of Generation X portrays these characteristics. Generation Xers value education and believe it is important to be well-informed with 82% making an effort to continuously learn new things. In addition, 59% of Generation Xers believe how they spend their time is more important than how they

spend their money. This shows that busy parents would be willing to pay for a convenient lunch option so that they can spend more time with their children. Our nutritious lunch option is appealing to these parents because they are interested in trying new food products and 41% are excited about new food or flavor combinations. They are quite open to new ingredients, combinations, and preparations of all kinds as long as they are convenient, tasty, easy to prepare, and visually appealing. They are also most likely to be vegetarian or to keep up with the latest in health food products (Market Research, 2008). In a survey we conducted of 123 parents, most of them expressed a worry about the nutritional value of their current options. For more detail on the survey and the results, see Appendix E. Thus, a kid-friendly nutritious lunch option would be appealing to them.

Kids are becoming more involved with after-school activities, according to MarketResearch.com, there has been an 8% increase in involvement with after-school activities. A well-balanced nutritious lunch will provide these active children with the energy to sustain them through the day. Nearly half of boys and girls feel that is important to be in a group and believe that the more friends the better. Kids with allergies are frequently ostracized, but by providing them with a lunch that is similar to their peers' they will no longer feel left out.

Usage Behavior

The need for a nutritious lunch service is apparent when looking at the nutritional deficiencies in most children. Only one-fifth of young children consume the recommended servings of vegetables in a day, and only one-third consume adequate servings of fruit. Less than one-fifth eat the recommended amount of meat, and less than half consume enough milk (MarketResearch.com, 2004). Many busy parents are substituting convenience for nutrition. More than 75% of 6 to 11 year olds have gone to a fast food restaurant five or more times in the past 30 days. This high percentage is usually the result of parents not having the time to prepare a proper meal (MarketResearch.com, 2008). This also causes children to consume too much added sugar and fat which make up nearly 45% of their daily calorie intake. Beverage choices contribute greatly to disordered diets, according to Packaged Facts, an estimated 90% of American schools allow children to forego the traditional school lunch in favor of less healthy options; school children can easily find soft drinks, candy, and other unhealthy options at schools. It is obvious that parents and children would benefit greatly from a convenient and nutritious lunch option.

Food Allergies

We will also provide lunches to children with special dietary needs, such as being dairy-free and gluten-free. There is currently no public lunch program that provides lunches for these students requiring special meals. We have developed separate menus for

those needing dairy-free and gluten-free meals. The menu items are very similar to those on the traditional menu, but the dietary restrictions are matched.

According to the Food Allergy and Anaphylaxis Network, more than 12 million Americans have food allergies, that is one in 25 or nearly 4 percent of the population. Of that 12 million, 3 million are children with food allergies. A 2007 study done by this Network showed that dairy-allergies are lasting longer in life than previously thought. Of the 800 children studied in this survey, only 19% had outgrown the allergy by age 4, however, 79% had outgrown it by age 16. Gluten Intolerance is also on the rise. Research done by Food Renegade reports that just a decade ago gluten intolerance affected 1 out of every 2500 people; today that number has dramatically increased to 1 out of every 133 people.

The reasons for such an increase has a lot to do with the additives placed into the food we eat. Overtime, these artificial additives alter our immune system and nervous system, causing our body to develop allergies. Allergies are a hyperactive response to certain substances that are “foreign” to our bodies. These substances or “allergens” can range from food and pollen to dust and drugs. Allergies are something we acquire throughout life, and some people are more susceptible than others. Being on a restricted diet is difficult, but it is the only way to avoid such allergic reactions (Healing Daily).

Providing meals for these two growing segments of the population allows us to have an advantage over our competitors. Parents of children with dietary restrictions will be more inclined to purchase our lunches. As important as it is to teach a child what they can or can’t eat, we take the worry out of the “what-if” scenario that a child might eat the wrong food in the school cafeteria. Parents can have peace of mind that we are preparing safe meals for their children. In addition, we do the busy work. These professional parents are very busy and making a special lunch for their child requires time and money. Mindful Meals provides a solution for this time consuming daily routine.

Nutrition

Mindful Meals will provide quality meals to children daily. These meals will be made with the freshest fruits and vegetables. We will use only hormone-free dairy products, lean proteins and whole grains. The benefits of using such ingredients will help to lower glycemic index, which can reduce the risk of heart disease and type 2 diabetes. Also, eating fewer processed foods will reduce the risk of certain cancers, asthma and other inflammatory diseases. Through proper nutrition and eating clean, fresh, and quality ingredients these children will be learning the benefits that go along with a well-balanced lifestyle. Children will see what a proper meal consists of and carry this knowledge with them throughout the rest of their lives. For more details about our Menus and Menu options see Appendices J-M.

Industry Analysis

There are only localized companies dealing with privatized school lunch delivery and since none of these companies are publicly traded, their specific details of operations are unavailable. Focusing in terms of food trends overall, many companies are trying to achieve and market themselves with healthier options and wider menu choices; recognizing that the average person is extremely busy and needs convenience.

Nerac, a Research and Advisory Firm, report that convenience foods and innovation are the key success factors to a new or existing product. Through their findings performed at SIAL MONTREAL 2009, an International Food Trade Show, Nerac found that people are looking for more choices with fewer ingredients, without sacrificing taste and quality. Their research found that consumers are looking for convenience, health and wellness, pleasure/fun and sophistication. Despite tough economic times, consumers are still looking for quick, healthy, fresh, tasty and sophisticated food options only at a lower price. Demand from consumers is derived from ease of purchasing, good nutritional value and overall food value; they are not looking to compromise quality when saving time. The recession has trended to more in-home cooking, food preparation and entertaining.

Sustainability has also become a leading trend for food and beverage manufacturers. Consumers care about corporate responsibility, fair trade and locally sourced products. Consumers are paying more attention to where their food is coming from and how much energy is required to get their food to them. Farm fresh products from local areas are becoming more popular than imported goods in order to lessen the overall carbon footprint.

Competitors

Direct Competitors

Revolution Foods: Revolution Foods delivers tasty and healthy meals and nutrition education to schools and programs across the country. They have already established themselves in the Washington DC metropolitan area and are now expanding to Northern and Southern California and Colorado. They have built a key partnership with Whole Foods and launched back in the summer of 2006 with three schools and by 2008 were serving over 100 education programs. Their core belief is that all students deserve access to healthy food and feel it necessary to reach as many students as possible. They offer both hot and cold lunches; each lunch includes fresh fruit and vegetables, a healthy carbohydrate and lean protein. They also serve breakfast, which consists of low fat, hormone-free milk and fresh fruit. They serve district, charter, private and parochial schools as well as after school programs, summer school programs and child development programs. In addition to serving food in schools, their snack items are available for sale in Whole Foods Markets. They are not yet publically traded, but are the closest competitor that exists.

Uptons School Foodies: School Foodies provides fresh, delicious, nutritious meals made from scratch with ingredients from local farmers and distributors of organic foods. Their food is low in saturated fats and added sugars. Goals of their program include teaching students why a healthy diet can increase energy levels, overall fitness, performance, success and happiness. Within the schools they deliver to, School Foodies educates students about the content of unhealthy foods so they better understand why they should be avoided. In addition, they encourage students to value eco-friendly practices and recycling. They are based in San Francisco, California.

Express Lunch Box: Express Lunch Box delivers lunches to schools in the Maryland, Virginia and DC area. They emphasize convenience with their lunch delivery service as well as nutrition. They currently serve 6 schools.

The Lunch Moms: The Lunch Moms was created in 2004 by 2 local moms in the Vernon, British Columbia area. Their main goal is to serve fresh, healthy lunches on a daily basis to elementary schools. Each participating school receives 50 cents from every lunch order.

Indirect Competitors

Sysco Corporation: Sysco is the global leader in selling, distributing and marketing of food products to a wide range of facilities including restaurants, educational and healthcare facilities, lodging and other customers who prepare meals away from home. Sysco also includes products for equipment and supplies for hospitality and the food service industries. For 2009, \$36.9 billion in sales were reported with net earnings of \$1.1 billion (Sysco).

Sodexo Incorporated: Sodexo, Inc. is headquartered in Gaithersburg, Maryland and is a subsidiary of Sodexo Group. Sodexo, Inc. is a food and facilities management service that operates in the United States, Canada and Mexico. They have annual revenues of \$7.7 billion and 120,000 employees. Sodexo works with corporations, health care, long term care and retirement centers, schools, colleges, government and remote sites. Through these facilities, Sodexo serves more than 10 million customers daily (SodexoUSA).

Compass Group: Compass Group North America is another food service management company. Compass Group combines fresh ideas with leaders in the industry. Operating throughout the United States, Mexico and Canada, Compass Group has revenues of \$9.2 billion annually. Worldwide, Compass Group employs 386,000 people and is a subsidiary of Compass Group PLC which is UK based (CGNAD).

Competitive Advantage

Mindful Meals is a business that is built on the importance of providing growing children with nutritious lunches in a manner that is convenient for all parents including parents who have children with dietary restrictions. We will provide an assortment of food menus for children, including menus that adhere to certain dietary restrictions. Our certified staff nutritionist will guarantee the quality of our lunches. Nutrition is our main focus, but convenience is very important to us as well. Our lunches will be delivered directly to the schools meaning they will be fresh and easily accessible to schoolchildren.

Our company has a very distinct competitive advantage. Although there are existing companies who have a similar business model, the one factor that we have that outweighs all of their benefits is that we offer a menu for children with special dietary needs including being dairy free and gluten free. We have a very diverse assortment of products to offer our customers and we focus on providing nutrition to every child, even those who have special dietary restrictions.

Another competitive advantage our company has is that we will have an easy to use website where parents can pay a monthly fee and select how many meals per week they want their children to eat and what types of meals they want them to eat each day. They will be able to select which membership plan they want to have and make monthly payments online. Our payment plan will keep the credit card on file and will bill the customer each month. This way each customer will only need to think about planning their child's lunch, and will not have to worry about making a monthly payment. We value the fact that parents do not have a lot of time, and our company strives to create an easy, customizable experience for parents and children on our website.

We are a first mover in our industry. Although we do have some competition, it is minimal compared to many other industries. The companies that do exist are privately owned and are locally based. Our biggest competitor is Revolution Foods that is based in Washington D.C. They have a very similar business model to us, but do not offer menus for children with dietary restrictions. They are currently locally based, but are planning to expand to the west coast. It is important that we establish ourselves in the west before they expand. We plan to expand nationally so we can serve every school in every state. Many of our competing companies in the industry focus on convenience where we stress the importance of nutrition paired with convenience. In addition, our competitors do not put an emphasis on supplying options for families who have children with food allergies. These factors differentiate us and make us a first mover in the lunch delivery industry as well as in the food allergy industry.

In order to guarantee the quality of our lunches, we will have a certified nutritionist on staff. They will develop and review all menus before they are placed on the website for selection. We will also have a head chef preparing the foods and overseeing food operations. We will have a contracted IT specialist available to make sure our website is

fully functioning at all times. All of these positions will help guarantee that our company provides the utmost nutrition and convenient operations.

To ensure convenience, we will deliver directly to schools and an employee will hand out the lunches to make sure each child gets the lunch they ordered. We will also provide lunches in sustainable, biodegradable lunch boxes that will include a label stating the name of the child, what they ordered, and any dietary restrictions they may have. All of these precautions will help ensure that all children receive the correct lunch and highest grade of nutritious lunches in a convenient manner every day.

Strategies

Sales Strategy

Our sales strategies focus on offering a monthly membership plan to our customers. They will pay a monthly fee, which will ensure us payment for the lunches at the beginning of each month. We will have a sales staff member that will work on pitching our company to school related groups such as the PTA. They will use visual materials and product samples to present the business idea and the benefits for the parents and the children. As the business grows they will use personal testimonials and other success stories. They will be responsible for nurturing existing client relationships, and expanding our business to new schools in new districts. We will begin with one sales rep and expand the position as our company expands. They will be an integral part of our business because they will be responsible for continuing the growth of our business to other schools and other parents.

Marketing Strategy

Our marketing strategies focus on grass root marketing and word of mouth. We know that with what we are offering, must legitimize our business before anyone will purchase our service. We plan to do this by positioning ourselves alongside the schools we want to be serving. If our business is associated with schools, and schools work with us to promote our business, we will be a more legitimate business to our target audience. We will advertise and promote our business at school-sponsored events like PTA meetings, school-sporting events, back to school nights, and any other events at which parents will be present. We want parents to also think of the school when they think of our business.

Advertising

We will depend on word of mouth marketing after the establishment of our company. Having kids get excited about our product and tell their friends about it is the best way for our business to become popular. If the kids like our product, then parents will find out about it and will want to participate to please their children. Along with word of mouth we will continue to advertise through school websites, PTA events, back to school nights, and school newspapers. We will create flyers and posters containing

appealing visuals and catchy slogans. These will be strategically located and will be intended to attract attention from children as well as parents. We will also utilize the local community and advertise in local newspapers, at local parks, and local news stations. We do not plan to create a commercial at the beginning of our venture. Our marketing strategy is to focus on individual communities to connect on a personal level with our target audience. We want to tailor our marketing depending on the community and a commercial would make that difficult. Our marketing will also depend on the promotion of our product through our sales force. They will present the business to new customers as well as new schools and will reinforce the benefits of our company.

Promotional Events

For promotions, we will hold events that focus on the importance of nutrition. These events will take place on school grounds either for our own reasons or during an established event, like a Back to School Night. The events will have games, informational brochures, and packaged handouts for parents and prizes for children. These will get the kids excited about the lunches, and will give the parents more information on the benefits of our company. For our business, it is important that we promote our product to a large group of people. Because we are not a luxury business, we need to sell our low cost product to as many people as possible to turn a profit. Events are a cost effective way to reach a large group of people.

Sponsorships

We will seek out specialty food stores such as Trader Joes or Sunflower Market to sponsor our promotional events and company in general. We hope to conduct co-branding with these companies; meaning we will include their logo on our advertisements and they will promote our service within their stores and advertisements. They will sponsor our promotional events allowing us to create an elaborate event about our company and the importance of nutrition. This will also allow them to advertise their stores as a good place to purchase nutritious food for all meals consumed throughout the day. Co-branding will be beneficial to both companies and will help legitimize our company as a nutritious lunch delivery service.

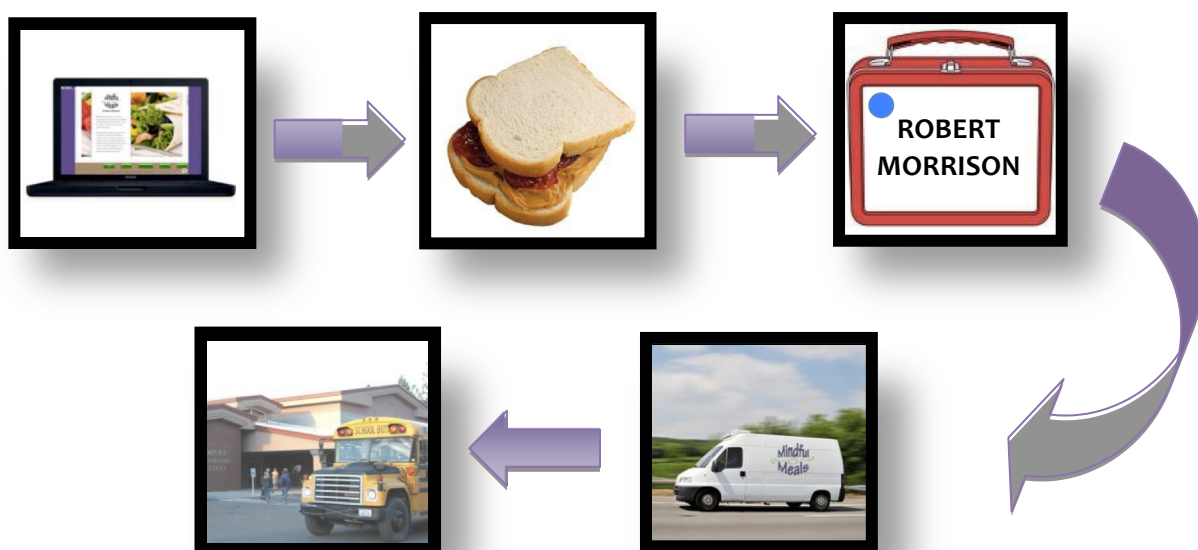
Market Research

We have created our brand identity based on the psychographics of our target market, so there is resonance between their personal lives and our service. Once our company has been established, we will conduct market research to determine the next area of schools we should expand into. The research will consist of the demographics of the area (the income level, and household sizes), the number of schools within a 20-mile radius, and the cultural traits of the area. For example, if an area has a large number of schools, families in the middle to upper middle class with many growing families, and a trend towards a healthy lifestyle and focus on nutrition, we will want to expand into this market.

Expansion beyond schools

After expanding across the nation and becoming firmly established in school lunch programs, we will expand into other areas where children participate. Summer camps, YMCA camps, soccer games, and even birthday parties are possibilities. We are essentially a catering company, and once we have established ourselves in the school industry, we can expand to other areas to provide children with nutritious meals. We also have the opportunity to expand into nutrition education programs for school age children. We could offer special programs for children and parents who deal with dietary restrictions. This would help children develop healthy eating habits and be aware of the content in their meals.

Operations Strategy



Food Preparation Operations

The operations of our company will encompass several different areas. We will have food operations, delivery operations, website operations, and quality operations. Our food operations will include the preparation of our lunches. Before preparing lunches, we will have to order our inventory. We will require parents to submit their selection of the lunches they want delivered to their children each week. They will have to submit these menus by the Wednesday prior to the week the lunches will be delivered. This will allow us time to order the inventory that we will need. The more precise we can be in our inventory order, the more cost effective our business will be. Because our inventory is just in time, and all of our inventory is perishable, we will require parents to follow these rules or their meals will not be prepared. If parents fail to update their menu requests, we will assume they are requesting the same lunches as the week before.

The employees in each of our kitchens will be crucial to the success of our operations. The breakdown of the employees will be executive chef, executive sue chef, lead cook, line cook, dishwasher, and lunch coordinator. Our executive and executive sue chefs will be in charge of preparing the food in the kitchen. The lead cook and line cook will be in charge of assembling the different food items into the lunches they belong. The dishwasher will be in charge of cleaning the dishes, as well as the rest of the kitchen. The lunch coordinator will be in charge of placing the lunches into the correct lunch boxes. This will be a quality check point and is a very important job.

The operations for preparing the lunches will differ based on the food in each meal. Lunches including items such as apples, trail mix, and sandwiches can be prepared earlier than lunches including crunchy tacos. We will prepare the lunches by breaking down each lunch and preparing the items separately. We will use a production list in the form of an excel spreadsheet to keep track of the types of lunches ordered for that day. We will prepare all of the sandwiches in one area, all of the tacos in another area, and so on. Once the parts are assembled, we will combine them to make each lunch. Instead of preparing them by each individual lunch, we will prepare them by parts and then assemble the lunches. This will allow us to keep track of our inventory and will be more efficient than any other method. We will follow a flow chart that will show the lunch, the student it is going to, and the school the student attends. Using this streamlined system will help us keep track of our lunches and will create an efficient kitchen environment.

Lunches will be prepared either the night before or morning of delivery, as some items can be prepared ahead of time to save on production times the day of delivery. Any items that can be assembled the night before like apples or trail mix, will be assembled to cut down on production time the morning of. After the food is prepared properly, the lunches will be placed into the correct lunch boxes by the lunch coordinator. Each lunch box will have a sticker with the full name of the child, the food in the lunch box, a picture of the child and lunch and any dietary restrictions the child may have. Our executive chef will be in charge of monitoring the operations of the kitchens; ensuring quality of the food, making sure the correct lunches are put into the correct lunch boxes, and ensuring the lunches are put on the delivery trucks at the proper times.

Delivery Operations

Our head delivery manager will run the delivery operations. He will be in charge of making sure all of the lunches are put into the correct vans. Our delivery drivers will be in charge of ensuring all lunches make it to the proper schools. Once at the school, the lunch distributor will be in charge of distributing the lunches to the correct children.

Each kitchen will be strategically placed within a 5 mile radius of each school it will be distributing too. It is important that we are close to our destinations because the lunches can not be late since school children have a short window to eat their lunches. Also, because it is important that our lunches stay fresh and the less time they are in transit

the better. We will have a back up van at each kitchen in case one of our vans breaks down or is in an accident.

The food industry requires that all cold foods be delivered less than 40 degrees Fahrenheit and any warm foods be delivered over 140 degrees Fahrenheit. Because of these standards, we will be delivering any cold foods in a portable refrigerator unit. Each unit holds 72 lunches and will be used as needed. To deliver our warm meals, we will use a portable heating unit. This unit also holds 72 lunches. Lunches with both warm and cold components will be delivered unassembled and will be assembled on site by our lunch distributor.

Website Operations

This will be the administrative aspect of our operations. It will be our main source of collecting our lunch orders, the location to which they will be going, the child they will be going to, and any food allergies the child may have. This will also be our main source for collecting revenue. Parents will be able to pay for their first monthly membership online and our system will automatically deduct the payment each month following. This will guarantee monthly revenue from each customer and will be appealing to customers because they will not have to think about paying another monthly bill.

Quality Assurance Operations

Our final set of operations will be our quality assurance operations. We will have several points of inspection to ensure the quality of our products. Our executive chef and lunch coordinator will be checkpoint 1. The executive chef will be in charge of making sure all the food is prepared properly. The lunch coordinator will be in charge of making sure the correct food is placed into the correct lunch boxes. We will have an employee who will specifically be in charge of double-checking the previous procedure. Our delivery manager will be in charge of making sure our lunch boxes are placed in the correct van and that they are going to the correct school. Our final quality checkpoint will be at the schools. The lunch distributor is responsible for making sure each lunch box is handed to the correct child. These check points are crucial to our business because they will guarantee our quality of food as well as our quality of service.

Business Model

With the individual needs of our customers in mind, Mindful Meals has been designed to offer a customizable experience, based on the needs of the child. Our primary customer interaction takes place in the digital realm, with customers logging on to our website to order and pay for their meals. When an account is created it will be linked to the customer's credit card, with deductions occurring on the first of every month. This alleviates a lot of the work on the user end, and ultimately benefits our customers greatly. Again, the monthly price of the account will be based on the individual customer's needs, mainly how many meals they desire, and whether or not their child has any special dietary needs. The rates for the *Special* meals represent a 20% increase in price from the *Basic* meals, due to the higher cost of ingredients and labor.

The monthly rates break down as follows:

	Basic	Special
Tier 1	\$100	\$120
Tier 2	\$80	\$96
Tier 3	\$45	\$54

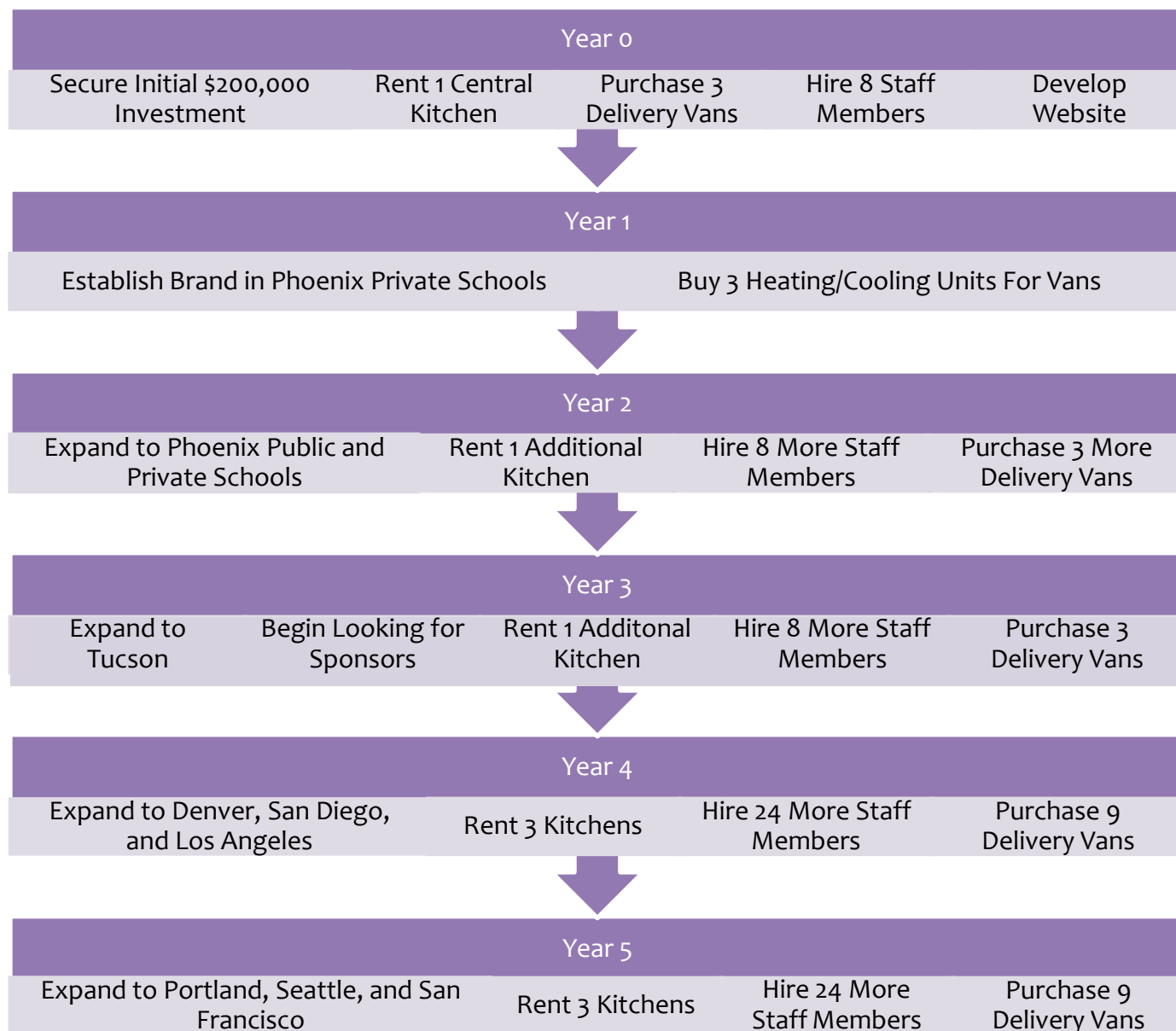
Tier 1 offers customers the ability to order up to 20 meals per month, or one meal every school day. Tier 2 offers up to 15 meals per month, with Tier 3 offering up to 8 meals. Taking these meal limits into account, the per meal cost to the customer is as follows:

	Basic	Special
Tier 1	\$5	\$6
Tier 2	\$5.33	\$6.4
Tier 3	\$5.63	\$6.75

As the charts show, the per-meal cost decreases as the customer orders more meals. This incentivizes the customer to purchase more meals at a lower overall cost, much like warehouse stores enable their customers to buy in bulk. Because we are going to rely heavily on high-volume sales to ensure stability, it will be crucial to get the customer to pay for as many meals per month as possible.

By operating under a monthly membership plan, we are guaranteeing an automatic revenue stream at the beginning of each month. This will enable us to create a self-sustaining business, as long as we can retain our customers from a month-to-month basis. Another added benefit of our revenue structure is the fact that in many cases, customers will be paying for more meals than they are actually consuming. For example, if a parent would like 4 meals a week for their child, they would sign up for the Tier 1 plan. They would be consuming only 16 meals per month, but ultimately paying for 20 meals. This discrepancy creates an opportunity for us to make pure profit.

Timeline of Important Events



Financials

As the following section will show, Mindful Meals has a tremendous opportunity to be a highly lucrative business. Taking into account our membership-based business model, our sales, marketing, and operation strategies, as well as our target market, we have been able to accurately prepare 5 years of financial projections. These projections also use a large number of assumptions, which will be further explained.

We have decided to limit the schools that we work with in Year 1 to private schools located in the Phoenix-metropolitan area. This will allow us to provide real-world evidence of the feasibility of our venture. Private schools have less stringent rules when it comes to using a third-party vendor, such as us. In addition, these parents from these schools are already paying extra for their child's lunch. By working in private schools for a year we will be able to build up a strong reputation, thus allowing for easier entrance into public schools. By Year 2, we will offer our services to public schools in the Phoenix area as well. In Year 3, we plan to expand to southern Arizona, with a kitchen in Tucson. By this point, we hope to have gained national prominence and demand for our services elsewhere. Once we have established ourselves as a reliable brand in Arizona, we will expand outside the state, to San Diego, Los Angeles, and Denver. Finally, in Year 5, we plan to enter the major cities along the west coast, such as San Francisco, Portland, and Seattle. At this time, we can realistically see sales in excess of \$1 million each month.

In searching for a kitchen to use as a base of operations, we discovered that there are a few ways to acquire a commercial kitchen: buy, lease, or rent. We found that a rented kitchen can operate for approximately \$75 per day. Therefore, one month's rent for one kitchen would cost \$2250. This figure includes other expenses, such as utilities and garbage pickup, so we see it as a highly efficient way to acquire a kitchen. We will hire a head Chef/Kitchen Manager to run each new kitchen that we open. These individuals will be in charge of the day-to-day operations of the individual kitchens, ensuring the kitchens are running as efficiently as possible. Hourly employees will do the actual preparation of the meals. We are assuming that each employee will be trained well enough to prepare around 60 meals per hour. By paying these employees \$8/hr, this leads us to \$.13 in labor cost for each meal. An additional \$.13 per meal will be allocated towards the Lunch Coordinator, who will organize the actual meal assembly. Each new kitchen opened will also have 2 delivery vans, priced at \$10,000 each, with a third backup van. The head driver will also serve as the Inventory Manager and will be responsible for ordering and taking care of our inventory.

Following an initial overall loss in Year 1, our company will continue to grow at a rapid rate. We realize that Year 1 in any business is going to have a number of 'growing pains.' Ultimately, the experience that we gain in this year will be infinitely valuable to us moving forward. By Year 2 we will show a positive EBITDA of nearly \$90,000. In Years 3 and 4, that figure increases to over \$350,000 and \$2.4 million, respectively. Finally, by Year 5, we expect to earn an EBITDA of over \$3.6 million.

All of our financial estimates have been created with an overall theme of conservatism. We understand that we may be overestimating some expenses while underestimating our sales figures. Due to the relative newness of this type of business, it is important that we act in this conservative nature until we can accurately establish these figures. As our company continues to grow, we anticipate the ability to partner with our food suppliers to dramatically decrease our costs. As our income statements show, our Cost of Goods Sold, consisting largely of our food expenses, are very high. This means that we are

operating on a fairly slim margin. Attracting and retaining customers and maintaining a high volume of sales are going to be crucial to our success as a company. Once we have firmly established ourselves as a reliable brand, we anticipate it being much easier to form partnerships with these suppliers and greatly improve our financial standing.

Year 1 Sales Breakdown by Meal Plan

Basic Plans

	Price/Meal	# of Meals Sold	Product Revenue
Tier 1	\$5.00	31,250	\$156,250
Tier 2	\$5.33	23,443	\$124,954
Tier 3	\$5.63	6,255	\$35,214

Special Plans

	Price/Meal	# of Meals Sold	Product Revenue
Tier 1	\$6.00	1,647	\$9,880
Tier 2	\$6.40	1,232	\$7,885
Tier 3	\$6.75	332	\$2,239

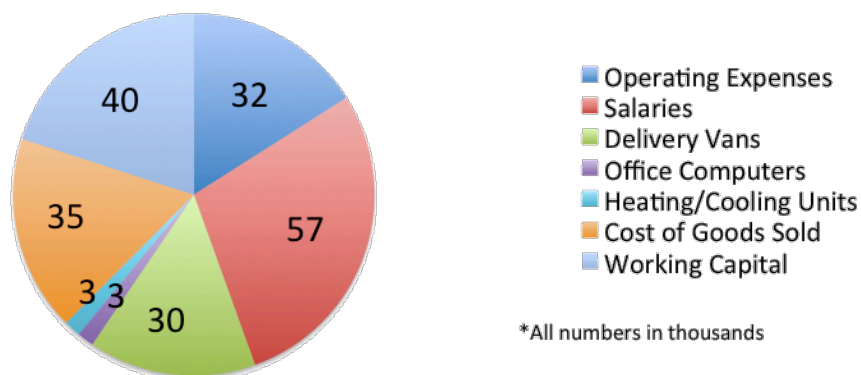
5 Year Abbreviated Income Statement

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	271,453	2,102,052	4,024,335	4,024,335	18,305,708
COGS	174,880	1,364,578	2,605,332	8,292,557	11,810,284
Operating Exp.	299,842	663,628	1,088,956	2,133,444	2,945,511
EBITDA	(196,449)	86,865	350,507	2,462,094	3,609,918

Funding

Due to our relatively simple concept, our venture does not rely heavily on capital investment. This means that we need a relatively small amount to launch our business. Due to our monthly-membership-based business model, once a large enough customer base is established, Mindful Meals will become a self-sustaining business, with guaranteed cash flows at the beginning of each month. After carefully crafting our financial data and analyzing the nature of the business, Mindful Meals is asking for \$200,000 to allow us to begin operations.

This money will be used to purchase our few capital assets: delivery vans, office computers, and food heating and cooling units. Additionally, these funds will cover our first 5 months of operating expenses and salaries, and provide us with enough working capital until the business begins to take off and become a self-sustaining entity. Specifically, these funds will be used as follows:



With a Year 5 EBITDA of roughly \$3.2 million, an industry P/E ratio of 10, and the required investor return of 20, our pre and post money figures are \$1.4 and \$1.6 million, respectively. This means that with an investment of \$200,000, the investor will receive a 12% ownership stake of Mindful Meals, with the founders still maintaining 88% of the company.

All of these financial projections and figures take into account the first 5 years of operations. During this time, we plan on focusing only on providing school lunches to children. But, with an established brand an after a few years in the industry, we see literally hundreds of avenues that Mindful Meals could take. Basically, with a concept such as this, Mindful Meals could evolve into a nutritious catering service that can meet anyone's needs, not just school children. Because of the diversity and flexibility of our company, we represent a lucrative opportunity for any investor.

Contingency Plan

If we discover that we are going to be unable to deliver to public schools, we have a few other options available. One would be to find a way around the setback, by setting up a designated pick-up area located near the child's school. This would not be ideal, but represents a way that we could still reach the large market of public school children. A second option would be to focus strictly on private school children. This is obviously a much smaller market, but one that could still be highly lucrative. For calculation purposes, in this event, we will re-adjust our financial and sales projections. We will only ask for \$130,000 to begin, and will focus on saturating the Phoenix and Tucson markets in the first 5 years. From that point on, we will begin to turn a profit, will be an established, reliable brand, and be able to begin rapid expansion to private school across the United States. After suffering losses for the first few years, we will have an EBITDA of nearly \$600,000 in year 5, leading to an investor ownership stake of 44%. Again, this is not an ideal situation, but we really do not anticipate the need to make this contingency plan a reality.

Business Summary

The Mindful Meals executive team is comprised of four individuals with differing backgrounds and a passion for children's nutrition.



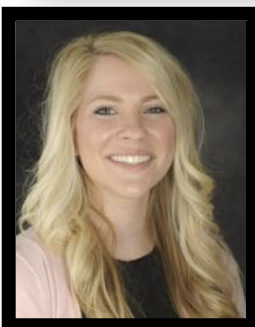
Kara Beaudet- Chief Executive Officer

Kara Beaudet's experience includes positions in sales and customer service. Her leadership positions in student groups, as well as professional environments have prepared her to be the Chief Executive Officer of Mindful Meals. She is triple majoring in marketing, business management and entrepreneurship. Due to this educational and professional background, she is the best choice to function as the Chief Executive Officer of Mindful Meals.



Kathryn McGlamery- Chief Operations Officer

Kathryn McGlamery's past experience consists of an assortment of jobs including marketing, customer service, work in the service industry, and ticket sales. She is double majoring in marketing and entrepreneurship at the Eller College of Management. These experiences have given her an interest in operations and have prepared her to be the Chief Operations Officer of Mindful Meals.



Toni Teplitsky- Chief Marketing Officer

Toni Teplitsky serves as the Chief Marketing Officer for Mindful Meals. Her experience in sales has given her the knowledge to effectively reach our customers. Her marketing knowledge extends beyond the classroom having served as the marketing intern for a Tucson based marketing firm. She is pursuing a double major in Entrepreneurship and Marketing. As a sufferer of food allergies as a child, she has a vested interest in the overall well-being of our nation's youth and brings that passion to Mindful Meals.



Ryan Malham- Chief Financial Officer

Ryan Malham serves as the Chief Financial Officer. He has worked in sales for the past 6 years for companies such as Help-U-Sell Real Estate and Aflac Insurance. He loves challenges and figuring out new, creative ways to solve them. He brings his experience as an Accounting major and the analytical skills that go along with it. Ever the positive thinker, Ryan brings his outgoing nature and progressive attitude to the Mindful Meals team.

Helping our team of highly motivated students is an experienced team of advisors. These advisors include Gregory Smith and Marni Mendelsohn and we are in the process of contacting a registered dietician. Since our team has little experience with catering and nutrition standards, these advisors have been integral to developing the details of Mindful Meals. Gregory Smith is the head chef at the University Park Marriott Hotel. He was able to provide us with expertise he has learned through his years of experience preparing meals in mass quantities. Marni Mendelsohn is a student majoring in nutrition who helped us develop a mock menu. We are currently in the process of getting our menus approved by a registered dietician to further prove our meals are nutritious.

The current attitude towards school lunches makes now the perfect time to launch a health-focused lunch delivery service. The United States federal government is working on changing regulations to make school-provided lunches healthier for children, however, they must remain relatively inexpensive so that students will not be denied lunch due to their financial situation. This means that much of the quality and nutrition will be sacrificed, since healthier, fresher foods normally cost more to provide. However, since they must be at a cost that is universally available, this forces other parents to accept a lower standard that they may not be willing to accept. In our survey (see Appendix E), we found that most parents would be willing to pay \$1-2 more than they currently pay for school lunches if it means their children would be guaranteed a healthy, fresh lunch. In addition, our benchmark company, Revolution Foods, is looking to expand their business to the west coast in the coming years. We believe that by establishing our company as a trusted, nutritious lunch provider before their expansion, we will be able to compete with them. We would like the opportunity to meet with you further to discuss how we can make this possible.

Appendices

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Advisors to Mindful Meals

Robert Morrison has been the mentor for Mindful Meals since the idea creation phase. He is a founder of Sunquest Information Systems, which became the world's largest vendor of hospital laboratory information automation products. Since leaving Sunquest, Mr. Morrison has spent a number of years consulting with emerging companies and assisting them in their business development. Today he is the Executive Director of Tucson's Desert Angels, which is a group of local investors that focus on early stage companies.

Allison Woolston is a third year law student at the University of Arizona, Rogers College of Law. She has assisted Mindful Meals with discovering and solving any legal issues that arose during the conception of the venture, especially handling the liability of claiming nutritious and allergy-friendly meals. Dr. Woolston graduated Phi Beta Kappa with a B.A. in Philosophy from Dartmouth College and obtained her D.V.M. from the University of Florida College of Veterinary Medicine. She practiced veterinary medicine in Wyoming for ten years. She received the John R. Christian Award for the Top Student in Business Organizations and the E. Herbert Herlihy Memorial Award in Law for the highest second-year GPA.

Dylan Ciciliano is in his final year of law school at the University of Arizona. He will return to Las Vegas in May where he will join Gordan Silver as a first year associate. With the help of Dr. Woolston, he drafted the terms and conditions parents would have to agree to when signing up for a Mindful Meals plan. He attended the University of Nevada, Reno for undergraduate and graduate school receiving undergraduate degrees in Economics, Political Science, and Mathematics, and a Masters Degree in Economics. Dylan is the Senior Managing Editor of the Arizona Journal of International and Comparative Law.

Marni Mendelsohn is a student at the University of Arizona studying Nutritional Sciences. She, herself, is gluten-free and understands what it is like to live such a lifestyle. Using her own personal experience and knowledge, she was able to develop preliminary nutritious menus for Mindful Meals.

Randy Accetta is the “Mentor-in-Residence, Communication” at the McGuire Center for Entrepreneurship at the University of Arizona’s Eller College of Management. His current specialties include entrepreneurship education, business communication, sports marketing, nonprofit leadership, and distance learning.

Gregory Smith is the head chef at the Marriott University Park hotel in Tucson, Arizona. He has extensive experience in food preparation and also teaches for the Art Institute of Tucson Culinary Program. He provided Mindful Meals with valuable insight into the operations logistics of mass food preparation and what kind of staff is needed to run a kitchen. He has a Bachelor of Science from the University of Arizona.

Alternate Value

Inherent in the business model for Mindful Meals is a strong emphasis on alternate, or social, value. Social value is defined as the value that a company can add, outside of economic gains and losses. Typically, this can be viewed as the 'good' that a company contributes to society. We believe that our venture is full of social value, as it is one of our defining characteristics. Yes, we can realistically anticipate that this has the potential to be a highly lucrative business opportunity for any investor. But, what makes us unique is our ability to cater to a specific social need.

Children are not able to get a proper, balanced meal by only eating the school-provided lunches. Parents who care deeply about their children's nutritional needs are often extremely busy and do not have the time to prepare a well-balanced meal. Further, the needs of children suffering from gluten and lactose allergies are simply not being met by any currently offered solution. Mindful Meals takes care of this problem with our solution. By definition, our entire business revolves around social value, and it is something that we take very seriously.

Survey

The following survey was distributed and received 123 responses, the results of which are summarized.

1. On average, how many times per week do you prepare your child's lunch?

- ☐ 0
- ☐ 1
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5

What are your primary reasons for preparing your child's lunch?

2. On average, how many times per week does your child buy their lunch from school?

- ☐ 0
- ☐ 1
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5

What are your primary reasons for having your children buy their lunch?

3. How much time is spent preparing your child's lunch?

- ☐ Less than 5 minutes
- ☐ 5-10 minutes
- ☐ 11-15 minutes
- ☐ 16-20 minutes
- ☐ More than 20 minutes

4. Does your child have any of the following food allergies? Choose all that apply.

- ☐ Peanuts
- ☐ Milk
- ☐ Eggs
- ☐ Tree Nuts (Almonds, Walnuts, Cashews, Pistachios, Pecans)
- ☐ Wheat
- ☐ Soy Fish
- ☐ Shellfish
- ☐ None
- ☐ Other (please specify) _____

5. When preparing your child's lunch, how important are the following:

	Not Important (1)	2	Important (3)	4	Extremely Important (5)
Convenience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Nutrition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. When preparing meals for yourself, how important are the following:

	Not Important (1)	2	Important (3)	4	Extremely Important (5)
Convenience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Nutrition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. How much would you be willing to pay for a nutritious and convenient alternative to school-provided lunches?

8. What kind of school do your children attend? Choose all that apply.

	Preschool	Pre-K	Kindergarten	1st grade	2nd grade	3rd grade	4th grade	5th grade	6th grade	7th grade	8th grade	High School or Higher
Public	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Private	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other (please specify) _____

9. What is your household income, before taxes?

- ☐ Less than \$35,000
- ☐ \$35,001-\$50,000
- ☐ \$50,001-\$75,000
- ☐ \$75,001-\$100,000
- ☐ More than \$100,000

10. In what city and state do you currently reside?

City _____

State _____

Results Summary

For question one when asked how many times a week parents prepare their children's lunch, 42.1% replied saying they made lunches at home 5 times a week. About 21.4% of parents said they make lunches at home 0 times a week. From this information we can assume that the 21.4% of parents who never make at-home lunches would be willing to use our service since they already pay for lunches, and obviously care about the convenience of the child getting their lunch at school. We can also assume that our most expensive membership plan (offering 5 meals a week) would be the most popular. There is a small percentage of parents who make their lunches at home, and buy the school lunches. We have the opportunity to capture those parents who make all their lunches at home and to capture the parents who always buy school lunches.

For question two, when asked how many times per week their children buy lunches at school, 43.7% of parents said their children buy lunches 0 times a week. From this we can assume that the food being served at these schools is not up to the families' nutritional standards.

For question three, when asked how many minutes a day a parent spends preparing lunches, 46% replied saying they spend 5-10 minutes a day. This can add up to at most 50 minutes per week just preparing lunches.

For question four, when asked if their children have any food allergies and which ones, 80.2% of parents replied that their children do not have food allergies. However, of the food allergies that were recorded, two of the highest were to milk (6.3%) and to wheat (4.8%). These are the two dietary restrictions that our business will be addressing. From this we can assume that the majority of our business will be from traditional menus, but of the food allergies out there, we have offer solutions to the two most popular. Because of this we will be able to capture a large amount of the market that does have food allergies. This is a growing market that will continue to get bigger and Mindful Meals will

be there to offer a solution.

For question five, when asked the most important factors of their child's lunches, 54% replied that nutrition is the most important factor. Convenience was the next most important at 42.1%, and cost was the least most important at 34.9%. This shows us that we are on the right track positioning our company as a nutritious lunch delivery service. We focus on nutrition and then convenience which correlates directly to the needs and wants of our target audience.

For question six, when asked the most important factors of preparing lunches at home, 45.2% said that nutrition is the most important factor. Convenience follows with 44.4%, and cost is the least important with 31.7%. This again reaffirms our assumption that nutrition is the most important aspect of children's lunches to parents

For question seven, when asked how much a parent would be willing to pay for a nutritious lunch delivery service, the average amount given was \$4.00 per lunch. The average price we will be charging is \$5.00 per lunch. This shows that the price we will be charging, is not that much lower then the average price our target audience would be willing to pay.

For questions eight, when asked whether your child attends public or private school, 47.7% said their children attend public school and 37.5%. We will be targeting private schools in the beginning and even though this shows there are less private school children then public school, we will expect to capture 80% of private schools and about 20% of public schools. So event though private schools are smaller, we can capture a larger amount of their children. Then we can expand into public schools and capture that market.

For question nine, when asked your household income before taxes, 50% were making over \$100,000.00.

Finally, for question ten, when asked what city and state they currently reside in, the average response was in Phoenix, Arizona. This is important because this is the area we plan to launch our business. Getting these responses from parents who make the salary they do and live in Phoenix, provide us with primary market research of our target audience.

Public School Government Regulations

This chart depicts the current and proposed changes to the breakfast and lunch programs for public schools in the United States.

Federal Register / Vol. 76, No. 9 / Thursday, January 13, 2011 / Proposed Rules

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CHANGES IN MINIMUM AMOUNTS AND TYPES OF FOOD: BREAKFAST

	Current requirement	Proposed requirement
Fruit	1/2 cup per day	1 cup per day.
Grains and Meat/Meat Alternate	2 grains or 2 meat/meat alternates or 1 of each per day.	1.4–2 grains per day plus: 1–2 meat/meat alternates per day. (Range reflects difference by grade group.)
Whole Grains	Encouraged	At least half of the grains to be whole grain-rich.
Milk	1 cup	1 cup, fat content of milk to be 1% or less.

CHANGES IN MINIMUM AMOUNTS AND TYPES OF FOOD: LUNCH

	Current requirement	Proposed requirement
Fruit and Vegetables	1/2–1 cup of fruit and vegetables combined per day	3/4–1 cup of vegetables plus 1/2–1 cup of fruit per day.
Vegetables	No specifications as to type of vegetable	Weekly requirement for dark green and orange vegetables and legumes and limits on starchy vegetables.
Meat/Meat Alternate	1.5–3 oz equivalents (daily average over 5-day week).	1.6–2.4 oz equivalents (daily average over 5-day week).
Grains	1.8–3 oz equivalents (daily average over 5-day week).	1.8–2.6 oz equivalents (daily average over 5-day week).
Whole Grains	Encouraged	At least half of the grains to be whole grain-rich.
Milk	1 cup	1 cup, fat content of milk to be 1% or less.

Sample Menu: Regular Menu

Tacos

*Served with beans and cheese and side of chips & salsa
Choice of: sautéed vegetables, beef (low-fat) or white meat chicken*

Bean & Cheese Burrito

Served with chips & salsa

Grilled Cheese

With yogurt cheese

Chicken Panini

With yogurt cheese and tomatoes

Pizza on Whole Wheat Crust

Choice of: pepperoni, tomatoes, green peppers, olives, mushrooms

Chicken Fingers

Served with baked French fries

Hamburger on Whole Wheat Bun

*Served with baked French fries
Choice of Toppings: ketchup, mustard, cheese, lettuce, tomato, onions*

Turkey Meatball Sandwich

Served on whole wheat roll with marinara sauce

Pasta with Marinara Sauce

Choice of chicken, ground turkey meatballs, or veggies

Mac & Cheese

*Prepared with Greek yogurt and low fat cheese
Protein Option: chicken or veggies*

Protein & Vegetable Stir Fry

Protein Option: chicken, low-fat beef, or tofu

Peanut Butter & Jelly

Served on whole wheat bread

Soups: Chicken & Rice, Chicken Noodle Soup, Tomato

Sample Menu: Gluten-Free

Corn Tortilla Tacos

*Served with beans, cheese and side of chips & salsa
Choice of: sautéed vegetables, beef (low-fat), or white meat chicken*

Grilled Cheese on Gluten-Free Bread

With yogurt cheese

Chicken Panini on Gluten-Free Bread

With yogurt cheese and tomatoes

Pizza on Gluten-Free Crust

Choice of: pepperoni, tomatoes, green peppers, olives, mushrooms

Gluten-Free Chicken Fingers

Served with baked French fries

Gluten-Free Turkey Corn Dog

Served with baked French fries

Protein Style Hamburger (no bun)

*Served with baked French fries
Choice of Toppings: ketchup, mustard, cheese, lettuce, tomato, onions*

Gluten-Free Pasta with Marinara Sauce

Protein Option: chicken, ground turkey, or veggies

Gluten Free Mac & Cheese

*Prepared with Greek yogurt and low fat cheese
Protein Option: chicken or veggies*

Protein & Vegetable Stir Fry

*With gluten free soy-sauce
Protein Option: chicken, low-fat beef, or tofu*

Peanut Butter & Jelly

Served on gluten-free bread

Soups: Chicken & Rice, Chicken & Gluten-Free Noodle, Tomato

Sample Menu: Dairy-Free

Corn Tortilla Tacos

Served with beans and side of chips & salsa

Choice of: sautéed vegetables, beef (low-fat) or white meat chicken

Grilled Cheese

Served on whole wheat bread with soy cheese

Grilled Chicken Sandwich on whole-wheat bun

Served with baked French fries

Chicken Fingers

Served with baked French fries

Hamburger on Whole Wheat Bun

Served with baked French fries

Condiments: ketchup, mustard, lettuce, tomato, onions

Pasta with Marinara Sauce

Protein Option: chicken, ground turkey, or veggies

Pizza with Soy Cheese

On whole wheat crust

Protein & Vegetable Stir Fry

Protein Option: chicken, tofu, or low-fat beef

Peanut Butter & Jelly

Served on whole wheat bread

Turkey Hot Dog

Served with baked French fries

Turkey Corn Dog

Served with baked French fries

Soups: Chicken & Rice, Chicken Noodle, Tomato

Sample Menu: Sides

Carrots

Choice of dip: fat-free ranch, hummus

Celery

Choice of dip: fat-free ranch, peanut butter, hummus

Apples

With or without peanut butter

Chips & Salsa

Trail Mix

Fresh Fruit

Banana, oranges, grapes, melon

Low-Fat Yogurt

Low-Fat Cottage Cheese

Small Salad

With low-fat ranch dressing or oil & vinegar

Chocolate Oat Cookie

Peanut Butter Cookie

Gluten-Free Cookie

Peanut butter, oatmeal, chocolate chip

Sample Menu: Drinks

Fat-Free Milk

Fat-Free Chocolate Milk

Soy Milk

Soy Chocolate Milk

Fortified Orange Juice

Apple Juice

Water

Terms and Conditions

Ordering:

Mindful Meals provides meals under the following monthly subscription terms at the following prices:

Tier 1 (five meals per week based on a calendar month and allowing for school holidays):

Basic: \$100

Specialty: \$120

Tier 2 (up to 15 meals per month):

Basic: \$80

Specialty: \$96

Tier 3 (up to 8 meals per month):

Basic: \$45

Specialty: \$54

Food Delivery:

Mindful Meals will deliver all meals at least thirty (30) minutes prior to the scheduled mealtime provided in the order form. Food will be delivered to the specified school and not to the specified child. The manner in which the food is delivered to the students is dependent upon the policy of the school in which the student is enrolled. Mindful Meals makes no representations as to the delivery of the individual meals to the students. Mindful Meals takes no responsibility for any delays in delivery due to circumstances unforeseen or beyond the control of Mindful Meals.

Special Requests:

Mindful Meals will accommodate certain special food requests. Said requests are found on Mindful Meal's website, under the heading "Menu". Any requests outside of the options found listed on the website will be handled on a case-by-case basis and Mindful Meals provides no guarantees as to its ability to accommodate such requests.

Equipment and Supplies:

Mindful_Meals will provide all necessary items for meal consumption, including appropriate eating utensils, napkins, and condiments, as appropriate.

Quality:

Prepared meals will be meet or exceed established state and federal guidelines for school lunches. Specific nutritional details are available upon request

Payment:

Payment is due upon subscription to a monthly contract of meals. Mindful Meals accepts Visa and Mastercard. Secure payment is available through the website. Payment on a monthly recurring basis may be set up through the Mindful Meals website. Recurring

charges will be billed to the credit card on file on the 1st of each month during the academic year.

Cancellation:

After a food service has been ordered and payment has been approved, if you are not completely satisfied with your order and would like to cancel please contact Mindful Meals immediately.

Canceling within five (5) days of ordering and or five (5) days prior to a scheduled service will result in a full refund. Canceling 1-5 days prior to a scheduled service will result in a credit for the following month. A canceled food service the day of a scheduled service will be credited for the following month if notice occurs prior to 9am, canceling after 9am the day of a scheduled service will not be refunded or credited.

Upon placing an order, the purchaser must specify the desired dates and times of delivery. Any changes must be requested by phone or on-line seventy-two (72) hours prior to the original delivery date. Undelivered meals at the end of the month will expire and no refund will be issued. Mindful Meals will deliver a maximum of one meal per child, per day, unless multiple meals are contracted for by the purchaser.

Cancellation of recurring contracts must occur five (5) days prior to the beginning of the month.

Please note that Mindful Meals does not offer credits or refunds for any days missed due to absences, illness, etc. If there are extenuating circumstances, please feel free to contact our kitchen at any time.

Disclaimer:

At Mindful Meals, we consider ourselves “allergen aware.” This means that with regard to nuts, we do not use any products that have nuts, nut oils or nut extracts in the ingredients. Any product that we produce from scratch is “nut free.” We make every attempt to carefully screen our products for all allergens so that our web site is as up to date as possible with ingredient listings. At times, manufacturers list disclaimer statements on certain baking mixes or dry ingredients. In those cases, we query our food distributor to ensure that all processing plants guard against cross-contamination. Mindful Meals takes no liability for allergic reactions due to unforeseen circumstances, changes in manufacturing practices by suppliers, or events outside of our control.

Terms and Conditions:

By agreeing to the terms and conditions of this site, you agree to use the site for its intended purpose of ordering school lunches and or other related catering services as provided by Mindful Meals. You understand that any unauthorized use of the system, or misuse of the ordering process may result in a suspension or termination of your account.

Further, as a parent, you understand that Mindful Meals will make every attempt to keep nutritional information and allergy references on this site up-to-date, however

you as the parent or guardian, and anyone who uses your account to place orders understands you are responsible for ordering lunches which meet the individual needs of your child (children) with regard to: Nutrition, Allergies, and Food Restrictions. Mindful Meals accepts no liability for any orders placed by parents or guardians.

Mindful Meals reserves the right to make substitutions to menu items as needed based on product availability.

This Agreement constitutes the entire agreement of the parties and supersedes all prior communications, understandings and agreements relating to the subject matter hereof, whether oral or written.

Key Industry Ratios

Annual Distribution Industry Sales (U.S. 2007): \$244 billion

Average Gross Profit: 17%

Average Net Profit: 1.8%

Shares of Sales by Distributor Type:

- Broadline: \$140 billion or 57%
- Specialists: \$44 billion or 18%
- Other: \$60 billion or 25%

(IFDA: International Foodservice Distributors Association)

Pro-Forma Financial Statements

Income Statement

Year	1	2	3	4	5
SALES					
Gross Sales	271,453	2,102,052	4,024,335	12,849,035	18,305,708
Returns and Allowances	-	-	-	-	-
NET SALES	271,453	2,102,052	4,024,335	12,849,035	18,305,708
COST OF SALES					
Materials	155,968	1,216,497	2,323,507	7,395,820	10,533,124
Labor (Inc Taxes & Benefits)	18,913	148,081	281,825	896,738	1,277,160
Other	-	-	-	-	-
TOTAL COST OF SALES	174,880	1,364,578	2,605,332	8,292,557	11,810,284
GROSS MARGIN	96,573	737,474	1,419,003	4,556,478	6,495,425
OPERATING EXPENSES					
Salaries and wages	184,000	408,000	662,000	1,182,000	1,569,000
Payroll taxes	14,076	31,212	50,643	90,423	120,029
Employee benefits	18,400	40,800	66,200	118,200	156,900
Depreciation	6,820	13,020	20,460	39,060	60,005
Bad debt expense	-	-	-	-	-
Additional Operating Expenses	76,546	170,596	289,653	703,761	1,039,578
TOTAL OPERATING EXPENSES	299,842	663,628	1,088,956	2,133,444	2,945,511
OPERATING PROFIT (LOSS)					
BEFORE INTEREST AND TAXES	(203,269)	73,845	330,047	2,423,034	3,549,913
INTEREST EXPENSE	-	-	-	-	-
PROFIT (LOSS) BEFORE TAXES	(203,269)	73,845	330,047	2,423,034	3,549,913
INCOME TAXES	-	-	(79,326)	(958,068)	(1,403,636)
NET PROFIT (LOSS)	(203,269)	73,845	250,720	1,464,966	2,146,278
EBITDA	(196,449)	86,865	350,507	2,462,094	3,609,918

Statement of Cash Flows

	Year	1	2	3	4	5
CASH FLOWS FROM OPERATIONS						
Net income		(203,269)	73,845	250,720	1,464,966	2,146,278
Adjustments to reconcile net income						
to cash flows from operations						
Depreciation		6,820	13,020	20,460	39,060	60,005
Changes in certain assets and						
liabilities						
Accounts receivable		-	-	-	-	-
Inventory		-	-	-	-	-
Other current assets		(9,000)	-	(6,000)	(6,000)	-
Accounts payable		-	-	-	-	-
Other current payables		-	-	-	-	-
Pre-existing debt		-	-	-	-	-
TOTAL CASH FLOWS FROM OPERATIONS						
		(205,449)	86,865	265,180	1,498,026	2,206,283
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of equipment		(36,000)	(36,000)	(39,000)	(111,000)	(111,000)
Other Assets		-	-	-	-	-
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES						
		(36,000)	(36,000)	(39,000)	(111,000)	(111,000)
CASH FLOW BEFORE FINANCING						
		(241,449)	50,865	226,180	1,387,026	2,095,283
CASH FLOWS FROM FINANCING ACTIVITIES						
Borrowing of long-term debt		-	-	-	-	-
Repayment of long-term debt		-	-	-	-	-
CASH FLOW BEFORE EQUITY FINANCING						
		(241,449)	50,865	226,180	1,387,026	2,095,283
Sales of Stock		200,000	-	-	-	-
Repurchase of Stock		-	-	-	-	-
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES						
		200,000	-	-	-	-
NET CASH FLOWS						
		(41,449)	50,865	226,180	1,387,026	2,095,283
CASH, BEGINNING OF PERIOD						
		-	(41,449)	9,416	235,596	1,622,623
CASH, END OF PERIOD						
		(41,449)	9,416	235,596	1,622,623	3,717,905

Balance Sheet

	Year	1	2	3	4	5
ASSETS						
Current Assets						
Cash	(41,449)	9,416	235,596	1,622,623	3,717,905	
Accounts Receivable	-	-	-	-	-	
Inventory	-	-	-	-	-	
Other	9,000	9,000	15,000	21,000	21,000	
Total Current Assets	(32,449)	18,416	250,596	1,643,623	3,738,905	
Property and Equipment						
(less accumulated depreciation)	(6,820)	(19,840)	(40,300)	(79,360)	(139,365)	
Net Property and Equipment	29,180	52,160	70,700	142,640	193,635	
Other Assets	-	-	-	-	-	
TOTAL ASSETS	(3,269)	70,576	321,296	1,786,263	3,932,540	
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Current Liabilities						
Accounts Payable	-	-	-	-	-	
Other Current Payables	-	-	-	-	-	
Pre-Existing Debt	-	-	-	-	-	
Current Portion of L-T Debt	-	-	-	-	-	
Total Current Liabilities	-	-	-	-	-	
Long-Term Debt						
	-	-	-	-	-	
Total Liabilities	-	-	-	-	-	
Shareholders' Equity						
Paid-In Capital	200,000	200,000	200,000	200,000	200,000	
Retained Earnings	(203,269)	(129,424)	121,296	1,586,263	3,732,540	
Less: Treasury Stock	-	-	-	-	-	
Total Shareholders' Equity	(3,269)	70,576	321,296	1,786,263	3,932,540	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY						
	(3,269)	70,576	321,296	1,786,263	3,932,540	

Contingency Income Statement

SALES						
	Gross Sales	287,826	413,070	598,556	1,746,850	4,227,785
	Returns and Allowances	-	-	-	-	-
NET SALES		287,826	413,070	598,556	1,746,850	4,227,785
COST OF SALES						
	Materials	165,381	237,345	343,923	1,003,708	2,429,207
	Labor (Inc Taxes & Benefits)	20,057	28,785	41,711	121,722	294,594
	Other	-	-	-	-	-
TOTAL COST OF SALES		185,439	266,130	385,634	1,125,430	2,723,800
GROSS MARGIN		102,387	146,940	212,923	621,420	1,503,985
OPERATING EXPENSES						
	Salaries and wages	160,000	312,000	486,000	516,000	516,000
	Payroll taxes	12,240	23,868	37,179	39,474	39,474
	Employee benefits	16,000	31,200	48,600	51,600	51,600
	Depreciation	6,820	13,020	20,460	21,195	18,320
	Bad debt expense	-	-	-	-	-
	Additional Operating Expenses	76,956	128,372	204,045	240,480	302,648
TOTAL OPERATING EXPENSES		272,016	508,460	796,284	868,749	928,042
OPERATING PROFIT (LOSS)						
	BEFORE INTEREST AND TAXES	(169,628)	(361,520)	(583,361)	(247,329)	575,943
INTEREST EXPENSE		-	-	-	-	-
PROFIT (LOSS) BEFORE TAXES		(169,628)	(361,520)	(583,361)	(247,329)	575,943
INCOME TAXES		-	-	-	-	-
NET PROFIT (LOSS)		(169,628)	(361,520)	(583,361)	(247,329)	575,943
EBITDA		(162,808)	(348,500)	(562,901)	(226,134)	594,263