

Business Plan

Rizza™ Foods, Inc.

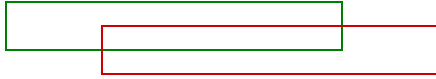


Rizza™ Foods, Inc.
c/o Fresh Food America

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I. Executive Summary

Introduction

Rizza™ Foods, Inc. (Rizza™) is a food company that possesses unique patented cheese technology that allows it to be a low cost, high quality premium line producer of mozzarella and other cheeses and cheese products. The Company's three related patents cover equipment, methods and ingredients and some have been filed in 18 countries throughout the world.

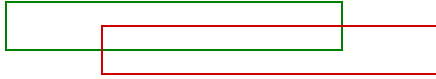
In 2003, Americans consumed 8.8 billion pounds of cheese. According to the most recent statistics, cheese consumption in the U.S. continues to grow. On a per capita basis, in 2003 Americans consumed 30 lbs of cheese for every man, woman and child. This compares to just 11.1 lbs per capita in 1970. Cheese is a highly nutritious and palatable food. Cheese contains most of the protein and essential minerals, vitamins, and other nutrients of milk. Today, U.S. manufacturers are using more than one-third of their milk production to produce cheese for the country.

The largest growing cheese segment is mozzarella. Mozzarella cheese tops 98% of the pizzas consumed in the U.S. and its growth parallels the continued growth in pizza sales. Up from 20% in 1990, mozzarella accounts for two-thirds of U.S. cheese production today

Concurrently, Americans have also begun looking for newer, healthier, lower-fat alternatives to the foods they have been consuming. As the general population has become aware of the benefits of eating healthier, they have begun to look for better alternatives to their favorite foods. Cheese, in whatever form, is no exception and consumers are looking for better-tasting, more nutritious alternatives.

Health and nutrition is becoming a major issue to our society and rightfully so. Studies are being conducted daily that will help us understand the enormous health benefits of the vitamins, minerals, proteins, peptides, amino acids and various lipid fractions found in dairy products, not to mention the additional benefits of pro-biotic found in cultured dairy. Protein is in the spotlight today because it is not only healthy, but it truly is the essence of life.¹⁰ The Atkins diet hasn't hurt the business any either. Many consumers have found cheese great for their diets and it has helped spur growth in the single-serve cheeses that are purchased in the grocery as a quick snack. Convenient foods are an ever growing food segment.

The convergence of these two trends creates a huge market potential for Rizza™. With its patented technology, Rizza™ can provide the \$60 Billion cheese marketplace exactly what it is seeking – a healthy, low fat, low carb form of mozzarella cheeses at not only meaningful lower costs but optionally enhanced with quality vitamins, and other proprietary products.



Rizza™ seeks to capitalize on the numerous competitive advantages its patents provide in the food service (bulk cheese) and packaged cheese goods markets. In addition, the Company has identified a line of proprietary, delicious tasting, health conscious and convenient Italian meal solutions using its proprietary cheese blends that it can market under the Rizza™ brand.

Rizza™ will initially target the domestic mozzarella cheese market. This market represents over 3 billion pounds of cheese produced and consumed each year which represents over \$4 billion in sales. The Company's special mozzarella cheese, called *Rizzarella*™, will be marketed as a Premium level cheese with more flavor, fewer calories, less cholesterol, more tender and with a longer shelf life.

The *Rizzarella*™ product incorporates a patented blend of rice and may also offer other select quality trade ingredients to achieve additional healthy advantages. In addition, production of *Rizzarella*™ confers a 15% or more reduction in **ingredient** cost (a 5 to 10 fold margin increase) when compared to the best mozzarella manufacturing methods in use today.

Rizza's Main Competitor is Leprino Cheese

Leprino, the worlds largest mozzarella cheese manufacturer with over 1 Billion lbs. of market share in the 3 Billion lbs. marketplace. Leprino obtained its market dominance by exploiting a patented technology that uses starch instead of rice as part of its mozzarella cheese manufacturing process. Leprino achieved dominance with their unique cost point, excellent manufacturing, and sole position for supplying a modified mozzarella. However, Leprino's technology provides less savings than Rizza's and has limitations for adding additional ingredients that Rizza technology offers.

Rizza's proprietary technology can be leveraged to produce a wealth of additional cheese and other food products. The Company intends to offer these additional products once its initial success has been established. For example, *Chedderella*™ is a new cheese that the Company can produce with its patented technologies. This cheese combines the look and flavor of Cheddar cheese with the functional characteristics of Mozzarella. It is a healthier alternative to traditional cheddar cheese and can be produced at a significant 10% cost savings. Another product that the Company will introduce is *RizzaCheeza*™, and *Rizza CremaCheeza*™ a spreadable crème cheese product that will also be healthier than regular (Philadelphia type) crème cheese at an over 12% lower cost. Also, Rizza products will include various cheese foods, cheese spreads, cheese sauces and a superior reduced fat mozzarella.

In its first year, the Company believes it will produce and sell 20 million pounds of traditional and modified mozzarella cheese. This will generate revenue of \$29.7 million in 2005. By its fifth year of business, Rizza™ plans on achieving over \$326 million in revenues and more than \$24.9 million of operating income.



The Market Opportunity

The cheese market is a very large and highly competitive market. Producers operate on very thin margins. Any process or product that can be produced at even a small savings has tremendous competitive advantage. With a projected 15% or more ingredient cost savings, *Rizzarella*TM will have tremendous advantages in the market. It will be able to price its product at \$0.045 less than all other competitors with the possible exception of Leprino who also has patented technology; this represents a huge savings to consumers in the food services industry.

*Rizzarella*TM also plays right into the growing and explosive desire for healthier and more convenient foods. With its lower fat content, reduced calories, potential vitamin enhancement, better taste and longer shelf life, *Rizzarella*TM will generate large consumer interest and has tremendous opportunity to capture a large market share.

RizzaTM has also had extensive negotiations to acquire, merge and or align with a small regional western food shredder/distributor for sales of its *Rizzarella*TM cheese. This \$40 million mozzarella cheese and other related products shredder and distributor is an excellent platform company to introduce RizzaTM cheese products and to seek out other acquisitions or alliances of distributors throughout North America.

Rizza just recently reached an agreement with the owner of a world renowned Italian Restaurant and Brand Specialty Foods, (Chef Sal Scognamillo), to have them endorse or become an alliance partner with some of the RizzaTM products or products to be developed. They have won more awards than anyone else in America for tomato and Pizza sauce and their endorsement will provide RizzaTM with great credibility and perceived world class quality and taste.

The Company is also in discussions to purchase a large (65,000 sq. ft.) modern frozen pizza manufacturing facility. RizzaTM believes that it can successfully introduce a pizza product with the following characteristics:

- Healthier cheese toppings using *Rizzarella*TM and or *Cheddarella*TM
- Vitamin enhancement
- Excellent sauces from an exclusive recipe by the multiple award-winning Sauce developer
- A low carb crust similar to Sabbaro's and others

Furthermore, this pizza can be produced at substantial savings using Rizza'sTM proprietary cheese technology.

Taken in combination, these market opportunities will allow RizzaTM to build a large and very profitable business.



Business Model

Rizza™ will utilize its patented technology to produce delicious tasting products at a much lower cost than its competitors. The Company will utilize regional contract manufacturers to produce its cheeses under its confidential specifications and enter into long-term agreements with them.

The Company will sell its products directly and through wholesale food brokers. It will initially target the food service and packaged food goods industries. The mozzarella products will be marketed under the *Rizzarella*™ brand name. The Company intends to make its products available on retail shelves, through the Internet and in restaurants and other food distribution channels.

Rizza™ will focus on sales, marketing, R & D, distribution, operations and general management. The Company will market aggressively through a variety of traditional and non-traditional methods. These will include, promotional, PR, print, newspaper, TV, radio, and Internet web sites as well as other avenues such as industry trade shows and consumer events.

Services and Products

Rizza™ will initially market two types of mozzarella cheese: traditional and modified. These will be sold to the food service industries.

As the Company grows it will provide additional cheese and food products. These will include *Rizarella* Natural Cheese Sticks, *Cheddarella*™, *RizzaCheeza*™ and *Rizza*™ *ScreamCheese*™, Cream Cheese, *Rizzagna*™ Lasagna, *RizzaPizza*™ and many, many other branded products.

Growth Opportunity

The Company's growth opportunities are unlimited. First and foremost is to launch its *Rizzarella*™ product into the food service market. Once its success is established, the Company intends on pursuing additional markets and opportunities including:

- Packaged food products into the retail market (convenience stores)
- Additional cheese products including cheddar and crème cheeses
- Frozen pizza manufacturing.
- The Company is in negotiations to acquire a 65,000 sq.ft state-of-the-art frozen pizza manufacturer.
- Health conscious Italian meal solutions (co-packaged)
- Other Italian foods that are vitamin enhanced (co-packaged)
- Acquisition, purchase and roll-out of pizza stores nationally



These growth opportunities will be evaluated individually and pursued only as the Company obtains the resources and manpower to execute effectively.

Financial Projections

Rizza™'s financial projections show that the Company can utilize the requested funding to catalyze its growth efforts. The Company projects a steady growth with significant net income over the next five years as its business plan is implemented.

Five Year Projections					
	2005	2006	2007	2008	2009
Revenues	\$29,700	\$89,100	\$178,200	\$267,300	\$326,700
COGS	\$27,124	\$81,371	\$162,742	\$244,113	\$298,361
Gross Profit	\$2,576	\$7,729	\$15,458	\$23,187	\$28,339
Total Expenses	\$1,562	\$2,366	\$2,738	\$3,300	\$3,428
Operating Income	\$1,015	\$5,363	\$12,720	\$19,887	\$24,912
Net Income	\$670	\$3,175	\$7,577	\$12,053	\$15,585
\$1,000's					

Financial Needs and Use of Funds

The Company is seeking a \$5,000,000 equity investment to execute this business plan. Rizza™ intends to use these funds primarily for marketing and sales expenses, staffing expenses and general working capital for start-up.

Investor Return Strategy

The investor will share in the increased valuation of the Company as revenues grow, the balance sheet becomes stronger, and the Company attains a market leadership position.

The pro forma projections indicate that the business will have sufficient excess cash to cover operations should sales not materialize as quickly as planned.





II. The Enterprise

Mission Statement

Rizza™, Inc. will provide the healthiest and best tasting mozzarella, cheddar and crème cheeses with the longest shelf life all at a significant cost savings. The Company will continually introduce new Italian food products branded under the Rizza™ and other trademarked names. Our products will be sought after by consumers for their great taste and healthy benefits. Our brand will be recognized worldwide for its high quality and health conscious food components while being less costly.

Business Objectives

Rizza™ will become a recognized supplier of mozzarella and other cheese products. To accomplish this, the Company in its first year will:

- Secure long-term agreements with multiple contract manufacturers
- Establish relationships with food brokers throughout the U.S.
- Produce and sell 15 million lbs of modified mozzarella cheese
- Produce and sell 5 million lbs of traditional mozzarella cheese
- Build a staff of 19 professional employees
- Grow twelve month revenue in excess of \$29 million

In succeeding years, Rizza™ will:

- Grow the amount of cheese it produces and sells each year
- Build a strong brand recognition that consumers recognize
- Expand its broker and distribution networks
- Achieve excellent consumer loyalty by promoting the health benefits and great taste of its *Rizzarella*™ cheeses
- Build an experienced and professionally trained staff of 36 people
- Attain \$326.7 million in annual sales in 2009

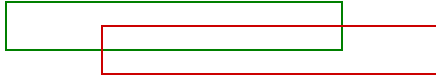
Organization

1. Legal Structure

Rizza™ Foods, Inc. is a C Corporation organized in the state of Delaware on May 27, 2004. Fresh Food America, Inc and Innovative Food Technologies LLC each own 50% of the Company.

2. Location

The Company's interim principal place of business is currently located at 339 East 58th Street, New York, NY. Once funding is received, it will



lease suitable facilities capable of supporting its efforts. This facility will include a reception area, meeting rooms, offices, and laboratory areas.

3. Intellectual Property

Rizza™ owns and controls three inter-related patents (equipment, method and ingredient patents). These have been filed in 18 countries. The patents are:

- 5,952,030 issued --- 9/14/1999
Patents granted or pending in EU, Canada and Mexico
- 5,967,026 issued --- 10/19/1999
Patents granted or pending in EU, Canada and Mexico
- 6,645,542 issued --- 11/11/2003 US patent only.

The Company intends on filing additional patent applications in the future.

Rizza™ owns several trademark names including *Rizza*, *Rizzarella*, *Cheddarella* and *RizzaCheeza*, *CreamaCheeza*, among others.

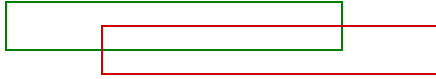
Rizza™ Foods, Inc. also owns numerous Internet web addresses to assist in the marketing and sales of its products and services. The Company owns

www.RizzaFoods.com
www.Rizza-Foods.com
www.RizzaInd.com
www.RizzaPizza.com
www.RizzaPizzas.com
www.RizzaPie.com
www.Rizzarealla.com
www.Pizza-Mother.com
www.PieMother.com
www.HalThee.com
www.RizzaCheeza.com

www.RizzaFood.com
www.RizzaInc.com
www.RizzaIndustries.com
www.Rizza-Pizza.com
www.Rizza-Pizzas.com
www.RizzaPies.com
www.PizzaMother.com
www.PiesMother.com
www.MommaDeeLishus.com
www.Chedderella.com

Historical Background

The Company is a new business with no previous operations in this industry. However, much work has been done in preparation for launching this business. The Company's food scientists have spent five years developing and perfecting a new process for manufacturing mozzarella cheese. This effort has resulted in the granting of three patents (previously described) with additional filings in 18 countries.



The Company recently purchased the short, snappy, memorable, and distinctive, brand name - Rizza™. The Rizza™ brand name was acquired by the Company in order to create and grow a major national and global Italian food company. The name Rizza™ was previously registered and owned from March 1983 to March 2004 as Pizza-Rizza™ by Kraft Foods, Inc. Rizza™ Foods, Inc. acquired the rights to the name Rizza™ in April 2004. Rizza™ will be marketed as the Premium Quality, Great Tasting, Health Conscious and Convenient line of Italian Foods under the global Rizza™ brand name. Rizza™ has also acquired the rights to numerous other related product names and websites.

Major Contract Manufacturing co-packing opportunity with Land-O-Lakes®

In October of 2004, Rizza™ entered into discussions with Land O' Lakes to have them become a long term contract manufacturer of Rizzarella™ cheese. This occurred after comprehensive initial discussions that led to a site survey to build a test production set-up prior to having a major production start-up capability designed and installed. These discussions have been very positive and the Company anticipates entering into an agreement with Land O Lakes very soon.

- Land O' Lakes processes over 10 billion pounds of milk annually and markets more than 300 dairy products across the United States and around the world. LOL also provide approximately 1,300 member cooperatives with production materials including feed, seed, plant food and crop protection products.
- Land O' Lakes is owned by and serves more than 7,000 producer-members and approximately 1,300 local community cooperatives.
- All Land O' Lakes members -- both local cooperatives and individual producers - - are owners of the cooperative and most members participate in a democratic process by which they have direct connection to the policy decisions and direction of the organization. All members also share in the profits of the company, based on their business volume.
- Land O' Lakes food products -- primarily dairy products -- are found in supermarkets and food service establishments such as restaurants, hospitals and airlines across the nation and are used by various food processors.
- Land O' Lakes is governed by a 24-member board of directors elected by the entire membership. LOL employs more than 6,000 people and operates more than 200 processing, manufacturing, warehousing and distribution facilities across the United States.
- Land O' Lakes 2001 annual sales were approximately \$6 billion. The company has total assets of \$3.1 billion and total equities of \$837 million.
- Land O' Lakes is a leading marketer of dairy, beef and swine feed; alfalfa seed; plant food and crop protection products in North America.
- Land O' Lakes is the nation's number-one marketer of branded butter and deli cheese.

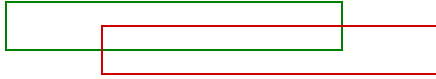


In addition, Rizza™ has developed a substantial amount of research related to the viability, need, demand, operational difficulties and opportunities for this type of business.

Business areas assessed include, but are not limited to:

- Need
- Competition
- Economics
- Customer demographics
- Start up & Operational costs
- Contract Manufacturing
- Availability of qualified personnel
- Facilities





III. The Business Concept and Need

Market Need

According to the most recent statistics, cheese consumption in the U.S. continues to grow. On a per capita basis, in 2003 Americans consumed 30 lbs of cheese for every man, woman and child. This compares to just 11.1 lbs per capita in 1970.

The largest growing cheese segment is mozzarella. Mozzarella cheese tops 98% of the pizzas consumed in the U.S. and its growth parallels the continued growth in pizza sales. Up from 20% in 1990, mozzarella accounts for two-thirds of U.S. cheese production today

Concurrently, Americans have also begun looking for newer, healthier, lower-fat alternatives to the foods they have been consuming. As the general population has become aware of the benefits of eating healthier, they have begun to look for better alternatives to their favorite foods. Cheese, in whatever form, is no exception and consumers are looking for better-tasting, more nutritious alternatives.

The convergence of these two trends creates an additional huge market potential for Rizza™. With its patented technology, Rizza™ can provide the market exactly what it is seeking – **a healthy, low fat, low carb form of mozzarella cheese.**

There are numerous food products on the market today that have begun to use rice and rice by-products as a healthy alternative to higher carb, higher fat ingredients. These foods have been gaining in popularity. Consequently, there is clearly a market opportunity for Rizza™ to capture a large portion of the mozzarella cheese market. The Company is ideally positioned to achieve rapid and profitable growth.

Products

Initial Products

Rizza™'s initial products will be low cost, high quality premium mozzarella cheeses. These will utilize special food technology incorporating rice and other value added nutritional ingredients instead of starch and starch products as used by Leprino. Marketed as *Rizzarella*™ this cheese will be branded as a Premium level Italian mozzarella that has a special patented blend of rice that deliver 15% less fat, have more flavor and are more tender than traditional mozzarella cheese. In addition *Rizzarella*™ is significantly less costly by at least 15% while having a longer shelf life. Rizza may offer other selected quality trade secrets.



Another advantage Rizza's technology has is Rice the one-grain that can be fed to people that are allergic to wheat proteins (Siliac disease). Individuals with this and similar allergies would not have a problem with consuming Rizza™'s products. Also, as mentioned earlier, other Nutritional ingredients can be easily added to the rice slurry and have a 100% capture rate. Omega 3 fatty acids, vitamins, minerals and or antioxidants are just a couple of examples of nutritional ingredients that could be added. Under current cheese manufacturing techniques these additional ingredients can't be added in a cost efficient manner because most of the additives are lost in the whey and only a small fraction kept in the cheese. Thus Rizza's technology produces a less costly and healthier mozzarella product. Advantages of Rizza™'s mozzarella include:

- Lower cost
- Less fat
- Less cholesterol
- Customized flavor profiles
- Addition of other nutritional ingredients
- Customized product functionality and specifications
- Longer shelf life (between four to six weeks)

The table below shows a comparison of the properties of rice versus cornstarch.

	Rice	Cornstarch
Moisture	10-14%	4-6%
Protein	6.8%	0%
Ash (minerals)	0.5%	0.5%
Fat	0.6%	0 %
Carbohydrate	77.8%	>98%

The Company's flexible technology allows it to meet customer's functional and cost needs more easily. The technology also reduces the large variation in cheese production that current manufacturing techniques introduce. Rizza™ technology allows modification of the composition of the cheese before packaging thus giving improved consistency and customer satisfaction. Customized flavors can be given to the cheese for each customer. This creates signature cheese that helps differentiate products.

Characteristics of *Rizzarella*™ allow it to meet difficult cheese expectations including blister color, stretch, fat content, oiling, melt, extended shelf life and customized flavors specific to customer's needs.

1. Melt is controlled by cheese composition and the amount of rice added. Rizza™ can make products that melt very well to very little depending on the need.



2. Stretch depends on the final protein content in the cheese and Rizza™ technology controls that by the amount of rice blend added. More rice that is added the less stretch occurs. The key is that with lower fat cheeses more rice blend can be added.
3. Blister color is not affected by rice starch. The use of modified cornstarch would cause darker blister color and we have seen this in Leprino's products.
4. Blister coverage can be controlled with cheese composition and other techniques available to the industry.
5. Flavor is not an issue with rice slurry unless high percentages are used, i.e. in excess of 25%.
6. Tenderness is another factor controlled by amount of rice slurry added. The more rice slurry the more tender the product.

Future Cheese Products

Once it establishes its *Rizarella* cheeses, the Company plans on producing a wide range of additional products. Rizza™ intends to add delicious tasting and health conscious foods marketed under the Rizza™ and associated brands. These foods will include benefits such as, fewer calories, reduced-fat, sugar-free, zero grams of trans-fat and calcium-enriched products, as well as natural and organic products. They will be targeted to two of the largest food segments in America, Italian foods, a \$100 Billion marketplace and the fast growing healthy snack cheese market. These foods will include:

Rizarella™ Natural Cheese Sticks – Delicious, health Conscious, Convenient, and ValueRich. Rizza™ intends to support consumers' active lifestyles and will offer convenience food products such as individually wrapped portions of *Rizarella*™ Cheese Sticks

Rizza™ intends to offer cream cheese in low fat, customized flavors all at a lower cost. However, since it is a reduced fat product we can call it a cream cheese so we may use the name “Rizarella™'s reduced fat cream cheese”.

Cheddarella™ - Very competitive to Premium Cheddar Cheese

This will be a new cheese that combines the look, and flavor of Cheddar cheese with the functional characteristics of Mozzarella. *Cheddarella*™ can be produced via a unique procedure that combines manufacturing steps used in Cheddar and Mozzarella production along with the Company's patented blending step. This cheese has application in string cheese product lines, and anywhere shredded Cheddar cheese is used: salad bars, toppings for taco's or other Hispanic entree's (Taco Bell) and pizza's where they want



different flavors and colors. *Cheddarella*TM delivers all of this at a price point that is significantly lower than Cheddar cheese.

Due to the patented blending process a variety of other ingredients can be added to *Cheddarella*TM to enhance the nutritional quality of the cheese. Examples of ingredients that could be added include: vitamins, antioxidants, isoflavones, Omega 3 fatty acids, and fiber, to name a few. The cost of adding these ingredients are off set by the patented technology used to produce the cheese. This means that the price for the fortified *Cheddarella*TM can be equal to or less than regular cheddar cheese giving a huge competitive advantage to *Cheddarella*TM. Cheddarella fills a need for those restaurants that wish to serve the healthiest, best tasting dishes, at the best price.

Future Prepared Food Products

*Rizzagna*TM Lasagna

Chunky tomato and herb sauces and cheese combine with meatless ground burger for a delicious new frozen *Rizzagna*TM lasagna with five grams of soy protein per serving and 55 percent less fat than regular lasagna with meat sauce. Ready from freezer to table in 15 minutes.

RizzaTM CreamaCheezaTM Cakes

Cream cheese must have a minimum of 33% wet fat (77%FDB) and a maximum of 55% moisture. RizzaTM can produce a reduced fat version of cream cheese by reducing the fat in the milk and adding 15% rice. RizzaTM's technology works even better in cream cheese than it does in cheese. The food service business is always looking for lower cost ingredients and this is one that could be used in the preparation of cheesecakes.

Other Potential Products

These will be a variety of products with trademarked names including:

RizzaBetic TM	RizzaPure TM
RizzaWaata TM	RizzaPizza TM
RizzaHealthStyles TM Magazine	Rizzarella TM
Rizzamins TM	PizzaMother TM
The Mother Of All Pizzas TM	Momma Dee Lishus TM
RizzaPie TM	RizzaFoods TM
RizzaHealth TM	RizzaMeals TM
Rizzagna TM	RizzaMunch TM
RizzaPack TM	Rizzackers TM
Rizzookies TM	RizzaSnacks TM
RizzaPasta TM	Rizza ScreamCheese TM



RizzaIScream™
RizzaCocoa™
RizzaFast™
RizzaDiet™
CreamaCheeza™ .

RizzaSoup™
RizzaChili™

RizzOatmeal™





IV. The Market

Industry Overview

It has been said, "Blessed are the cheese makers." Wisconsin and California couldn't agree more as they watch rising consumptions of their product. Americans love cheese as does the rest of the world. The United States has been packing away increasing amounts of cheese for decades now; 2003 was no exception.

According to a new study by the California Milk Advisory Board, cheese consumption in the U.S. hit a record 8.8 billion pounds in 2003. If these figures are correct, that's enough cheese for every man, woman and child in the U. S. to consume 30-plus pounds each.

California, Wisconsin's chief rival for the country's cheese-producing crown, reported the latest analysis of the industry and its good news for America's Dairyland.

Ms. Karen Endres, spokeswoman for Waupun-based Alto Dairy Cooperative, was reported by J.S. Online as making the below comment about the record consumption and growth:

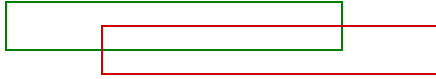
"It's been a great thing for Wisconsin. Wisconsin has a long tradition and heritage in cheese manufacturing. As cheese has kind of been the shining star in the dairy industry, Wisconsin has been able to capitalize on that."

California has also capitalized on the cheese industry's good fortune. Filling half of the nation's increased demand for cheese since 1994; California has been expanding production to meet the high expectations of the market.

According to the study, California has four of the country's 10 largest cheese plants. These factories are reported to be twice the size of Wisconsin's biggest. As a result of the state's progressive attitude, California is expected to overtake Wisconsin as the nation's leading producer of cheese soon. Mr. John T. Umhoefer, executive director of the Wisconsin Cheese Makers Association made the following comment regarding this subject:

"I think their tonnage will surpass ours in a few years."

The only thing this news will affect is Wisconsin's pride because the daily sector's wallet is bursting with revenue. Outfits such as Alto or Park Cheese Company in Fond du Lac, who are provolone specialist, say this larger cheese-eating trend means plenty of opportunity for everyone.



Mr. Eric Liebetrau, Park Cheese Company president says business is booming. His company has 60 employees and makes about 9 million pounds of cheese a year. Mr. Liebetrau's company has been growing at a rate of 5 to 8 percent a year for over the last five years.

The high-value specialty cheese market that Park operates in has shown the strongest growth in percentage terms over the last decade. Commodity chesses, like cheddar, Colby, jack **and especially mozzarella**, make up the bulk of sales in this market. These cheeses are one of the main reasons for the long-term rise in cheese consumption, especially in the United States. The increase in sales of these cheeses has been substantial. According to the California Milk Advisory Board, the average American ate just 11.1 pounds of cheese in 1970; that is little more than a third of what is consumed today.

Why has there been such a big increase in cheese consumption in our country over the last few decades? One answer is our huge appetite for pizza. Since mozzarella cheese tops 98% of the pizzas consumed in the U.S. it obviously shows the strongest growth.

Up from 20% in 1990, mozzarella accounts for two-thirds of production today and has benefited cooperatives such as Alto. Mr. Endres commented on the soft, mild cheese:

"It has really helped the Wisconsin dairy industry and Alto in particular."

Another cheese helping to shape the growth curve, according to Umhoefer, is the consumer's interest in ethnic and specialty cheese. Mr. Umhoefer was quoted on JS Online as saying:

"I think they've experienced cheese in travel. I think they've experienced cheeses in restaurants and food shows and books, and are being more adventurous in their food consumption."

The Atkins diet hasn't hurt the business any either. Many consumers have found cheese great for their diets and it has helped spur growth in the single-serve cheeses that are purchased in the grocery as a quick snack. Uhmhoefer continued with this statement:

"Some people can't make these snack-size cheeses fast enough."

Ed Jesse, dairy economist with the University of Wisconsin Extension in Madison said for dairy farmers, all this has opened the door to higher production without forcing prices down. Mr. Jesse also commented that the rise in cheese-eating has kept many farmers in business by the opportunity to produce more milk. He went on to say:

"Clearly if that increase in consumption had not occurred there would be fewer farmers."¹



A new study sponsored by the California Milk Advisory Board (CMAB) showed Americans are developing a broader taste in cheese and most of the cheese they are eating is made in the United States.

The steady growth in natural cheese consumption that the U.S. has seen for more than two decades is being supplied by domestic production and not imports according to the study, "U.S. Cheese Consumption Trends, 1994-2003".

U. S. producers have supplied 92 percent of the 1.8 billion-pound increase in cheese consumption since 1994, the study says. California has doubled its cheese production since 1993 allowing the state to supply half of the consumer demand with its increased production.

On a per capita basis, the study also notes, over the past decade specialty cheese consumption has grown five times faster than total cheese consumption.

As stated earlier, in 2003, Americans consumed 8.8 billion pounds of cheese. According to the study their consumption represented a total market value of \$39.9 billion.

Commodity cheese represented approximately eight billion pounds of this total with an estimated market value of \$33.5 billion. Estimated at \$6.4 billion, specialty cheese accounted for 815 million pounds. "Market value" is defined by the study to include the total sales value of cheese sold through supermarkets and retail outlets, restaurants and fast food outlets. It also includes cheese used as ingredients in packaged foods.

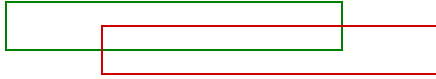
Ms. Nancy Fletcher, CMAB Vice President of Communications, was reported by Business Wire as saying:

"This study sheds some light on cheese consumption trends. It's not just that Americans are eating more cheese, but that our tastes are changing. Americans want high quality, flavorful cheese of all types and at all price levels, and American producers are delivering on that today."

Fletcher says California, the nation's leading milk producer and fastest growing cheese producer, reflects the changes in current industry trends. Recently, the state became the leading producer of America's favorite cheese, Mozzarella. The state has also developed one of the country's most respected specialty cheese industries, according to Fletcher.

Fletcher pointed out that California, over the past decade, has grown from 70 cheeses to more than 250 varieties and styles. The state has approximately 60 cow's milk cheese makers and over half of them are specialty producers.

Fletcher went on to say:



"For each of the past four years, California's specialty cheese makers have won more awards for their cow's milk cheeses than any other state at the prestigious American Cheese Society annual judging. And many of the cheese makers winning awards started making cheese in just the past five to 10 years."

Providing a comprehensive look at recent U.S. cheese industry growth, the study highlights are as follows:

- Compared to 1994, Americans consumed 1.8 billion more pounds of cheese in 2003. California production was nearly half (48 percent) of the U.S. producers 92 percent of the growth.
- Remaining steady, imported cheese consumption totaled around five percent of total consumption for the decade.
- U.S. cheese consumption reached a record 8.8 billion pounds in 2003. Approximately 91 percent of this was commodity cheese (8 billion pounds). Specialty cheese consumption represented about 9 percent, or 815 million pounds.
- In the past decade, specialty cheese consumption has grown five times as fast as overall cheese consumption on a per capita basis. Specialty cheese is consumed at a rate of one in every 10 pounds of cheese. In 1994 one out of every 15 pounds was consumed.
- Specialty cheese consumption has increased by 75 percent over the past decade (approximately three pounds per person). Overall total U.S. per capita cheese consumption has grown by 15 percent. The average person today consumes 30.6 pounds of cheese, up from 26.6 in 1994.

According to Business Wire, Nancy Fletcher made the following comment about specialty cheese:

"While still a small part of total sales, specialty cheese has been a catalyst for industry growth. The growth and expansion of the specialty cheese market has created excitement in the marketplace that is stimulating continuing interest in cheese overall. It's one reason why cheese has remained a hot category for several years now. "

In recent years, America has seen a virtual explosion in specialty cheese production, including a growing artisan and farmstead industry that is producing cheeses that are now being favorably compared with those of Europe. While it is hard to estimate exactly how many specialty cheese makers there are in America, since



some are quite small and tend to have only a local or regional presence, our research identifies more than 350 specialty, artisan and farmstead cheese makers spread across the country. Of these, two-thirds are located in the country's three main cheese-producing regions: California, Wisconsin and New England."

Showing an increased from 11.1 pounds per person in 1970 to 30.6 pounds in 2003, cheese consumption has shown a steady increase according to USDA data. This increase has been climbing over several decades.

This study shows more than 99 percent of the specialty cheese consumed in America is made with cow's milk, but cheeses made with goat and sheep milk are growing in popularity. Business Wire reported specialty cheese as defined in the study as "natural cheese that commands a higher price than a commodity cheese because of its high quality, limited production and value-added production techniques or ingredients." Included in this category are the artisan and farmstead cheeses that have been gaining in popularity over the last few years.

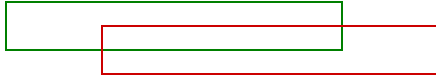
Highlights of the U.S. Cheese Consumption Trends 1994-2003 study are shown below and on the next page.

U.S. Cheese Consumption Highlights (1)
2003 Data
Overall Numbers

8.6 B/lbs	U.S. Cheese Production
8.8 B/lbs	U.S. Cheese Consumption
30.6 lbs	U.S. Per Capita Consumption
\$39.9 B	Total Market Value of U.S. Cheese Consumption (2)

Commodity Cheese

8.0 B/lbs	U.S. Commodity Cheese Consumption
90.7 %	Commodity as % Total Consumption
27.8 lbs	U.S. Commodity Per Capita Consumption
\$33.5B	Market Value of U.S. Commodity Cheese Consumption(2)



Specialty Cheese (3)

815 M/lbs	U.S. Specialty Consumption
9.3 %	Specialty as % Total Consumption
2.8 lbs	U.S. Specialty Per Capita Consumption
6.4B	Market Value of U.S. Specialty Cheese Consumption(2)

Total U. S. Consumption Import (1) (All Cheese)

<u>Year</u>	<u>%</u>	U. S. Consumption <u>B/lbs</u>	Import Shipments <u>M/lbs</u>
2003	5.4	8.8	477.0
1994	4.7	7.0	332.0

1) Source: USDA, Livestock, Dairy & Poultry Outlook, May

- (1) Study (U.S. Cheese Consumption Trends, 1994-2003) was conducted by J/D/G Consulting in 2004 and sponsored by the California Milk Advisory Board
- (2) "Market Value" includes foodservice, industrial sales and retail sales
- (3) For the purpose of the study "specialty cheese" was defined as natural Cheese commanding a higher price than commodity cheese because of its high quality, limited production and value-added production techniques or ingredients.²

There is no doubt cheese has become more popular over the centuries, but over the last few decades it has exploded. Cheese is a highly nutritious and palatable food. Cheese contains almost all of the protein and essential minerals, vitamins, and other nutrients of milk. History tells us cheese making dates back more than 4,000 years. Supposedly it was made accidentally by an Arabian merchant who had put his supply of milk into a pouch made of a sheep's stomach and traveled through the desert. The milk separated from the heat of the day into curds and whey. That night, according to ancient legend, he drank the whey and ate the curd which satisfied his thirst and hunger.



It wasn't until 1851 that the first cheese factory was built in the United States by Jesse Williams in Oneida County, New York. Public demand for cheese quickly increased and the industry gradually moved to the rich farm lands of Wisconsin. In 1920 total natural cheese production was 418 million pounds, but by the 1970 it had grown to 2.2 billion pounds. The United States, by the 1990s, was consuming in excess of 6 billion pounds of natural cheese and over 2 billion pounds of processed cheese a year. Today, U.S. manufacturers are using more than one-third of their milk production to produce cheese for the country. Current trends are indicating today's population in the U.S. has an increasing appetite for all types of cheese and the industry will continue to expand because they do.³

Farmstead cheese is similar in concept to estate wine; both are made from the farm's own herd or grapes located on that farm. Cheese flavor is affected by the cow's milk and the aging process. Cheese makers know the entire cheese making process can be negatively affected by the feed they use.

As mentioned earlier, cheese production in the United States is growing fast. Wisconsin and California are both reaping the rewards of their specialty cheese varieties and processed cheese productions. In 2001, the Wisconsin Milk Marketing Board reported specialty cheeses accounted for 32 percent of exact-weight retail cheese sales.⁴

The next page displays a chart of the top 20 specialty cheese categories in the United States. Information Research, Inc. (IRI) conducted the 52 week study that ended on May 30, 2004.⁵

* Top 20 Specialty Cheese Categories					
	Dollar Sales (in millions)	% Change vs. Year Ago	Dollar Share	Unit Sales (IN MILLIONS)	% change vs. Year Ago
Total Cheese	8,326.3	5.6	100	3,386.6	3.4
Total Non-Specialty Cheese	6,894.0	4.2	82.8	2,871.9	2.3
Total Specialty Cheese	1,432.3	13	17.28	514.7	10.4
Other Cheese Blends	504.7	12.8	6.1	204.7	9.9
Italian	103.5	5.3	1.2	41.8	5.9



Blends					
Feta	103.0	16.5	1.2	37.0	12.7
Colby	100.3	2.1	1.2	40.5	1.4
Provolone	72.2	20.9	0.87	26.9	18.9
Queso Fresco	69.2	4.3	0.83	19.2	2.3
Blue Cheese	53.6	15.7	0.64	17.9	10.7
Muenster	49.2	21.9	0.59	18.2	18.8
Brie	38.8	11.2	0.47	7.8	9.6
Goat Cheese	36.5	12.9	0.44	8.8	7.0
Romano	22.2	-1.5	0.27	7.0	-3.3
Other Hispanic	20.5	9.2	0.25	6.2	10.3
Baby Swiss	18.4	46.4	0.22	6.2	52.9
Mexican	18.2	1.7	0.22	8.4	7.9
Havarti	16.3	47.7	0.20	4.3	50.2
Gouda	15.2	38.6	0.18	4.1	33.0
Gorgonzola	14.3	40.0	0.17	5.0	33.2
Top 20 Specialty Cheese Categories Cont.	Dollar Sales (in millions)	% Change vs. Year Ago	Dollar Share	Unit Sales (IN MILLIONS)	% change vs. Year Ago
Pecorino Romano	14.2	5.2	0.17	3.1	1.2
Fresh Mozzarella	12.2	70.2	0.15	3.0	69.8
Jarlsberg	11.7	22.9	0.14	2.7	19.7
*Total U.S. retail sales by exact weight in traditional grocery outlets only for the 52 weeks ending May 30, 2004. Source: Information Resources Inc.					



Pizza Cheese

A category with high consumption of cheese is in pizza food service. Back in 1987, October was designated as National Pizza Month in the United States. Pizza is one of America's favorite foods and statistics tell us that Americans eat approximately 100 acres of it **EVERY DAY**; that equates to 350 slices per second.

The U.S. Department of Agriculture (Source: Smithsonian Magazine) conducted a study that showed in a three-day survey period, 42 percent of children between 6 and 11 had eaten pizza. Furthermore, Parade Magazine reported that 94 percent of the U.S. population eats pizza, with pepperoni as America's topping favorite (36 percent of all pizza orders).

As the pizza and cheese industry changes so do the toppings. Gourmet toppings are increasing in popularity across the U.S. to include ingredients such as: oysters, crayfish, dandelions, sprouts, eggplant, Cajun shrimp, artichoke hearts, Venison, Duck, Canadian bacon and tuna. Everything from mashed potatoes to bacon and eggs has graced the upper layers of a pizza as retailers continue to experiment with the public's food obsession.

In 2004, manufacturers' sales of pizza cheese are expected to top \$32 billion. Business Trend Analysts, BTA, reported 7.93 pounds of mozzarella cheese was consumed (U.S. per capita) in 1994, but in 2004 it is predicted consumers will eat 12.51 pounds. Pizza is America's favorite food, with 62 percent of its customers preferring meat toppings and 38 percent preferring vegetarian toppings according to Bolla Wines. Women have a tendency to order vegetarian toppings by 2 to 1 over men.⁶

Though mozzarella now outranks Cheddar as the top cheese, cheddar is still very popular and used in many applications. Cheddar is excellent in ham and cheese, grilled cheese, cheeseburgers, macaroni and cheese, scalloped potatoes and in numerous other dishes. Americans are eating more cheese and more varieties of cheeses, but cheddar will always be one of America's favorites.

Cheddar is available in both orange and white varieties and is a semi-hard, smooth cheese. It is the most common natural cheese produced in the United States and accounts for 35 percent of the U.S. production. Typically it is aged between three and six months, but longer for sharper taste. It is considered the number one table cheese and the number one ingredient in the production of processed cheese.

Some other natural cheeses include Blue, Brick, Gouda, Limburger, Muenster, Swiss, Brie. This category makes up 17 percent of the U. S. cheese production. This segment is growing fast, increasing 34 percent in the past decade. They are used in sauces, dressings, sandwich slices and blended with mozzarella for topping on pizza.



There are many types of cheese being produced in the U.S. California and Wisconsin are not the only successful states producing cheese in the U.S. New York State produced 707 million pounds of cheese last year making it the third largest cheese-producing state in the U.S. The state also produced 119 million pounds of cottage cheese in 2003.⁷

Globally cheese appetites are growing and the U. S. cheese industry is well placed to supply the increased demand. The country provides abundant varieties of cheeses to the global community and to its citizens. More than 30 percent of the world's cheese is manufactured in the U.S.; some 3.9 million metric tons and all reports indicate the industry will continue to grow for years to come. (See chart below)

U.S. Cheese Production (1,000 metric tons)

<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>1996</u>	<u>2000</u>	<u>2003</u>
998	1,807	2,749	3,274	3,744	3,900

The United States is expected to gain market share in this industry through its new-found efficiencies over the past decade. More than doubling the U.S. industry cheese output per plant, the industry has increased production by over 1,000,000 metric tons. Greater efficiencies, lower costs and high cheese volumes are what the market has to look forward to through the end of the decade.

The United States cheese industry has enjoyed a renaissance of specialty cheese making over the last several years. The country now produces over 500 varieties, types and styles of cheese. Mozzarella is considered a familiar favorite as well as Cheddar, Jack and Gouda. The industry is proud to announce many of these cheeses are made only in the U.S.

World Cheese Production (1,000 metric tons)

<u>Country</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
New Zealand	200	230	240	266	245	297	281	312	285
Australia	235	268	285	305	320	373	374	413	368
Egypt	310	325	370	380	382	380	395	410	425
Russia	215	173	165	170	185	220	260	340	335
European Union - 15	N/A	N/A	N/A	N/A	5,290	5,437	5,420	5,520	5,520
United States	3,137	3,274	3,325	3,398	3,581	3,746	3,747	3,877	3,900
Rest of World	3,479	3,253	2,690	2,746	2,822	2,843	2,951	1,791	2,094
Total:	11,644	11,702	11,388	11,562	11,690	12,161	12,256	12,663	12,625

Source: U.S. Department of Agriculture



U.S. Cheese Exports *Volume (in metric tons)*

1995	1996	1997	1998	1999	2000	2001	2002	2003
29,519	32,425	37,435	36,848	38,340	47,758	52,366	53,908	52,112

As the above charts reflect, exports have skyrocketed over the years. This rapid growth shows the world’s attitude toward U. S. supplies of high quality, efficiently produced cheeses.⁸

Market Trends

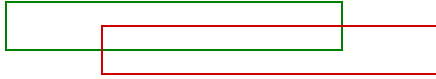
A four year study performed by the Wisconsin Milk Marketing Board reported some interesting product information about cheese consumed here in the United States. Overall growth trends of specialty cheese have increased by 85 percent in exact-weight retail cheese sales. Some important statistic reported in the study was Hispanic cheeses have increased by 71.3 percent in volume sales. Italian varieties such as Romano and Asiago have grown by as much as 45.3 percent and 24.5 percent, respectively.

California has shown a significant increase in regional cuisine where California chefs are creating menus emphasizing the finest local foods, including cheeses. Another factor involved in the increase in sales is consumer’s have a more sophisticated palate today than in past decades.

Self-service delis, where farmstead and specialty cheeses are sold, are becoming more popular in today’s society. Donna Berry of Dairy Foods says:

“To consumers, the self-service deli means authenticity (natural-looking cheeses that seem genuine to their origins), delectation (cheeses that appeal to the senses either alone or as recipe enhancers), quality (fresh, tasty and even healthful) and sophistication (unique, sometimes imported and definitely more pricey). It is the premium positioning, and of course, the cheeses themselves, that make farmstead and specialty cheeses winners with consumers. These are two business opportunities that cheese makers should not pass on.”

It has been said that cheese is one of today’s hottest trends. To capitalize on this trend, retailers are specializing in better and bigger cheese selections to market. The Wisconsin Milk Marketing Board identified some key trends among the hottest. In their study, the company also showed what they believed will hold the strongest potential to impact sales. Below are some of the study’s findings as reported by Donna Berry:



- Cheese Course Crossover--The trend that has been sweeping the country's top restaurants is now being created by food-savvy consumers at home. Retailers are assisting by displaying a sample cheese course including several types of cheese, along with crackers or breads, wine and fresh or dried fruits and nuts.
- Convenient Cheese Choices--Today there are more varieties of convenient cheese, including cubes, shreds, slices and other ready-to-use styles in handy, re-sealable packages.
- Satisfying Snacks--Snacking is a growing trend in America, and single-serve cheese portions, which are portable and convenient, play right into this trend.
- Artisanal Cheeses--Handcrafted cheeses are one of the fastest growing cheese types. Consumers seeking quality, flavorful cheeses purchase them.
- Hispanic-style Cheeses--Hispanics, the fastest growing ethnic group in the United States, are bringing staple cheeses of their native cuisines to mainstream America.⁴

Today we have an unceasing interest in food. We have cable stations dedicated to the art of food making 24 hours a day. Viewers of these stations have favorite on-screen gourmets using mysterious, exotic cheeses in their recipes and they encourage these budding home cooks to follow suit.

According to Linda Hook, vice president of marketing for DCI Cheese Company, Mayville, Wisconsin:

“The cooking channel’s popularity, with celebrity chefs introducing their audiences to the latest and greatest, often unfamiliar cheeses, spurs consumers to seek out and use them in their own homes,”

Ms. Hook says many of these specialty cheeses have experienced double-digit growth over the past three years. Statistics show consumers have been seeking them out in droves according to Chicago-based Information Resources Inc. (IRI).

Mr. James Dudlicek of Dairyfield stated IRI reported specialty cheeses topped \$1.4 billion for the 52-week period ending May 30, 2004. This shows an increase of 13 percent over 2003. He went on to report that unit sales are up 10.4 percent to more than 514 million.

Mr. Daniel Carter, manager of the Dairy Business Innovation Center (DBIC), a part of the Wisconsin Value Added Dairy Initiative, says specialty and artisan cheese is creating major growth in the cheese industry. Apparently new fast-growing categories include ripened and un-ripened cheeses, fresh and aged sheep and goat milk cheeses, wash-rind



cheese, smoked cheeses and marinated cheese, among others. Volume was up for June 2004, according to Carter, almost 33 percent over the prior year.

Mr. Carter continued with this comment:

“It is interesting to note that while these categories are catching on, the United States’ importation of cheese subject to licensing requirements was up 15 percent during the first six months of 2004,”

Mr. Carter believes the demand for specialty and artisan cheeses will continue to increase due to “maturing palates and appreciation of chefs and consumers” Dairyfield reported. Wisconsin is preparing for this increased consumer demand by expanding nine dairies and opening four new plants.

Some interesting trends include milk blends such as cow, sheep, goat and buffalo and “grazed organic” cheeses requested by the health food community. More people are setting aside discretionary income for travel and dining out, especially baby boomers, who appreciate the unique flavors of ethnic cheeses. Mr. John Fiscalini, owner of Fiscalini Cheese Company in Modesto, California was reported as saying:

“Consumers are trending towards American-made artisan products, especially as they realize that American cheeses are winning international awards. Upscale Americans are paying for quality and taste that previously could not be found by local producers.”

Marketing manager of Rondelé Foods, Faith Stevenson, reported deli sales growth of specialty cheeses for Rondelé. The company makes several lines of gourmet spreadable cheeses. Stevenson was quoted as saying:

“Offering consumers a variety of high-quality products with new varieties and user-friendly packaging has driven the growth.”

Linda Hook of DCI, founded in 1975, made the following comments about emerging trends in the specialty cheese category:

“Some that we are looking at are snack cheeses (non-juvenile focus), organics, signature cheeses for sandwiches, more chain private label specialty cheeses in dairy and deli, artisan/farmstead and sustainable agricultural cheeses.

We are in R&D in many of these areas and have also introduced products that fit in one or more. For instance, our Organic Creamery line has expanded to 47 SKUs, all of them specialty domestic or imported varieties.



We are marketing to mainstream retail, in particular the organic/natural sets within the retail sector. Demos and cross merchandising have been a large part of our focus.”

DCI expanded its line of organic cheeses by nine new products this year. These items were introduced at this year’s International Dairy-Deli-Bakery Association conference in Washington, D.C.

Mr. Fiscalini also predicts a growing trend toward American artisan cheeses. He believes these products will be used as a “course meal”, or blended in with other ingredients to create an “expensive” more flavorful alternative to their mass-produced counterparts. He was quoted in the Dairyfield article as saying:

“We are responding by producing some of the best-tasting cheeses available anywhere. We also produce cheese that can be used alone in a cheese course, but they also have wonderful heating characteristics so they can be used in cooking fine meals.”

The Fiscalini Cheese Company has earned high ratings with the American Cheese Society. The company’s latest offerings include Purple Moon, a wine-soaked cheddar; Horsefeathers, a spreadable blend of cheddar, sour cream and horseradish; San Joaquin Cheddar; and 30-month-aged Bandage Wrapper Premium Reserve.

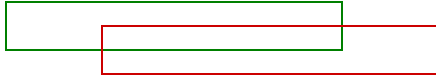
Some of Rondelé’s newest selections of flavors and combinations include gourmet spreadable cheese deli cups like Blue cheese, Salsa, Tomato Basil Feta and Goat Cheese, referred to as “cheese with cheese”. Other newly launched offerings are the three new spreadable cheddar blends in its Pub Cheese line.

Dairyfield reported Stevenson as saying:

“Research indicated that although other cheese products are gaining in popularity, cheddar remains a constant favorite among consumers. There is a consumer desire for cheddar spread alternatives that are suitable for everyday use and for entertaining.”

Stevenson also believes the trend for new and different cheeses is being joined by reduced-carbohydrate dieting trends like the Atkins diet. Cheese fits well into these diets because of its naturally low carbohydrate levels. The Rondelé Foods’ Faith Stevenson said:

“As part of a low-carb diet, Rondelé spreads can be melted on vegetables, baked in omelets, spread on pork rinds, wraps and pinwheels, melted over hamburgers and steaks or used as a stuffing ingredient in chicken breasts and quiche. The spreadable cheeses can also be used as a vegetable dip.



To reiterate the message, labels are being placed on every product stating the carbohydrate count per serving. All products have 1 to 2 grams of carbohydrates per serving.”

Continued growth is expected in all sectors, especially retail and foodservice. Linda Hook of DCI believes:

“The ‘love affair’ with cheese continues, with chefs and consumers alike. The popularity of regional specialties and artisan cheeses is still in its infancy. Our plans are to continue to explore and capitalize on niches within the category, to develop products that add value, are innovative and provide a solution.”

Fiscalini predicts great things ahead as well:

“I think American artisanal cheese is in the preliminary stage of an explosion on the food horizon. We plan to continue producing our bandaged cheddars and San Joaquin Gold, as well as look into finding additional hard cheeses to add to our product list.”

Deli growth is also foreseen and Stevenson says the company plans to grow with it. Her company, Rondelé Foods, takes great pride in innovating new and exciting flavor profiles for the consumer while providing value-added products.

Carter was quoted by Dairyfields as saying:

“The emerging domestic specialty and artisan cheese industry is a perfect partner for the existing commodity cheese industry, as together they serve the full gamut of consumer demands. Cheese combines healthy lifestyle with art form, fulfills divergent sensory preferences and will continue to captivate and please the marketplace as it has for centuries.”⁵

In the last few years there has been a substantial amount of attention aimed at healthier foods. Cheese is one of nature’s most perfect foods and health-conscious Americans are consuming more cheese than ever before. Dairy Management, Inc. says cheese is essential in our diets because:

- It provides a high concentration of many of the nutrients found in milk
- Contains a high-quality protein and essential amino acids
- Is an important source of calcium; especially important for individuals with lactose mal-digestion.
- Is a good source of minerals including phosphorus and magnesium
- May protect against dental caries



Additionally the Surgeon General is warning the public that half of all Americans could develop osteoporosis by 2020 because of their poor diets. Many people today are deficient in calcium. Just three servings of calcium-rich low-fat milk and dairy products like mozzarella cheese would help solve this problem.

Recent research shows consumption of dairy has weight loss benefits. A study published in *Obesity Research*, a leading scientific journal, showed that when an individual cuts calories to lose weight, three servings of milk, cheese or yogurt each day actually helped them burn more fat and lose more weight than if they had just cut back on calories alone.

Mr. Paul Rovey, an Arizona dairy producer and chairman of DMI, was quoted by Dairy Management, Inc. as saying:

"The ability to show the public that three servings of milk, cheese and yogurt as part of a calorie-restricted diet helps with weight loss is a tremendous opportunity for dairy producers and the entire dairy industry."

Health and nutrition is becoming a major issue to our society and rightfully so. Studies are being conducted daily that will help us understand the enormous health benefits of the vitamins, minerals, proteins, peptides, amino acids and various lipid fractions found in dairy products, not to mention the additional benefits of pro-biotic found in cultured dairy. Protein is in the spotlight today because it is not only healthy, but it truly is the essence of life.¹⁰

Trends in Packaged Cheeses

Consumers continue to look for the newest and best packaged cheese products. Many consumers purchase cheese products to provide family members with a quick, mess-free snack that is readily available for consumption. In addition, its natural protein and calcium content attracts parents and other health conscious consumers. The nutritional value of cheese easily surpasses that of potato chips or cookies. The variety of snack products is extensive, ranging from individual cheese blocks to products with dual compartments that contain cheese, breadsticks, or crackers in each side.

The Cheese category has quite a few snacks targeted at children, often with fun characters and packages to entice youngsters. Many cheeses are positioned as healthy alternatives to traditional snacks, which certainly will appeal to parents looking to cut back on the amount of junk food their children consume

Although eating healthy foods is certainly a concern for many consumers, taste is not easily compromised. The first iteration of fat-free cheeses suffered in that they did not, as a rule, perform on taste. Therefore, many products simply reduced the amount of fat present rather than eliminate it entirely, resulting in a number of "low fat" rather than "fat free" products.

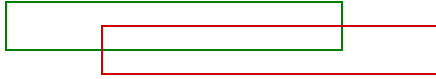


Recently, new innovative cheese formats have been successfully launched. Examples include lactose-free products, different shapes (sunbursts, stars, and moons), food additions (pineapple, olives, sun-dried tomatoes, peppers, garlic), and flavors (Mediterranean, chili pepper, mustard, port wine, horseradish, almonds). One of the most interesting introductions has been that of a cocoa flavored cheese for children in Norway.

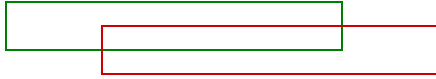
Looking to the future, one can predict new children's varieties with bright colors and shapes will be introduced. Likewise, more experimentation with sweet flavors and fruit will most likely occur. Ethnic cheeses will continue to move into mainstream markets. Finally, the market will most likely see numerous "convenient" cheese products appearing in portable packages with small bite-sized, individually wrapped portions.

These market trends clearly indicate a growing need for the types of innovative and healthy products that Rizza™ will produce. It suggests that the Company should have excellent growth prospects.





- ¹2004 “Appetite for Cheese has Industry Thriving, California May Grab Title of Top Producer, but There’s Plenty of Demand to go Around” by Rick Romell, JS Online, September 23, 2004
<rromell@journalsentinel.com>
- ²2004 “U. S. Cheese Industry Posts \$40 Billion Total Sales in 2003, New California Milk Advisory Board Study Cites Increased Consumption of U. S. Produced Cheeses, Growth of Specialty Cheeses as Key Trends”, Business Wire, Modesto, Ca, September 22, 2004
<http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20040922005191&newsLang=en>
- ³2004 “History of Cheese” General Product Information, 2004
<<http://www.idfa.org/facts/cheese/cf34.pdf>>
- ⁴2003 “Cheesemaking Highlights: Farmstead Cheese Movement Shows dynamic Growth in California, While Wisconsin Remains the Leading Cheese Manufacturing State” Cheese Update, Dairy Foods, by Donna Berry, August, 2003
<http://www.findarticles.com/p/articles/mi_m3301/is_8_104/ai_107123260>
- ⁵2004 “The Specialty Cheese Category Continues to Grow by Leaps and Bounds as Palates Mature” by James Dudlicek, Stagnito Communications, September, 2004
<<http://www.dairyfield.com/content.php?s=DF/2004/09&p=16>>
- ⁶2004 “Pizza Industry Facts, General Sales and Consumption Statistics” Pizzaware, Inc., 2004
<<http://pizzaware.com/facts.htm> >
- ⁷2004 “Cheese Lovers Spur the Growth of a Local Industry”, by Robin Wood, Exclusive Reports, the Business Review, October 15, 2004
<<http://albany.bizjournals.com/albany/stories/2004/10/18/story2.html?page=1>>
- ⁸2004 “U.S. Cheese: Tradition, Quality, Variety, Abundance” Industry Overview, U. S. Dairy Export Council, 2004
<<http://www.usdec.org/Products/CheeseSpecs/content.cfm?Itemnumber=420>>
- ⁹2004 Industry Reports, D&B Sales and Marketing Solutions, 2004, Zap Data 2004
<www.zapdata.com>
- ¹⁰2003 “Nutrition”, Dairy Management, Inc, Health and Nutrition, 2003
<http://www.extraordinarydairy.com/N_Nutrition.asp>



Target Market

Rizza™ will target the following markets for its mozzarella products:

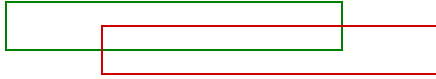
- **Pizza manufacturers and pizza companies**
The market is driven by price and functionality and represents 2 billion pounds annually
It includes fresh and home delivery with major companies like Pizza Hut, Domino's etc. and most small chain groups
It also includes frozen pizza manufacturers such as Tony's, Red Baron, etc.
- **Fast food chains and restaurants**
The market is driven by price, flavor and functionality as well as health aspects
Major chains include Taco Bell, Subway, Quiznos, and other restaurants, etc.
- **Grocery stores**
This includes all major store chains such as Kroger, Wal-Mart, etc.
- **Deli sales**
- **Convenience Foods**
Included here are things like Con Agra home bakes, Lasagna dishes, etc.
- **String Cheese**
- **Retail sales**
These sales are driven by price and marketing aspects such as health and advertising.
Products can be packaged as slices or shredded product

The Company will target these markets throughout all of the U.S. and the rest of the world.

Customer Buying Decisions

Rizza™ has identified the following factors that can be used to favorably predispose potential customers to select the Company's products:

- Significant price advantage
- Healthier product
 Additional ingredients & Lower fat
- Improved consistency
- Improved flavor
- Better fit to customer's functional needs



The Company believes it is well positioned to take advantage of these key factors to help assure its success.

Growth Strategy

Rizza™ has tremendous growth opportunities. First it will grow launching its premier mozzarella cheese product, *Rizzarella*™, into the annual three billion pound mozzarella market. It will utilize major contract manufacturers to produce its products while the Company focuses on the sales and marketing aspects. Rizza™ products will be sold directly to customers or through wholesale food brokers and or distributors. The Company will focus on growing the per cent of the mozzarella market it captures each year.

Once the Company has established the *Rizzarella*™ brand it will begin introducing additional products into the market. These have been described earlier and will include other types of cheeses such as cheddar and cream cheese that benefit from Rizza™'s proprietary food technologies. Additionally, a whole range of health lifestyle food products will be carefully introduced into consumer markets. All products will be positioned under the Company's "Italian Foods" focus and brands.

Business Opportunities

Market Size

There are approximately 570 cheese manufacturers in the United States with a total annual sales volume of \$65,666,900,000. Average annual sales per establishment are \$197,800,000 million.⁹

Rizza™ is initially focused on penetrating the mozzarella cheese market in the U.S. Mozzarella is the primary cheese used on pizza and as mentioned earlier, pizza is a \$32+ billion per year industry.

American Business Lists, Omaha, Nebraska, reports there are approximately 61,269 pizzerias in the United States. Food Industry News says Pizzerias represent 17% of all restaurants and pizza accounts for more than 10% of all foodservice sales. Pizza restaurants continue to outpace overall restaurant growth.

Bolla Wines sources say 93 percent of Americans eat **AT LEAST** one pizza per month. The company also says 66.66 percent of Americans order pizza as a casual dinner to share with family and friends. Packaged Facts tells us 46 slices or 23 pounds of pizza are consumed by each man, woman and child in America per year. The total amount of pizzas sold in the U. S. each year is 3 billion and according to the Gallop Poll, children between 3 and 11 prefer Pizza over all other food groups. It is no wonder Italian foods ranks as the most popular ethnic food in the U.S. (Source: National Restaurant Association).



Italian cheese production continues to grow with mozzarella representing 30 percent of total cheese output. Pizzas are primarily topped with mozzarella cheese, but provolone, ricotta, parmesan, Cheddar and Romano are also used. U. S. cheese makers more than doubled their production of Italian cheese from 1980 to 1992 (from 688.6 million pounds per year to nearly 2 billion pounds per year according to Cheese Market News).⁶

Competition

Rizza™ is subject to competitive conditions in all aspects of its planned and future business.

Leprino Foods

<http://www.leprinofoods.com/our.html>

The market for mozzarella is dominated by one very large player, Leprino Foods. Leprino is the world's largest producer of premium-quality mozzarella cheese and U.S. exporter of whey products. They own patented additive technology involving starch and have large economies of scale. Leprino mozzarella cheese and pizza cheese blends are made especially for pizzeria operators and frozen food manufacturers. Its premium mozzarella cheese is the uniform source of our high-quality sweet whey, whey protein concentrate (WPC), and lactose products. The company was founded in 1950 and is family owned. It has nine manufacturing plants throughout the U.S.

Mozzarella, New York

<http://www.mozzny.com/about.html>

A family owned and operated company, Mozzarella, New York, has been producing fresh mozzarella cheese in Brooklyn since 1979. The company has five generations and more than 100 years of family tradition under their belt. They have been producing mozzarella for over two decades and have received awards for their efforts. Their products are used in countless fine restaurants and gourmet stores across the U.S. They are considered, “one of the finest” and are highly respected in the market.

The company advertises they sell mozzarella fresh, smoked and dried. They will also ship direct and upon request will prepare mozzarella made-your-order. The company also offers the highly desirable Mozzarella di Bufala, imported from Italy. Specialty cheeses and Scamorza are also available.



Cheesemakers, Inc.

<http://www.cheesemakers.com/about.html>

Located in Montgomery County, Texas, Cheesemakers, Inc. was founded by James C. Keliehor, P.E. In 1994 Mr. Keliehor was asked by Land O' Lakes to partner with them on a project to deliver and form fresh cheddar cheese curds.

Cheesemakers, Inc. was born in 1997 and is now in the process of becoming a state-of-the-art cheese making plant for the manufacture of many fresh specialty cow's milk and goat's milk cheeses in the state of Texas. The company's products are sold in gourmet grocery stores, authentic Mexican, Italian, and Greek food restaurants and fine hotels.

The company is a family owned and operated company, with James Keliehor as General Manager. There are many family members who have helped guide the success of Cheesemakers, Inc. into the strong company it is today.

Other Products

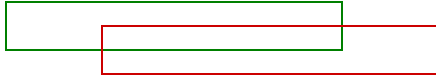
The market for both health and convenience foods are large and highly competitive. Competitive factors in the industry include product quality and taste, brand awareness among consumers, consumer perception of brand and product, variety of specialty flavors and health claims, interesting or unique product names, product packaging and package design, supermarket and grocery store shelf space, alternative distribution channels, reputation, price, advertising and promotion.

Competitors include large national and international companies and numerous local and regional companies. Some competitors may have different profit objectives and some international competitors may be more or less susceptible to currency exchange rates. In addition, certain international competitors benefit from government subsidies.

Competitive Advantages

The Rizzarella™ products have many competitive advantages. These include:

- Lower cost
- Less fat
- Less cholesterol
- Customized flavor profiles
- Addition of other nutritional ingredients
- Customized product functionality and specifications



-
- Less variation in the product
 - Longer shelf life on cheese (between four to six weeks)

Rizza™'s technical flexibility in product manufacturing means it can more easily meet customer's cost and functionality. Cost reduction can be realized through the use of Rizza™'s technology. This allows small manufacturing plants to compete with Leprino and others on a cost basis without having the economy of scale. Rizza™'s technology allows production to be standardized, hence reducing variation among batches.

Currently cheese is produced with considerable variation because of the procedures used to make it and these differences cannot be corrected in time for packaging. Rizza™'s technology allows modification of the composition of the cheese before packaging, thus providing improved consistency and customer satisfaction. Customized flavors can be added to the cheese for each customer. This creates signature cheese that helps differentiate products.

Specific advantages of Rizza™'s process over Leprino's include:

- more consistent product
- easier customization,
- product standardization in the cooker
- no losses at the cooker
- less expensive raw ingredients
- adding moisture with rice addition versus adding dry starches

Further advantages include:

1. Rice is less expensive than the purified corn starch that Leprino uses (\$0.19/lb for rice vs. \$0.30-\$0.35/lb starch)
2. The flavor profile of whole rice that Rizza™ uses is cleaner (less impact) than purified cornstarch. Hence, flavor profiles of products made with rice are better.
3. Starch is extracted from corn by water and sulfates, which can impart flavor issues.
4. Rizza™'s process adds water to the cheese along with the rice, while Leprino's only adds dry ingredients. The water Rizza™ adds aids in the blending process and gives much more flexibility to controlling final composition.
5. Rizza™'s rice slurry allows the addition of other (wet or dry) ingredients to the cheese with better distribution throughout the product.



-
6. The rice Rizza™ uses has been fortified with vitamins and mineral while cornstarch is not.
 7. With Rizza™'s process, flavors and colors can be added to the rice. Leprino adds flavors in a different part of the process but cannot add color because they do not get thorough mixing in their process. Color or flavor addition to the rice means the whey is not altered and retains its value. As an example it would be possible to add a yellow color to mozzarella along with cheddar flavors and this product could be used by Taco Bell or Pizza Hut to replace Cheddar.
 8. Rizza™'s process uses a lay down cooker (batch process) to blend the cheese and rice slurry. This process has several advantages over Leprino's process. The batch process eliminates salt whey from the system, retains fat and proteins in the cheese and captures all the steam used to cook the cheese as moisture in the cheese. It also allows the cheese to be standardized for fat moisture. At a suggested price of \$1.53 per lb this means a **gross margin improvement from \$0.07 per lb (4.58%) to \$0.25 per lb (16.54%)**, salt and pH, which gives a much more consistent finished product. Also, this process reduces the brine time the cheese needs from 4 hours to 1 hour. Overall this process creates an additional \$0.04 savings per pound of cheese.

The largest competitive advantage that Rizza™ has is its price advantage. Because rice is cheaper than cornstarch and because the proprietary process that Rizza™ utilizes is more efficient, the finished mozzarella products can be produced at a great cost savings. The Company estimates that it can produce its mozzarella cheese with more than \$0.18 per lb cost savings.

These competitive advantages suggest that Rizza™ should be able to penetrate the mozzarella market and capture the projected market shares. However, substantial advertising and promotional expenditures may be required to maintain or improve the Rizzarella™'s brand's market position or to introduce a new product. Rizza™ cannot be certain that it could successfully compete for sales to distributors or stores that purchase from larger, more established companies that have greater financial, managerial, sales and technical resources. In addition, the Company competes for limited retailer shelf space for its products.



V. Growth Strategy

Strategic Initiatives

Rizza™ has developed the following initiatives to achieve its growth goals:

- Establish a contract manufacturing relationship with a large manufacturer
- Reimburse a portion of its production cost savings to its contract manufacturers
- Pass along a portion of its cost savings to the end customers (i.e. reduce their price)
- Initiate marketing efforts to reach its target audience
- Establish an aggressive sales program to identify and secure customers
- Hire and train qualified staff

The Company believes it can reasonably achieve these goals with the proper financing.

Target Customers

Rizza™ will target various types of entities in the mozzarella cheese market. The first is manufacturers. In addition to Land O' Lakes which has already been contacted, the Company will initiate new conversations other potential manufacturers such as Cedar Valley Cheese, Alto Dairy, Dairy Farmers of America, Foremost Farms, Sorrento and Lucille Farms, among others.

The Company will also target major customers directly. This will include the major pizza companies, pizza manufacturers and grocery store chains.

Finally, the Company will target food brokers specializing in cheese products. A list of these is easily obtainable.

A partial list of customers already contacted or targeted includes::

- Land O' Lakes
- The Hain Celestial Group
- Farm Foods Pizsoy™
- Saputo
- Foremost Farms
- Sargento Cheese



- Pizza Hut
- Jim Kerivan (Cheese Broker)
- McCain Foods
- Kerry Ingredients
- Kraft

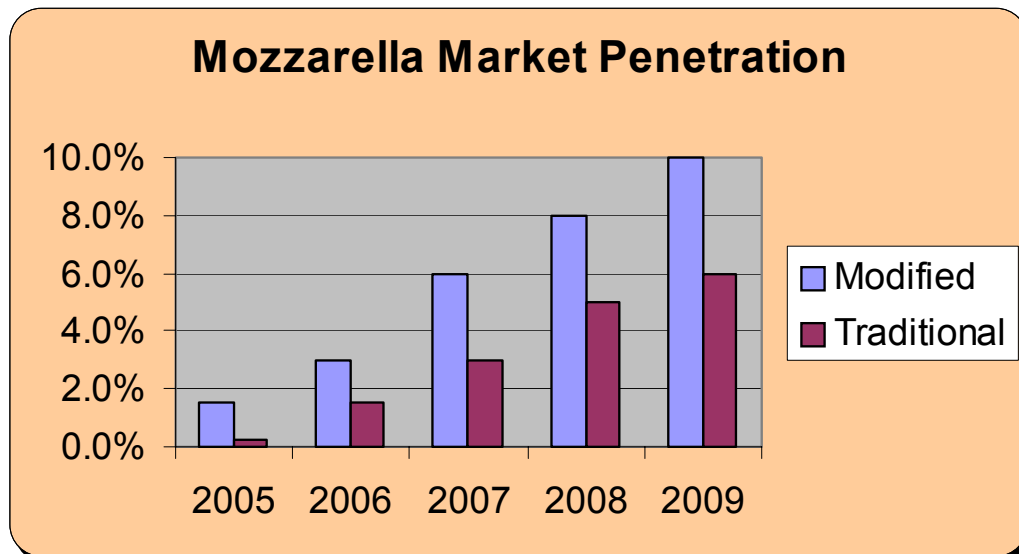
The Company has come to an agreement with a small western mozzarella distributor (Greater Foods LLC, based in Henderson, NV) that distributes \$40 million of products including 4 million lbs of mozzarella each year. Rizza™ has reached a verbal agreement with Greater Foods whereby to explore acquiring or merging with them. At a minimum, Greater Foods will carry and sell the *Rizzarella* product line to its customers.

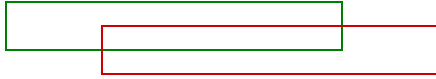
Rizza™ is also in discussions to purchase a large (65,000 sp. Ft.) modern frozen pizza manufacturing facility.

Rizza™ believes that with its substantial savings of using its *Rizzarella*™ and *Chedderella*™ cheeses, along with vitamin enhancement, award winning sauces (from Patsy's Sauce), and a low carb crust similar to Sabbaro's it can make a very effective and competitive pizza with substantial cost savings.

Market Penetration

In order to achieve its growth targets, Rizza™ need only capture a small percentage of the mozzarella market as shown in the graph below.





Marketing Strategy

Rizza™'s marketing strategy will be focused on the value that is provided through its ValueRich products. Marketing efforts will emphasize the cost savings, enhanced product quality and flavor improvements that customers would receive by utilizing the product.

The Company will closely integrate all of its marketing and sales efforts to project a consistent image of the *Rizza*™ and *Rizarella* brands and a consistent positioning of products and services.

Rizza™ will employ a variety of marketing activities to fuel its customer acquisition process. These include:

- Build multiple web sites to describe and promote its products
- Direct mail activities to targeted audiences
- Participation in major industry trade shows
- Personal solicitation
- Referrals

Sales Strategy

The Company will employ a direct sales force to sell its products and services. A large portion of the sales force's compensation will be commission based in order to motivate them to achieve maximum sales.

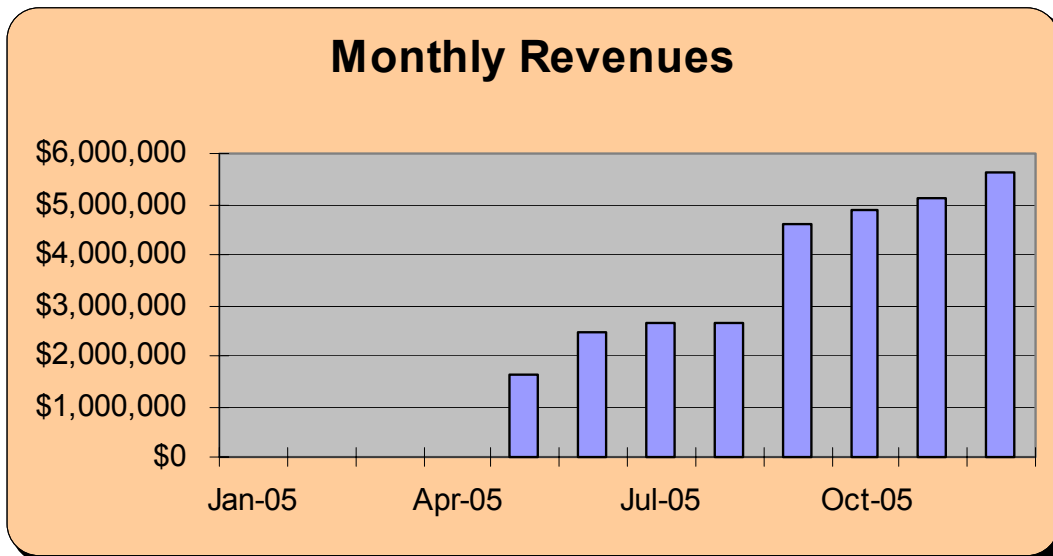
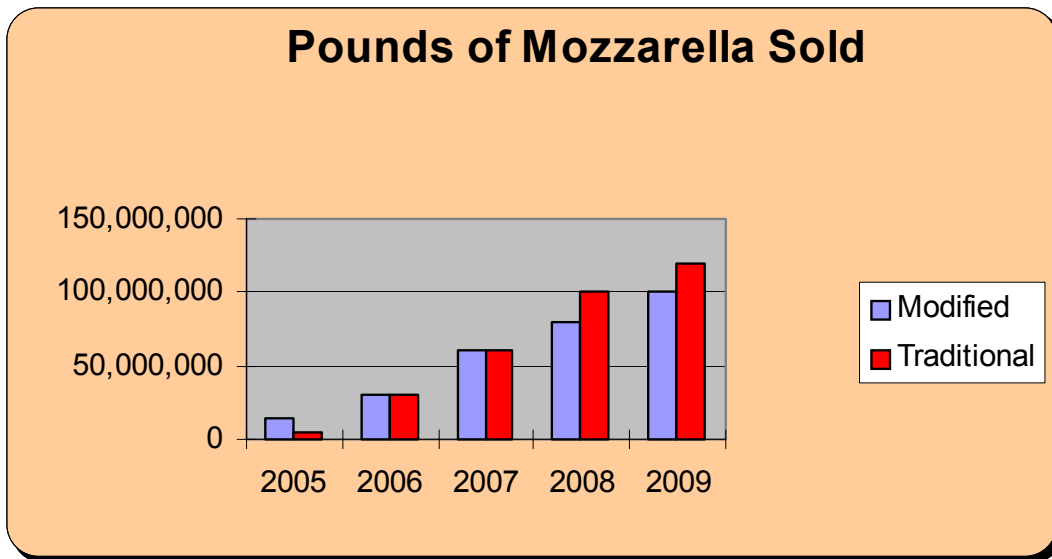
In addition, Rizza™ will also form relationships with leading cheese food brokers and independent third-party food distributors. Food brokers act as agents within designated territories, usually on a non-exclusive basis, and receive commissions. Food distributors purchase products for resale to retailers.

Rizza™ products are intended to be sold in all 50 states in supermarket chains, wholesalers, super centers, club stores, mass merchandisers, distributors, convenience stores, gasoline stations and other retail food outlets. In general, the retail trade for food products is consolidating. Rizza™ may also engage the services of independent sales offices and agents. Rizza™'s customer base is anticipated to consist principally of mass-market merchandisers, natural food distributors, supermarkets, drug store chains, club stores and grocery wholesalers.



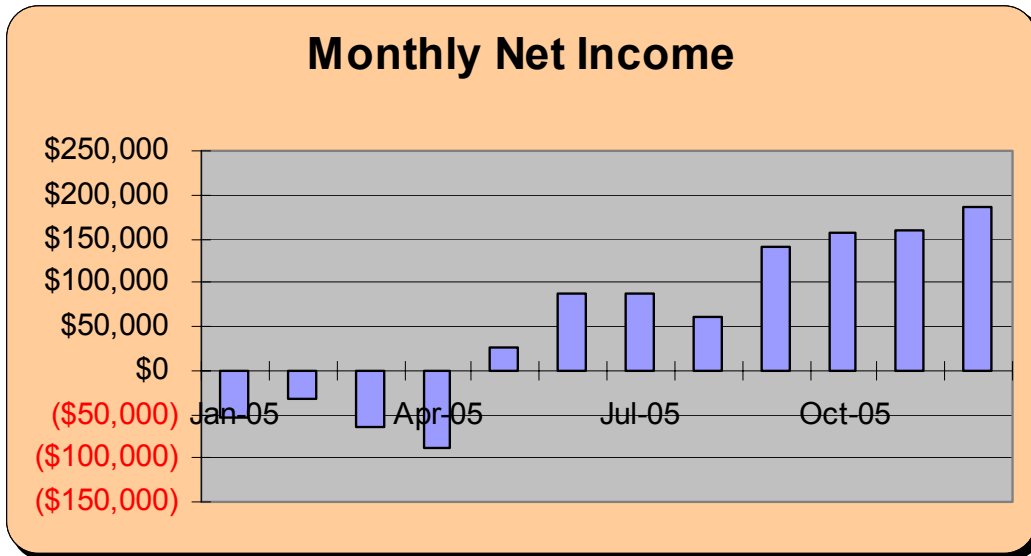
Sales Forecast

The Company believes it can achieve significant sales in the next twelve months by reaching its customer targets. By the end of twelve months, Rizza™ expects to have sold 20 million pounds of its mozzarella cheese. This will result in twelve month revenues of \$29.7 million. This is shown in the graphs following and on the next pages.





Based on these sales, Rizza™ believes it will obtain the following net income targets in the next twelve months.





VI. Management and Personnel

Management

Vice President Product Development: **Dr. Thomas C. Rank**

Dr. Rank is an experienced and accomplished food scientist with over 20 years in the food manufacturing industry. In his various roles over the years, Dr. Rank has managed large staffs of R&D Directors and researchers.

Dr. Rank's strengths are evidenced by his success in the various top-level positions he has held. He has successfully guided companies through large product growth, working closely with Sales and Marketing efforts. He has designed, developed and implemented a global R&D management system. He has also co-developed business plans for entering new market segments.

Dr. Rank holds a Ph.D. in Food Chemistry from the University of Wisconsin and an M.S. in Food Microbiology from Purdue University. He obtained his B.S. in Agricultural Science from Purdue University.

His complete resume can be found in the Appendix.

Advisor: **Mr. Timothy O. Kohl**

Mr. Kohl is a seasoned corporate attorney and investment specialist. Timothy has almost 40 years of experience. Mr. Kohl served as legal counsel for Oscar Meyer Food Corporation for 10 years.

Mr. Kohl obtained a B.S. degree from the University of Wisconsin, Milwaukee and his J.D. degree from the Madison Law School of the University of Wisconsin. Timothy has served on numerous Boards for both civic and for-profit organizations.

A copy of his resume is in the Appendix

Upon a financing commitment, the Company will immediately recruit and hire an experienced senior management team. Staffing of Rizza™ is anticipated to be completed within four months after financing.

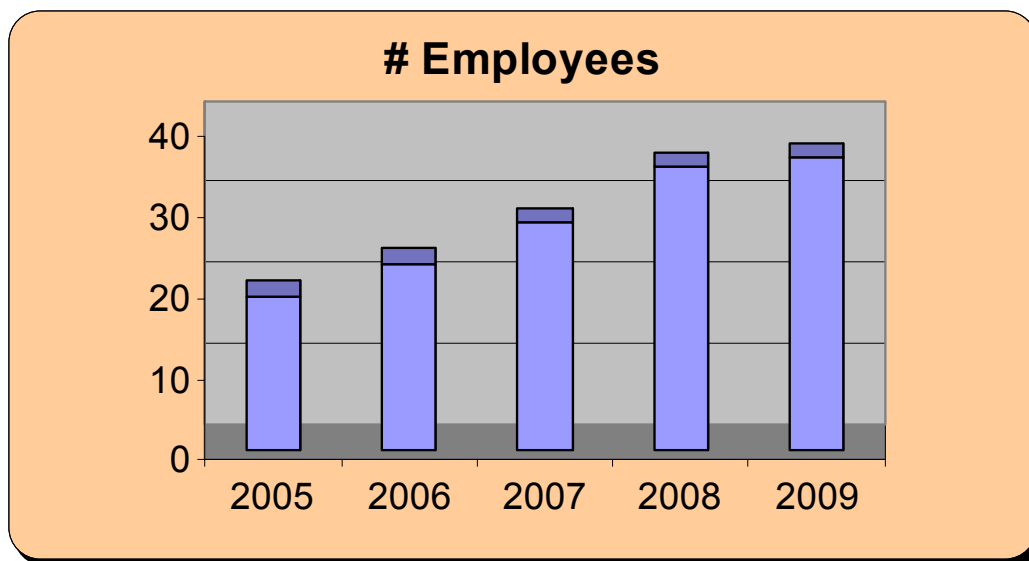


Personnel Plan

The Company plans on adding the following positions over the next several years.

Staff					
	2005	2006	2007	2008	2009
President	1	1	1	1	1
VP Operations	1	1	1	1	1
VP Sales	1	1	1	1	1
VP Marketing	1	1	1	1	1
Asst VP Marketing	1	1	1	1	1
VP Product Development	1	1	1	1	1
Controller/CFO	1	1	1	1	1
Operations Staff	2	3	4	6	6
Product Dev. Staff	2	2	3	6	6
Accounting Staff	3	4	5	6	6
Sales Staff	2	2	2	2	2
Marketing Staff	1	1	1	1	1
Administrative Staff	2	4	6	7	8

The graph below shows the growth in the number of anticipated employees over the next five years.





VII. Risk Factors

Distinguishing the Company to Customers

The Company generates its revenues from selling its cheeses to customers. The Company must be able to reach these customers in an economical fashion and prove itself as a reliable vendor.

Mitigation Strategy:

Execute marketing programs. Network within industry. Maximize sales activities.

Attracting and Retaining Qualified Staff

Rizza™ must be able to attract qualified professionals to its staff. This is critical to the growth and reputation of the business. It will be imperative that the Company develops loyalty among its employees in order to reduce turnover.

Mitigation Strategy:

Provide excellent working conditions. Provide competitive pay. Implement an industry competitive benefit plan. Provide an enjoyable work environment and give incentives. Compensate employees fairly and timely.

Cost of Building the Brand

Substantial advertising and promotional expenditures may be required to maintain or improve the *Rizarella's* brand's market position or to introduce a new product. Rizza™ cannot be certain that it can successfully compete for sales to distributors or stores that purchase from larger, more established companies that have greater financial, managerial, sales and technical resources. In addition, the Company competes for limited retailer shelf space for its products.

Mitigation Strategy:

Exceed customer expectations to assure referrals. Gain endorsements from customers. Form strategic relationships and leverage off of existing brands.

Product Liability and Insurance

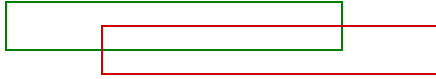
The Company, like other producers and distributors of products that are ingested, faces an inherent risk of exposure to product liability claims in the event that, among other things, the use of its products results in injury. The Company maintains insurance against product liability claims with respect to the products it manufactures.



With respect to the retail and direct marketing distribution of products produced by others, the Company's principal form of insurance consists of arrangements with each of its suppliers of those products to name the Company as beneficiary on each of such vendor's product liability insurance policies. The Company does not buy products from suppliers who do not maintain such coverage.

Mitigation Strategy:

Maintain top-of-the-line product manufacturing insurance. Be named beneficiary of its suppliers' insurance policies.



VIII. Financial Projections

Rizza™ will focus on sales, marketing, R & D, distribution, operations and general management.

Assumptions

Revenue Projections

Revenue Assumptions					
	2005	2006	2007	2008	2009
Modified Mozzarella	15,000,000	30,000,000	60,000,000	80,000,000	100,000,000
Traditional Mozzarella	5,000,000	30,000,000	60,000,000	100,000,000	120,000,000
lbs sold					

- a) Market price of mozzarella was assumed to be \$1.53 per lb (as of 11/1/04)
- b) Price of *Rizzarella* is set at \$1.485 per lb
- c) Market penetration:
 - Modified Mozzarella: 1.5% in 2005, 3.0% in 2006, 6.0% in 2007, 8.0% in 2008 and 10.0% in 2009
 - Traditional Mozzarella: 0.25% in 2005, 1.5% in 2006, 3.0% in 2007, 5.0% in 2008 and 6.0% in 2009

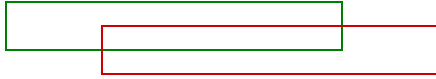
Cost of Goods Projections

- a) Production cost is assumed to be \$1.04 per lb
- b) Conversion cost is assumed to be \$0.24 per lb
- c) Manufacturer receives a \$0.045 per lb rebate
- d) Food brokers represent 70% of sales
- e) Food brokers receive a 3% commission

Projected expenses

- a) Salaries

Payroll Expenses					
	2005	2006	2007	2008	2009
President	\$140,000	\$142,800	\$147,000	\$149,800	\$154,000
VP Operations	\$100,000	\$122,400	\$126,000	\$128,400	\$132,000
VP Sales	\$100,000	\$122,400	\$126,000	\$128,400	\$132,000
VP Marketing	\$82,500	\$112,200	\$115,500	\$117,700	\$121,000
Asst VP Marketing	\$52,500	\$71,400	\$73,500	\$74,900	\$77,000
VP Product Development	\$100,000	\$102,000	\$105,000	\$107,000	\$110,000
Controller/CFO	\$50,000	\$61,200	\$63,000	\$64,200	\$66,000
Operations Staff	\$81,250	\$198,900	\$273,000	\$417,300	\$429,000
Product Dev. Staff	\$54,167	\$132,600	\$204,750	\$417,300	\$429,000
Accounting Staff	\$63,333	\$163,200	\$210,000	\$256,800	\$264,000
Sales Staff	\$65,000	\$122,400	\$126,000	\$128,400	\$132,000
Marketing Staff	\$23,333	\$40,800	\$42,000	\$42,800	\$44,000
Administrative Staff	\$60,000	\$163,200	\$252,000	\$299,600	\$352,000



b) Direct Operating Expenses will average the following:

Direct Operating Expenses					
	2005	2006	2007	2008	2009
Insurance-Medical	\$77,000	\$138,000	\$168,000	\$210,000	\$216,000
Travel & Entertainment	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Rent	\$48,000	\$48,000	\$48,000	\$48,000	\$48,000
Utilities	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Phone/Internet	\$32,000	\$36,000	\$36,000	\$36,000	\$36,000
Professional Fees	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Supplies	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Marketing Expenses	\$95,000	\$180,000	\$180,000	\$180,000	\$180,000
Insurance - Liability	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Vehicle Leases	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
Equipment lease	\$21,500	\$24,000	\$24,000	\$24,000	\$24,000
Other	\$20,000	\$24,000	\$24,000	\$24,000	\$24,000

Capital Expenditures

a) Capital expenditures for the next five years are shown below

	2005	2006	2007	2008	2009
Capital Expenditures	\$222,000	\$150,000	\$145,000	\$145,000	\$145,000

Taxes

For projections, taxes are modeled at a federal and state combined rate of 40%.

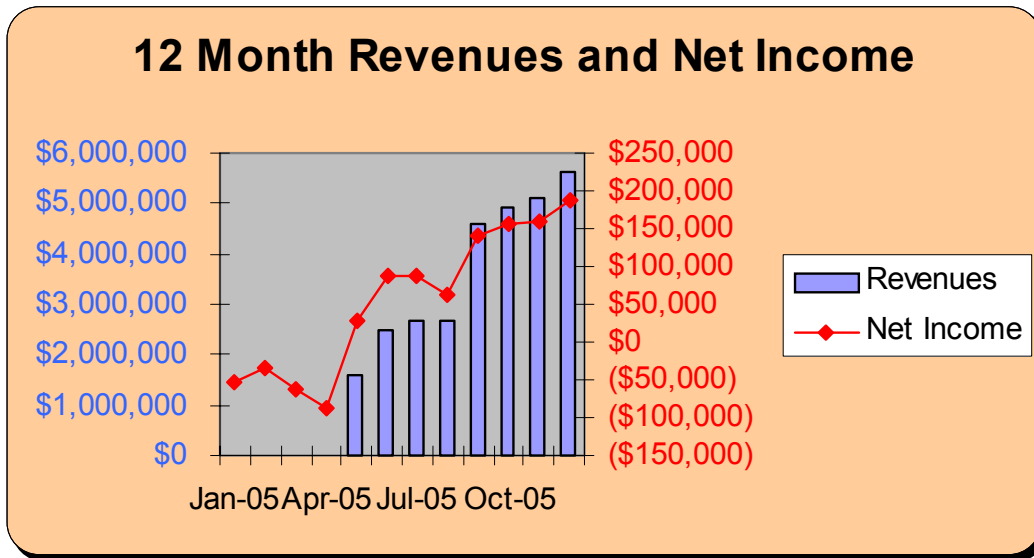
Cash Flow

- a) Receivables average 30 days
- b) Payables average 30 days.

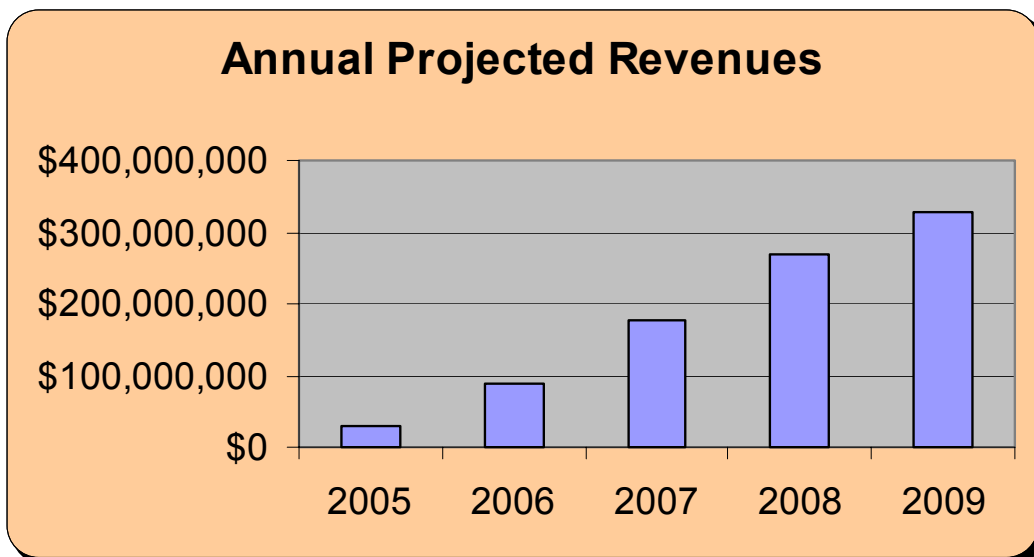


Profit and Loss

Rizza™ projects significant revenue growth over the next twelve months. The Company anticipates it can grow monthly revenues from \$0 to \$5.15 million. This will generate an operating profit of more than \$1.0 million in this twelve month time period. The graph below shows the twelve-month growth in revenues and net income.

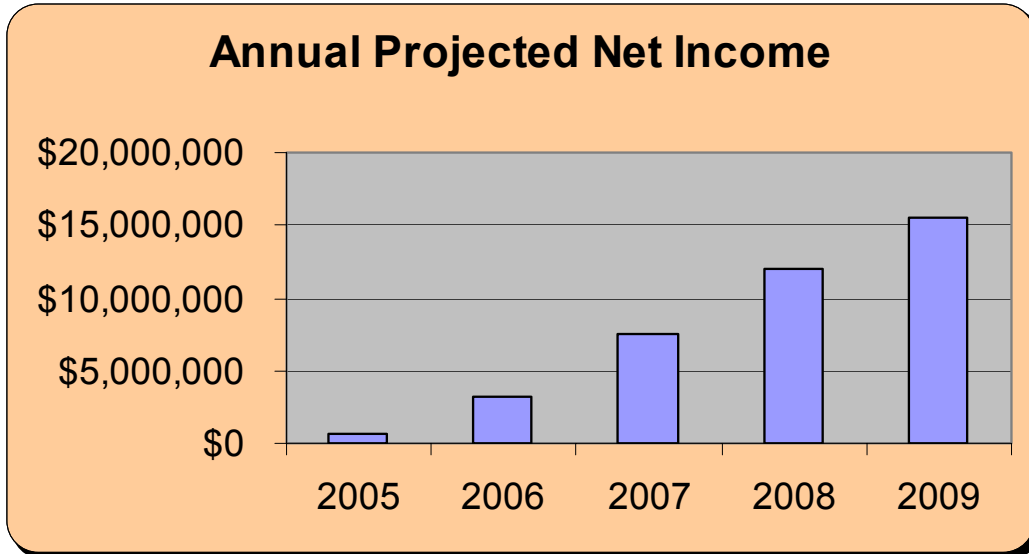


On an annualized basis, Rizza™'s planned operations will result in a revenue stream of \$89.1 million in 2006 and in excess of \$326 million within five years. (see graph)





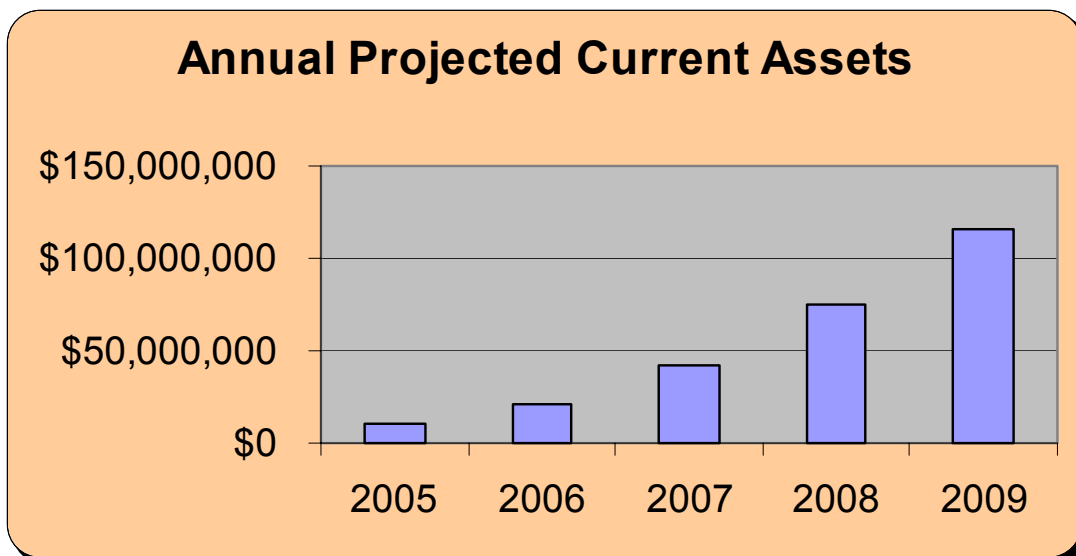
The Company believes it will be profitable on an annual basis. Operating income grows to \$24.9 million and net income grows to Profitability (net income) grows to \$15.6 million in 2009.



A full set of P&L projections (monthly for twelve months and annually for five years) is shown in the Appendix.

Balance Sheet

With the projected top line revenues, management of expenses and the planned equity investment the Company's balance sheet remains strong. (see graph below)

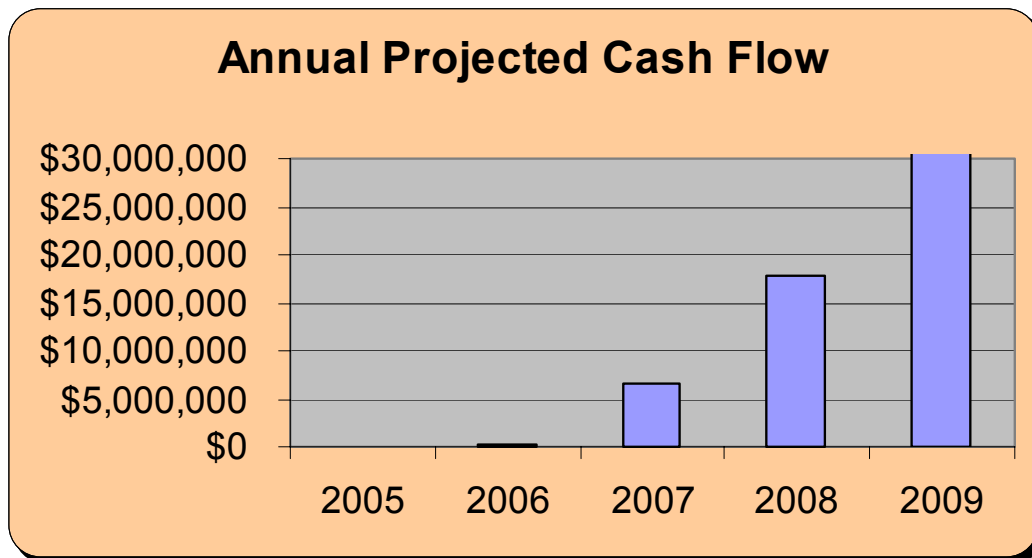




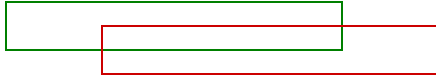
Full balance sheet details (monthly for twelve months and annually for five years) are shown in the Appendix.

Cash Flow

Rizza™'s operations show adequate cash flow to support the business. The twelve-month and five-year cash flow projections are positive, as profitability remains strong.



Complete monthly cash flow statements for the next twelve months and annually for the next five years are shown in the Appendix.



IX. Use of Proceeds

Capital Improvements

The Company will open operations by leasing its office space. It is anticipated that minimal capital improvements will be needed.

Equipment, Computer, Software, and Furniture Purchases

Rizza™ will spend \$222,000 in 2005 and \$150,000 in 2006 on items to equip the office area and install necessary IT infrastructure. These purchases will include, but not be limited to, the following:

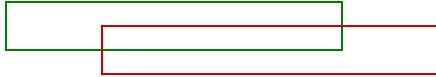
Capital Expenditures					
	2005	2006	2007	2008	2009
Equipment	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Computers/printers	\$35,000	\$50,000	\$50,000	\$50,000	\$50,000
Furniture	\$25,000	\$15,000	\$10,000	\$10,000	\$10,000
Leasehold Improvements	\$0	\$0	\$0	\$0	\$0
Software	\$60,000	\$30,000	\$30,000	\$30,000	\$30,000
Phone System	\$62,000	\$15,000	\$15,000	\$15,000	\$15,000
Other	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
	\$222,000	\$150,000	\$145,000	\$145,000	\$145,000

Staff Additions

As has been detailed earlier in this plan, the Company will be hiring professional staff to support operations and service customers. By the end of 2005, 19 staff members will be hired and some of the funds will be used to cover hiring and employee start-up expenses.

Working Capital

The remaining capital investment will be used for working capital to support operations, sales, marketing, and administrative expenses.



Sources and Uses of Funds

Source of Funds:

Issuance of Preferred Stock	\$5,000,000
Total	\$5,000,000

Use of Proceeds:

Working Capital
Selling, Marketing & Advertising Expenses
Personnel
Transaction Fees

Total	\$5,000,000
--------------	--------------------



X. Investor Return Strategy

Rizza™ is seeking a \$5,000,000 equity investment to execute its business plan. The Company believes that the investor can achieve a fair return on this investment.

Investor return should come through increased valuation of the Company as revenues grow, the balance sheet becomes stronger, and the Company attains a market leadership position.

The amount requested provides the Company with adequate cash reserve should revenue targets take longer to reach. Furthermore, management believes the business plan and pro forma's presented here illustrate that this investment carries a reasonable level of risk to the investor.

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APPENDICES 12 Month P & L Projections

Profit and Loss Statement														
	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	12 MonthTotal	
	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj		
Revenues														
Modified Mozzarella	\$0	\$0	\$0	\$0	\$1,113,750	\$1,782,000	\$1,782,000	\$1,782,000	\$3,712,500	\$3,712,500	\$3,935,250	\$4,455,000	\$22,275,000	75.0%
Traditional Mozzarella	\$0	\$0	\$0	\$0	\$495,000	\$693,000	\$891,000	\$891,000	\$891,000	\$1,188,000	\$1,188,000	\$1,188,000	\$7,425,000	25.0%
Total Revenues	\$0	\$0	\$0	\$0	\$1,608,750	\$2,475,000	\$2,673,000	\$2,673,000	\$4,603,500	\$4,900,500	\$5,123,250	\$5,643,000	\$29,700,000	
			\$0			\$4,083,750			\$9,949,500			\$15,666,750		
Cost of Goods Sold														
Modified Mozzarella	\$0	\$0	\$0	\$0	\$960,000	\$1,536,000	\$1,536,000	\$1,536,000	\$3,200,000	\$3,200,000	\$3,392,000	\$3,840,000	\$19,200,000	
Traditional Mozzarella	\$0	\$0	\$0	\$0	\$426,667	\$597,333	\$768,000	\$768,000	\$768,000	\$1,024,000	\$1,024,000	\$1,024,000	\$6,400,000	
Rebate to contract manufacturer	\$0	\$0	\$0	\$0	\$48,750	\$75,000	\$81,000	\$81,000	\$139,500	\$148,500	\$155,250	\$171,000	\$900,000	
Food broker commission	\$0	\$0	\$0	\$0	\$33,784	\$51,975	\$56,133	\$56,133	\$96,674	\$102,911	\$107,588	\$118,503	\$623,700	
Total COGS	\$0	\$0	\$0	\$0	\$1,469,200	\$2,260,308	\$2,441,133	\$2,441,133	\$4,204,174	\$4,475,411	\$4,678,838	\$5,153,503	\$27,123,700	91.3%
Gross Profit	\$0	\$0	\$0	\$0	\$139,550	\$214,692	\$231,867	\$231,867	\$399,327	\$425,090	\$444,412	\$489,497	\$2,576,300	8.7%
					9%	9%	9%	9%	9%	9%	9%	9%		
Direct Operating Expenses														
Payroll and payroll taxes	\$25,900	\$25,900	\$53,650	\$76,313	\$91,575	\$98,975	\$108,688	\$114,238	\$117,938	\$117,938	\$123,950	\$123,950	\$1,079,013	
Operating Expenses	\$25,750	\$25,750	\$27,250	\$28,750	\$37,250	\$43,750	\$44,750	\$45,250	\$50,750	\$50,750	\$51,250	\$51,250	\$482,500	
Total Expenses	\$51,650	\$51,650	\$80,900	\$105,063	\$128,825	\$142,725	\$153,438	\$159,488	\$168,688	\$168,688	\$175,200	\$175,200	\$1,561,513	5.3%
Operating Profit (Loss) - EBITDA	(\$51,650)	(\$51,650)	(\$80,900)	(\$105,063)	\$10,725	\$71,967	\$78,430	\$72,380	\$230,639	\$256,402	\$269,212	\$314,297	\$1,014,788	3.4%
Other Income/Expense														
Depreciation	(\$1,817)	(\$2,167)	(\$2,600)	(\$2,617)	(\$3,133)	(\$3,600)	(\$3,617)	(\$3,633)	(\$3,650)	(\$3,667)	(\$3,683)	(\$3,700)	(\$37,883)	
Other Income/(Expense)	\$0	\$20,379	\$20,161	\$19,922	\$19,664	\$19,179	\$12,483	\$9,222	\$8,688	\$8,628	\$1,142	\$529	\$139,997	0.5%
Total Other	(\$1,817)	\$18,213	\$17,561	\$17,305	\$16,530	\$15,579	\$8,867	\$5,588	\$5,038	\$4,962	(\$2,541)	(\$3,171)	\$102,113	
EBT	(\$53,467)	(\$33,438)	(\$63,339)	(\$87,757)	\$27,255	\$87,545	\$87,296	\$77,968	\$235,677	\$261,364	\$266,670	\$311,126	\$1,116,901	
Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,826	\$94,271	\$104,546	\$106,688	\$124,450	\$446,760	
Net Income	(\$53,467)	(\$33,438)	(\$63,339)	(\$87,757)	\$27,255	\$87,545	\$87,296	\$61,142	\$141,406	\$156,818	\$160,002	\$186,676	\$670,141	2.3%

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12 Month Balance Sheet Projections

Balance Sheet		Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05
		Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj
	Opening												
Assets													
Current Assets													
Cash	\$0	\$4,891,000	\$4,838,729	\$4,781,241	\$4,719,262	\$4,602,863	\$2,996,017	\$2,213,217	\$2,085,042	\$2,070,839	\$274,061	\$126,937	\$48,477
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$1,608,750	\$4,083,750	\$5,148,000	\$5,346,000	\$7,276,500	\$9,504,000	\$10,023,750	\$10,766,250
Inventory	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Undeposited Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$0	\$4,891,000	\$4,838,729	\$4,781,241	\$4,719,262	\$6,211,613	\$7,079,767	\$7,361,217	\$7,431,042	\$9,347,339	\$9,778,061	\$10,150,687	\$10,814,727
Fixed Assets													
Equipment	\$0	\$109,000	\$130,000	\$156,000	\$157,000	\$188,000	\$216,000	\$217,000	\$218,000	\$219,000	\$220,000	\$221,000	\$222,000
Accumulated Depreciation	\$0	\$1,817	\$3,983	\$6,583	\$9,200	\$12,333	\$15,933	\$19,550	\$23,183	\$26,833	\$30,500	\$34,183	\$37,883
Total Fixed Assets	\$0	\$107,183	\$126,017	\$149,417	\$147,800	\$175,667	\$200,067	\$197,450	\$194,817	\$192,167	\$189,500	\$186,817	\$184,117
Intangible Assets													
Intangibles	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Intangible Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Assets	\$0	\$4,998,183	\$4,964,746	\$4,930,657	\$4,867,062	\$6,387,280	\$7,279,833	\$7,558,667	\$7,625,859	\$9,539,505	\$9,967,561	\$10,337,503	\$10,998,844
Liabilities and Equity													
Current Liabilities													
Accounts Payable	\$0	\$51,650	\$51,650	\$80,900	\$105,063	\$1,598,025	\$2,403,033	\$2,594,571	\$2,600,621	\$4,372,861	\$4,644,098	\$4,854,038	\$5,328,703
Loan Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Current Liabilities	\$0	\$51,650	\$51,650	\$80,900	\$105,063	\$1,598,025	\$2,403,033	\$2,594,571	\$2,600,621	\$4,372,861	\$4,644,098	\$4,854,038	\$5,328,703
Long Term Liabilities													
Bank Note	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Long Term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$0	\$51,650	\$51,650	\$80,900	\$105,063	\$1,598,025	\$2,403,033	\$2,594,571	\$2,600,621	\$4,372,861	\$4,644,098	\$4,854,038	\$5,328,703
Shareholder Equity													
Preferred Stock	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Common Stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Additional Paid in Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retained Earnings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current Year Income (Loss)	\$0	(\$53,467)	(\$86,904)	(\$150,243)	(\$238,000)	(\$210,745)	(\$123,200)	(\$35,904)	\$25,238	\$166,644	\$323,463	\$483,465	\$670,141
Total Shareholder Equity	\$0	\$4,946,533	\$4,913,096	\$4,849,757	\$4,762,000	\$4,789,255	\$4,876,800	\$4,964,096	\$5,025,238	\$5,166,644	\$5,323,463	\$5,483,465	\$5,670,141
Total Liabilities and Equity	\$0	\$4,998,183	\$4,964,746	\$4,930,657	\$4,867,062	\$6,387,280	\$7,279,833	\$7,558,667	\$7,625,859	\$9,539,505	\$9,967,561	\$10,337,503	\$10,998,844

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12 Month Cash Flow Projections

	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05
	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>
Cash Flow Analysis												
Cash from Operations												
Net Income	(\$53,467)	(\$33,438)	(\$63,339)	(\$87,757)	\$27,255	\$87,545	\$87,296	\$61,142	\$141,406	\$156,818	\$160,002	\$186,676
Accounts Receivable Increase	\$0	\$0	\$0	\$0	(\$1,608,750)	(\$2,475,000)	(\$2,673,000)	(\$2,673,000)	(\$4,603,500)	(\$4,900,500)	(\$5,123,250)	(\$5,643,000)
Accounts Receivable Paid	\$0	\$0	\$0	\$0	\$0	\$0	\$1,608,750	\$2,475,000	\$2,673,000	\$2,673,000	\$4,603,500	\$4,900,500
Change in Inventory	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounts Payable Increase	\$51,650	\$51,650	\$80,900	\$105,063	\$1,598,025	\$2,403,033	\$2,594,571	\$2,600,621	\$4,372,861	\$4,644,098	\$4,854,038	\$5,328,703
Accounts Payable Paid	\$0	(\$51,650)	(\$51,650)	(\$80,900)	(\$105,063)	(\$1,598,025)	(\$2,403,033)	(\$2,594,571)	(\$2,600,621)	(\$4,372,861)	(\$4,644,098)	(\$4,854,038)
Add Back Note interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add Back Depreciation&Amort	\$1,817	\$2,167	\$2,600	\$2,617	\$3,133	\$3,600	\$3,617	\$3,633	\$3,650	\$3,667	\$3,683	\$3,700
Total Cash from Operations	\$0	(\$31,271)	(\$31,489)	(\$60,978)	(\$85,399)	(\$1,578,847)	(\$781,800)	(\$127,174)	(\$13,203)	(\$1,795,778)	(\$146,124)	(\$77,460)
Cash from Investing												
Purchases of P&E	(\$109,000)	(\$21,000)	(\$26,000)	(\$1,000)	(\$31,000)	(\$28,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
Purchases of Intangibles	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cash from Investing	(\$109,000)	(\$21,000)	(\$26,000)	(\$1,000)	(\$31,000)	(\$28,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,000)
Cash from Financing												
Loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bank Note	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equity	\$5,000,000											
Total Cash from Financing	\$5,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Change in Cash	\$4,891,000	(\$52,271)	(\$57,489)	(\$61,978)	(\$116,399)	(\$1,606,847)	(\$782,800)	(\$128,174)	(\$14,203)	(\$1,796,778)	(\$147,124)	(\$78,460)
Opening Balance	\$0	\$4,891,000	\$4,838,729	\$4,781,241	\$4,719,262	\$4,602,863	\$2,996,017	\$2,213,217	\$2,085,042	\$2,070,839	\$274,061	\$126,937
Ending Cash Balance	\$4,891,000	\$4,838,729	\$4,781,241	\$4,719,262	\$4,602,863	\$2,996,017	\$2,213,217	\$2,085,042	\$2,070,839	\$274,061	\$126,937	\$48,477

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5 Year P & L Projections

Profit and Loss Statement						
	2005	2006	2007	2008	2009	
	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	
Revenues						
Modified Mozzarella	\$22,275,000	\$44,550,000	\$89,100,000	\$118,800,000	\$148,500,000	
Traditional Mozzarella	\$7,425,000	\$44,550,000	\$89,100,000	\$148,500,000	\$178,200,000	
Total Revenues	\$29,700,000	\$89,100,000	\$178,200,000	\$267,300,000	\$326,700,000	
Cost of Goods Sold						
Modified Mozzarella	\$19,200,000	\$38,400,000	\$76,800,000	\$102,400,000	\$128,000,000	
Traditional Mozzarella	\$6,400,000	\$38,400,000	\$76,800,000	\$128,000,000	\$153,600,000	
Rebate to contract manufacturer	\$900,000	\$2,700,000	\$5,400,000	\$8,100,000	\$9,900,000	
Food broker commission	\$623,700	\$1,871,100	\$3,742,200	\$5,613,300	\$6,860,700	
Total COGS	\$27,123,700	\$81,371,100	\$162,742,200	\$244,113,300	\$298,360,700	
	91.3%	91.3%	91.3%	91.3%	91.3%	
Gross Profit	\$2,576,300	\$7,728,900	\$15,457,800	\$23,186,700	\$28,339,300	
	8.7%	8.7%	8.7%	8.7%	8.7%	
Expenses						
Payroll and payroll taxes	\$1,079,013	\$1,726,605	\$2,068,763	\$2,589,186	\$2,710,620	
Operating Expenses	\$482,500	\$639,000	\$669,000	\$711,000	\$717,000	
Total Expenses	\$1,561,513	\$2,365,605	\$2,737,763	\$3,300,186	\$3,427,620	
Operating Profit (loss)	\$1,014,788	\$5,363,295	\$12,720,038	\$19,886,514	\$24,911,680	
	3.4%	6.0%	7.1%	7.4%	7.6%	
Other Income/Expense						
Depreciation	(\$37,883)	(\$74,400)	(\$103,400)	(\$132,400)	(\$161,400)	
Other Income	\$139,997	\$2,424	\$11,286	\$335,044	\$1,225,478	
Total Other	\$102,113	(\$71,976)	(\$92,114)	\$202,644	\$1,064,078	
EBT	\$1,116,901	\$5,291,319	\$12,627,924	\$20,089,158	\$25,975,758	
Taxes	\$446,760	\$2,116,528	\$5,051,170	\$8,035,663	\$10,390,303	
Net Income	\$670,141	\$3,174,791	\$7,576,754	\$12,053,495	\$15,585,455	
	2.3%	3.6%	4.3%	4.5%	4.8%	

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5 Year Balance Sheet Projections

	2005	2006	2007	2008	2009
	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>
Assets					
Current Assets					
Cash	\$48,477	\$225,727	\$6,700,878	\$24,509,563	\$55,360,445
Accounts Receivable	\$10,766,250	\$20,666,250	\$35,516,250	\$50,366,250	\$60,266,250
Inventory	\$0	\$0	\$0	\$0	\$0
Undeposited Funds	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$10,814,727	\$20,891,977	\$42,217,128	\$74,875,813	\$115,626,695
Fixed Assets					
Equipment	\$222,000	\$372,000	\$517,000	\$662,000	\$807,000
Accumulated Depreciation	\$37,883	\$112,283	\$215,683	\$348,083	\$509,483
Total Fixed Assets	\$184,117	\$259,717	\$301,317	\$313,917	\$297,517
Intangible Assets					
Intangibles	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0
Total Other Assets	\$0	\$0	\$0	\$0	\$0
Total Assets	\$10,998,844	\$21,151,694	\$42,518,445	\$75,189,730	\$115,924,212
Liabilities and Equity					
Current Liabilities					
Accounts Payable	\$5,328,703	\$12,306,762	\$26,096,759	\$46,714,549	\$71,863,576
Loan Payable	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0
Total Current Liabilities	\$5,328,703	\$12,306,762	\$26,096,759	\$46,714,549	\$71,863,576
Long Term Liabilities					
Bank Note	\$0	\$0	\$0	\$0	\$0
Total Long Term Liabilities	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$5,328,703	\$12,306,762	\$26,096,759	\$46,714,549	\$71,863,576
Shareholder Equity					
Preferred Stock	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Common Stock	\$0	\$0	\$0	\$0	\$0
Additional Paid in Capital	\$0	\$0	\$0	\$0	\$0
Retained Earnings	\$0	\$670,141	\$3,844,932	\$11,421,686	\$23,475,181
Current Year Income (Loss)	\$670,141	\$3,174,791	\$7,576,754	\$12,053,495	\$15,585,455
Total Shareholder Equity	\$5,670,141	\$8,844,932	\$16,421,686	\$28,475,181	\$44,060,636
Total Liabilities and Equity	\$10,998,844	\$21,151,694	\$42,518,445	\$75,189,730	\$115,924,212

APPENDICES



5 Year Cash Flow Projections

	2005	2006	2007	2008	2009
	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>
Cash Flow Analysis					
Cash from Operations					
Net Income	\$670,141	\$3,174,791	\$7,576,754	\$12,053,495	\$15,585,455
Accounts Receivable Increase	(\$29,700,000)	(\$89,100,000)	(\$178,200,000)	(\$267,300,000)	(\$326,700,000)
Accounts Receivable Paid	\$18,933,750	\$79,200,000	\$163,350,000	\$252,450,000	\$316,800,000
Change in Inventory	\$0	\$0	\$0	\$0	\$0
Accounts Payable Increase	\$28,685,213	\$83,736,705	\$165,479,963	\$247,413,486	\$301,788,320
Accounts Payable Paid	(\$23,356,510)	(\$76,758,646)	(\$151,689,966)	(\$226,795,696)	(\$276,639,293)
Add Back Note interest	\$0	\$0	\$0	\$0	\$0
Add Back Depreciation&Amorti	\$37,883	\$74,400	\$103,400	\$132,400	\$161,400
Total Cash from Operations	(\$4,729,523)	\$327,250	\$6,620,151	\$17,953,685	\$30,995,882
Cash from Investing					
Purchases of P&E	(\$222,000)	(\$150,000)	(\$145,000)	(\$145,000)	(\$145,000)
Purchases of Intangibles	\$0	\$0	\$0	\$0	\$0
Total Cash from Investing	(\$222,000)	(\$150,000)	(\$145,000)	(\$145,000)	(\$145,000)
Cash from Financing					
Loan	\$0	\$0	\$0	\$0	\$0
Bank Note	\$0	\$0	\$0	\$0	\$0
Equity	\$5,000,000	\$0	\$0	\$0	\$0
Total Cash from Financing	\$5,000,000	\$0	\$0	\$0	\$0
Change in Cash	\$48,477	\$177,250	\$6,475,151	\$17,808,685	\$30,850,882
Opening Balance	\$0	\$48,477	\$225,727	\$6,700,878	\$24,509,563
Ending Cash Balance	\$48,477	\$225,727	\$6,700,878	\$24,509,563	\$55,360,445

