



# Lost Woods LLC

## CONFIDENTIAL BUSINESS PLAN

A Premium, Award Winning,  
American Single Malt Whiskey  
supporting the outdoor experience  
and the discussion of  
Climate Change

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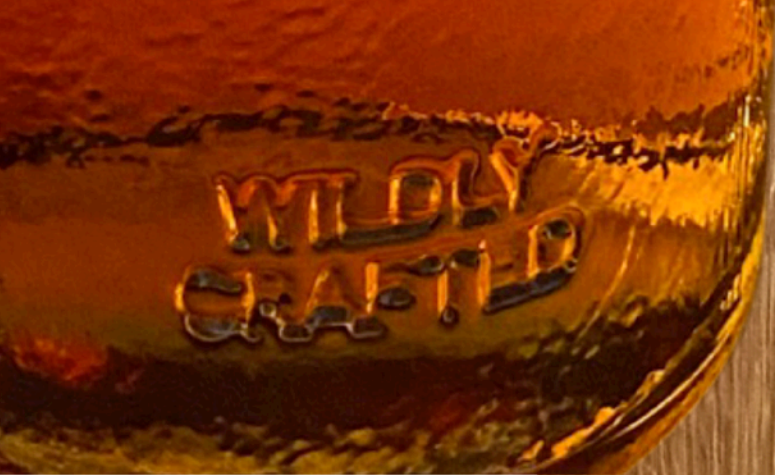


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2022



# Lost Woods, LLC



Lost Woods, an environmentally conscious Minnesota spirits company, has developed a unique recipe and licensed a patented process to accelerate the aging of whiskey. The signature recipe, Lost Woods 88, won a double gold medal at the prestigious San Francisco World Spirits Competition in 2021. It was aged for only eight months. Lost Woods 88 has been compared to whiskeys aged from 12 - 15 years.

Stage: Seed 1

Industry: Spirits

Market size/TAM: 10B

Planned raise amount: 1M

Use of funds: Product Production

Breakeven: 9-10 Months after start of production

## MANAGEMENT TEAM



**Tom Schaeppi**  
Founder CEO  
tom@lostwoodsdistillery.com



**Jeffry Brown**  
Advisor

## CURRENT STATUS

Won medals in whiskey competitions for great taste. Selected as The Official Whiskey at 2022 Tall Ship Festival.



## CHALLENGE

Aging whiskey is a 6-to-18-year process, allowing whiskey to have the taste desired by consumers. Thus, the cost of aging is very expensive and in need of significant space to store casks before bottling.

## SOLUTION

We age our whiskey in customized barrels to engage the oak and natural wood flavors. Traditional barrels use 3X more wood, and require multiple years to age. Our accelerated process achieves similar or better results in just months.



## MARKET

Quality whiskey is reaching a 60% yearly growth rate. Lost Woods whiskey is positioned to take advantage of this growth with a premium product produced at significant cost savings.

## ANALYSIS

- Lost Woods Analysis Double Gold winner - SF blind tasting
- Bronze winner ADI and ACSA competitions
- Accelerated aging process - little competition
- Knowledgeable distiller
- Experienced business team/connections
- Whiskey drinkers will pay a premium for good tasting whiskeys
- Have great story for marketing
- Environmental donation strategy to save trees and focus on global warming
- No current leader in US single malt product
- Currently only whiskey using squarrel technology
- Whiskeys have become highly collectable
- Whiskey drinkers will gravitate towards new product

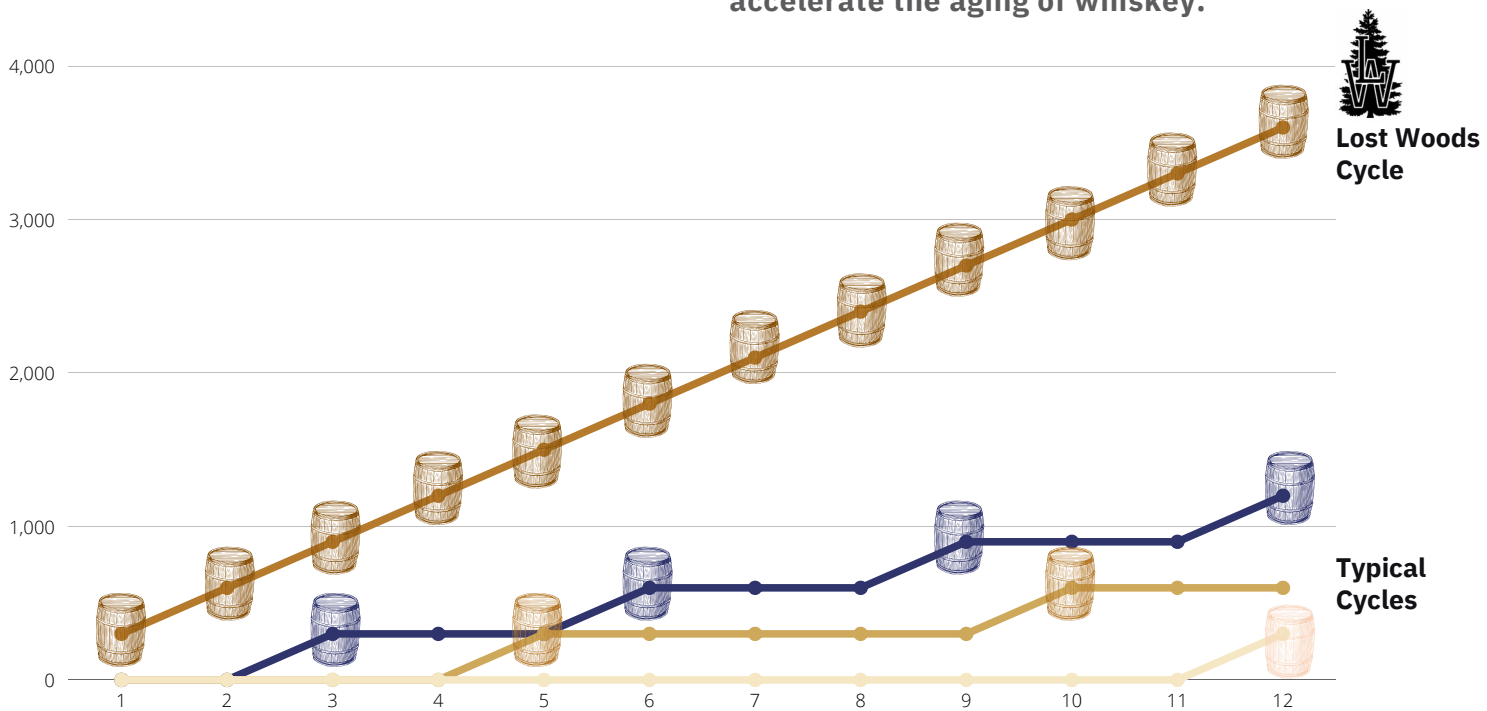
[www.lostwoodsdistillery.com](http://www.lostwoodsdistillery.com)

# Business Opportunity

The American whiskey market is witnessing stunning growth, exceeding 10 billion USD in 2020 with expected annual growth of over 9%. Single malt whiskey is presently the smallest segment within this category, however, it presents the largest growth opportunity.

*The major road block to taking advantage of this opportunity is the amount of time needed to mature the spirits into a quality product.*

**Lost Woods, a Minnesota spirits company, has developed a unique recipe and licensed a patented process to accelerate the aging of whiskey.**



**Bottle yield of 1 barrel with typical maturation/aging cycles.**

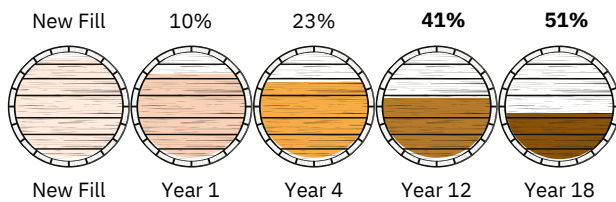
## Problem Worth Solving

As mentioned, the American whiskey market is witnessing stunning growth, exceeding 10 billion USD in 2020 with expected annual growth of over 9%.

**Single malt whiskey** is presently the smallest segment within this category. However, it **presents the largest growth opportunity**. Traditionally, the amount of time needed to mature the spirits into a quality product is 6-15 years. Studies show the American whiskey consumer, young and old, desires an exceptional tasting single malt spirit produced in the United States. **Unfortunately the choices are few because of the historical methods of aging the spirits.**

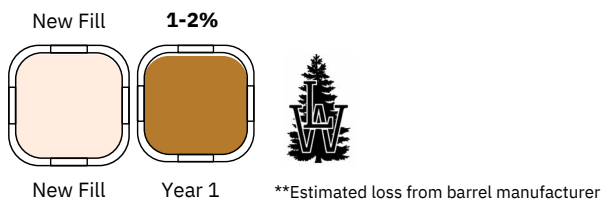
## Evaporation Comparison

Industry reported evaporation loss of Whiskey and Bourbon in US



<https://www.alcademics.com/2014/01/>

Lost Woods evaporation loss during a production cycle



## Our Solution

In our first four years, we developed a unique single malt recipe and licensed a patented process to accelerate the maturation of whiskey. The result:

***We delivered a world class tasting whiskey in less than 10 months while reducing evaporation loss by 75%\*\*.***

Evaporation is key element of whiskey production. Called the "Angel's Share," product loss can be dramatic. Typical industry standard loss in the first year is about 10% due to absorption into the aging barrels. Subsequent years, especially for whiskeys aged 6 to 15 years can cut the final product yield by 50% or more. **Our process greatly reduces this loss resulting in a much higher yield, along with a much faster production cycle.**



# Validation

**Lost Woods 88** was a Double Gold Medal winner at the prestigious 2021 San Francisco World Spirits Single Malt Whiskey Competition. The blind tasting competition included whiskeys aged up to 15 years. Lost Woods 88 was the only Single Malt Whiskey in its category to receive 30 first place votes, resulting in a double gold.

The Lost Woods process ages the spirit in a new type of barrel. The use of this patented technology is licensed by Lost Woods, who assisted in the R&D and proof of concept. This method of maturation has produced an award-winning product that has validated the patented process.



**Lost Woods 88** was aged for 8 months in our exclusive natural acceleration process.



# Experienced management

## Tom Schaeppi

Tom Schaeppi – LOST WOODS CEO, Visionary Founder, Whiskey Enthusiast and Environmentalist. Tom is a lifelong passionate entrepreneur, environmentalist and participant in the “Outdoor State” as a skier, hiker, climber, sailor and bicyclist. The development of the Lost Woods Spirits Company is the realization of a dream to create the BEST tasting single malt whiskey in America and establish it as a conversational totem connecting the climate change discussion and the outdoor experience. Tom owned and operated a successful marketing, communications and creative agency for over 25 years. Clients were regional, national and international in size.

For the last 10 years he has been working as a marketing, sales and branding consultant for startups as well as small and midsize companies assisting with every aspect of their business strategy, marketing and execution.

His experience reaches deep into sustainability, cause marketing, event promotions, employee engagement and outdoor segments throughout the country. His agency experience is extensive, including new product launch, full creative services, PR/communications, B2B and B2C, social media strategy, marketing/ branding, media/event planning and employee/customer engagement.

## Jeffry Brown

Jeffry developed and implemented successful launches of liquor brands and hospitality entertainment centers. He’s been called a thought leader in start ups, creating product leading strategy, branding, and marketing. Jeff is an out of the box thinker who can create and turn vision into profit. He has a unique ability to make rapid assessment of diverse situational challenges and develop and drive the resulting action plans.

Jeffry Brown started his entrepreneurial journey at Apple in the early years leading the HAL team, focusing on setting Apples' innovation culture and trends.

He has also been CEO and Board Chair of both public and private companies, and was the founder or partner in several entrepreneurial ventures.

Mr. Brown has also structured, negotiated and/or advised on over \$550 million in due-diligence advisory services relative to mergers, acquisitions, technology licensing, joint ventures, and strategic alliances. He has significant expertise in the financing and development of early-stage ventures as well as successful post-merger integration expertise.

## Dick Nash

Dick has been involved in the development and representation of national brands and their strategic growth. He is focused on strategic partnerships and connecting resources that have aligned business models with market opportunities. He focuses on the vision and purpose of Lost Woods core values to serve exceptional experiences and purposeful support to our changing environments.

During the past decade he has developed multiple new business ventures in the design build industry and leads strategic direction as an adviser for architectural and design firms, non-profits serving youth and CEO communities looking for confidentiality. His ability to develop market interest and connect needed resources for growth are critical for long-term stability.



# Experienced management

## Lee Egbert



Lee is the Advisor/ Lead Distiller for Lost Woods. His background: Founder of Dashfire in Minnetonka, MN and also a Co-founder of 11 Wells Distillery in St Paul, MN. Lee has contributed to the craft spirits industry at the production and retail level for many years making whiskey's, bitters, cocktails and liqueurs. In addition to production experience Lee brings both domestic and international distribution experience and customers.

Five years ago Tom Schaeppi was introduced to an innovative accelerated spirits maturation method and connected with Lee, who had begun experimenting with the technology. Lee has been instrumental in the development of the recipe and process of the award winning American Single Malt Whiskey "Lost Woods 88" and continues to be the contract producer for the Minnesota spirit.

## Joey Vandermause



Joey is a Financial Accountant/Analyst, Business Consultant, and Entrepreneur specializing in small business finance. He has founded and successfully operated 3 businesses. In addition, his experience includes the complete financial management of 8 Minneapolis-based companies.

Previously, Joey was a financial analyst for consulting firms in both Chicago, IL and Oakland, CA. He enjoys hiking, kayaking, and ultra running/riding- spending an average of 4 weeks camping in the woods every year.

# Company

## **Lost Woods, LLC:**

An American Single Malt Whiskey for climate change and the outdoor experience.



Lost Woods LLC, a Minnesota spirits company, has developed a unique new recipe and licensed a patented process to accelerate the aging of whiskey. The company is not the first start up to venture into accelerated aging, but is the first to use the natural properties of normal wood barrel aging in an accelerated way. Other spirits companies have used a machine learning-based approach. Few have been successful in creating consistent flavors from batch to batch.

Our process places the spirit in a new type of barrel that accelerates the natural course of whiskey aging. Lost Woods 88, has been compared to whiskeys that have been aged for 12 to 15 years. Our Single Malt Whiskey was aged only 8 months using this new patented technology. Lost Woods believes and has shown that it's combination of recipe and aging can help eliminate the high loss of product from evaporation in normal barrel aging.

**This eliminates the financial challenges of a long aging process with the opportunity to bring product to the market at a premium price in a shortened timeframe.**

# Operations

Single Malt Whiskey usually takes at least six years to age, and the bulk of its flavor comes from the oak barrels used during the maturation process.

Our product is aged in customized barrels designed to provide an equivalent environment to a traditional barrel. Square in shape, their design engages the oak and other wood flavors in less than 1/5th the time of traditional aging.

Our barrels feature cross cut staves. Cross cut staves are proven to work significantly faster than flat staves. This concept is based on exposing the wood's end grain to allow the alcohol to physically move spirits into the wood in a more effective, manner.

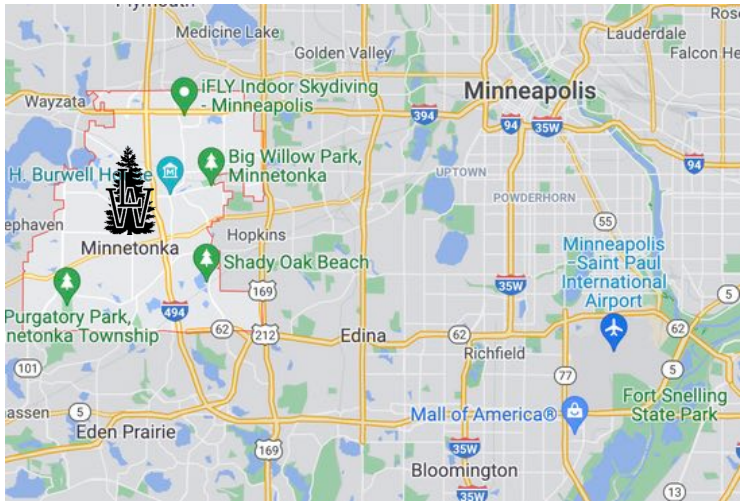
The barrels also offer equivalent micro-oxygenation and provide the cherished exchange between the wood, and the liquid it houses. They can be mixed and matched with a variety of different wood species, toast levels, char levels and stave styles. In short, the original barrel chemistry remains unchanged, however, it simply becomes more efficient.

**Traditional barrels use three times more wood – adding to costs and environmental impact.**

## Technology



**Barrel features, and our unique recipe allow us to control the style and complexity we desire in the end product.**



## Locations & Facilities

Lost Woods current production is being done in Minnetonka, Minnesota. Additional distilling operations are being explored, if needed, to increase production based on early demand.



**4 years of R&D Testing**

# Market

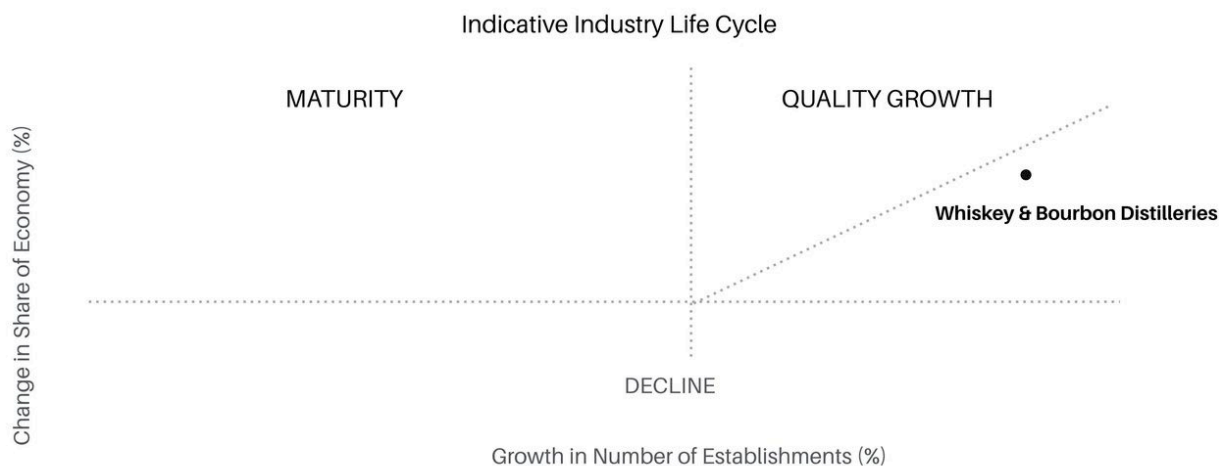
We believe there is tremendous opportunity for Lost Woods whiskey sales. In Kentucky alone, there are currently more than 9.1 million barrels of bourbon and other spirits aging. That number has grown nearly 85% in the last ten years and is expected to continue to grow at the same rate.

The historic popularity of global single malt whiskeys is driving the American single malt category in the U.S. to increasing heights. The premium segment is growing at an even faster pace due in large part, to the Millennial and Gen Z thirst for exceptional tasting spirits.

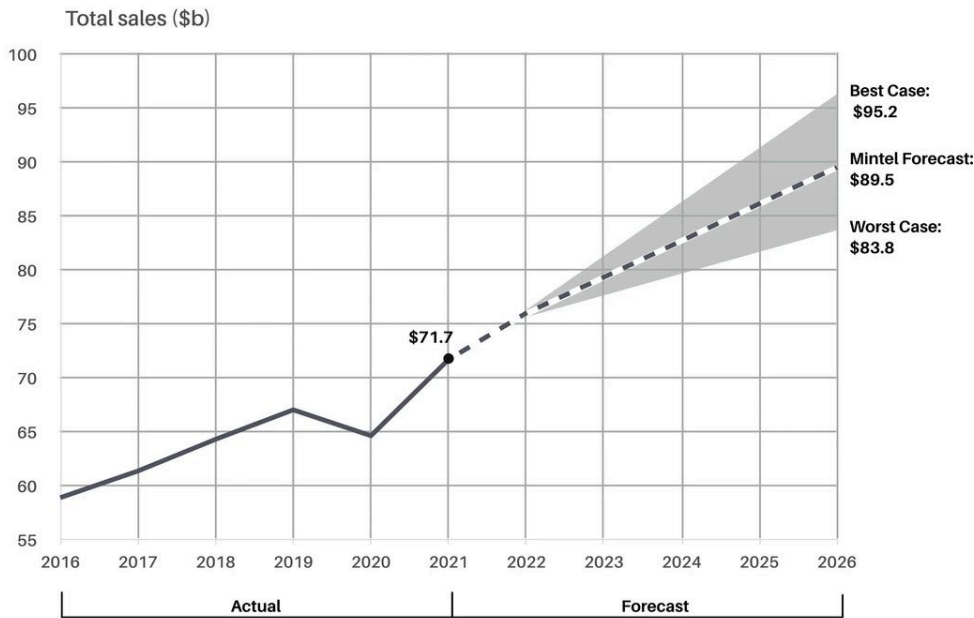
According to IBIS World Industry Outlook OD4290 —"Over the five years to 2026, industry value added (IVA), which measures an industry's contribution to the overall economy, is forecast to grow at an annualized rate of 7.8% Comparatively, US GDP is projected to grow an an annualized 2.1% to 2026.

IVA growth that outpaces GDP growth is a strong indication of an industry in the growth stage of its life cycle. Demand for high-end and super premium products has driven industry growth over the five years to 2021...and has consistently enabled distilleries to outperform the industry average."

## Life Cycle



## Total US Sales and Forecast of Spirits, at Current Prices, 2016-2026



Note: includes both on-premise and off-premise sales

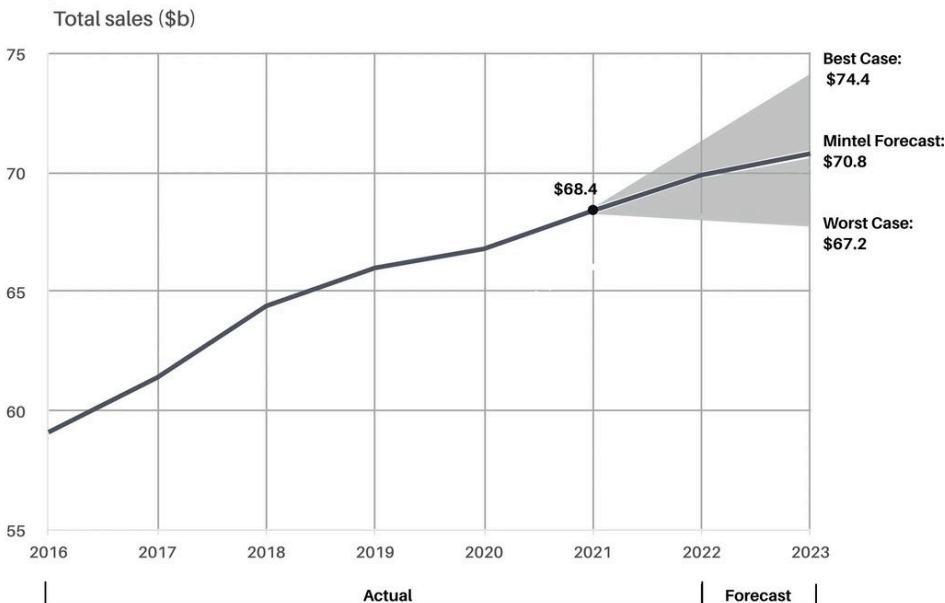
Source: based on Bureau of Economic Analysis; USDA Economic Research Service; Bureau of Labor Statistics

Consumer Expenditure Survey/Mintel

[Above] "Consumers' shifting alcoholic beverage preferences benefits the spirits market. For example, "less-but-better" drinking trend is behind the strong growth of high-end and super-premium spirit brands. Consumers are opting for lower calorie spirit drinks over beer."

[Below] "Sales of spirits continue to grow, driven by waning consumer interest in beer, the renaissance of cocktails, trending spirit types such as bourbon, and the broadening interest of high-end/super-premiums spirits." \*\*

## Dark Spirits - US

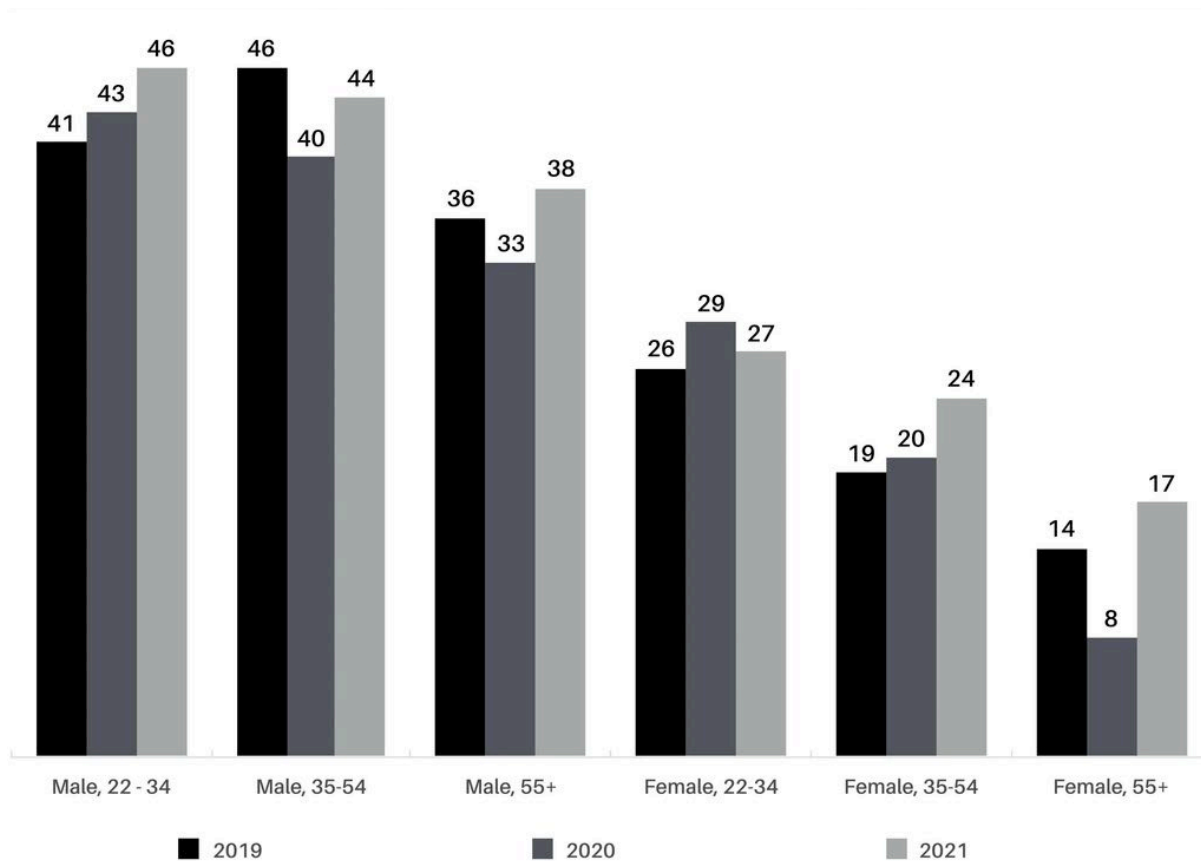


\*\* Source: Consumer Expenditure Survey/Mintel 2021

## Consumer Preferences

Growing interest in Dark Spirits in general is evidenced in our target market:

### Alcoholic Beverage Consumption, Dark Spirits, Any Drink, By Gender and Age, 2019-21



Source: Mintel/Kantar Profiles - 2000 internet users aged 22+

From Mintel – "American whiskey has enjoyed stellar growth over the past five years thanks to consumers' interest in craft/heritage products, innovation coming from distilleries, elevated bar/restaurant cocktail programs, and general changes in consumer drinking behaviors."

Our concept of creating a story brand works well with the most engaged consumers within our target segments.



Whiskey/bourbon drinkers who consider themselves highly or extremely engaged with whiskey

**"When creating new dark spirits or marketing dark spirits, producers need (to) align with their target audience. Production methods and the product's story resonate with consumers seeking a premium experience."**

— Source: Lightspeed/Mintel 2020

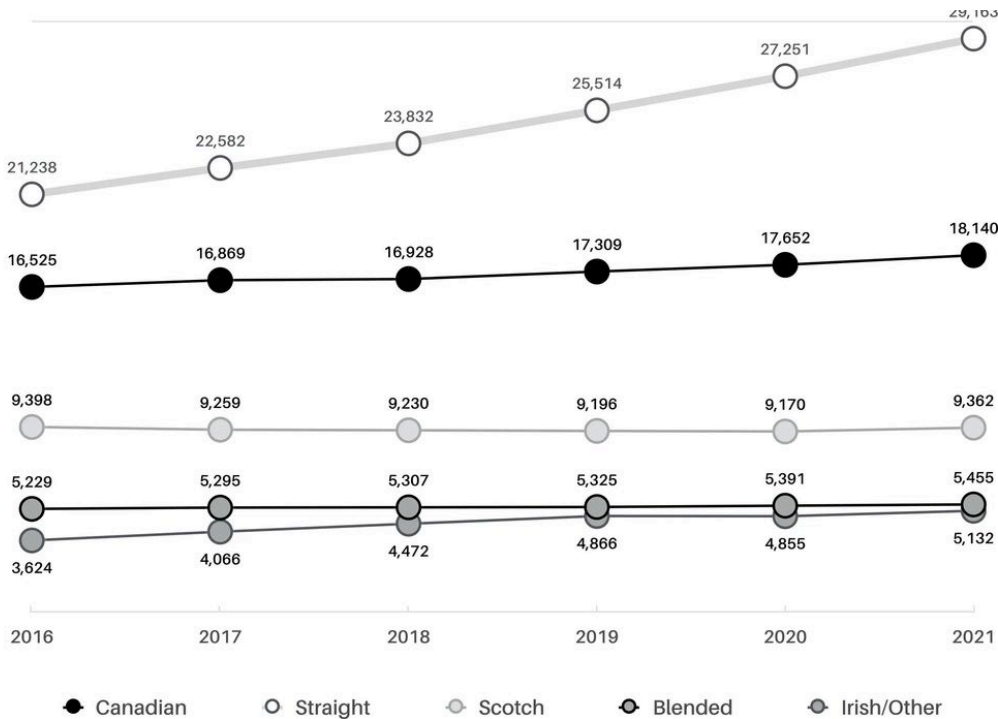
Base: 651 internet users aged 22+ who have purchased any dark spirit in the past six months

### Positioning Validation

Choosing to develop a higher-price, premium product vs. middle market or value brand matches the market potential growth trends:

**"The performance of higher-priced high-end and super-premium whiskey more than offsets the decline of value-tier US whiskey brands."**

Cases of Whiskey Sold by Type – Source: Mintel 2021



The scotch market's flat performance is primarily attributed to the decline of value brands, while premium scotch benefits from a highly engaged consumer base. "



## Financial Drivers

Growth of whiskey funds is an indication of the popularity of whiskey investments. The Platinum Whiskey Investment Fund was one of the world's first private equity funds to focus on rare, single-malt whiskeys. Organized in 2014, with a projected term of seven years, the fund has now announced its successful liquidation. From an initial funding of USD 12 million, the fund generated net proceeds of USD 26 million - a gross annual rate of return of 17%.

Whiskey investment funds have grown dramatically over the last decade. According to the often-touted Knight Frank Luxury Investment Index, the benchmark index of rare whiskeys saw its asset value grow by a staggering 564% over the last 10 years. This represents a yearly return of around 18.9% over the decade. The investment funds and the market drivers show the popularity in the growth of premium whiskey, both in consumption and value.

## De-risking

Another factor of our approach is the ability to overcome is the cost of entering the market.

Below is an excerpt of a Mintel 2021 report describing the distilling market.

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**"High barriers to entry characterize the Whiskey and Bourbon Distilleries industry.** The difficulty of entering this industry varies depending on the target market for new entrants. Production is extremely capital intensive for all distilleries, and substantial volume is needed to spread out these costs.

Additionally, **the long interval between the start of production and the final product being available means that cash flows are not established for some time.** While some products can be distilled over shorter periods of time, some whiskeys may require over two years to age. Delayed revenue can deter players with smaller cash reserves from entering the market."

**These two issues: high production costs and long production cycle times are mitigated with our approach.**

# Marketing and Sales

The Millennial/ Gen Z consumer is largely responsible for the growth in premium liquor sales.

As a purpose-driven business, we're creating a **conversational totem** around an exceptional **smooth tasting whiskey**, the **outdoor experience** and **environmental issues**.

We believe this will allow us to engage the largest demographic group in the United States.

**This market growth opportunity is relatively new and Lost Woods is uniquely positioned to be one of the first spirit companies to fully take advantage of it.**

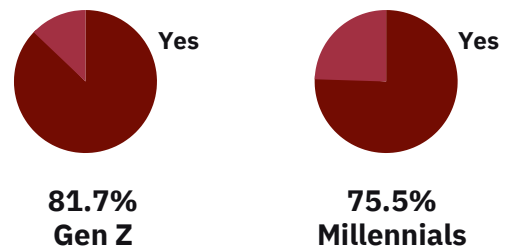
PR and social media will be key in communicating both the environmental message and product validation via our awards to our target customer segments.

## Sales Plan

“Lost Woods 88” single malt whiskey will be available for sale in stores and restaurants in October of 2022 in the state of Minnesota.

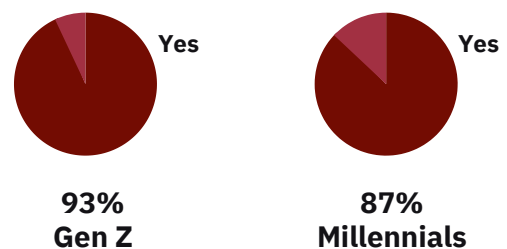
### Drivers among Gen Z and Millennials

Purchase decisions based on environmental sustainability



Total Retail March 7, 2021  
"How Gen Z and millennials are influencing the future of shopping."  
Kibo and Drapers survey 2000 participants

Believe companies should address social and environmental issues



2019 PORTER NOVELLI/CONE GEN Z PURPOSE STUDY  
2017 Cone Communications Gen Z CSR Study: "How to Speak Z"

Discussions have been initiated with distributors and will be cemented when product becomes available in June 2022.

# Launch Event

We've been chosen as the signature event whiskey for the Tall Ships Festival August 4-7, 2022 in Two Harbors, Minnesota. This event will be the official launch of the Lost Woods brand.



**Lost Woods 88**, in conjunction with the **Festival of Sail**, will garner national media coverage and help deliver our brand as one of the best premium whiskeys made in America.

This relationship will encompass Minnesota as well as neighboring states. All traditional media and social platforms will be used starting approximately three months prior to, and throughout the event. There will be many opportunities during the four day event for maximum sales and exposure. The Tall Ships weekend usually draws approximately 250,000 people.

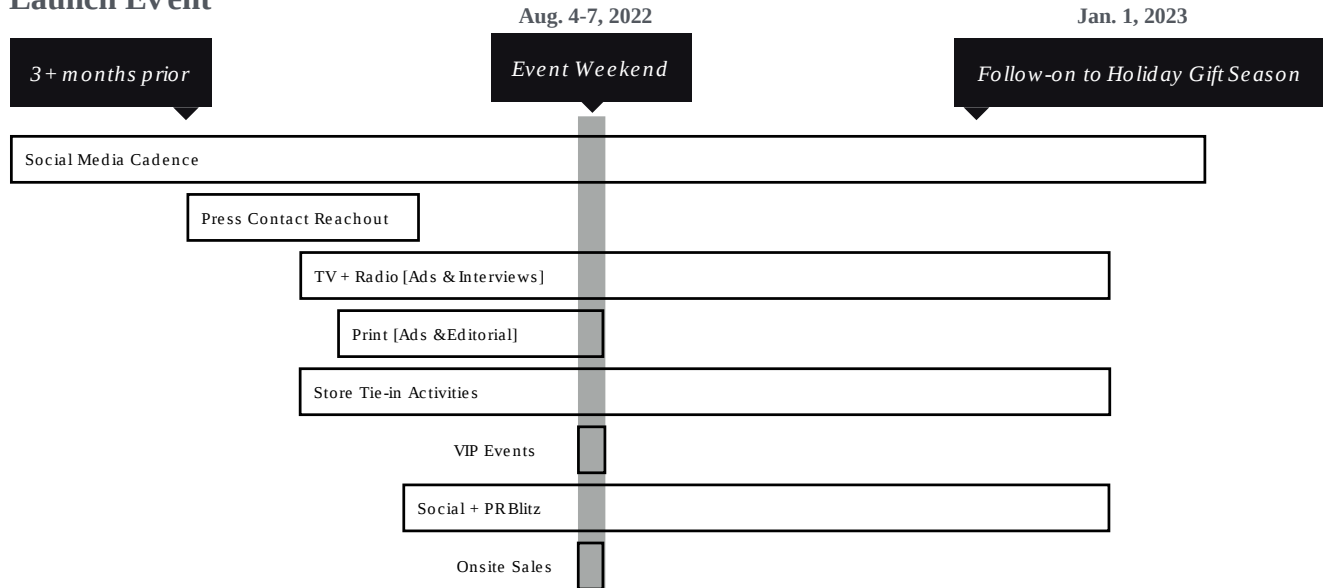


<https://lakesuperior.festofsail.com>



# Initial Market Approach

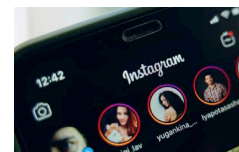
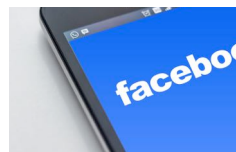
## Launch Event



# Promotional Sales

Scarcity and rarity will feature prominently as an emotional incentive as we launch and ramp up sales. Lost Woods 88, our premium brand, currently has whiskey in the accelerated aging process that will yield 900, 750ml bottles.

Three hundred bottles will be available in July 2022. As it's inaugural batch, 88 of these bottles will be sold as "collector" series complete with a special label and signed by our founder and recipe developer. Priced at \$888 per bottle including an individual NFT, investors in our crowdfunding campaign will have the first opportunity to purchase a Lost Woods 88 collector bottle.



# Financial Plan

## Revenue

Sales of Lost Woods 88 at retail will begin in October 2022. The distributor price will be USD \$43.12 per bottle and retail for \$88 per bottle.

## Expenses

Expenses - April through October 2022  
\$488,102

80% of monthly expense will be utilized for equipment purchase and production. (20% for admin, advertising and rent)

## Breakeven

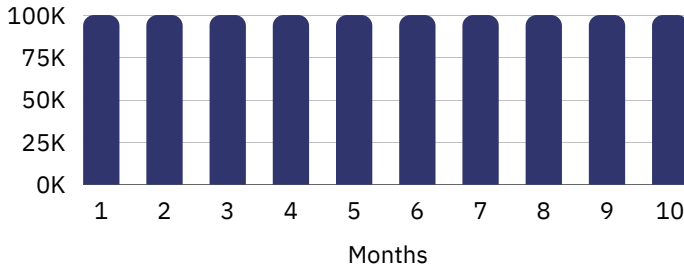
Lost Woods will be able to "cashflow" the business 9-10 months after the start of production. Money raised at this time will go to securing the infrastructure and production to meet distribution volumes immediately following the launch in August 2022.

## Profit

Gross Profit hits \$1 Million after 24 months, and \$1.5 Million after 30 months.

	2022		2023		2024	
Revenue \$	\$51,744		\$1,953,336		\$2,626,008	
Equipment \$	\$152,250	294%	\$134,340	7%	\$137,220	5%
COGS \$	\$586,080	1133%	\$1,225,440	63%	\$1,485,920	57%
Bottling \$	\$6,000	12%	\$117,750	6%	\$163,500	6%
Tax \$	\$2,432	5%	\$47,727	2%	\$66,271	3%
GP \$	-\$695,018	-1343%	\$428,079	22%	\$773,097	29%
Opex \$	\$100,000	193%	\$293,000	15%	\$393,901	15%
NP \$	-\$795,018	-1536%	\$135,079	7%	\$379,196	14%
Income Taxes \$			\$41,874		\$117,551	
Cash \$	\$204,982		\$298,186		\$559,832	
Batches aging #	99		155		203	
Aging value \$	\$1,280,664		\$2,005,080		\$2,626,008	
Cash In	\$1,000,000		\$0		\$0	

# \$1m

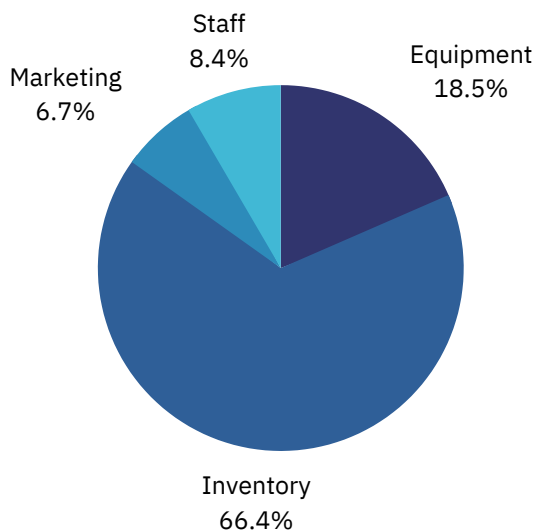


## Financing Needed

Lost Woods is currently seeking \$1m to expand production capacity, purchase additional equipment, hire staff, and implement marketing and sales activities, to meet current and future customer demand for product. The \$1M Lost Woods is seeking can be delivered in 10 equal tranches, over the next 10 months.

## Sources of Funds

**The company has been self funded in the amount of \$240K**, to date. These funds were used to perfect the current recipe, distill spirits, age product, buy equipment, bottle product, design labels, and begin building the brand through competitions and trade shows. The first four batches were financed by 5 individuals that invested as a convertible note with long term desire.



## Use of Funds

Lost Woods will use the funding to expand production capacity, purchase additional equipment, hire more staff, and implement marketing and sales activities, to meet current and future customer demand for product.

# Offering

Lost Woods is currently entering into a \$1 million funding round through a simple agreement for future equity (SAFE) method. Funders will be able to realize a 15% discount on securities once they are offered. Funders can participate in this SAFE round with a minimum investment of \$2500.

# Perks

Lost Woods 88, the company's premium brand, currently has whiskey in the accelerated aging process that will yield 900 7.5L bottles. Three hundred bottles will be available in July 2022. As the inaugural batch 88 of these bottles will be sold as collector series with a special label, and signed by our founder and recipe developer. An individual NFT will be assigned and each bottle will be available for \$888 each. Investors in our crowdfunding campaign will have the first opportunity to purchase a Lost Woods 88 collector bottle.

# Exit

Lost Woods has been presented with a couple of great opportunities to build its first distillery in Minnesota as well as Wisconsin. Both opportunities will be available in approximately two to three years. This event will initiate an equity round of approximately \$15 million and will present an opportunity for all initial investors to remain at a 15% discount or take an exit.

The plan is to become a national brand within 5 years and establish itself as the premier American single malt whiskey supporting the outdoor experience and the discussion of climate change.



LOST WOODS

**88**

AMERICAN  
SINGLE MALT  
WHISKY

BATCH NO.      BOTTLE NO.

44%      750ml  
ALC/VOL (88 PROOF)

BOTTLED AND DISTILLED  
IN MINNESOTA  
BY DASHFIRE LLC

