

**Audio Title: Interview with ChugaChaga Founder Luke Evans by FOOD-X**

**Audio Duration: 0:41:15**

**Speakers: Andrew Ive, Luke Evans**

### **Transcript**

**Andrew Ive:** Hello. How are you?

**Luke Evans:** Fantastic. Glad to be here.

**Andrew Ive:** So happy New Year to you!

**Luke Evans:** You too.

**Andrew Ive:** So, what we're going to get into today—I'm going to just— literally, we're just going to dive into your business and understand it. Does that work for you?

**Luke Evans:** Absolutely.

**Andrew Ive:** All right. So, tell me company name, what do you do?

**Luke Evans:** Company name is ChugaChaga. We're producing a bottle of beverage infused with a super-food called chaga. It's a medicinal mushroom that grows up on birch trees that contains an extremely high concentration of antioxidants and B-complex and 215 fatty nutrients with immune-supporting, cognitive- and digestive-enhancing properties.

**Andrew Ive:** That's a mouthful.

**Luke Evans:** Yup.

**Andrew Ive:** How did it all start? How did you get going?

**Luke Evans:** So, back in 2010, I was working as a chef in the Catskills, where I grew up in a small town called White Lake, about a mile from the original Woodstock site. When hiking in the summertime with the head chef of the restaurant and while hiking we just stumbled across chaga and he explained to me all the different health benefits of it being a wrestler in college. I mean in high school, I was always interested in the latest in supplements and nutrition and the product itself just amazed me, and from this point, I was just kind of perplexed how I never heard of it. And I saw a huge opportunity being that there is no consumer-readily available product infused with this super-food but the fact that it was selling on eBay for \$80 a pound proved to me that there is a market ready to consume this product. So that's where in 2014 ChugaChaga started developing a bottle of beverage. That way, the everyday person could incorporate chaga into their daily diet.

**Andrew Ive:** Okay. So that's the kind of—that's the story you've told now probably about 100 times.

**Luke Evans:** Absolutely.

**Andrew Ive:** I can tell you, you know, you got it down. But let's back out a little bit. You were on a hike. At the time, what were you doing for a career or for your life? How you kind of making ends meet?

**Luke Evans:** I was a chef.

**Andrew Ive:** You were a chef. Okay. So, you were just sort of looking around for new things or it just—I mean did you just have—I mean you went from being a chef, which probably took quite a bit of time to become. It's being set in that one direction and then you go on a hike. You see this amazing ingredient and your whole life just goes in a completely different direction. I'm just sort of interested in was it this “holy shit” moment? Was it a wake-up-in-the-morning-the-next-day where you're like “Jesus Christ, this is just something I have to do,” or—I mean what did you—

**Luke Evans:** Yeah, absolutely. So I was a chef for 8 years, started working in the food industry as a dishwasher when I was super young, cleaning and reaching up to the shelves to put the plates up there while I was doing it. I was terrible at it. I had never wanted to, you know, be in the dish pit ever again, so I realized that, you know, my time was better spent learning how to cut the foods in the prep section and, you know, those kind of things. So I worked my way out of dishes, became a sell person. And then I ultimately was working as a chef, you know, from prep to on the line and afterwards as well. And this is where, you know, I really had a huge in touch deep respect and understanding for food in general. But once, you know, we were on this hike and he exposed me to the super-food, I was just amazed by it. It was kind of like one of those light-bulb-in-your-head moments where you realize that this is something that will change your life regardless of, you know, myself as a person, you know, my vision for ChugaChaga is more greater than just me. I guess I'm the spokesperson for the company being that I founded it, but ultimately I view the product as self-thriving. It's way larger than just us at ChugaChaga.

**Andrew Ive:** I mean were you looking for a cool product to get behind or was this just sort of you stumbled across it quite literally?

**Luke Evans:** Literally just stumbled across it. So, it took some time, you know. Once I first discovered it from the chef I was working under. His name is Juan Gomez. It took time fermenting my ideas on how it could be developed into a product that people would understand, you know, contemporary audience, people that are just going to Starbucks on, you know, their way to work every day. So it took time to develop and, you know, really come up with ideas on how this can be—because just like cacao, for example, you know, there's tons of different products incorporated with cacao in it. There's, you know, the high-end chocolates and there's also the Nestlé, the Hersheys where it's, you know, developed into something that's way more mainstream and not as healthful. So that was where, you know, there's the duality of it. How can

we incorporate the health benefits of this amazing super-food but also at the same time develop it into a product that would resonate with the everyday person's taste buds as well. So there was tons of different going back and forth until we ultimately came up with a formulation and a taste that we could say we're proud to stand behind.

**Andrew Ive:** So, did you have to go back to somebody and say "Hey, mom, dad, girlfriend, wife—" whatever, I don't know and say "Hey, I just spent the last 8 years training to be a chef and I'm giving it all up. I'm throwing it all in. I'm going to go become an entrepreneur launching this product to market because I'm passionate about the ingredient."

**Luke Evans:** The girlfriend wasn't really the hard part in saying, you know, it's my mother that, you know, I'm devoting just as much time developing the startup ChugaChaga as it was in school at this point because I was still at the University of Albany in college. So spending, you know, nights and weekends developing a startup and, you know, going on hikes and foraging for chaga and developing a brand and everything that comes in, you know, as an entrepreneur and developing, you know, the product. Spending my time doing that is something that was, you know, difficult to get across the family and friends but it took so long.

**Andrew Ive:** How did you do it? What did you—I mean how did you—

**Luke Evans:** I just—

**Andrew Ive:** --say, "Hi, mom, I've got some really bad news for you. It's got nothing to do with drugs. It's got nothing to do with, you know, STDs. This is, you know—I'm sorry to tell you I've become an entrepreneur."

**Luke Evans:** Yup. Serial entrepreneur, Entrepreneurs anonymous. Absolutely.

**Andrew Ive:** Okay. So, you sat down. You told them. And at the time, you were just a college or you just graduated?

**Luke Evans:** I was still in college. I was still in college at the University of Albany studying business so that's really where studying business, marketing, economics, I realized that there's a huge white space in the bottled beverage market that we could capture with this product that we're developing and um—Yeah. So from that point, we really honed in on what we're really developing here, saw the value that we're adding to the marketplace and started executing on our dream.

**Andrew Ive:** And talking about your dream, what gets you jazzed about it? Is it bringing the goodness of the product to market? Is it creating a business? Is it launching a brand? I mean what—or maybe it's all of those things? I mean what—from your point of view, what's...?

**Luke Evans:** Good question. So I guess it would be a combination of all three, seeing you know the effort and the work that I put into the brand, then helping the consumer's daily life via health, you know, that's probably the most important thing in life. The only place you don't choose to

live but you're forced to it day in and day out for the entirety of your body. So taking care of it is a huge thing that I'm interested in as an entrepreneur but also as a person. So, combining both together in the company that I work for and that resonates with my lifestyle and tons of other people out there. That's what really drives me.

**Andrew Ive:** Cool. Okay. So if, I don't know, Pepsi-Cola or Coca-Cola came along in 2 years' time and said "Here's 100 million dollar check to allow us to bring ChugaChaga inside of the large organization." You'd be like "Not really intrusted."

**Luke Evans:** That's a tough question because it's the catch-22 if, you know, if pairing up and partnering with a big conglomerate like that, that ultimately leads to more people being exposed to it and consuming it. There's the question of it that it has a net positive advantage on the total marketplace of people that's consuming it. So it's really up to where we are as a company and if it fits with what we're trying to d.

**Andrew Ive:** So as long as they maintain the integrity of the product and its benefits.

**Luke Evans:** Right.

**Andrew Ive:** You are for it. If it gives you—

**Luke Evans:** That's a super-important part of what we're doing is the sustainability of the integrity of our business model. So right now for every bottle of tea we're going to be planting a tree just to create a self-sustaining model as far as environmentally, economically and culturally.

**Andrew Ive:** So, describe chaga for me. You said it's a super-food. Is it one of these little tiny berry things or—?

**Luke Evans:** No, it's not a goji berry. What makes it different is it's a medicinal mushroom.

**Andrew Ive:** Okay.

**Luke Evans:** So it's not like a psychedelic mushroom or a ground mushroom. It's actually a mushroom that grows on a tree, specifically birch trees. It's a white rot fungus, so it has two main parts to it—the fruiting body that's actually what we produce the tea with and then the mycelium that's growing off the tree. And what it contains is a complex beta-glucans, sterols, polyphenols and what these different constituents do is combine into a tonic and an elixir that strengthens your immune system that has a huge importance on your kidney, your liver, all these different vital organ functions to operate more efficiently.

**Andrew Ive:** So I saw photographs of it when you showed me way back when and it's sort of this—it looked like this black, dark brown clump mass of not exactly wood. It looks dense, right? That's the chaga. Okay. So, how do you go from a—you know, you were walking around in the hills. You find this black dense clump of mushroom-ish type stuff. How do you go from

that to—and I will put a link in the shadow note so that they can go see your final product. How did you go from that to the final?

**Luke Evans:** Right. So sourcing it off the tree, brewing it and bottling it to a tea was a huge process that we undertook at ChugaChaga. So to start off, you harvest it off the tree. It's not that hard. You can use a chisel and axe, whatever you can.

**Andrew Ive:** So you recommend people to go out with their machetes and start looking for the—

**Luke Evans:** Yeah, all the power to you. Search anywhere in the Catskills, Adirondacks, in the circum polar region, chaga grows abundantly in those regions. So what you do is you harvest it. You dry it out for a week or so. You can put it in the oven if you want to. Grind it up to small pellets and what you do is you brew it on low simmer for 3 hours to extract the constituents out of the cell walls of the fruiting fungus itself. And from there, just like your coffee, you filter it out and you can serve it any way you'd like. So our product is sweetened with a blend of honey, maple syrup, cane and brown sugar just because it has a rich complex and it tastes great. It really complements the vanillic acid in chaga itself, which has a vanilla taste to it.

**Andrew Ive:** How did you figure that out? How did you figure out how to blend in and what needed to go with it to get a taste that you were looking for?

**Luke Evans:** Well, that was super important to what we were doing. We wanted to develop a product that we were, like I said before, super proud of not only as a company but also as far as the health benefits of it. So it was a balance of, you know, going to the kitchen, making tons of different recipes, testing it out on our friends, getting feedback from them. And once we had, you know, iterations on what was working with them, we then went to people that we weren't close with at farmer's markets and got candid feedback from them. So that was—

**Andrew Ive:** So you had samples or—

**Luke Evans:** Exactly.

**Andrew Ive:** So you gave people free samples and said “Tell us what you think about it.”

**Luke Evans:** Yup. So, we get candid feedback from people that were going by different farmer's markets and from there getting their feedback, consumer preferences, that's what we really honed in on as far as what we could produce that not only tastes good but is also great for you.

**Andrew Ive:** Okay. So, that allows you to refine the recipe, but you're not making this thing in your house or—I mean in a kitchen, are you? This is something that you've got a company to make it for you. Is that how it is working at this point?

**Luke Evans:** Right. So, the formulation phase was all done in-house, you know. That's where my experience as a chef has really pulled through being able to formulate with the food scientists at Cornell University recipe that could then be scalable and commercially produced.

**Andrew Ive:** So you are opening?

**Luke Evans:** Yup.

**Andrew Ive:** And then you reached out to the folks at Cornell because you are local or you knew people there or—

**Luke Evans:** Yes. So we got hooked up with a connection at the Cornell Cooperative Extension locally where I grew up, who then put us in touch with the director of the food science program at Cornell University's food research labs who then—we worked through them to—

**Andrew Ive:** Do they have a program or they kind of help out start-ups or is it something—

**Luke Evans:** They do. Yeah.

**Andrew Ive:** Okay.

**Luke Evans:** So, I'm not sure outside of the community space, but I knew they'd know that you work with entrepreneurs developing food products that can then commercially be brought to market.

**Andrew Ive:** Okay. So you sat down with them and said "Okay, we got this idea. We've worked in-house to create this recipe." Or did they do that with you?

**Luke Evans:** So, they gave us a form. We had recipes before we contacted them. Sent in what we were producing to them and they gave us feedback as far as "Yes, this is—you can do this. No, you can't do that" and worked with us on how we could develop something that we can then produce. So we've gone through tons of different iterations. We probably had 7 different phases of our formulation until what we have currently that we're going to be bringing to market this winter with our test run of \$15,000.

**Andrew Ive:** So start to finish, from going through a walk in the mountains to having final beverage ready to launch, 18 months? 2 years? A year?

**Luke Evans:** The whole time what we've developed currently has been 2 years, so until we actually have products entering the market, it's going to probably be like 2 years and 1 quarter.

**Andrew Ive:** Okay.

**Luke Evans:** So we're like a month out.

**Andrew Ive:** So how are you getting that product to market?

**Luke Evans:** So we're going to be doing in-house drugstores here in New York to try city area where we're targeting health food stores, different distributors that are supporting beverages in the New York City Metro Tri-State market, whole foods, Trader Joe's, key markets, those kind of channels is what we're really looking to develop partnerships with.

**Andrew Ive:** And so you've already reached out to them and they've already said yes? Or are you in that kind of process at the moment?

**Luke Evans:** Yes, so some of them have said yes, they're interested in holding us, but it's also continuously reaching out to them saying if they're interested in our products and how we could grow with them.

**Andrew Ive:** So right now, how many people in the team?

**Luke Evans:** There's three of us.

**Andrew Ive:** Okay. So you—when you started the business or had the idea right at the beginning, did you immediately find somebody else, friend or whatever who would join the company? Or, how did that kind of start up?

**Luke Evans:** Not really. To be honest with you, I thought what skills I have, what I'm adding to the table and thought of people that I know that could then complement my skills with what they currently are good at. So that's what really openly led to the connection of us and my founding partners, Adam Kaiser and Marc Iskandar, you know, with what I'm good at and what they're good at.

**Andrew Ive:** So what are you good at?

**Luke Evans:** So, you know, business development, strategy, management, formulation. So product development is what I've really focused on. Adam Kaiser, he's the military man, so he's really regimented as far as schedules, so he's our ops guy. And Marc, he's a people person. He's the one that's really doing the day-to-day sales efforts, reaching out to the different accounts like you're talking about. Also, he's going to be the one spearheading the development of our kickstarter campaign which we're going to be launching in 2 weeks. So, yeah, that's the main value added towards—

**Andrew Ive:** Let's see if we can get this podcast out before that and that'll be helpful.

**Luke Evans:** Yeah. Absolutely.

**Andrew Ive:** So, you have 3 team members mainly because you felt they had different skillsets than you, right? How did you find them?

**Luke Evans:** They were students at UAlbany with me.

**Andrew Ive:** Okay. Drinking buddies or just people you came to know?

**Luke Evans:** Yes. We started off as drinking buddies, realized that a couple hikes in, first one altogether as a team, we found roughly 8 pounds of raw material chaga. We were ecstatic about it.

**Andrew Ive:** This was before you joined together as a team or—?

**Luke Evans:** This is—I guess you could say the transition and the evolution of us becoming a team.

**Andrew Ive:** Okay.

**Luke Evans:** So we started off just, you know, 3 buddies going up to the Adirondacks looking for chaga growing on birch trees and quickly realized, you know, within a 2-month period that this is a huge business opportunity. And our relationship, you know, changed pretty quickly. It involved from, you know, like the college buddies drinking on weekends to actual business partners. So, there's a huge change and an evolution that happened with the three of us.

**Andrew Ive:** So talking about the evolution, how did you figure out who's going to do what? Just seemed to make logical sense? Just sort of when you figured out what steps you needed to take next, you all sort of grabbed different elements of it based on what you felt comfortable with or I mean—?

**Luke Evans:** I guess that's one of the real values that entrepreneurship and start-ups have in the ecosystem is they really drive innovation because they're the ones that are pretty efficient, putting in efforts through what's most productive and what they're having the most impact on. So being in the same room as these guys day in, day out, seeing the work that they're developing. They're seeing the work that I'm developing, getting candid feedback from them on what I should be doing and vice versa, me giving them feedback on what they should be doing is what really had us developed super quickly.

**Andrew Ive:** As a team?

**Luke Evans:** Yup.

**Andrew Ive:** And is it a super-democracy or at the end of the day, is one person the decision-maker? Or, is one person going to make a decision or—I'm wondering if you have a typical kind of COO-type function or is it much more of 3 people just getting in a room and action something out.

**Luke Evans:** I guess on paper, we do have the chain of command, me being CEO, Adam being COO and Marc being VP of Sales. But realistically, on the day to day of things, it's pretty much



a democracy. We're in the same room, you know, there's not really much ego. All of us are on par. We know each other's visions. We know everybody's intentions, which is super important as a start-up.

**Andrew Ive:** Do you guys always agree?

**Luke Evans:** No, absolutely not. Definitely we don't always agree, but we have learned over the past 2 years how to deal with that more maturely and that's also helped us make the development as a startup and also as a founding team to have something that's going to be super successful.

**Andrew Ive:** Okay. So, dealing with it maturely, what does that mean?

**Luke Evans:** Just, you know, communicating what you're trying to get across without, you know, getting frustrated and also vice versa, listening to what they have to say without getting frustrated and really approaching it in a calm manner is what really I guess that means for us.

**Andrew Ive:** Okay. Because, you know, one of your partners is ex-military, so he can probably kill you with his bare hands. You get that, right?

**Luke Evans:** He's probably, you know, just as worried about my arm skills as well. We were wrestling partners growing up in high school on the same team, so—

**Andrew Ive:** Okay.

**Luke Evans:** --we don't do that.

**Andrew Ive:** So you do get along.

**Luke Evans:** Yeah.

**Andrew Ive:** You guys go way back.

**Luke Evans:** Yeah. Anytime there is a, you know, some confrontation, we just bring out the mats.

**Andrew Ive:** All right, sounds good. So how did you—so you guys graduated from Albany. You're already starting this business because you did it in parallel, right?

**Luke Evans:** Technically, we didn't graduate. So right now I'm still considered a senior.

**Andrew Ive:** Okay, cool.

**Luke Evans:** Yeah.

**Andrew Ive:** I was going to say how are you guys covering the living expenses and things? Did you guys got a raised money from somebody or did you—

**Luke Evans:** We started off while in college, bootstrapped and self-funded it through our founding team. Got some traction on social media and through entrepreneurship and business community in Albany. From there, we were set to enter the NYU accelerator program this summer where we really honed in and started working towards financial metrics and milestones. That way we could capture fundraising and our seed round and raise our seed so that's what we're in the process of doing right now. We just closed on our first angel investment and we're looking at raised \$500,000 for our seed round.

**Andrew Ive:** Okay. How tough was it to raise that initial set of funds?

**Luke Evans:** It's definitely not an easy feat, but like Shen Tong always says, the first million is always the hardest. So, we're definitely optimistic moving forward on where we're at. We're happy with the position we're at and definitely looking to make some huge disruption in the food industry with—

**Andrew Ive:** So did you go out to kind of friends and family in the first instance or was it more around the Albany business community where you kind of had people throw in 25K to 50K here and there just kind of get control.

**Luke Evans:** Yes. So, it was definitely friends and family at first. That's what supported us while we were going hiking actually foraging for the chaga itself. We started designing some different logos, labels, product markups and, you know, formulation process, etc. From there, we were accepted into a loan program through UAlbany where we actually secured that finance loan of \$35,000 which is kind of counterintuitive to the whole product evolution or the evolution of start-ups. So we got some debt finance loan from the banking industry for \$35,000 for our first production run and then from there, we just secured the angel investment.

**Andrew Ive:** Awesome. Okay. So, next is seed funding? Million bucks?

**Luke Evans:** \$500,000.

**Andrew Ive:** \$500,000. When are you guys shooting for that?

**Luke Evans:** We're looking to close it within 3 months.

**Andrew Ive:** Okay. And you're going to have kickstarter in 2 weeks?

**Luke Evans:** 2 weeks, we're going to be launching it, yeah, so January 21<sup>st</sup>.

**Andrew Ive:** So how long does it take to put a kickstarter together? How long have you guys been working on that?

**Luke Evans:** The whole process for us is roughly, I guess you could say months, so there's 2 weeks of video shooting that we did just before the holidays. We're still in the process of editing it and right now, we're in the process of contacting different media outlets and people that are going to be pushing our campaign.

**Andrew Ive:** So, did you get guidance on that or is this something you guys just sort of analysed what other people have done to be successful in a kickstarter and you sort of backed into the steps you needed to take?

**Luke Evans:** That's one of the things that Food-X was super helpful for us with, working side by side with other start-ups that actually launched one during the program specifically TRUenergy, watching them navigate as far as, you know, the whole pipeline of the whole campaign. How they went about it helped us when finding ours, yeah.

**Andrew Ive:** So creating a great video, priming the pump with potential people that would get that video out to the communities and that sort of thing. Did you guys put a kind of potential customer list together?

**Luke Evans:** Yup, absolutely. I mean not just for the kickstarter campaign, as for every aspect of the business. We had contacts in fundraising contacts, accounts that will be holding us and also people in their network. So we have a shared Google account, Google associate where we have all our contacts information on as a start-up.

**Andrew Ive:** And where are the companies going to join—potential consumers going to join your list?

**Luke Evans:** You can check us out at [chugachaga.com](http://chugachaga.com). We're on any social media site at—

**Andrew Ive:** Sorry. Spell that for me.

**Luke Evans:** C-H-U-G-A-C-H-A-G-A.

**Andrew Ive:** Okay. C-H-U-G-A, Chuga, and then chaga, C-H-A-G-A.com.

**Luke Evans:** Yup.

**Andrew Ive:** Okay. What about if they wanted to connect with you via social media?

**Luke Evans:** Social media, you can find us, our Twitter handle is @chugachaga, Facebook chugachaga. Everything is chugachaga. Specifically myself, I'm [lukeevans@chugachaga](mailto:lukeevans@chugachaga). You can reach myself or any of my partners with their names at [chugachaga.com](http://chugachaga.com).

**Andrew Ive:** So, L-U-K-E.

**Luke Evans:** E-V-A-N-S.

**Andrew Ive:** E-V-A-N-S at—

**Luke Evans:** C-H-U-G-A-C-H-A-G-A.

**Andrew Ive:** Awesome. And so that's for friends, family, investors, consumers.

**Luke Evans:** Anybody that wants to connect and learn more about the mycological movement.

**Andrew Ive:** Yeah, awesome. And kickstarter, what day is that going to go live? Have you got a hard date for that yet?

**Luke Evans:** Next Tuesday.

**Andrew Ive:** What is that? Tuesday, the—

**Luke Evans:** Tuesday, the—

**Andrew Ive:** 19<sup>th</sup>.

**Luke Evans:** 19<sup>th</sup>, yeah.

**Andrew Ive:** Tuesday, the 19<sup>th</sup> of January 2016. Is that a 30-day, a 15-day—

**Luke Evans:** It's going to be a 30-day.

**Andrew Ive:** Okay. 30-day Chugachaga. What kind of things can people get if they sign up and commit in giving you guys some money?

**Luke Evans:** So there's going to be, you know, the whole tiered system. We're going to be giving away products, you know, all the way down from sachets up to experiential things like going on Chaga hunts with our founding team to learn more about how to find it yourself, how to process it, and how to brew it.

**Andrew Ive:** Awesome. Okay. And getting back to how to brew it stage. Do you guys outsource— after you have the Cornell folks finalize the recipes with you, how did you figure out how to get this thing made if someone wanted to get their own beverage or some kind into the marketplace? How do they go from formula to final product?

**Luke Evans:** Cornell is super helpful as far as they give you database of resources that you could contact our contract manufacturers out there. So, we just started hammering away at that list speaking with the people that they—and the resources that they had. So there's 2 questions we'd always ask. One, could you help us know? If not, you know anybody that could? So, we're just hammering away at that diligently. We finally found co-packers that could produce the concentrates as well as brewing bottle of our teas.

**Andrew Ive:** Okay. So, how did you get them to actually want to work with you given that you're 3 guys, you know, students not necessarily filled with cash at this point? How do you convince someone of a business that, you know, is focused on trying to pick the volume partners?

**Luke Evans:** So I guess, you know, selling them the drink, selling them, you know, the vision that we have for our company and showing our passion that we have just diligently, you know, reaching, following up, circling out to them, showing that we're serious about it and that we're going to support some things behind our product. That's what really I guess would separate us from the pack because there's continuously people reaching out to them daily as far as beverages that they want to have packaged, but being serious about it and following up is what really separates them and shows them that we're serious about it and that they want to work with us.

**Andrew Ive:** And when you've met them, you were pretty clear about the fact that you were 3 guys, got a concept, want to bring it to market. You were totally kind of clear with them about where you were in your life cycle?

**Luke Evans:** Yeah, absolutely. You know, transparency is a huge thing for me personally and also in the company. I want to be completely honest with everybody about everything. DON't waana fudge numbers, you know, where we're at as far as in the ratings or, you know, any of those kind of things that you always hear cliché in start-ups, you know. We are completely honest what our abilities were with them financially and so that we could, you know, down the road expectations and results were then managed.

**Andrew Ive:** So, that's the manufacturing side. The sales side, your partner is doing much of the sales at this point?

**Luke Evans:** Yup. So, Marc, he's a bit different in the fact that he didn't go to school for business. He was going to school for psychology and pre-law, so he came on board—Initially, we actually thought that he was going to play a big role in like our IP different, you know, those kind of roles as far as legality, but his understanding of people is what we really realized was his value added to the company. So, having him sell our product and our vision is what really pushes the, you know, pushes the envelope towards success.

**Andrew Ive:** Are you guys going predominantly direct to these stores or are you putting together kind of commission-based sales folks or brokers or—?

**Luke Evans:** So, I guess right now it's us directly selling it just so that we could build the cost or retail broker strategy when we're presenting it to different distributors, but from then, Q2 of this year, we're going to be targeting different distributors that could support it through their network. But we do want to have our own direct store support that we're going to be driving to, giving them cases, doing demos in front of—and pushing inventory.

**Andrew Ive:** So I'm guessing you got a need as well as doing it direct, you're going to need people that manage the ongoing buyer relationships and also some degree of the merchandising.

**Luke Evans:** Yup.

**Andrew Ive:** People that, you know, putting out a show making sure you're front-faced.

**Luke Evans:** Absolutely. And that's going to be us to start off with, so it's going to be us visiting the stores with the, you know, facing the owners of the stores, handling them, supporting it, getting their feedback, seeing what they want and then how we can help.

**Andrew Ive:** How are you going to increase or try and maintain sell through? I mean it's one thing for someone to try with 20 stores, 50 stores, 100 stores, but you guys need to sell that product through into (a) keep it, and (b) expand it.

**Luke Evans:** Right. So, so turn is super important as everybody in the CPG market is concerned. Our main strategy being that we don't have much cash right now. We're just building content virtually, which is a lot cheaper than actually physically building it and also just spending our money on different trade and sampling booths at these stores that we're held at so that we're turning inventory. And we're connecting with consumer on a physical and personal level, selling them not only our brand but also just medicinal mushrooms in general.

**Andrew Ive:** So have you—have you installed kind of activity, okay.

**Luke Evans:** Our goal is one demo per store per program.

**Andrew Ive:** Right. What about target retail? Who are you wanting to talk to right now?

**Luke Evans:** So, Whole Foods is definitely the Holy Grail as far as in the national food space is concerned. So obviously we're going to be targeting KeHE and UNFI to see which regions we could roll out and have them support us in those different retail outlets. So it's Whole Foods, D & W Goods, Bread and Honey, those kind of upscale foodie environments is what we're really looking to be held in.

**Andrew Ive:** Specifically the beverage bias?

**Luke Evans:** Yup.

**Andrew Ive:** Okay. And how are you figuring out who those specific people are?

**Luke Evans:** So, really just speaking with end-users, listening to these different channels, asking them tons of questions just to see what kind of, you know, what really push them to make the decisions that they did when choosing certain products, just to see if one would be matched with, you know, the outlet that they were shopping at and see if we match with the end-user and then—

**Andrew Ive:** And so that tells you which stores you want to focus on. How do you figure out which buyer, specific buyers? How do you figure out who they are?

**Luke Evans:** Right. So, yeah—

**Andrew Ive:** And so you just call the company and say who's the buyer of the beverages? Can you give me their name so that I can reach out to them? Does that—

**Luke Evans:** Yup, absolutely, because we go in the stores, seeing if we could speak with the manager, giving them the sales pitch, giving them sales material, samples, that kind of stuff.

**Andrew Ive:** It sounds like a lot of hassle.

**Luke Evans:** Yup, absolutely. It's on the pavement for sure.

**Andrew Ive:** Perfect. So you guys are based where now?

**Luke Evans:** Right now, we're living in Albany.

**Andrew Ive:** Okay. Is that where you're kind of starting your initial launch or—

**Luke Evans:** No, we're going to be launching here in New York City. So we're going to be coming down here regularly. Samples, sales pitches, that kind of thing. We're also going to be targeting health food stores up in the capital region as well.

**Andrew Ive:** Okay. I'm wondering about whether New York City— if you're based in Albany, whether New York City makes sense or whether you guys are going to need to be down here a bit more permanently.

**Luke Evans:** Yeah. That's definitely the goal as far as—we're just living in Albany now because we're hooked on the lease agreement from our college apartment, so we're just going to be milking out until then, but long-term we're definitely—our vision is either here in New York City or in the L.A. region.

**Andrew Ive:** L.A.?

**Luke Evans:** Yup.

**Andrew Ive:** Just because of the concentration of people?

**Luke Evans:** Yes. It's definitely because of the concentration of people but also while at BevNet Live, which was like we were speaking out earlier, visiting and seeing the consumers over there. It really resonates with what we're developing here at ChugaChaga. Everybody is in,

you know, the cold fresh juices, the eating fresh and healthy out there. It's definitely more encompassing of what we're developing here and we feel like—

**Andrew Ive:** So in terms of the kind of person this product appeals to, it's typically 25 to 35, somebody who is focused on lifestyle, health, having a good time. I mean is that—I'm just sort of guessing but—

**Luke Evans:** Yeah. I guess that's—you know, if you're looking at the middle of the bell curve, that's our archetype that we're hammering in on for our product. But, you know, in that category, there's tons of different personalities. So there's the kids at college that are looking for the product during the week to help them, you know, push through their material on what they're working on in school. There's the lifestyle person who has a job who's you know 30 to 40 who is looking into also have, you know, have the best work that they're producing and, you know, going equinox to different cycle centres, going to yoga studios. These people that are looking to achieve something or, you know, expand their consciousness through mind, body and spirit.

**Andrew Ive:** Okay. Perfect. So, kickstarter, how much are you looking to raise?

**Luke Evans:** We haven't put that in certain yet. It's going to be \$15,000 to \$20,000 we're hoping to raise.

**Andrew Ive:** Okay. And that'll get you—that will allow you to manufacture a certain quantity.

**Luke Evans:** Yes. That's going to help us with our first production run, which we're actually executing on right now. Also it's just going to help us support that production run as well.

**Andrew Ive:** Okay. Cool. So, ChugaChaga, I was going to—

**Luke Evans:** It's a mouthful.

**Andrew Ive:** It is a mouthful. So, chugachaga.com. ChugaChaga through all of the social media outlets. [Lukeevans@chugachaga.com](mailto:Lukeevans@chugachaga.com). Okay. Kickstarter, the 19<sup>th</sup> of January 2015 and seed round sometime within the next 2 months if there are companies out there that want to have a chat about it for whatever reason. And retailers would be Whole Foods and any retailer that's focused on the kind of 25 to 35 lifestyle, healthy, young—

**Luke Evans:** Anybody looking for the next generation functional beverage, absolutely. So, we really feel like we're—our goal is to spread the power of chaga by adapting to the modern lifestyle, so anybody that's looking for new innovative health food products, supplements is where we're looking to be held.

**Andrew Ive:** Okay, cool. So that means that you guys are going to have product ideas beyond—

**Luke Evans:** Yeah, absolutely. To be a brand, you can't just have one product line, so we knew that from the get-go, but we want to focus our efforts and launch one product successfully before



we had any line extensions. So outside of the bottled beverage, we want to have everything from Keurig k-cups to dual-extract shots, etc., soaps because they're—some of the active compounds in chaga are better—

**Andrew Ive:** But it's all focused on chaga at this point.

**Luke Evans:** All chaga. Everything is chaga-based.

**Andrew Ive:** Okay. Awesome. Okay. So, I think we're going to wrap it up here. I appreciate your time today.

**Luke Evans:** Yeah, absolutely. Pleasure.

**Andrew Ive:** And hopefully the questions have been okay, not too difficult.

**Luke Evans:** No.

**Andrew Ive:** Okay. So I think we're going to wrap it up. Thank you for your time. I'm going to pause everything and then we can stop it. All right.

[End of transcript]