



XXIV

KARAT

LIVE LIFE ALL IN

XXIV KARAT

7/14/2019



Selected Comparable M&A Transactions



Thus far, few craft distillers if any size or scale have traded; many vodka companies/brands have sold, although most of the trades were before 2008 when multiples paid for spirits brands in general were higher than the present.

- Valuation multiples for all spirits transactions (including those not shown herein) have averaged 3.8x TEV/revenue, 15.0x TEV/EBITDA and \$749 per 9L case
- Multiples for vodka brands have averaged 4.4x revenue and \$831 per case
- While terms were not disclosed, craft spirits brands Cabin Fever (whiskey), Death's Door (vodka, gin, etc.), Hangar One (vodka), Hudson (whiskey), Templeton (whiskey) and Stranahan's (whiskey) recently sold full or partial stakes in their businesses



Source: Capital IQ, First Beverage Group and company filings
Note: List shown is a subset of all spirits transactions known by FBG

Transaction Date	Target/Issuer	Buyers/Investors	Enterprise Value (\$mm)	TEV / LTM Revenue	TEV / LTM EBITDA	Estimated TEV / 9L Case
2012	Cabin Fever	Diageo plc	NA	NA	NA	NA
2012	Pinnacle Vodka and Calico Jack (White Rock Distilleries' brands)	Beam, Inc.	\$605	3.0x	20.0x	\$224
2011	Death's Door Spirits, LLC	Destileria Serrales, Inc.	NA	NA	NA	NA
2010	Stranahan's Colorado Whiskey	Proximo Spirits	NA	NA	NA	NA
2010	Hudson Whiskey	William Grant & Sons Ltd.	NA	NA	NA	NA
2010	Hangar One Vodka	Proximo Spirits	NA	NA	NA	NA
2008	Vin & Sprit (Absolut Vodka)	Pernod-Ricard SA	\$8,896	5.5x	20.8x	\$831
2008	Ketel One Worldwide B.V.	Diageo plc	\$1,800	5.5x	19.0x	\$947
2008	Effen Vodka (50% stake)	Constellation Brands, Inc.	\$44	4.4x	NA	\$2,200
2007	Three Olives	Proximo Spirits	\$400	NA	NA	\$667
2007	SVEDKA Vodka	Constellation Brands, Inc.	\$384	9.1x	NA	\$384
2006	42 Below Ltd	Bacardi Limited	\$92	9.2x	NA	\$1,022
2006	Sky Spirits LLC (11% stake)	Davide Campari Milano S.p.A	\$564	NA	NA	NA
2005	Belvédère SA	CL Financial Ltd.	\$406	0.7x	16.8x	NA
2005	Sky Spirits LLC (30.1% stake)	Davide Campari Milano S.p.A	\$520	NA	NA	NA
2004	Finlandia Vodka Worldwide Ltd. (20% stake)	Brown-Forman Corp.	\$305	1.0x	11.0x	NA
2004	Grey Goose Vodka (Sidney Frank Importing Co.)	Bacardi Limited	\$2,290	11.5x	26.8x	\$1,090
2002	Finlandia Vodka Worldwide Ltd. (35% stake)	Brown-Forman Corp.	\$201	NA	NA	NA
2001	Sky Spirits LLC (50% stake)	Davide Campari Milano S.p.A	\$447	3.5x	16.0x	\$298
2000	Finlandia Vodka Worldwide Ltd. (35% stake)	Brown-Forman Corp.	\$201	3.6x	NA	NA

All	TEV / Rev	TEV / EBITDA	TEV / CE	Vodka	TEV / Rev	TEV / EBITDA	TEV / CE
High	12.5x	29.2x	\$10,000	High	11.5x	26.8x	\$2,200
Mean	4.4x	16.2x	\$1,587	Mean	5.2x	18.6x	\$852
Median	3.8x	15.0x	\$749	Median	4.4x	19.0x	\$831
Low	0.6x	7.5x	\$33	Low	0.7x	11.0x	\$224



Comparable Publicly Traded Companies



- Comparable company analysis, while a fundamental part of any valuation process, can be problematic for craft distillers due to the lack of publicly traded “comparable” companies similar in size, margins and other criteria
- Comparable company analysis represents the “trading” value of a company and does not include a “control premium” that a buyer would pay for all or a majority of a company; On the other hand, private companies often are valued at a discount to publicly traded companies due to a lack of liquidity
- These caveats notwithstanding, trading multiples for all spirits companies currently average 3.5x TEV/Revenue and 13.9x TEV/EBITDA (note that several of the companies listed below are trading near their all-time highs and we have used Beam’s pre-Suntory offer trading price)

Company	Stock		% of 52 Week High	Market Cap	Enterprise Value	TEV / LTM		LTM		
	Price					Revenue	EBITDA	Gross Margin	EBITDA Margin	Rev Growth
Diageo	\$ 32.95		93%	\$ 82,738	\$ 97,449	5.2x	14.8x	61.1%	33.7%	6.2%
Brown-Forman	\$ 78.40		100%	\$ 16,489	\$ 17,301	5.9x	17.5x	69.0%	33.9%	6.5%
Beam (pre-Suntory offer)	\$ 66.97		95%	\$ 10,921	\$ 12,975	5.1x	16.7x	58.4%	30.3%	5.7%
Pernod-Ricard	\$ 110.92		80%	\$ 29,200	\$ 40,706	3.5x	12.2x	62.4%	28.8%	4.4%
Rémy Cointreau	\$ 80.95		58%	\$ 3,912	\$ 4,340	2.7x	13.9x	61.2%	22.0%	0.7%
Grand Marnier	\$ 5,332.62		89%	\$ 440	\$ 403	2.1x	11.4x	75.1%	18.6%	3.4%
Campari	\$ 8.63		94%	\$ 4,907	\$ 6,169	3.2x	13.9x	54.9%	23.2%	9.0%
Castle Brands	\$ 0.82		75%	\$ 90	\$ 103	2.9x	NM	41.1%	-3.2%	13.1%
High						5.9x	17.5x	75.1%	33.9%	9.0%
Mean						4.0x	14.3x	63.1%	27.2%	5.1%
Median						3.5x	13.9x	61.2%	28.8%	5.7%
Low						2.1x	11.4x	54.9%	18.6%	0.7%

USD million, except per share data and ratios
Data as of: 1/14/2014 Source: Capital IQ



Founders Story



LIVING LIFE ALL IN

XXIV Karat Wines is committed to bringing excitement and memories with each bottle sold.

Founded by Arizona State University alumni, the team embodies the soul of what XXIV Karat brings to the social scene. After countless bottles bought and numerous memories made, the boys of XXIV Karat sat down to develop what would turn out to be the hottest new product to hit the industry.

They live life all in, and have branded a product that focuses on just that. Starting off as just a dream, XXIV Karat has evolved into a brand that is both affordable and exclusive, providing memorable experiences to all those who enjoy it's flavor.

Whether it be in the hottest nightclubs in the world, poolside at your favorite resort, or a gift for your best friends wedding, each bottle of XXIV Karat champagne with gold flakes is designed with one thing in mind, fun!



Management Team



Clint Roberts

MANAGING PARTNER

- During Clint's days as a young man, he always admired his father's success and work ethic. Being born into a family that strived on hard work, honesty, loyalty and values, Clint followed in his father's footsteps and entered into the entrepreneur world at the young age of 22.
- 20 years of sales & marketing experience and responsible for running several successful companies from different business spectrums. Clint has a unique gift in building quality relationships that he takes pride in. He brings credibility and a vast amount of knowledge to any team he's working with.

Gene H. Shioda

MANAGING PARTNER

- Gene H. Shioda is a distinguished attorney based in Los Angeles, California. With over two decades of experience, he specializes in litigation and trial prosecution and advising corporate clients. As recognition for his dedication and the breadth of his expertise, he is an Avvo peer-review rated attorney, a member of the Distinguished Lawyers of America, a member of the Distinguished Experts of America, Trial Lawyers College, and has been recognized as a top lawyer in several peer reviews. Responsible for reinvigorating AP package design, product formulation, market planning, brand positioning, and capital raise.
- Mr. Shioda has extensive jury trial and bench trials with awards in excess of \$5,000,000.00. Mr. Shioda received his bachelor's degree from Clark University in Worcester, Massachusetts in 1993, and went on to study at Southwestern University School of Law in Los Angeles. While in law school, he was an editor of the school's law journal and graduated magna cum laude as number two in his class in 1996. He was distinguished as the top scholar in many of his classes. Mr. Shioda worked with the Honorable Federal District Court Judge of the United States of America Robert M. Takasugi. Mr. Shioda was selected as law clerk for the United States Federal District Court Judge Franklin Burgess.
- An active member of his local Japanese legal community, Mr. Shioda is a member of the National Legal Counsel for the Japanese American Citizens League, as well as the Japanese Bar Association and Asian Defense League.

Joe Garza

MANAGING PARTNER

- Joe has a genuine passion for the beverage industry and brings over 18 years of successful brand building experience. In his early years, he worked as an Area Sales manager, a regional Vice president and later as a West Coast Director of National Accounts for brands such as SoBe, Vitaminwater, Fuze and Cytosport (Muscle Milk).
- Joe has experience in both Direct Store Delivery (DSD) and Direct Warehouse management. He has built strong relationships with independent distributors and brokers across the nation with his closest ties being on the West Coast. He has also formed close working relationships with regional and national retail category buyers.
- Joe has directly influenced the development of SoBe, Vitaminwater, Fuze and Muscle Milk into household brand names. His expertise in startup beverage brands include sales account management, strategic planning, customer relations, budgeting, key account development and marketing.
- Joe has been responsible for recruiting sales professionals from all over the West Coast to create highly successful teams and has managed and mentored groups.



Sparkling Wine Grand Cuvée



TASTING NOTES

XXIV Karat has created a crowd pleasing Grand Cuvée at an exceptional value; pale straw in color with a medium-dry palate that is not too dry and not too sweet, with fine beads of bubbles and substantial mousy foam. This light and crisp wine has a good balance between tree and toast, ending in a pleasing finish. The nose is fresh and clean with attractive scents of pear and pineapple nuances that leap out of this sparkler with lively flavors of crisp, green apple and blanched almonds. A toasty, coconut finish confirms the nose being bright and vivacious, inviting the next sip and completes our classic Grand Cuvée Brut Sparkling Wine. This bubbly is the perfect choice for any and every occasion, from anniversaries to weddings, and a gift that is sure to make an impression. XXIV Karat is the go-to brand for status, glamour, and fun; and embodies the celebratory lifestyle for all to enjoy.

WINEMAKING

XXIV Karat fermentation takes place at our bottling facility in Lodi, California over a 13-week period, in which sugar and yeast is added to the wine in a large vat. Once the fermentation process is complete, XXIV Karat is bottled under pressure. This exhilarating and tropical sparkling wine is a blend of multiple varietals, vintages and California Coastal appellations to assure the consistent quality of every bottle.

COMPETITIVE ADVANTAGE

 **INFUSED WITH REAL
24 KARAT GOLD FLAKES**

 **INCLUDES CUSTOM
LED LIGHT**



TECHNICAL INFORMATION

Appellation: Sparkling Wine

Size: 750ml & 187ml

Varietal(s): Sparkling Blend

- 75% Chardonnay

- 25% seasonal blend to maintain consistency

Vintage: NV

Wine Alcohol: 11%

RS: 20g/l

Acidity: .6 g/100ml

P/H: 3.3



Sparkling Wine Rosé



TASTING NOTES

XXIV Karat Rose receives its bright and vibrant pink and purple color utilizing the skin contact method, in which the black-skinned grapes are crushed and left in contact with the juice for a period of 24 hours. After this process is complete, the must is then pressed to separate the skins from the wine, and the skins are discarded prior to fermentation. XXIV Karat fermentation takes place at our bottling facility in Lodi, California over a 3-week period, in which sugar and yeast is added to the wine in a large vat. Once the fermentation process is complete, XXIV Karat is bottled under pressure. This exhilarating and tropical sparkling wine is a blend of multiple varietals, vintages and California Coastal appellations to assure the consistent quality of every bottle.

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COMPETITIVE ADVANTAGE

✦ **INFUSED WITH REAL
24 KARAT GOLD FLAKES**

✦ **INCLUDES CUSTOM
LED LIGHT**



TECHNICAL INFORMATION

Appellation: Sparkling Wine

Size: 750ml

Varietal(s): Sparkling Blend

- 75% Pinot Noir

- 25% seasonal blend to maintain consistency

Vintage: NV

Wine Alcohol: 12%

RS: 33g/l

Acidity: .6 g/100ml

P/H: 3.09



Non-Alcoholic Lightly Sparkling Original



TASTING NOTES

When you live a luxurious lifestyle, going from posh lounges at night, to exotic pool parties the morning after, replenishing your soul & body is a must. Allow yourself to indulge in a XXIV Karat recovery drink that's infused with real 24 karat Gold, while absorbing our exclusive blend of vitamins, milk thistle and electrolytes.

REPLENISH
RECOVER
RE-RALLY

COMPETITIVE ADVANTAGE



INFUSED WITH REAL
24 KARAT GOLD FLAKES





Non-Alcoholic Lightly Sparkling Lightly Sweetened



TASTING NOTES

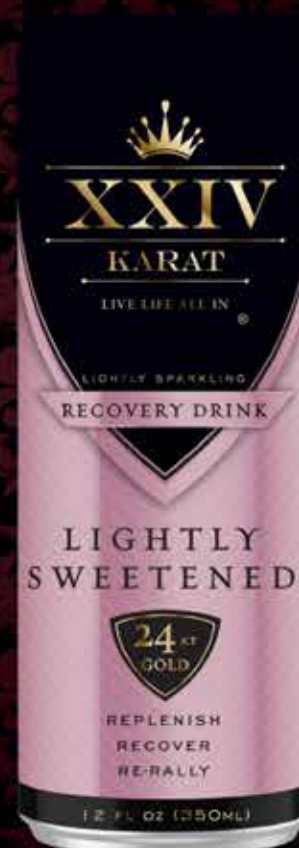
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REPLENISH
RECOVER
RE-RALLY

COMPETITIVE ADVANTAGE



INFUSED WITH REAL
24 KARAT GOLD FLAKES





Champagne





Cannabis



CANABIS NOTES

When you live a luxurious lifestyle, going from posh lounges at night, to exotic pool parties the morning after, replenishing your soul & body is a must. Allow yourself to indulge in XXIV Canabis.





Competitive Advantage



VEUVE CLICQUOT
Brut Yellow Label



\$46.99

MOET
Imperial



\$39.99

*Competitor Pricing May Vary By Location

GRAND CUVÉE

\$37.99

COMPELLING CLEAR POINT OF DIFFERENCE



Competitive Advantage



VEUVE CLICQUOT
Rose



\$60.48

MOËT & CHANDON
Rose



\$60.99

*Competitor Pricing May Vary By Location

Rosé

XXIV
KARAT

\$41.99

COMPELLING CLEAR POINT OF DIFFERENCE



Product Overview



XXIV Karat Grand Cuvée, is an award-winning California sparkling wine, Infused with indulgent 24 karat gold leaf, creating an enhanced opulent experience unlike any other on the market.

XXIV KARAT OFFERS:

- Award winning California sparkling wine infused with genuine, edible, 24kt gold leaf
- Evokes a sense of wealth and importance
- XXIV Karat answers the surging popularity of champagne bottle service in the trendiest of clubs, bars and restaurants
- Status symbol for young, hip Millennials
- Go-to brand for status, glamour and fun celebrations
- Multiyear manufacturing agreement in place with producing vineyard
- Production capacity & scalable growth opportunities



GRANDE CUVÉE

750 ml California
Sparkling Wine
12 Bottle Case



ROSÉ

750 ml California
Sparkling Wine
12 Bottle Case



ORIGINAL

12 fl oz California
Non-Alcoholic
Recovery Drink
12 Bottle Case



LIGHTLY SWEETENED

12 fl oz California
Non-Alcoholic
Recovery Drink
12 Bottle Case



CANABIS

12 fl oz California
Non-Alcoholic
Recovery Drink
12 Bottle Case



CHAMPAGNE

750 ml California
Champagne
12 Bottle Case



This distinctive, sexy and indulgent sparkling wine from our Vineyards in Mendocino, was named “Best Way To Drink Like A Bond Villain” by Phoenix Magazine



Distribution

Outstanding Market Acceptance



PREVIOUS DISTRIBUTION PARTNERS & STATES

Strategic Partnerships and Opportunities:

Southern Wine and Spirits National Distribution opportunity due to success in current markets.



- Charmer Sunbelt - Colorado
- Young's Market - Arizona
- Great Lakes Wine and Spirits - Michigan
- Empire Distribution – North Carolina, Tennessee, Georgia
- SWS – California, South Carolina
(DC, DE, MD – approved, timing our launch)



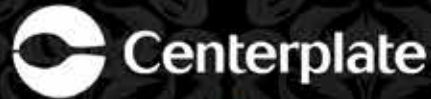
Past Partnerships



RESTAURANTS / CLUBS



RESORTS / CASINOS / STADIUMS



RETAIL



STRONG PLACEMENT ACROSS A VARIETY OF KEY RETAIL SEGMENTS



Marketing & PR



Marketing Expertise

Partnerships:

- EFG – PR
- RX Social – Social Media
- Greenhouse Agency – Experiential Marketing
- The A-List – Celebrity Wrangling
- Navigator - National Chain Brokerage Agency
- Michael J. Devine – Duty Free Global Airline & Cruise Ship Distributor

Celebrity Investor(s):

- Ty Lawson, Denver Nuggets
- Many more to come

POS:

- Branded Merchandise
- Custom Apparel
- Posters, Table Tents and Banners in strategic locations

Brand Ambassador(s):

- The Industry





PR Buzz



"XXIV Karat offers a distinctive twist along with a refined taste that makes it an extraordinary craft wine."

- NEWS CHANNEL 5



OCT 16TH LAUNCH PARTY AT
BEVERLY HILLS HILTON
hosted by: Amber Rose

XXIV KARAT
presents

TY LAWSON
hosting

**XXIV KARAT COLORADO
LAUNCH PARTY**

SAT. SEPTEMBER 27
EPERNAY - 1080 14TH ST. DENVER

LIVE LIFE ALL IN
XXIVKARAT.COM

TY LAWSON LAUNCH PARTY



SUGAR LOCO
CRAFTY YEA CEREALS & DRINKS

XXIV KARAT SPARKLING WINE EXPANDS
DISTRIBUTION TO CALIFORNIA!!!

"The COOLEST sparkling wine we've ever seen."

- SUGAR LOCO

Nightclub & Bar

XXIV Karat Sparkling Wine Expands Distribution To California

"True INNOVATION sets XXIV KARAT..."

- NIGHTCLUB & BAR



P&L Forecast



- Actual gross margin results are currently trending at this level so the projections are actually fairly conservative
- We completely expect to finish 2014 at gross margins above 50%
- We think 2016 is highly achievable at which point we will be profitable

3 YEAR PROJECTIONS			
(000'S)	2014	2015	2016
REVENUES	\$1,339	\$4,021	\$9,269
GROSS PROFIT	\$766	\$2,290	\$5,271
SG&A	\$1,941	\$3,339	\$5,000
OPERATING INCOME	(\$1,175)	(\$1,049)	\$271
REVENUE GROWTH		200%	131%
GROSS PROFIT %	57%	57%	57%
#VALUE!	-88%	-26%	3%





Investment Overview



SUMMARY INVESTMENT TERMS

Amount of offering: \$2MM, Round 1

1pt: \$150,000

Valuation: \$15,000,000 pre money

Use of proceeds:

- 30% - Marketing
- 20% - Distributor support
- 20% - Production
- 30% - Future headcount

Potential Returns Analysis based on Arizona, North Carolina, South Carolina, Michigan & California

PROJECTED VALUATION / OFFERING

Valuation \$15,000,000

Projected 2014 Revenues \$1,130,660

Gross Revenue Multiple 13x

Ownership of New Investors 13%

Equity Value for New Investors \$2MM



Financial Packet, Balance Sheet, P&L, and cash Flow available upon request.



Celebrity Projections



3 YEAR PROJECTIONS

	2014	2015	2016
REVENUES	\$1,339,000	\$4,021,000	\$9,269,000
GROSS PROFIT	\$766,000	\$2,290,000	\$5,271,000
SG&A	\$1,941,000	\$3,339,000	\$5,000,000
OPERATING INCOME	(\$1,175,000)	(\$1,049,000)	\$271,000
REVENUE GROWTH		200%	131%
GROSS PROFIT %	57%	57%	57%
OPERATING INCOME %	-88%	-26%	3%

3 YEAR PROJECTIONS (with Drake)

	2015	2016	2017
REVENUES	\$6,695,000	\$20,105,000	\$46,345,000
GROSS PROFIT	\$3,830,000	\$11,450,000	\$26,355,000
SG&A	\$4,852,500	\$8,348,000	\$12,500,000
OPERATING INCOME	(\$1,022,500)	\$3,102,000	\$13,855,000
REVENUE GROWTH		200%	131%
GROSS PROFIT %	57%	57%	57%
OPERATING INCOME %	-15%	15%	30%





Drake Deal



<u>Drake Deal Memo:</u>	<u>Upfront Capital Invested by Drake \$450,000</u>	<u>Endorsement/Capital Fee Paid to Drake</u>	<u>Total Capital Contribution by Drake</u>	<u>Equity</u>
Investment Required				3% Fully Vested
<u>Brand Ambassador</u>				
November 30th, 2015		\$150,000		2% Fully Vested
November 30th, 2016		\$150,000		3% Fully Vested
Total Capital Contribution from Drake			<u>\$150,000</u>	
Total Equity Earned by Drake				8%
*If we sell before November 30, 2016 USHER is Fully Vested				
End of 2015		\$669,500		
End of 2016		\$2,010,500		
End of 2017		\$4,634,500		
Total 3 year Payout (rev share, endorsement fee)		<u>\$7,614,500</u>		
Estimated Equitable Pay Out (based on \$250 mm exit)		<u>\$20,000,000</u>		
Drake Estimated Financial Compensation:				
(equitable payout +rev share+endorsement fee -investment)		<u>\$27,164,500</u>		

*Please note all equitable partners are subject to same dilution provisions which are not included in this memo

**By investing/partnering with XXIV Karat, Drake will receive a Board Seat





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Column 1:

Text 1

Brand Ambassador

November 30th, 2015

November 30th, 2016

Total Capital Contribution from Drake

Total Equity Earned by Drake

*If we sell before November 30, 2016 USHER is Fully Vested

End of 2015

End of 2016

End of 2017

Total 3 year Payout
(rev share, endorsement fee)

Estimated Equitable Pay Out
(based on \$250 mm exit)

Drake Estimated Financial
Compensation:

(equitable payout +rev share+endorsement fee -investment)

*Please note all equitable partners are subject to same dilution provisions
which are not included in this memo

**By investing/partnering with XXIV Karat, Drake will receive a Board Seat

Column 2

Column 3

Column 4

Column 5

3% Fully Vested

2% Fully Vested

3% Fully Vested

\$150,000

8%

\$150,000

\$150,000

\$669,500

\$2,010,500

\$4,634,500

\$7,614,500

\$20,000,000

\$27,164,500