

Private Placement Memorandum

2019

Dented Brick Distillery



Marc Christensen
Dented Brick Distillery
4/1/2019



April 1, 2019

CONFIDENTIAL

This document contains confidential and proprietary information, belonging exclusively to Salt Lake City Distillery LLC.

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This Prospectus contains forward-looking statements that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and do not include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as “future,” “anticipates,” “believes,” “estimates,” “expects,” “intends,” “will,” “would,” “could,” “can,” “may,” “plans” and similar terms. Forward-looking statements are not guarantees of future performance and the Company’s actual results may differ significantly from the results discussed in the forward-looking statements. All information presented herein is based on the Company’s actual performance, and the fiscal calendar reflects the start date of April 1, 2016. Unless otherwise stated, references to particular years, quarters, months or periods refer to the Company’s fiscal year, and the associated quarters, months and periods of those fiscal years. Each of the terms the “Company” and “Dented Brick” as used herein refers collectively to Salt Lake City Distillery LLC dba Dented Brick Distillery.

Dated: April 1, 2019

SALT LAKE CITY DISTILLERY, LLC
(a Utah Limited Liability Company)

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

\$3,000,000
LIMITED LIABILITY COMPANY CAPITAL UNITS

2206 Capital Units (the “Units”), are being offered by Salt Lake City Distillery, LLC, a Utah limited liability company (the “Company”). Units in the aggregate amount of \$3,000,000 are offered at \$1,360 per Unit. The funds will be used for ongoing operations and any other business purpose.

These securities have not been registered with the United States Securities and Exchange Commission or any state securities agency, and are being offered in reliance on exemptions from registration provided in Sections 3(b), 4(2) OR 4(6) of the Securities Act of 1933, as amended, or Regulation D promulgated thereunder and certain exemptions from the registration requirements of applicable state laws.

In making an investment decision investors must rely on their own examination of the person or entity creating the securities and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

Business Trends

As an interested investor you are likely aware of the great boom going on in the Craft spirits industry. The trend continues, as recent news illustrates.

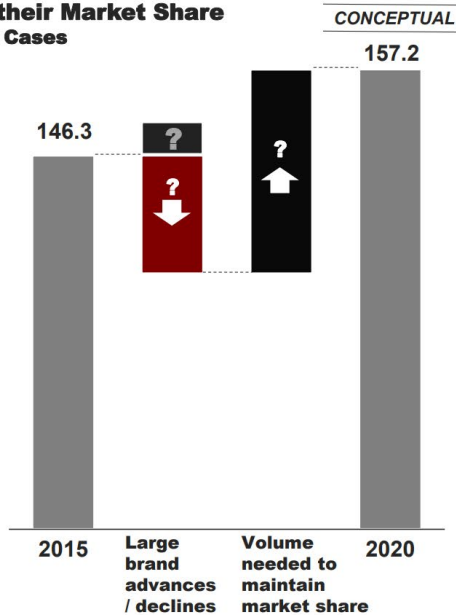
Year	Brand	Acquirer	Cases ('000 9L)	Acquisition Price	Price/Case	Revenue Multiple
2019	Castle Brands	Pernod Ricard	n/a	\$223M		
2019	Black Velvet	Heaven Hill	n/a	\$226M		
2019	Dogfish Head	Boston Beer	n/a	\$300M		
2019	Rabbit Hole	Pernod Ricard	n/a	n/a	n/a	
2019	Crater Lake	Acquired Sales Corp	n/a	\$8M	n/a	n/a
2019	Cutwater	Anheuser-Busch InBev	n/a	n/a	n/a	n/a
2018	Patron	Bacardi	3,000	\$5.1B	\$1,700	
2018	Avion	Pernod Ricard		\$100M	n/a	n/a
2017	Pendleton	Jose Cuervo	250	\$205M	\$820	
2017	Big Bottom	East Side Distilling	n/a	Stock Purchase	n/a	n/a
2017	Tuthill Town	William Grant and Son	n/a	n/a	n/a	n/a
2017	Casamigos	Diageo	120	\$700M+	\$5,833	20x+
2017	Bulldog Gin	Groupo Campari	150	\$58M	\$387	4.9x
2016	High West	Constellation Brands	70	\$160M	\$2,285	6x
2015	Ballast Point	Constellation Brands	n/a	\$1B	n/a	10x+
2015	Angels Envy	Bacardi	45	n/a	n/a	n/a
2012	Pinnacle and Calico Jack	Beam	3,000	\$605M	\$202	4.9x
2011	Skinny Girl	Beam	110	\$90M	\$818	11.2x
2010	Zacapa	Diego	100	\$200M	\$2,000	15.8x
2007	Cabo Wabo	Campari	56	\$91M	\$1,429	9.6x
2007	Ketel One	Diageo	1,700	\$1,800M	\$1,059	8.4x
2007	Svedka	Constellation	1,100	\$384M	\$349	8.4x
2006	42 Below	Bacardi	90	\$91M	\$1,011	13.0x

One of the best things about small players in the distilling arena is their potential to be acquired by bigger players. Acquisitions have become a typical exit strategy for craft distillers in recent years, and transactions are being conducted at high exit valuations. Those that become acquisition targets not only boast of an acclaimed product line, but also of viable business models positioned for growth.

Mega brands pathway to future growth includes investment in entrepreneurial brands, such as Dented Brick. As you will note in the data presented in the following pages, mega brands are beginning to lose market share to craft brands, and the best way to defend the loss of market share is to buy the craft brands that are causing the erosion of the mega brands market share.

Large Suppliers in Times of Fragmentation

Volume for the Top 10 Spirits Suppliers to Maintain their Market Share
Millions of 9-L Cases



- Large brand growth acceleration and/or turnaround or just slowing the decline of the larger brands is and will be the highest priority for every larger supplier and the focus of their sales forces (pressure on distributors)
- Brand extensions and stretches will be used where feasible without decreasing the overall brand equity
- Might exit or decide to give management of sub-scale brands with declining sales and little hope (towards end of brand life cycle) to third party sales force operators
- New brand development within large suppliers has a poor track record and will not see much increased investment
- Acquisitions of new brands will be needed to bridge gap
 - Distilled spirits VCs (early stage)
 - Portfolio of local/regional brands
 - Larger mergers/acquisitions

As mega brand growth requires volume increases, acquisition will be needed to fill the gap between declines in current brands and volume needed to maintain market share.

Pathway to Future Growth for Major Suppliers: Investments in Entrepreneurial Brands

Supplier	2015	2016	2017	2018
Diageo	<ul style="list-style-type: none"> • United Spirits • Peligroso Tequila 		<ul style="list-style-type: none"> • Casamigos 	<ul style="list-style-type: none"> • Belsazar
Constellation Brands	<ul style="list-style-type: none"> • Casa Noble Tequila 	<ul style="list-style-type: none"> • High West Distillery • Catocin Creek Distillery • Nelson's Green Briary 	<ul style="list-style-type: none"> • Schrader Cellars • The Prisoner Wine Company 	<ul style="list-style-type: none"> • The Real McCoy • Copper & Kings
Bacardi	<ul style="list-style-type: none"> • Angel's Envy • Banks Rum • Leblon Cachaca 		<ul style="list-style-type: none"> • Illegal Mezcal • Teeling Irish Whiskey 	<ul style="list-style-type: none"> • Patron Spirits
Pernod Ricard	<ul style="list-style-type: none"> • Tequila Avion 	<ul style="list-style-type: none"> • Monkey 47 • Smooth Ambler • Paddy Irish Whiskey 	<ul style="list-style-type: none"> • Del Maguey Mezcal 	

Executive Summary

Dented Brick Distillery began distilling operations April 1, 2016, after construction of its new 15,000 square foot distillery. The distillery currently produces rum, gin, vodka, and flavored rum, with some of the production going to barrels for release as a barreled aged whiskey and dark rum.

Dented Brick Distillery is entering the market when consumer demand and interest are beginning to grow exponentially for Craft or micro-distilled spirits, allowing us to establish our brand and reputation early in the industry's life cycle. Sales growth is expected to grow exponentially as we have established multi-state distribution agreements.

The location of Dented Brick Distillery in Salt Lake City allows the distillery to draw upon the high volume of travelers that come to town for tourism and conventions. Salt Lake City receives 20.2 million visitors each year, more than 10 times the population of the Wasatch front, and more than most towns of its size. In addition, outside of Utah, the novelty of Salt Lake as a base for a distillery attracts new consumers nationally. Like the famous and ironic southwestern Pace Picante Salsa commercials, "Why this stuff is made in New York City!", ironically, our liquor is made in Salt Lake City!

The past two decades have seen a buildup in both the micro-brewing industry and the boutique wine industry. Now is the time for micro-distilling to explode onto the scene. Micro-distilling is emerging as the hottest market for consumers to explore and delve into as they did with beer and similarly with wine over the past two decades.

Company Description

Dented Brick Distillery is located at 3100 South Washington Street in South Salt Lake, Utah. The company is organized as an LLC, and is currently in the startup phase. Our distilled spirits plant is new, with new sewer, water, and utility lines. The heart of our operation is the new distilling equipment. Our stills were custom manufactured by Vendome Copper and Brass, a Louisville based company that has been welding and fabricating copper stills for the bourbon industry in Kentucky and Tennessee since the early 1900's. Our new custom crafted stainless steel distillery tanks were manufactured in Washington state by Spokane Industries, who for nearly 40 years, have been building dimple cooling jacketed and insulated stainless steel tanks. These tanks were built to our specification and provide jacketed heating and cooling for precise temperature control of the mash during fermentation. Our mash tank was also built for us by Spokane Industries.

The distillery is considered a State of the Art Craft Distillery. Craft spirits are defined as distilled spirits produced in the U.S. by licensed producers that have not removed more than 750,000 proof gallons (or 394,317 9L cases) from bond, and are not openly controlled by a large supplier. Production capacity of the Dented Brick facility is approximately 29,000 cases annually, with a planned capacity scalable to 78,000 cases, far under the Craft threshold. Dented Brick is considered a medium-sized Craft distillery, where a large Craft distillery removes from bond a minimum of 395,00 9L cases annually, a medium Craft distillery removes 5,200 - 52,000 9L cases annually, and a small Craft producer up to 5,200 cases.¹

Industry Analysis

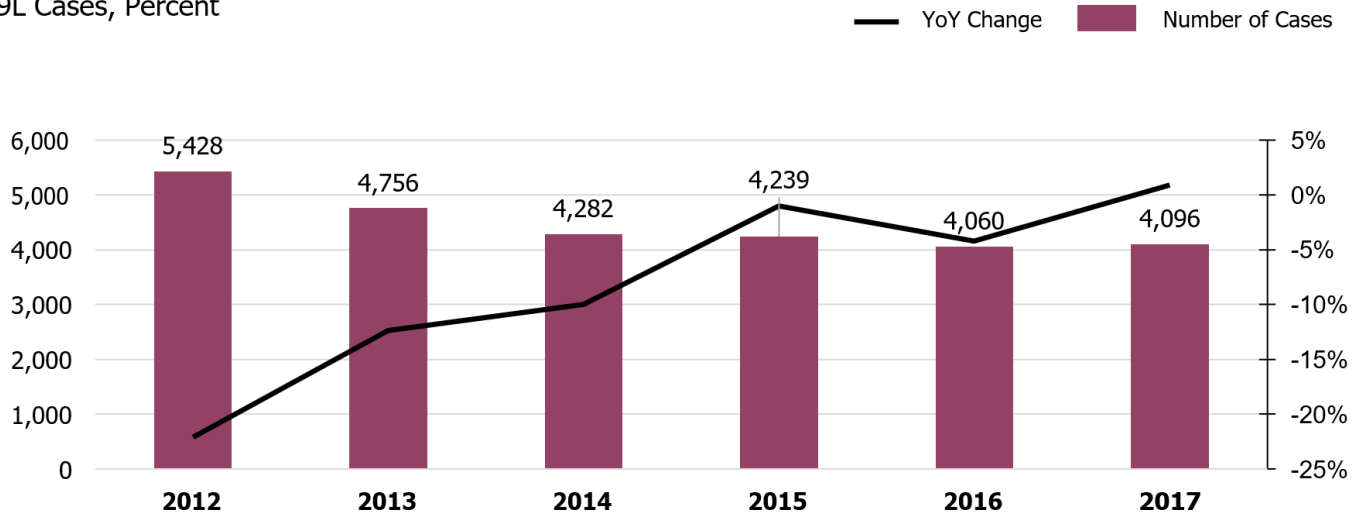
The number of active craft distillers* in the U.S. grew by 15.5% over the last year to 1,835 by August 2018.

¹ ACSA definition

Inflection Point Has Been Reached – Average Volume Has Started to Increase

of Cases of Average U.S. Craft Distiller 2012 – 2017

9L Cases, Percent



- The market has reached an inflection point at which the volume growth outpaces the growth in number of distillers.
- The volume of the average U.S. craft distiller reached 4,096 cases in 2017, up 0.9% versus 2016.

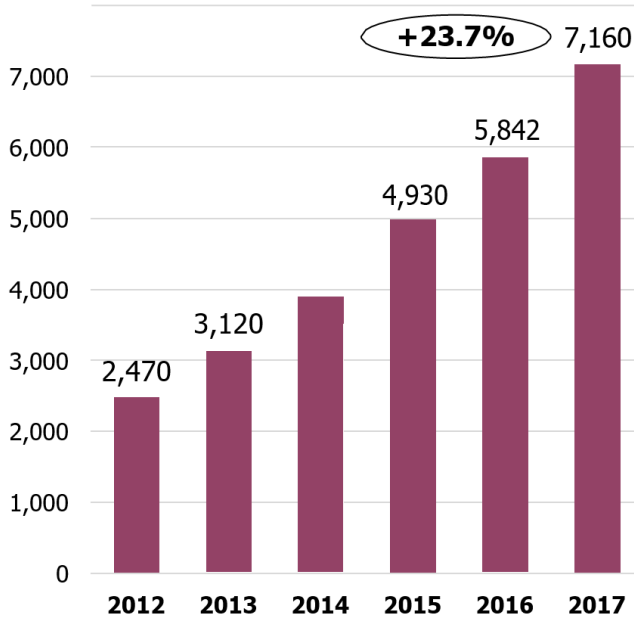
Sources: TTB, ACSA, IWSR, State ABC Boards, State Guilds, Team Analyses

The U.S. craft spirits market volume (cases) reached nearly 7.2m cases in retail sales in 2017, growing at an annual growth rate of 23.7%. In value terms, the market reached \$3.7 billion in sales, growing at an annual growth rate of 30.1%.

Craft Spirits Sales Are Growing Rapidly by Volume and Value

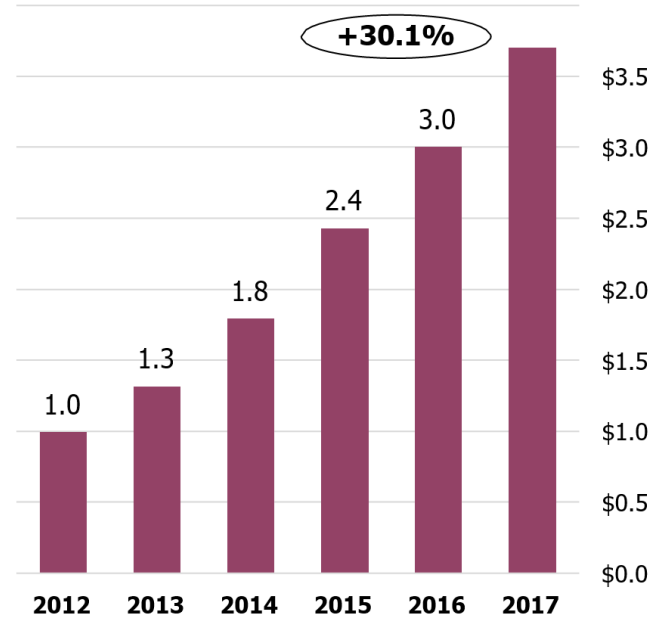
Craft Spirits Sales by Volume, 2012 – 2017

9L Cases (000)



Craft Spirits Retail Sales by Value, 2012 – 2017

\$ Billions

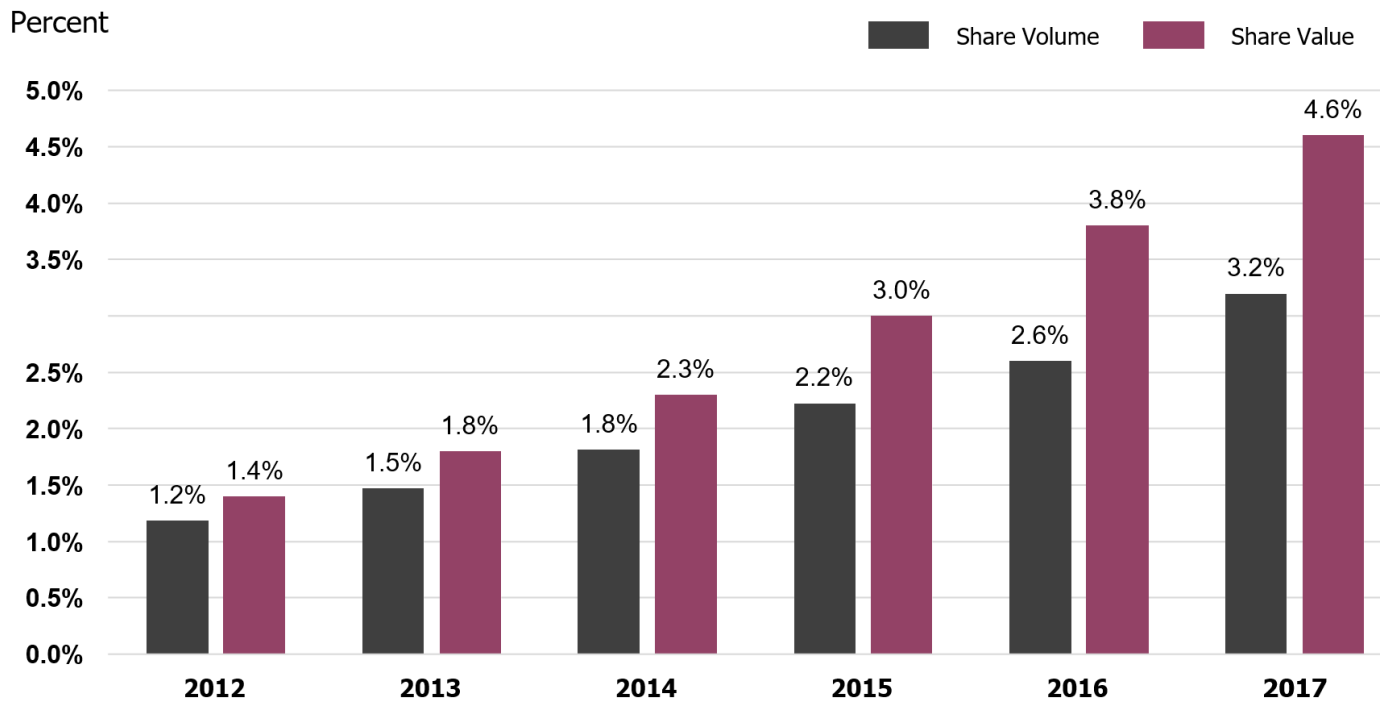


Sources: TTB, ACSA, IWSR, State ABC Boards, State Guilds, Team Analyses

The market share of U.S. craft spirits reached 3.2% in volume and 4.6% in value in 2017, up from 1.2% (volume)/1.4% (value) in 2012 and 2.6% (volume)/3.8% (value) in 2017.

Craft Spirits Market Share at 4.6% in Value

Craft Distiller Sales as a Share of Total U.S. Spirits Volume and Value



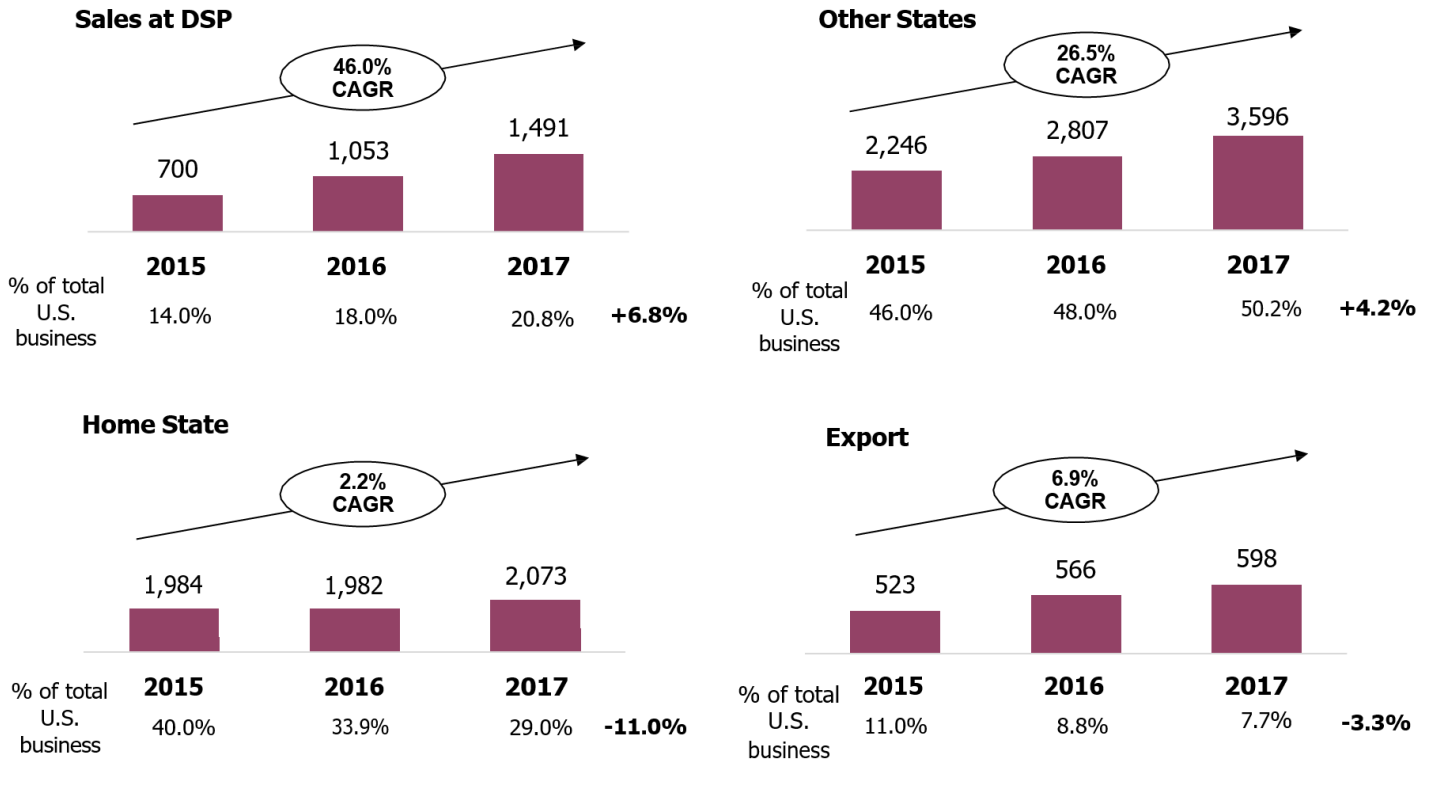
- U.S. craft currently has an estimated market share of 3.2% in cases, up from 1.2% in 2012
- U.S. craft is clearly a contributor to the trend towards premiumization in the U.S. market
- The U.S. craft market share in value is estimated at 4.6%, up from 1.4% in 2012

Sources: TTB, ACSA, IWSR, State ABC Boards, State Guilds, Team Analyses

Most of the Growth for Total Craft Spirits has Occurred in Other States

Total Craft Spirits Industry, Sources of Case Sales, 2015 – 2017

9L Cases (000)



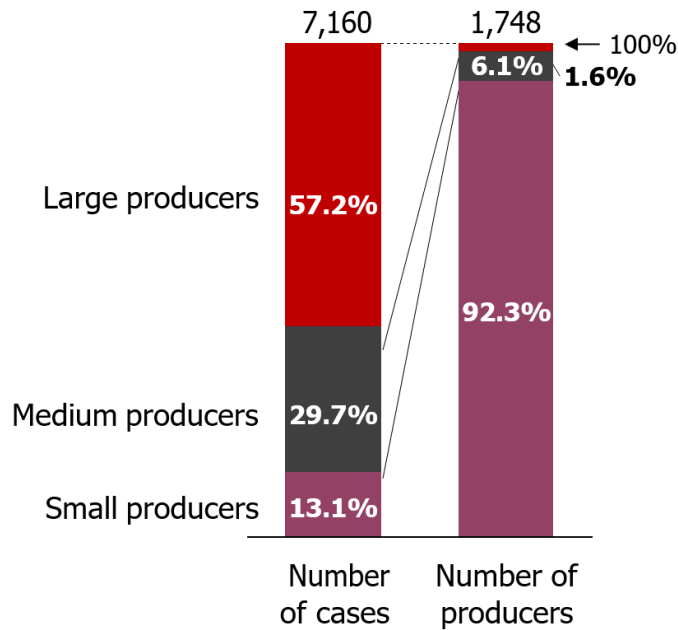
Sources: TTB, ACSA, IWSR, State ABC Boards, State Guilds, Team Analyses

The U.S. craft distilling market is fairly concentrated with nearly 2% of the larger producers (between 100,000 and 750,000 proof gallons removed from bond) being responsible for 57.2% of the cases sold. 92.3% of U.S. craft producers are classified as small producers (between 0 and 10,000 proof gallons removed from bond). They are responsible for just 13.1% of the cases sold annually.

Craft Spirits Market Is Fairly Concentrated

of Craft Distillers and Case Volumes by Producer Size, 2017

of Producers, 9L Cases (000)

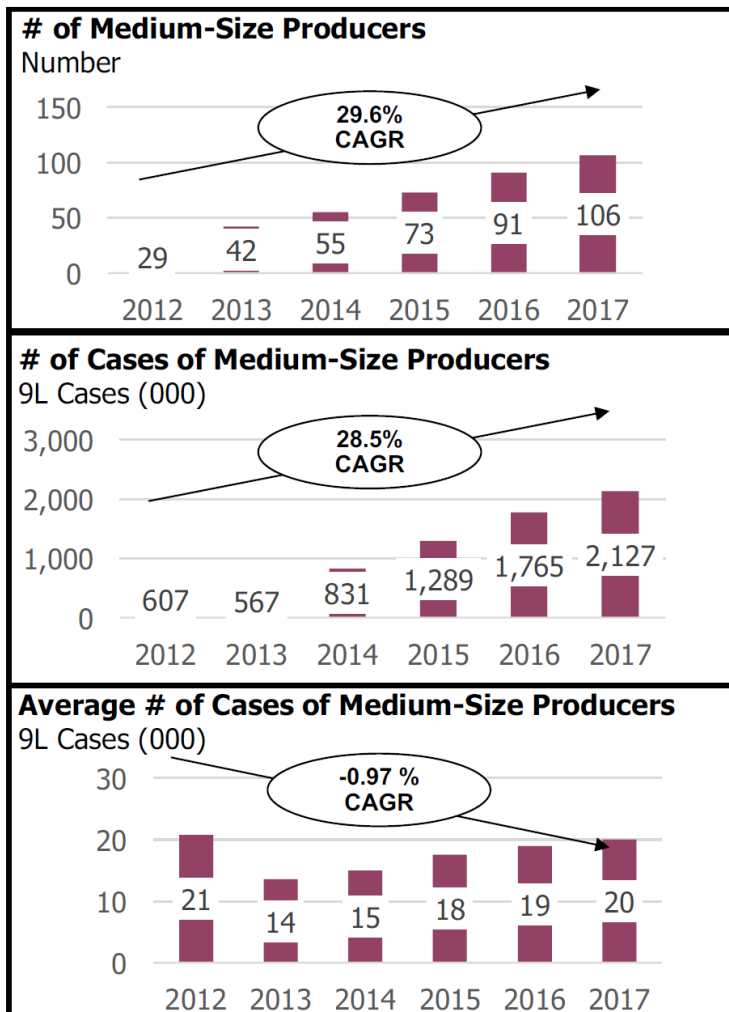


- The U.S. Craft distilling market is fairly concentrated with nearly 2% of the producers being responsible for almost 60% of the cases
- 92.3% producers are classified as small producers. They are responsible for just 13.1% of the cases

Sources: TTBB, Distiller Surveys, Team Analyses *Small: 0 - 5,258 9L Cases, Medium: 5,258 - 52,576 9L Cases, Large: 52,576 - 394,317 9L Cases

Direct sales on site are important for all craft distillers but especially important for small producers where these sales make up 40% of total sales.

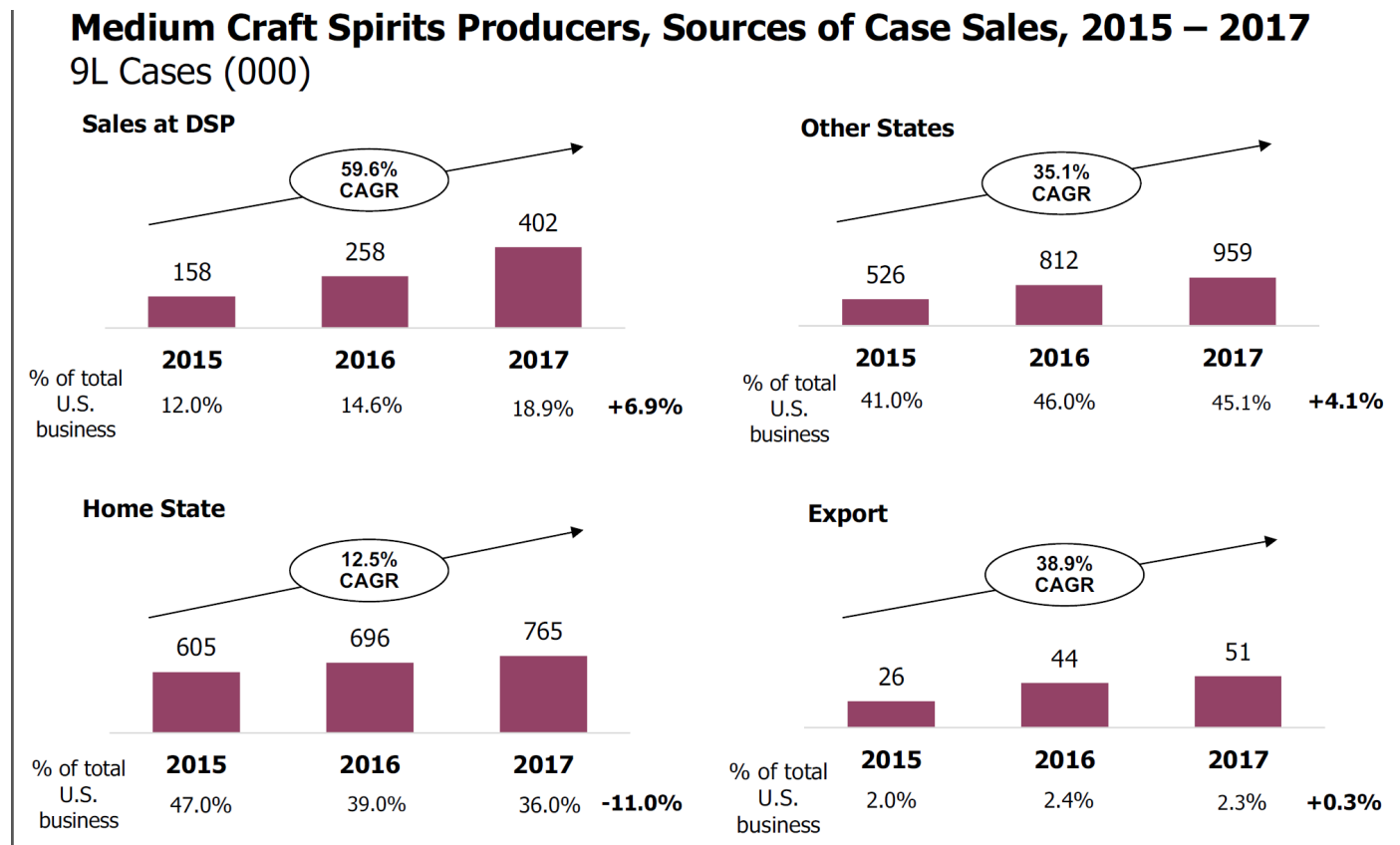
Medium-Size Craft Producers Have Been Growing Well



- The number of medium craft distillers as well as their number of cases has been growing rapidly
- The number of medium craft distillers has grown almost six-fold from 29 in 2012 to 106 in 2017
- The number of cases of medium craft distillers has grown from 607k 9L cases in 2012 to over 2.1 million 9L cases in 2017
- The average number of cases of medium craft distillers has decreased from 21k 9L cases in 2012 to 20k 9L cases in 2017
- Medium-sized craft producers have had positive average case growth year over year since 2013

Sources: TTB, ACSA, IWSR, State ABC Boards, State Guilds, Team Analyses

Medium Craft Producer Sales Have Grown Strongly Across All Sources



Sources: TTB, ACSA, ADI, State ABC Boards, State Guilds, Team Analyses

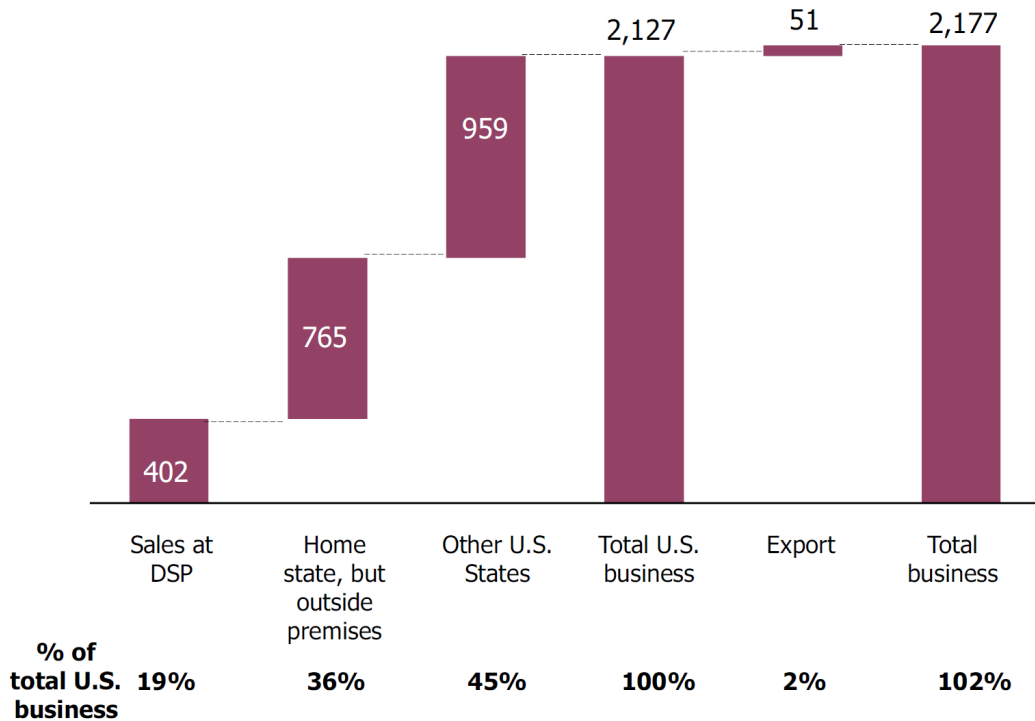
Out of state business is particularly important for medium and large producers, accounting for 45% of the total business.

55% of the Business of Medium Craft Producers Takes Place in the

Home States

Sources of Case Sales – Medium U.S. Craft Spirits Producers, Domestic and Export 2017

9L Cases (000)



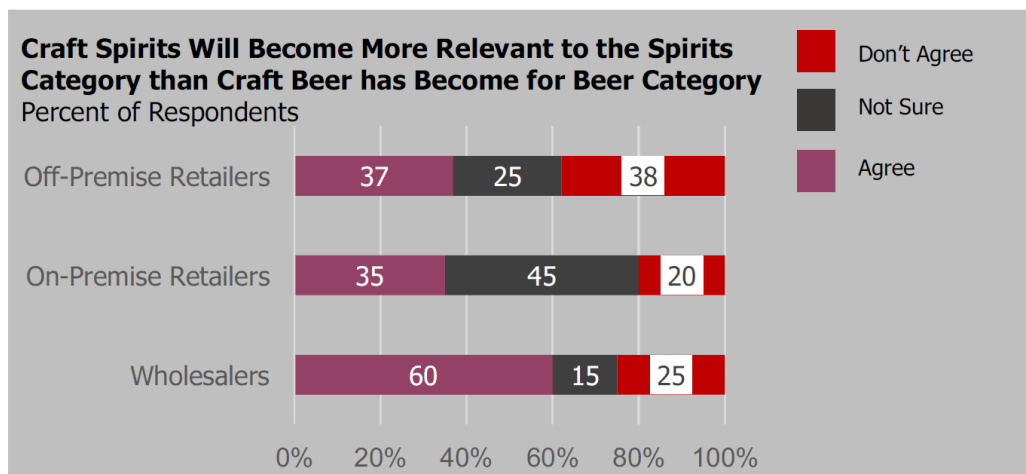
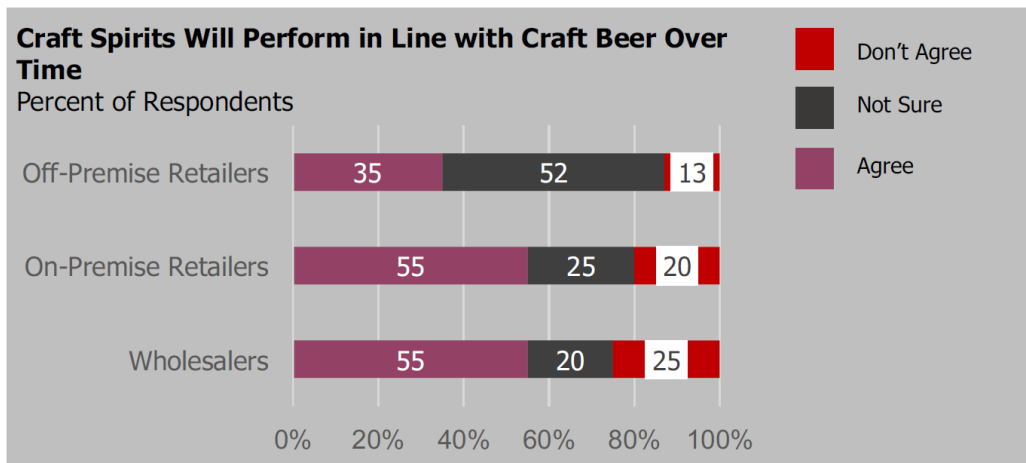
- 55% of the total U.S. business of the medium U.S. craft producers takes place in the home state of the craft distiller
- Exports add only about 2% to the overall volume of the U.S. business

Sources: TTB, ACSA, ADI, State ABC Boards, State Guilds, Team Analyses

Exports of U.S. craft spirits reached 598,000 cases in 2017, adding more than 7.7% of additional volume to U.S. craft distillers' total sales. Exports grew by 5.7% versus last year.

Many surveyed retailers and wholesalers see the potential for craft spirits to perform in line or better than craft beer over time. With craft beer market share currently at 12.8% in the U.S., the craft spirits market is expected to continue to grow rapidly.

Many Retailers and Wholesalers See Potential for Craft Spirits to Perform in Line or Better than Craft Beer



- Many retailers and wholesalers see the potential for craft spirits to perform in line or better than craft beer
- With craft beer market share currently at 12.8% in the U.S., the craft spirits market is expected to continue to grow rapidly

Sources: WSWA Distributor Survey, ABL Retailer Survey, Team Analyses

Employment in the U.S. craft spirits industry has been on the rise: in 2017 industry employment grew by nearly 4,400 to over 18,300.

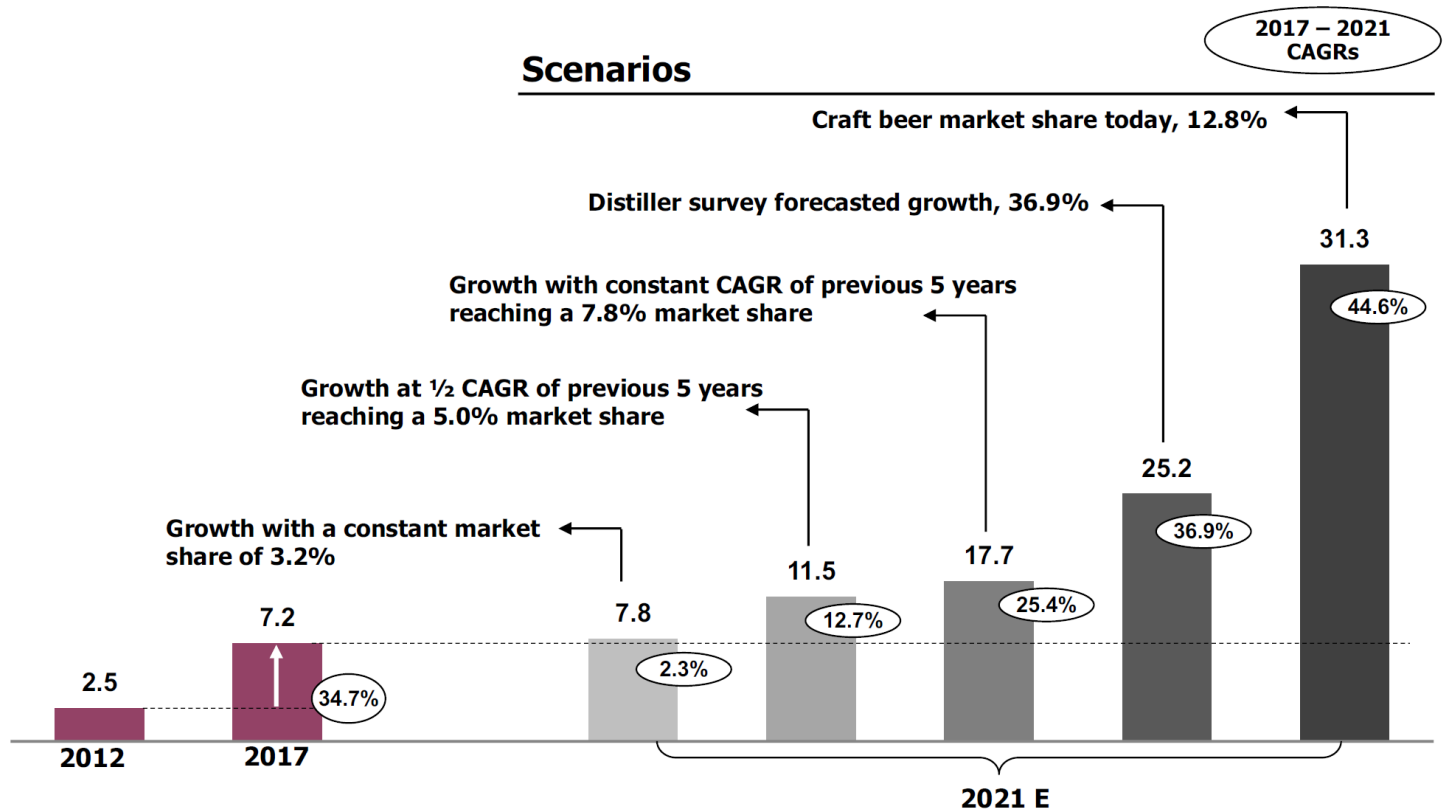
In 2017 investment by the U.S. craft spirits industry increased by over \$190 million reaching over \$590 million in total.

Surveys of craft distillers indicate investments in equipment and staff in the US craft spirits industry are accelerating in 2017 and are expected to continue to accelerate in 2018 due to the impact of the Craft Beverage Modernization and Tax Reform Act which became effective January 1st, 2017.

Craft is Still Small but Could See Much Further Growth in Future Years

U.S. Market Size Scenarios for 2021

9L Cases (millions)



Sources: IWSR, Team Analyses

Target Market

What are the demographics of craft lovers and how have those changed in recent years? As craft has grown, the total population of craft drinkers has certainly grown too, but has it diversified? How? Where?

Before we delve into these questions, remember that how we define our scope of inquiry shifts the answers we get. Is a craft drinker someone who drinks craft a few times a year? Someone who drinks it weekly? There isn't a single correct answer. Similarly, although I'm going to talk in terms of national demographics, state or local demographics are going to vary a lot, both based on the population demographics in those places, and the particular craft culture that has emerged locally. I'll highlight some of these variations as we get deeper into the analysis, but I want to be clear up front that there isn't a single correct lens to examine these questions. Finally, any time you are working with demographic data, particularly on race/ethnicity, it is worth remembering that many of the categories we use are constructs – perhaps useful ones – but other than age, demographic categories aren't always clean and often rely on self-identification data.

Let's start really broadly. If we use "at least several times a year" as our standard, around 40% of the 21+ millennial population is now a craft drinker (source: Nielsen – Harris on Demand). That's been going up about one to two percentage points a year. The U.S. 21+ population has been going up by approximately 2.5M legal drinking age adults in recent years, so that means craft is getting a slightly bigger bump than that every year (since the category gets nearly 40% of those new 2.5M + 1-2% more of the total approximately 240M drinkers). That's likely averaged around 4-5 million new millennial craft drinkers a year using a "several times a year" drinker definition.

Percentage of Craft Drinkers (Several Times A Year Or More Often) Among 21+ Population

2015	2016	2017	2018
35%	37%	38%	40%

Source: Percentages are based on several waves of data from surveys fielded online by The Harris Poll between 2015 and 2018

If we look at more frequent craft consumption, not surprisingly, the numbers drop. Scarborough (another division of Nielsen) estimated that in 2017, 7.3% of 21+ adults had been a craft drinker in the last month. That's about 17.5M people in craft's core.

Next, let's look at gender. Taking the broad, "at least several times a year" view, craft drinkers are 31.5% female and 68.5% male in 2019 (source: Nielsen Harris on Demand). That's pretty much the same as monthly, where Scarborough found 31.1% female and 68.9% male. The main positive in these numbers is that they are improving. In 2015, the same Harris Poll found "several times a year" craft drinkers were 29.1% female and 70.9% male. That's 2% points in shift toward females, in a three year period where total craft went up approximately 5% points in the country. When you add that all up, it suggests that from 2015 to 2019, craft has added approximately 14.7 million drinkers, of which a bit below half (nearly 6.6M) were women. If that data is correct, craft is now onboarding men and women into the category at roughly their percentages in the population. It's not quite 50/50, and it will take decades of the same pattern to get closer to parity, but it's a start.

In 2015, there were 234,380,464 21+ adults (Census Bureau) and 35% drank craft alcoholic beverages (Nielsen - Harris on Demand). That's $.35 * 234,380,464 = 82,033,162$ craft drinkers. In 2019, we're estimating that at 241,876,792 21+ and 40% (Harris), so 96,750,717, or 14,717,554 more than in 2015. For female craft drinkers, it's gone from $.291 * 82.0 \text{ M} = 23,871,650$ to $.315 * 96.8 \text{ M} = 30,476,476$, or +6.6M (45% of the total) from 2015.

These markets represent 83.4% of the total craft drinking population, including 4.44 million women (who drank craft in last 30 days). There are opportunities to grow the craft market on both ends of the spectrum. If the markets where female drinkers are currently below 1/3 of all craft drinkers were at 1/3 female drinkers, that's more than 640,000 more women in those markets drinking craft every 30 days. If the markets that are above 1/3 but below 1/2 got to 50-50, that's another 540,000 every 30 days.

Changes in craft's demographics by race/ethnicity are less positive in recent years. Although the data show a growth in minority craft drinkers in absolute terms, the changes over time show less movement in percentage terms. In the 2015 Harris poll data, non-Hispanic whites were 86.3% of craft drinkers, with 13.7% coming from other races/ethnicities. In 2017, the percent white dropped to 85.5%, with non-white increasing slightly to 14.5%. Lining that up with the total population/craft drinker data, that means that from 2015-2019, 81% of new craft drinkers were white, and 19% came from minority groups. Given that only 68.7% of the 21+ US population is non-Hispanic white, that's not progress. Minority craft drinkers are growing, but only because the total population of craft drinkers is growing, not because craft drinkers are getting more diverse along racial lines - as we saw, the gender trends are more positive.

The 30-day consumption data show more of the same. Nielsen Spectra data from August 2014 showed 79.9% white. In 2017 data, that percentage hadn't budged. It was 79.9%.

The key US millennial market for spirits is consciously shunning mass market products in favor of

local labels. According to Nielsen, millennial consumers (people who reached young adulthood in the year 2000) are a key demographic for the alcohol beverage market. Millennials 21-34 represent about one-fourth of adults 21 and over, but they account for 32% of spirit consumption. Nielsen's recent Beverage Alcohol Media Report revealed that a large percentage of millennials say they will not give up quality or taste and will not spend their money on mass-market alcoholic beverages.

Given all of the demographic data we've reviewed, Dented Brick believes that to win in spirits, it needs to win with millennials. Millennials aged 21-27 are the next generation of cocktail drinkers: they represent 36% of the industry growth, a number expected to increase by 25% in the next five years.²

As the world population is growing, young consumers are considered the major segment for all the alcoholic companies. The young generation tends to be more independent in valuing the benefits of product consumption. In alignment with this fact, the CDC has issued new U.S. dietary guidelines regarding moderate drinking can be part of a healthy adult diet. The CDC now defines moderation as up to one drink per day for women and up to two drinks per day for men. The dietary guideline adopts new "drink-equivalent" terminology as well.

- 1.5 oz. of 80-proof distilled spirits (40% Alcohol)
- 5 oz. of wine (12% Alcohol)
- 12 oz. of regular beer (5% Alcohol)

Drink-equivalents of beer, wine and spirits contain the same amount of alcohol. The new guidelines defines calories for drink-equivalents as:

- Distilled spirits has 98 calories
- Beer has about 150 calories
- Wine has about 120 calories

These new CDC guidelines should be additive to the millennial target group, and will grow the market for distilled spirits based on the healthy diet guidelines and calorie count for spirits.

Again, given the data available, Dented Brick Distillery believes that we are currently entering the beginning of a decade long buildup of the micro-distilling industry, similar to the experience of the micro brewing industry in the 1990's and the wine industry in the first decade of the 2000's. By entering the market at its infancy, Dented Brick will gain lasting brand recognition which will enable our enduring success into the future.

Marketing Strategy

Our marketing strategy utilizes qualities mostly associated with Craft across all consumer and industry insider surveys, therefore we include in our offerings products that are:

- Distinctive and unique
- Small batch
- Locally produced
- Limited quantity
- Use of local, organic ingredients
- Regionally distributed³

And brands that are:

- Based on authentic and true stories of the great basin
- Based on interesting geographic locations in the great basin
- Of a similar color palette and can be recognized as a Dented Brick brand

² Nielsen: Beverage Alcohol Media Report Q2 2015

³ Ibid



Dented Brick is committed to providing the highest quality distinctive and unique spirit, like our Great Basin Bristlecone Gin and our Cabernet rested rum. All our products are small batch and produced locally with local raw materials, like organic grain and malted barley from the Utah-Idaho border.

Marketing Plan

The focus of our marketing plan for 2019 is point of purchase brand activation. With a focus on the trade, i.e., bars, restaurants, and other points of on-premise consumption, we are targeting the consumer directly. In order to leverage distribution sales personnel and in turn increase the size of our sales force, we offer incentive programs ranging from case sale bonuses, new account bonuses, to menu placement incentives. We also offer incentives to the account in the form of useful branded items such as coasters, bar mats, and signs or chalk boards. For off premise accounts, we offer quantity discounts where legal, i.e., buy 6 get one free, display cases, Promoshades, and other promotions to create brand activation at the point of sale.

In addition, Jan Stephenson has offered to provide in store appearances, golf clinics, and concerts to launch the brands with Total Wine in Florida and Colorado. A unique “hands on” marketing plan is available through utilizing golf and Jan’s contacts in the golf world. In 2020 Dented Brick intends to become the official spirits of the Legends Tour, the official Senior Tour of the LPGA. We will have the opportunity to sponsor a pro-am team in the tournaments. This will enable us to entertain distributors or special retail accounts on the golf course, alongside a professional tour player. With many hours of bonding as a team, this gives the customer a “once in a lifetime” experience, inside the ropes. This investment comes with a pairings party, tee gifts and playing golf with our customers for 4 hours. As the official spirits distillery, there will be a banner on the Legends Tour website, and we’ll have various physical signage around the course. We will be able to have tastings at the Country Clubs and our products showcased at the various hospitality parties. In addition, we will participate in the tee prizes that are given out to the pro-am participants.

This will be approximately 8-10 events in 2020. We have also been offered a similar participation in the Futures Tour, which is the developmental tour of the LPGA. Both of these events provide cross marketing with the other sponsors events, websites, social media, fans and customers.

Finally, Jan will offer to conduct free golf clinics and tastings at County Clubs that agree to carry her brands.

For media promotion, Jan has teamed up with “the Big 3” podcast. They are now producing her own

sports and gold show once a week. The show has a large SEC following and is helping Jan launch her podcast and products. In addition, Jan will be a co-host of a Fox Sports golf show called Jan's Tee Time. This 30-minute television show will air once a month in Florida and our targeted markets throughout the country. Sponsors for the show will be Jan's Wine and Spirits and Dented Brick Distillery.

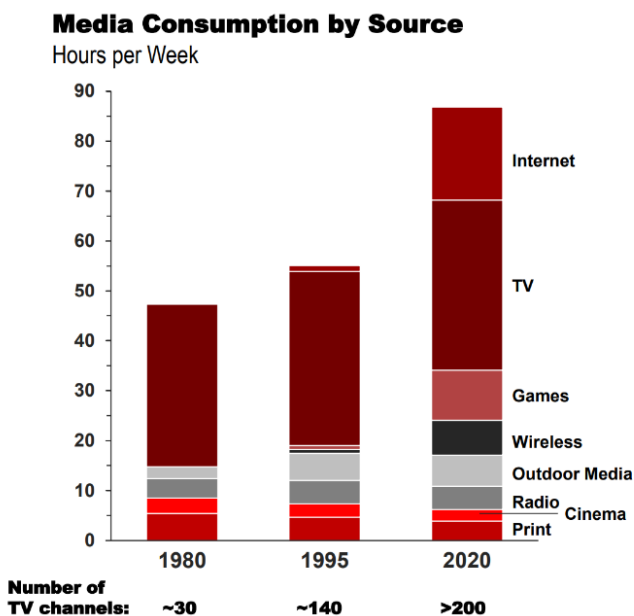
For the Florida market, Jan has been invited to be the official host of ESPN's Gasparilla Bowl. Jan will appear at many fund raising events and she will be able to expose her products and brand on national television. With 40,000 people expected to attend, this is a wonderful opportunity to promote and advertise her spirits. We are negotiating now to be the official spirit in the concession stands at the Raymond James stadium.

The Company believes these value-added incentive programs greatly enhance our ability to attract and retain high-value distributors. In addition, it consolidates our marketing budget into a focused point of purchase arena, and builds our brand nationally. This simple model will support distribution, initially offering new accounts a welcome kit containing table tents, coasters, and recipes, eventually building on this relationship by offering tackers, posters, antelope heads, activewear, and other branded items.

For off-premise customers, Dented Brick will offer point of sale displays through the same format as on-premise. In addition, a Special Price Allowance (SPA) is a temporary price reduction that is given to an alcohol beverage control department, that is in turn passed on to the consumer. The SPA list is generated on a fiscal month basis. Dented Brick will coordinate these sales prices with distributors to further our brand. This strategy, focusing our branding to the on-premise market, will in turn bring a strong off-premise market, as the off-premise wholesalers or states liquor stores will need to carry our items to supply the on-premise market.

In addition to the in-person sales support and point of sale brand activation strategy, Dented Brick will continue to rely heavily on internet and wireless social media strategies also designed to create brand activation, including campaigns designed for weekly publication to FaceBook, Instagram, Twitter, and LinkedIn. These media outlets have proven to provide rapid brand activation to a national audience for very little cost.

Finally, Dented Brick will be working to make the distillery a tourist destination, by offering tours and tastings through such social media platforms such as Yelp, Google Business, Groupon, and others. The distillery tour campaign is part of our pull strategy designed to bring prospects into the distillery, who will then demand our brands from their on-premise points of purchase.



- Many more messages reach an individual from many more different sources than in the past
- Due to the ability to cost-effectively target messages in new media to particular consumer groups, marketing channels have effectively opened up to subscale marketers
- Side effect of new media is that the individual is now empowered to validate messages instantaneously
- The democratization of validation increases the importance of discovery and therefore authenticity for new products
- The badge value of alcoholic beverage brands changes due to the increasing importance of discovery and authenticity and allows newer brands with the right credentials to compete more effectively

While this is a shift from our initial localized branding strategy initiated in 2016, we will continue to promote our brand locally through our participation in local special events and support of local charitable

organizations, such as the Friends of the Great Salt Lake. Our marketing budget, however, will primarily be allocated to national on-premise brand activation.

Distribution Channels

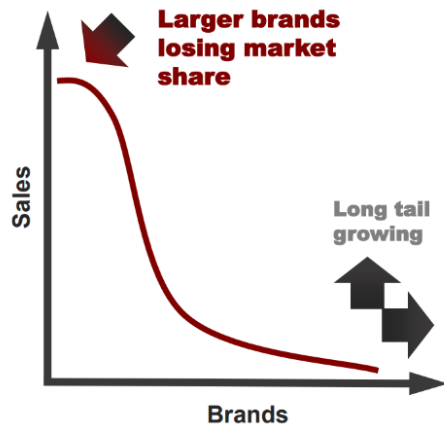
Our distribution geography has dramatically increased. Dented Brick Distillery now has obtained distribution services and support for five western states; Utah, Idaho, Oregon, Wyoming, and Montana, plus CA, NV, CO, MI, NY, FL, and TX. These new distribution relationships bring a national brand presence to our marketing effort.

Competition

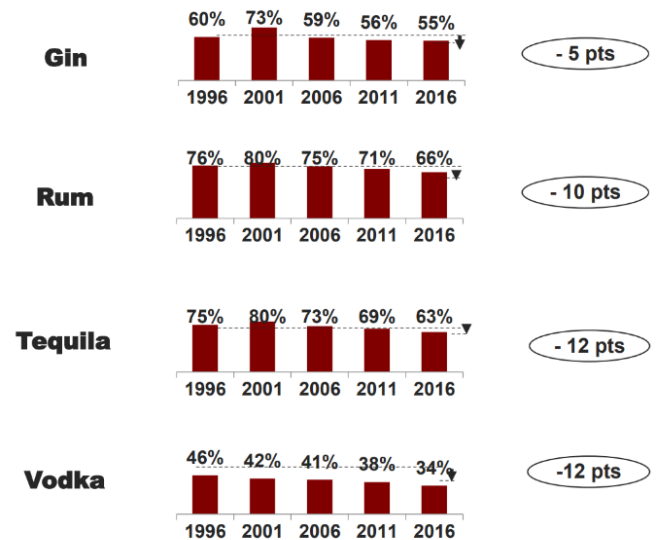
Dented Brick Distillery will initially face relatively small competition in our niche industry. This competition will continue to increase each year as the number of new distilleries continues to grow. Even with this growth, there is still much room for expansion before the market becomes saturated. Most of the new entrants are considered small craft distilleries and will garner the lions' share of their revenue from their local market and from direct sales from the distillery. Medium and large craft distilleries will garner up to 55% of their revenues from their home state and from their retail store fronts, however, an additional 45% will come from multi-state distribution and sales. Eventually there will be competition in this market between the medium and large scale craft distillers.

At present, the competition in the craft spirits market is with mega brands, national spirits brands that consumers can purchase at most liquor stores. Not only are we competing with true mega brands like Jack Daniels, Jim Beam, and Grey Goose, but brands like Makers Mark, Gentlemen Jack, Pendleton Whiskey and other high-end spirits that are considered craft by the consumer. These brands own 96% of the spirits market. Craft competitors will need to work together to garner additional market share from these behemoths. The basis of comparison that consumers use to evaluate craft spirits are the value and quality of truly craft products versus their mega brand counterparts. Dented Brick, and other craft distillers, must provide a value proposition in our product that exceeds these mega competitors in both product quality and tasting experience. In other words, truly craft spirits must deliver the goods and be better tasting and a better value than the mega brands. Craft brands have been working together through state guilds, associations, and food and beverage events to educate the public on the processes and recipes for distilled spirits, and the many opportunities to taste something unique and authentic. This has helped with the gains in market share we are seeing as the craft brands continue to erode mega brands market share.

Fragmentation: Mega Brands Getting Hit



U.S. Spirits Market Share by Volume of Top 5 Brands over a 20-year Period



Sources: Liquor Handbook, Park Street Analyses

Strategic Position

Dented Brick plans to invest more resources towards the consumer, both in terms of tastings, consumer pull strategies (A pull strategy is where interest for a specific product is created within a target audience that then demands the product from channel partners.), and branding. Investments in staff training as well as more frequent market visits are also planned. From a product perspective, we plan initially to focus on only 6 products, 3 well or value brands, and 3 premium brands for state by state rollout.

Dented Brick will work to train wholesalers to provide more background on the brands, the stories, as well as the ingredients and craft process. In addition, we plan to offer “ride withs”, where the distributors sales representatives travel the territory with Dented Brick staff.

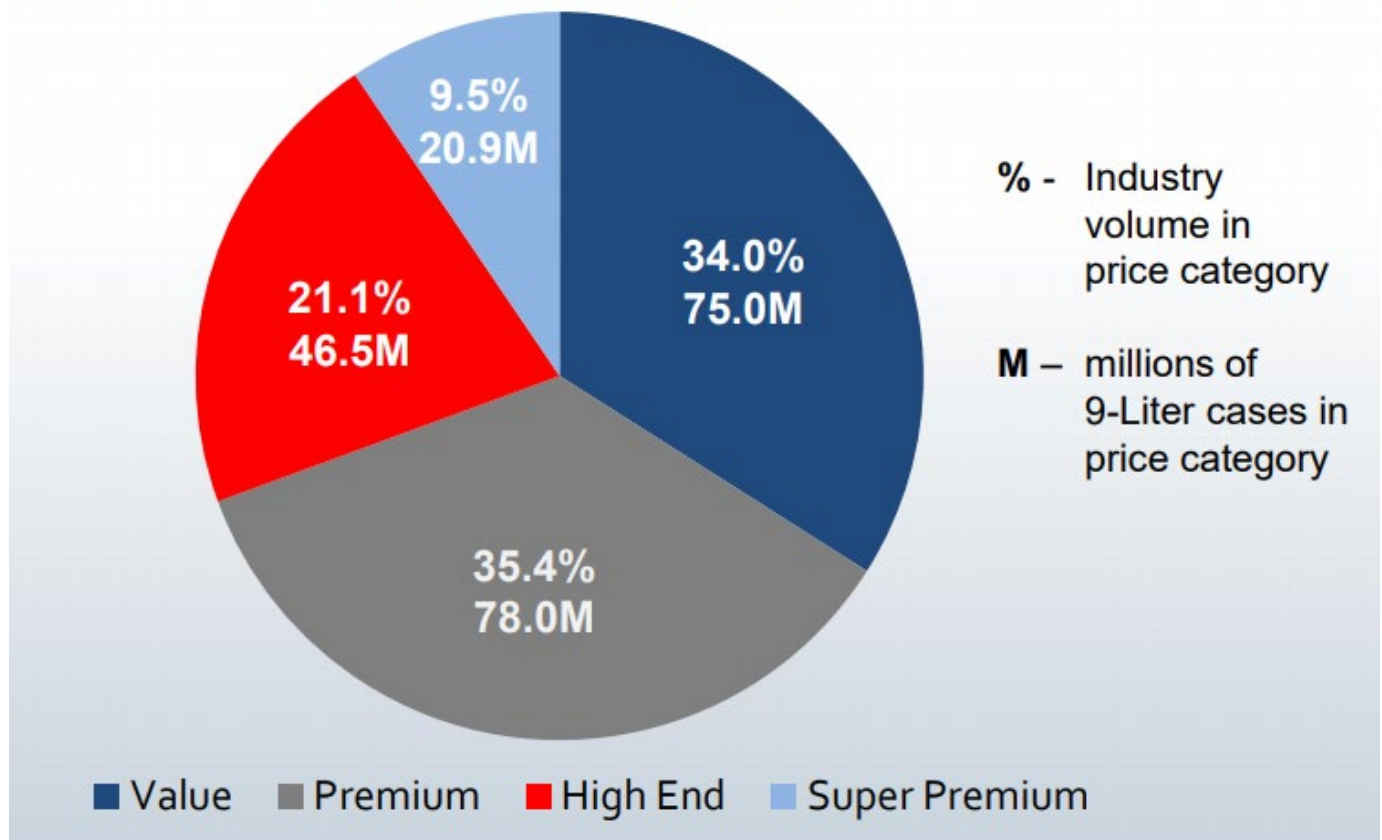
Finally, Dented Brick plans investment in special promotions and additional Point of Sale promotional material.

By increasing our time in the market educating the consumer, retailers, and the distributors sales force, by engaging with all tiers, we will insure a clear consumer platform.

Products are segmented by supplier prices defined as Value, Premium, High End, and Super Premium. Value is considered at a price point below \$12 for a 750 ml bottle at retail, with Premium in the range of \$12 to \$20, High End \$20 to \$30, and Super Premium \$30 and more, again for a 750 ml at retail. Value accounts for 34% of the market, Premium accounts for 35%, High End 21%, and Super Premium 9%. Revenue by price category is approximately \$4 billion in revenue for Value, \$7.6 billion in Premium revenue, \$7.5 billion in High End and \$5 billion in revenue for Super Premium. ⁴ This data suggests that the bulk of sales are to be targeted towards the Value and Premium markets, with total sales 70.7% of the market and \$11.6 billion in revenue. This reinforces our launch strategy of well and premium brands.

⁴ DISCUS MSDB

Share of U.S. Spirits Volume



Source: DISCUS

Risk Assessment

Although we are seeing the data trend to an inflection point, where the demand for craft spirits is increasing faster than the growth in craft distilleries, we still believe the largest single risk is the increase in direct competition from other Craft distilleries. The wine industry experienced a four-hundred percent growth rate over the last decade in Washington State and this buildup is very likely to happen in the distilling industry. We believe that this is a crucial reason to be at the beginning of the buildup so that we can gain brand recognition that can be maintained even as the number of competitors increase. In addition, we purposefully built a large facility to meet the needs of multi-state distribution. Many of the new distilleries coming on line are not prepared to supply the larger market.

Additional risk to our business plan and execution is lack of access to capital. Without the capital required to execute this plan, we will be slow to market and slow to the case sales figures that will attract acquisition.

Government Contracts Related to Spirits

As part of our effort to earn the business of the Army Air Force Exchange Services (AAFES) we arranged for a tasting event at Hill Air Force Base which featured our rum, and made contact with the AAFES buyer in charge of Craft spirits for the Army & Air Force Exchange Services(AAFES). AAFES spirits sales reached \$290 million at the end of fiscal 2014. This continues to be a target market for us, and we continue to pursue with the assistance of our Veteran and Active Military Members.

Suppliers

The majority of ingredients used in the production of spirits can be obtained locally. Our source for organic wheat and rye, as well as barley and barley malt can now be purchased in such a quantity that we

can purchase directly from a farm just across the Utah border in Idaho. This has reduced the cost of our grain bill significantly. In 2019, we plan to finish installing our own milling equipment and being milling the grain on site, which will further reduce our raw material costs.

In addition, we are now able to buy glass in quantity, and are buying our glass direct from the manufacturer in China at less than 1/2 what we were paying our previous supplier.

As we continue to grow volume, we will continue to see incremental decreases in COGS. We are working with a box supplier now to get to quantity price reductions, and plan to look at all supplies to gain volume price breaks.

Management



Marc Christensen

Managing Member

Marc is a Proven Entrepreneur and Regulated Markets Wholesale Distribution Specialist. As the Founder and CEO of Dented Brick Distillery, he managed the venture from concept to fully operational production facility. He executed the initial capitalization and closing of an SBA construction loan and managed the design build contract to completion and occupancy. Marc also managed the federal TTB permitting of the facility and COLA label applications, as well as the state licensing and product approval applications for every state. Finally, Marc attracted qualified distributors and is building a national wholesale distribution network, bringing multiple brands to market in multiple states after only 36 months operation.

As OTW Safety Founder and Former CEO, Marc managed the venture from concept to multi-million dollar national manufacturing and distribution company. Conducted initial capitalization and ongoing private equity funding. Managed federal FHWA crash testing and product approvals. Managed state level product approvals. Attracted qualified distributors and build national wholesale distribution network, finally bringing multiple proprietary products to market in multiple states. Designed proprietary product line with 18 Letters of Patent now issued on designs sold through OTW Safety. Worked with FHWA to develop new LCD highway safety device.



Jan Stephenson

Celebrity, Member, and Brand Promotions Manager

Jan Stephenson is an Australian professional golfer. She became a member of the LPGA Tour in 1974 and won three major championships and 16 LPGA Tour events. She has 41 worldwide victories including LPGA Legends Tour wins and 8 worldwide major championships. She has 15 holes-in-one during tournament competition. She was inducted into the World Golf Hall of Fame in 2019.

Stephenson is an Ambassador for blind and disabled golf through ISPS Handa and has acquired Tarpon Woods Golf Club in Palm Harbor through her Foundation (Jan Stephenson's Crossroads Foundation) www.jscrossroads.com. The golf course provides initiatives for blind, disabled, and wounded veterans and first responders. Her mission is, "Giving to Those that have Given so Much". She has been recognized for her philanthropic work by the Government of Australia and other charitable organizations. She was awarded recognition by the Military Order of the Purple Heart in October 2017 for her service to combat wounded, disabled, and blind veterans and first responders. Her Foundation was awarded the Charity of the Year by the Palm Harbor Chamber of Commerce in September 2019.

Stephenson was awarded the Order of Australia Medal in March 2019. The OAM is an order of chivalry established on 14 February 1975 by Elizabeth II, Queen of Australia, to recognize Australian citizens and other persons for achievement or meritorious service. Before the establishment of the order, Australian citizens received British honors. The Queen of Australia is Sovereign Head of the Order, while the Governor-General is Chancellor of the Order. Jan is now formally known as, "Lady Jan".



Steve Stanko

Member and Chief Operating Officer

Steve is a Senior Business Development and Operations Strategist with over 35 years experience in senior program management and systems engineering for large and complex sustainment and modernization programs for both the Department of Defense and the Department of Energy. Additionally, he has more than 10 years of experience with nuclear weapon systems, including 7 years of experience in Intercontinental Ballistic Missile (ICBM) Fuze and Guidance Systems programmatic and technical management. Former Navy Commander with over 20 years of active duty experience.

Steve provides guidance and formal operation, process, and maintenance documents to assist the team in the day-to-day operations of the business in accordance with the strategic plan, operating, and capital budgets. Steve assists the CEO and the CFO to develop and implement the corporate operating policies and procedures for DBD



Kevin Collins

National Sales Manager

Kevin is a highly motivated, results-oriented sales professional with a history of solid leadership and performance in the wine, food and hospitality industries. Kevin coordinates the effort of distribution in developing accounts, expanding sales and maintaining quality customer service. Kevin most recently managed sales for American Freedom Distillery. While there Kevin was able to help obtain sales in off premise chain accounts that included ABC, Publix, and Winn Dixie. As National Sales Manager for Kozuba & Sons Distillery, Kevin signed on distributors in 6 states and was negotiating distribution in California, Tennessee, Georgia, Illinois, Arkansas, and Louisiana. He was able to land accounts with Winn Dixie, and increased sales through ABC stores by 400%. Other brands Kevin has represented Nationally include J. Lohr Winery, Lipman Brothers, and Wemyss Wine and Spirits.

According to Kevin, Dented Brick is his most promising venture in recent memory.



Joseph Torres

Western Sales Manager

Although new to Dented Brick, Joseph has been in the alcoholic beverage industry as a sales professional for 12 years. He has worked his way from an introductory level on premise sales representative with Southern Wine and Spirits in New York to a Key Account Manager to the Premium Spirits Specialist in 3 years. He then moved to the district manager for New York for Southern Wine and Spirits and finally, in 2013, moved to the position of California State Manager for Chatham Imports.

As the California State Manager Joseph managed sales, pricing, programming and inventory for Michter's Whiskey, Crop Vodka, Farmer's Gin, Faretto Liqueur and Marti Rum. He attended distributor meetings and provided well documented reports on POD's, KPI's, sales and activation by the distributor to the VP of Sales, reporting on a weekly and monthly basis on the (new) accounts visited, achievements and expenses. He was responsible for building and maintaining a key account list for both on and off premise in conjunction with the distributor and developing strong relationships with key buyers, owners and managers for the total brand portfolio.



Brett Luchesi

Head Distiller

Brett is an experienced distiller with nearly 10 years working as Lead Distiller at large facilities such as Blinking Owl Distillery, Ascendant Spirits, and Ballast Point Brewing. Brett is also a Dean's List Graduate in Business Administration from Loyola Marymount University and brings a high degree of business acumen and organization to the production team.



Brandon Smith

Distiller

Brandon is an experienced entrepreneur who successfully created bike safety start up, LedByLite, and was working for nationally recognized Red Rock Brewery prior to joining the Dented Brick team. At Red Rock, he initially worked on the sales side with distributors. He moved to the production team after a few years and gained experience in equipment maintenance, cleaning, and repairing, eventually managing the bottling and packaging team. He also maintained and repaired all draft systems at all Red Rock locations. While at Red Rock he developed experience and knowledge in cellaring, transferring, carbonation, filtration and fining techniques that he brings to Dented Brick. Brandon is well versed in the Utah Department of Alcoholic Beverage Control delivery procedures. He was brewing on 25-barrel steam brew house prior to joining Dented Brick. Great at trouble shooting notoriously difficult jockey boxes, IDD Squire 2 keg washer, as well as cleaning and maintenance. While at Red Rock he worked with the brew team to scale up production from 2,000bbl/year to just under 5,000bbl/year.

Brandon has created all SOP documentation for cleaning, packaging, and DABC deliveries. He trains and manages packaging, machinery, and crew. He has also implemented inventory tracking procedures.

Professional Support

The manufacturing and distribution model adopted by Dented Brick Distillery will keep the organizational structure small and efficient. We have filled several important roles with professional service providers. The success of this management style stems from the combined expertise of the team of advisors in product design, manufacturing, marketing, management and finance. Our outside advisors provide tremendous support for management decisions and vision. The team includes:

Kyle Hill, MBA - Finance and Accounting

Preferred CFO

Dented Brick Distillery has engaged the Salt Lake City-based firm of Preferred CFO to be our third-party provider of accounting, bookkeeping, and financial management services. Our dedicated Consultant is Kyle Hill, MBA, who has extensive experience in accounting, planning, and corporate financial management for beverage alcohol companies.

Richard Ensor, Corporate Attorney

Michael Best

Jonathan Dudley, Audit Senior Manager, CPA

Tanner LLC

Dented Brick has engaged the services of Tanner to provide 3rd party financial auditing to ensure the integrity of our financial accounting. Our books have been audited from inception through the second quarter of 2019.

Margaret McGann, Trademark Attorney

Workman, Nydegger

Tom Winter, Liability, Property, and Key Man Life Insurance

United Agencies Inc.

Exit Plan

Dented Brick Distillery has several options available for its investors after its first five year of business. One option is for the company to continue expanding its production and sales. With large cash flows and profits, the members may decide that it is in their best interest to continue operations and receive annual distributions. The second option is to look at selling the company to an outside firm. This has occurred quite frequently in the recent past. Some examples of this include the sale of Hudson Whiskey in New York which was started as a Craft distillery in 2006 and sold in 2010 to William Grant and Sons, the makers of Glenfiddich whiskey, for an undisclosed amount. Another example is the sale of Stranahan's Colorado Whiskey which was opened in Denver in 2002 and sold to Proximo, the makers of 1800 Tequila, for an undisclosed amount.

Financial Summary

We built Dented Brick with a capacity of 78,000 cases in order to achieve our exit by acquisition. In 2016, we had no product or brand, and sold \$150,000 in the entire year. We sold \$180,000 in 2017. In these start-up years we were paying for excess capacity. In 2018 we more than double sales as we achieved brand activation in the Utah Market, and are going to surpass \$1M in sales for 2019, catching our sales up to our capacity, and nearing break even.

In 2018, we were able to partially offset our expenses with revenue from the sale of rum, gin, and vodka. In addition, a boost in revenue will come from the sales of our first batch of whiskey. In selling whiskey, as well as increasing our rum, vodka, and gin production and sales, we will generate revenue in 2019 of \$1,000,000, growing to

\$2.6M in 2020.

With rather conservative sales projections we plan to produce positive net cash flow by 2020, year 4 of operations.

With no major capital expenditures needed to scale to 39,000 cases, we plan to generate revenues of \$6.5M and positive net cash flows of \$1M by 2022.

Conclusion

Dented Brick remains well poised to acquire significant market-share in the spirits industry through continued investment and professionalization of the Company's online image and marketing campaigns. The prior 3 years of operation are very promising, considering the primary source of revenue was from orders generated only in the State of Utah. As we gain case sales in the additional States we have now established sales networks, we will see aggressive sales growth.

Dented Brick Distillery

Internally Developed Valuation Summary

As of December 31, 2018

	Value	Weight	Estimated Enterprise Value
Calculated Income Approach Value	\$ 728,845	30%	\$ 218,653
Concluded Market Approach Value	\$ 7,766,936	70%	\$ 5,436,855
Plus: Current Cash			\$ 2,296
Less: Current Debt			\$ 180,127
Estimated Enterprise Value			\$ 5,837,931

Appendix B: Projection

Dented Brick Distillery Summary Financials (\$000's)

	<u>Act</u> <u>2016</u>	<u>Act</u> <u>2017</u>	<u>Act</u> <u>2018</u>	<u>Fcst</u> <u>2019</u>	<u>Fcst</u> <u>2020</u>	<u>Fcst</u> <u>2021</u>	<u>Fcst</u> <u>2022</u>	<u>Fcst</u> <u>2023</u>	<u>Fcst</u> <u>2024</u>
Income Statements									
Bottles Sold	5,999	7,627	38,667	78,097	158,036	242,236	423,313	529,141	661,426
9L Equivalent Cases Sold	500	636	3,945	7,953	13,525	23,018	39,240	49,050	61,313
Total Revenue	148	177	409	842	2,609	4,034	6,588	7,985	9,732
Total Cost of Revenue	68	76	172	808	1,474	2,278	3,693	4,548	5,638
Gross Profit	79	101	237	34	1,135	1,756	2,895	3,437	4,094
<i>Gross Profit Margin</i>	53.6%	57.0%	58.0%	4.0%	43.5%	43.5%	43.9%	43.0%	42.1%
Total Variable Expense	-	-	-	-	-	-	-	-	-
Contribution	79	101	237	34	1,135	1,756	2,895	3,437	4,094
<i>Contribution Margin</i>	53.6%	57.0%	58.0%	4.0%	43.5%	43.5%	43.9%	43.0%	42.1%
Total Operating Expense	349	588	606	620	924	1,270	1,886	2,282	2,744
EBITDA	(270)	(487)	(368)	(586)	210	486	1,009	1,156	1,350
<i>EBITDA Margin</i>	-183.1%	-275.3%	-90.0%	-69.6%	8.1%	12.0%	15.3%	14.5%	13.9%
Total Other (Income) Expense	283	395	389	315	404	423	425	266	247
Net Income (Loss)	(553)	(883)	(757)	(901)	(194)	63	584	889	1,103
Balance Sheets									
Cash	47	40	2	164	144	392	360	697	4,244
Other Current Assets	136	177	421	638	1,166	1,948	2,567	3,194	830
Total Property, Plant & Equipment	2,507	2,268	2,108	2,123	1,950	1,779	1,669	1,593	1,539
Total Other Assets	1	1	181	181	181	181	181	181	181
Total Assets	2,690	2,486	2,713	3,106	3,441	4,299	4,777	5,665	6,794
Total Current Liabilities	51	88	484	54	113	191	121	142	168
Total Long-Term Liabilities	2,150	2,164	2,190	3,165	3,135	3,102	3,066	3,043	3,043
Total Liabilities	2,201	2,252	2,674	3,219	3,248	3,293	3,187	3,185	3,211
Total Shareholders' Equity	489	234	39	(113)	194	1,007	1,590	2,480	3,583
Total Liabilities & Equity	2,690	2,486	2,713	3,106	3,441	4,299	4,777	5,665	6,794
Cash Flows From (Used)									
Operations	(565)	(638)	(433)	(1,383)	(521)	(521)	181	369	3,560
Equity Contributions/(Distributions)	413	627	561	750	500	750	-	-	-
Debt Financing/(Repayments)	86	14	30	987	6	25	(142)	(23)	-
Fixed Assets and Liens	(80)	(10)	(197)	(192)	(5)	(6)	(71)	(9)	(13)
Net Cash Flow	(147)	(7)	(38)	162	(20)	248	(32)	337	3,547
Beginning Cash	194	47	40	2	164	144	392	360	697
Ending Cash	47	40	2	164	144	392	360	697	4,244

Appendix C: Exit Valuation

Cases Sold	10772	19899	36876	46095	53009
High West Multiple on Cases Sold	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00
Potential Valuation on Exit	\$ 26,930,000.00	\$ 49,747,500.00	\$ 92,190,000.00	\$ 115,237,500.00	\$ 132,522,500.00
Cases Sold	10772	19899	36876	46095	53009
1/2 High West Multiple on Cases Sold	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00
Potential Valuation on Exit	\$ 13,465,000.00	\$ 24,873,750.00	\$ 46,095,000.00	\$ 57,618,750.00	\$ 66,261,250.00
*High West exit \$166M 66K annual cases sold					