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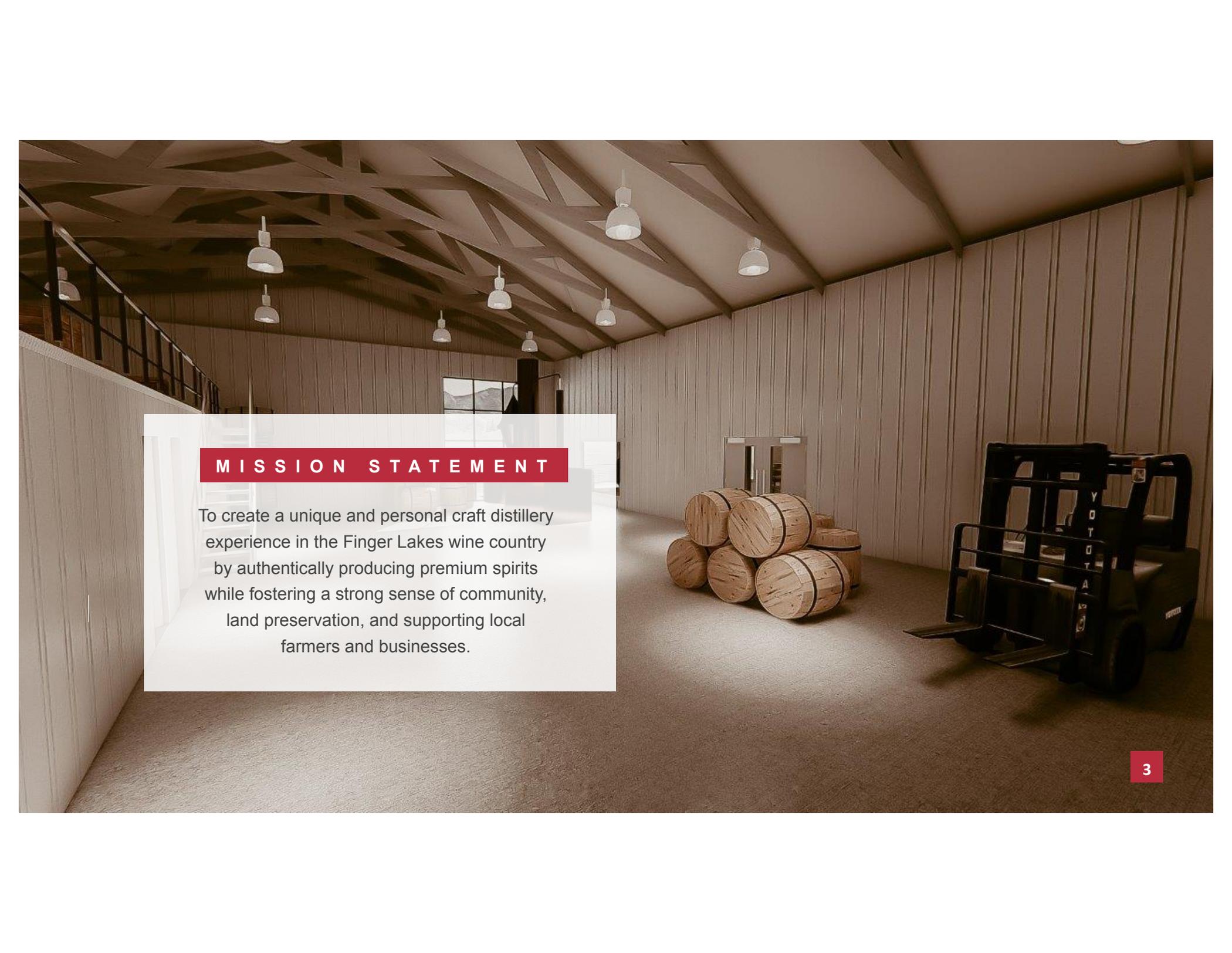
DISTILLING LLC

JKL Real Estate Associates
JKL Equipment LLC

May | 2019

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MISSION STATEMENT

To create a unique and personal craft distillery experience in the Finger Lakes wine country by authentically producing premium spirits while fostering a strong sense of community, land preservation, and supporting local farmers and businesses.

MARKET – UNITED STATES SPIRITS

The United States spirits market is huge and it is continuing to grow.

- The \$44 billion U.S. spirits market is expected to grow 6% per year through 2022 to reach \$58 billion, promising ample opportunities for a broad range of industry players.
- Over the past five years, the Distilleries in the US industry has grown by 3.4% to reach revenue of \$14bn in 2019. In the same timeframe, the number of businesses has grown by 19.0% and the number of employees has grown by 7.2% to almost 12,000.

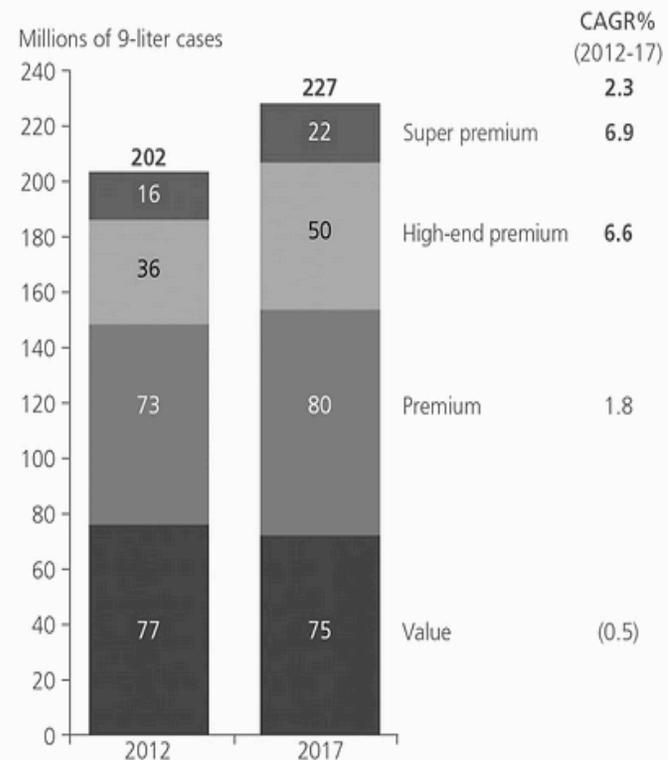


MARKET – UNITED STATES PREMIUM SPIRITS

Consumers, particularly millennials, are bypassing the value and premium liquor store shelves in search of high-end, super-premium products.

From 2012 to 2017, the super-premium spirits and high-end premium spirits segments grew 6%-7% per year by volume, significantly outpacing the premium and value segments' growth and driving the overall increase in spirits consumption (see Figure 1).

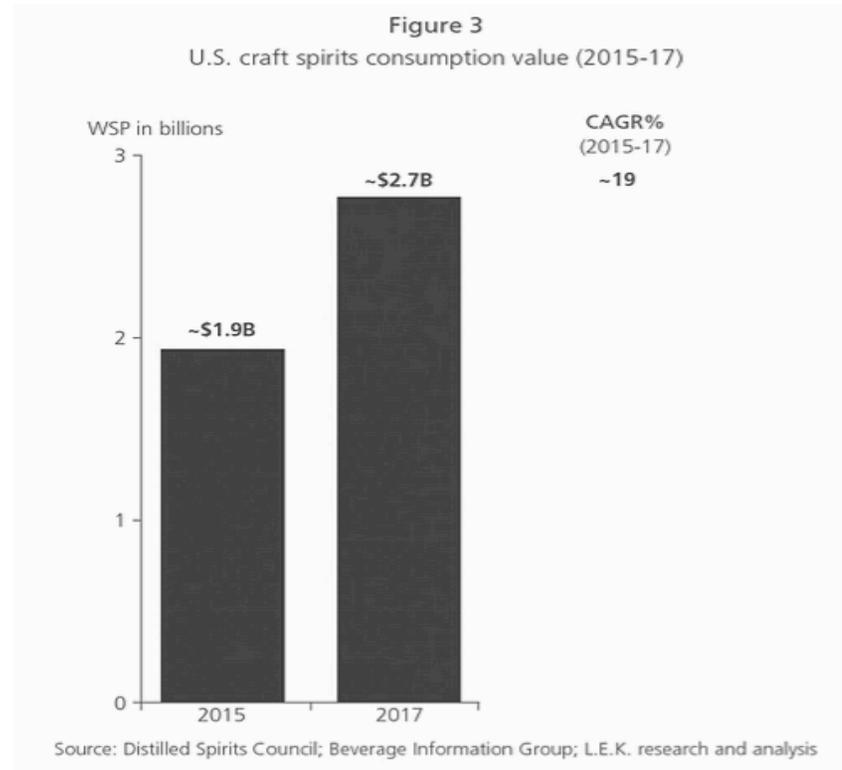
Figure 1
U.S. spirits volume consumption by segment (2012, 2017)



Source: Distilled Spirits Council; Beverage Information Group; L.E.K. research and analysis

MARKET – CRAFT SPIRITS

Craft spirits are taking off: The number of distilleries has increased approximately 35% per year since 2011, while the craft spirits market has grown 19% per year since 2015 (see Figure 3). And while lagging the overall category penetration of craft beer producers, the U.S. craft spirits market has grown by approximately 20% per year by value since 2012 and is forecast to grow by approximately 15%-20% per year through 2022.



PROBLEM

Consumers of high end, premium spirits demand immaculately crafted products and a distillery experience of similar quality. These high end consumers also look for products and producers that share their social values and those of their peers.

SOLUTION



Premium Distilling Facility

Create a premium distilling facility focused on crafting high-quality craft spirits and providing a completely unique distillery experience in the heart of the New York Finger Lakes overlooking picturesque Keuka Lake.



Produce a Satisfying and Fun Experience

Our goal is to produce the most satisfying and fun experience at the distillery and will include food, parties and special events.

Our Products and Special Events

Our products will be an extension of our devotion to the craft of distilling—our tastings and spirits will help friends and family create new memories and new friendships. That—along with distilling classes, parties and special events—will ensure our continued success.



SOLUTION - MILLENNIALS

- While just 29% of the drinking-age population are millennials, they over-index on consumption across all major types of alcohol. In spirits alone, they comprise 32% of consumption by value.
- This is expected to continue as millennials mature and their buying power increases. Millennials likely have influenced market growth in one alcohol type over another as well.
- Spirits' market share increased to 36% in 2016, up from just 29% of the total market across beer, spirits and wine in 2000, primarily at the expense of beer. Evidence suggests that millennial consumption patterns have played a huge role in this marked shift from beer to liquor.

THE FINGER LAKES

The Finger Lakes are known for producing excellent wine, particularly for world-renowned Rieslings. That being said, the Finger Lakes have so much more to offer. The region also boasts a number of breweries, distilleries and hard-cider producers.

- The Finger Lakes are not just for the 21+ crowd; there are activities here for all ages. Museums are spread across the region, including the Glenn H. Curtiss Aviation Museum, displaying the history of Glenn Curtiss, who was awarded U.S. Pilots License #1 in 1911 and held the motorcycle speed record from 1907 through 1930.



DEAL TERMS AND USE OF FUNDS

We are seeking to raise \$1,350,000 in convertible debt.

- **\$950,000 for real estate**

Usage:

- ✓ Reimburse Managing Partners the down payment and closing costs for the Property and out of pocket renovation costs thus far \$120,000.00
- ✓ Costs of renovations projected to be \$880,000.00
- ✓ Any remaining funds will be used to pay down the mortgage obtained to purchase the property

- **\$400,000 for start-up equipment**

Usage:

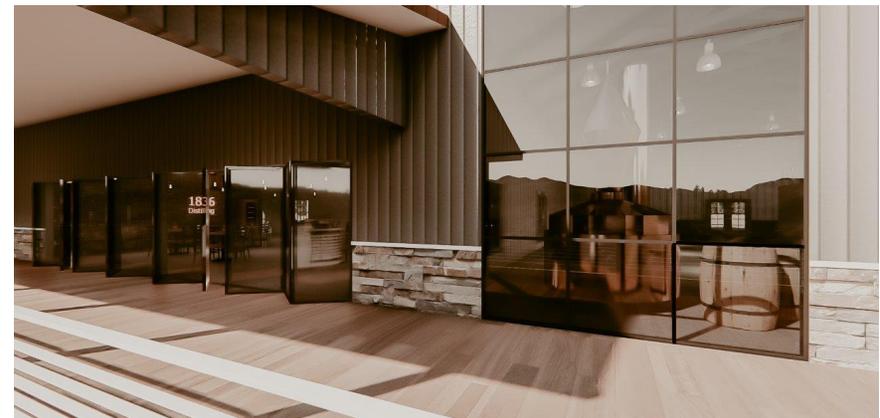
- ✓ Reimburse Founding Members for purchase of Initial Equipment \$180,000.00
- ✓ Costs of additional Equipment projected to be \$175,000.00
- ✓ Costs of skilled labor for installations projected to be \$50,000.00

The convertible debt offering will have a term of 5 years provide the investor with the option of (1) a yield of 6.00% per annum and repayment at the end of the term or (2) the option to convert the investment into common stock at discounted basis.

DISTILLERY STATUS

Construction Is Currently Underway On The Entire Facility.

- The Barn has been renovated with new electric, interior walls, doors, windows, foundation repairs, security system.



- The Company acquired building, septic, and storm water permits, while civil and structural engineering has been completed on the site.
- The Company has installed a 10-inch potable water well and 2-6 inch wells for geothermal heating system.



THE BUSINESS HAS PURCHASED OUTRIGHT:

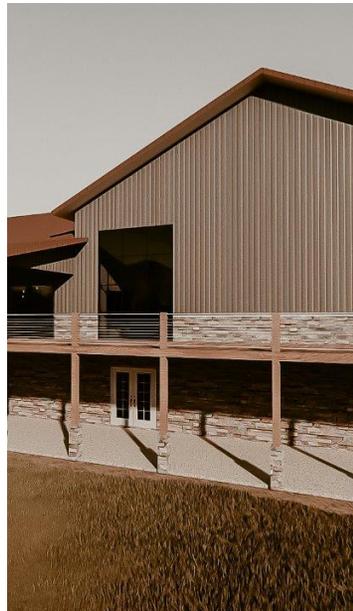
- 500-gallon copper two-stage reflux column still from Hillbilly Stills.
- Mash tun, chiller, boiler, commercial refrigerators, Brewmaster ceiling fans, bar, merchandise displays, interior architectural finish materials.

PRODUCTS

PRODUCT	DESCRIPTION	COMPETITIVE ADVANTAGE	ANTICIPATED "TO-MARKET" DATE
Middle Finger Moonshine	High proof organically flavored and unflavored moonshine made with Kara's own recipe	Superior, higher proof product will attract a premium price	Fall 2019
Whiskey (rye)	"Empire Rye" with a twist	Softer, smoother high quality rye whiskey, will attract premium price	Fall 2019 (unaged) Fall2020 (aged)
Whiskey (corn)	Locally sourced corn, malted barley, and soft winter wheat, carefully barrel aged	Softer, smoother, high alcohol content, high quality whiskey, will attract premium price	Fall 2019 (unaged) Fall2020 (aged)
Liqueurs	Brandies	Made from grapes grown in our own vineyards	Fall 2021

MILESTONES

1 OF 2



MAY 2019

Ground Breaking



MAY 2019

Permits Secured



AUGUST 2019

Completion of Facility



AUGUST 2019

First Product Started

MILESTONES

2 OF 2



SEPTEMBER 2019

Closing on all funding



SEPTEMBER 2019

Opening of facility



SEPTEMBER 2019

First product ready and first sales on premises



SEPTEMBER 2019

First sales to distributors

A FOUR PRONG APPROACH TO THE SALES AND DISTRIBUTION OF OUR SPIRITS

1

Direct to Customer at the Distillery

- ✓ Selling other great local handcrafted spirits, beer and wine in our tasting room
- ✓ Selling really great swag (Shirts, Glasses, Key Chains and More)

2

Farmers Markets, Community Events, and Festivals

- ✓ Having our Master Distiller give monthly classes in the distilling process at our Keuka Lake location
- ✓ Hosting of Bottling Parties where attendees tour our facility, get to bottle and take home a spirit of their choice and have a great time at our facility
- ✓ Hosting local entertainment to bring in their fans to our distillery
- ✓ Hosting private events, and gatherings that put us on the map and in sync with the Wine Country events and festivals.
- ✓ Event space for rent, live music and food on the weekends

3

Direct to Bars and Restaurants

4

Distributors

OUR TEAM

18

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KARA MACKEY DOPMAN, ESQ

Engineer, Lawyer, mother, who is passionate about the craft spirits movement. Kara was watching a documentary about craft distilling in 2012 and became intrigued. A year later she was in a Whisky Workshop, learning the trade, and intrigue became passion. Having already been successful in her own law practice, and honed her sales skills with a fortune 500 company, Kara researched the industry, networked with industry leaders and attended more classes, developed a business plan, and started saving her pennies.



JOSEPH R. SORRENTINO, ESQ

Fate has brought Kara and I together to form the perfect partnership for a perfect business. I started brewing small amounts of beer in my kitchen and that turned into a love of all things brewed. What better way to put that in practice by realizing my dream of creating a distillery for my friends and putting into practice my passion for distilled spirits. A practicing attorney in the NYC area for more than 27 years and real estate developer by trade.



ROSEMARIE SORRENTINO, RPH

Rosemarie is excited to be part of a great team ready to produce the best distilled spirits for all. Licensed and practicing pharmacist in the New York City area for over 30 years, managing and supervising two full service pharmacies. Past president and Chairman of the Board of Directors of the Italian-American Pharmacists Society as well as being recording secretary for the New York City Pharmacist Society.

FINANCIALS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
TOTAL EXPENSES	\$1,705,372	\$1,325,708	\$1,497,076	\$1,725,765	\$1,845,878	\$2,040,447
Capital Expense	\$406,675	\$24,866	\$27,588	\$34,734	\$40,851	\$48,859
Operating Expense	\$1,298,697	\$1,300,842	\$1,469,488	\$1,691,032	\$1,805,027	\$1,991,588
TOTAL REVENUE	\$1,224,251	\$1,996,806	\$2,419,410	\$3,253,607	\$4,011,396	\$4,290,547
OPERATING PROFIT / LOSS	\$(74,446)	\$695,964	\$949,922	\$1,562,576	\$2,206,368	\$2,298,959
PROFIT / LOSS INCL. CAPITAL EXPENDITURES	\$(481,121)	\$671,097	\$922,334	\$1,527,842	\$2,165,517	\$2,250,100
PROFIT / LOSS CUMULATIVE		\$189,977	\$1,112,311	\$2,640,153	\$4,805,670	\$7,055,770

COMPETITION

The fingers lake region boasts over 100 wineries. Recently craft distilleries have been emerging in the region.

NAME	YEAR OPENED	SIZE	SPIRITS	SALES	VISITORS PER YEAR
FINGER LAKES DISTILLING	2009	2,500-square-foot	Whiskey, gin, vodka, brandy, grappa, liqueur	Wholesale and retail	50,000
MYER FARM DISTILLERS	2012	Maximum of 20 people for a tasting	Vodka, gin, whiskey, liqueur	Wholesale and retail	N/A
HIDDEN MARSH DISTILLERY	2007	N/A	Whiskey, vodka, brandy, liqueur	Wholesale and retail	N/A

FINANCING HISTORY

Total Funding Sought: \$1,350,000

Outside Funding Sought: \$950,000

Total Funding Raised: \$1,025,000

Outside Investors Raised: \$625,000

- ✓ \$125,000 for Equipment
- ✓ \$500,000 for Real Estate

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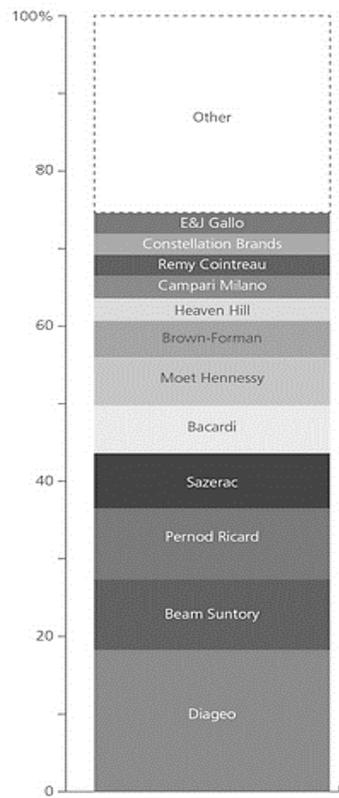
**Founding Partners Funding
Commitment: \$400,000**

- ✓ Investment into JKL Real Estate and JKL Equipment to be reimbursed in the amount of \$280,000
- ✓ Investment into 1836 Distilling \$120,000

Current Equity Ownership:

- ✓ Kara Mackey 50%
- ✓ Joseph R. Sorrentino 25%
- ✓ Rosemarie Sorrentino 25%

Figure 4
Dollar market share of leading spirits producers in U.S. by company



Source: Euromonitor; L.E.K. research and analysis

EXIT

Industry M&A and consolidation activity has been high, with 25+ known deals since 2014. It's no surprise, then, that the top seven spirits producers account for approximately 60% of the U.S. spirits market, with Diageo as the clear market leader (see Figure X).

Despite this high concentration of spirits producers, however, consolidation is expected to continue at a healthy clip through 2018. In particular, diversified independent distilleries and focused independent distilleries are attractive candidates for acquisition in this buyer's market.

TARGET INVESTORS



We are Seeking Experienced Institutional and Individual Investors with the Following Characteristics:

- ✓ A passion for the craft spirits industry
- ✓ A connection to the Finger Lakes region of upstate New York
- ✓ Have an interest in add on investments to fuel future growth

CONTACT US



facebook/1836distilling

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