



## Executive Summary

### Summary

Rio de Janeiro is a melting pot of cultures, flavors, and excitement though for most, they vicariously travel there from their living rooms with food and travel shows such as *No Reservations* with Anthony Bourdain or *Three Sheets* with Zane Lamprey. Consumers are looking for excitement, an experience to take them away to a far away place.

RIO RUM, a fresh, vibrant Ultra Premium Brazilian Rum will bring Rio de Janeiro to the people and show them how to celebrate life, "Rio Style." Positioned as a ultra premium Brazilian rum that embodies "The True Taste of Brazil," RIO RUM will bring the sensuality and many facets of Rio de Janeiro to America through Samba dancers, Carnival experiences, etc. Leveraging the exposure that Rio de Janeiro will experience due to the forthcoming 2014 World Cup and the 2016 Olympic Games – the flavors, the fun, the passion, the products of the city and all of Brazil will assist RIO RUM in becoming center stage.

The target audience will be those that embrace life. Two groups in particular are those in the gay community and Millennials The gay consumer has spending power and tends to "own" products that honor their lifestyle while Millennials are experimental and seek new, exciting products.

The Rum category is the second largest distilled spirits category in the US growing at 1.6% through 2009p. The category has not yet capitalized on the tremendous growth of the super and ultra premium segments like sister spirits vodka and tequila. RIO RUM Ultra Premium Brazilian Rum will be the brand to take this category by storm.

Jonathan Flaum and Adam Jenkins, film and advertising executives are the co-founders of RIO RUM, LLC. They will distribute and market RIO RUM in the US and internationally. The product line will initially consist of one 80 proof white Ultra Premium Brazilian Rum and one 80 proof gold Ultra Premium Brazilian Rum and will extend the product line with one - two flavor offerings per year starting in 2012 to take advantage of the growing demand for flavored rums in the US market.

Anticipate launch by March 2011 and build brand volume to 100,000 9Lt. Cases by 2016.

<p><b>Company Profile</b></p>	<p>RIO RUM, LLC, a newly formed New York Limited Liability Company will provide a line of ultra premium Brazilian rums under the RIO RUM brand name. The company has been formed to launch and develop the RIO RUM brand with the intent to grow the brand to 100,000 cases by 2016. The spirits industry has proven to be a very attractive category featuring over a decade of consistent growth, including initial estimates for growth in 2009p. The rum category, the second largest category with 13% share, has continued to add share for the past several years as well. Premium and super premium rum brands, though small in volume and share are responsible for excitement the category has enjoyed.</p>
<p><b>Company Background</b></p>	<p>Jonathan Flaum is a native New Yorker. Jonathan's fourteen year history with Brazil has been both work and pleasure. He has run adventure travel tours through Brazil and has been an investor in a hotel. Jonathan has worked in the film and advertising industry for the last fifteen years.</p> <p>Adam Jenkins is from New Zealand and has worked in the film and advertising industry for the last fifteen years. He currently owns a media company and has lived in New York for the last six years.</p> <p>Adam and Jonathan have created Rio Rum with an eye for the future. Within the next six years the world media will be concentrating more and more on Brazil. The momentum of the Soccer World Cup (2014) and the Olympics (2016) will elevate both Brazil and Rio de Janeiro into the consciousness of America and the world.</p>
<p><b>Market Opportunity</b></p>	<p>The beverage alcohol industry is very close to being recession proof – and has been enjoying long term growth based on:</p> <ul style="list-style-type: none"> <li>• Favorable demographic trends with 2.3MM new drinking age consumers coming into the market every year.</li> <li>• Drinks are once again cool and trendy- we are calling it the cocktail culture – younger consumers LDA+ are entering the alcohol market on spirits not like Baby Boomers who entered the category on beer.</li> <li>• Women are coming into the spirits category mainly based on flavors.</li> <li>• Millennials enjoy the category as they are experimental and adventurous</li> <li>• Adams Liquor Handbook 2009P showed distilled spirit consumption growing steadily over the past decade. <ul style="list-style-type: none"> <li>○ Preliminary DISCUS reports for 2009p show volume grew 1.7% to</li> </ul> </li> </ul>

	<p>185+ million 9-liter cases.</p> <ul style="list-style-type: none"> <li>• Adams Liquor Handbook 2009P showed Rum consumption growing 3.2% CAGR since 1997. The category grew at 1.6% in 2009p, a steady climb over the past 12 years and is currently at close to 25 million 9-liter cases. Share continues to grow steadily as well and is currently at 13.2% of the Spirits industry. <ul style="list-style-type: none"> <li>○ Preliminary DISCUS reports for 2009p show premium rum outpacing the overall rum category in growth</li> </ul> </li> <li>• A few noted highlights for the growth brands and categories in 2009p. The cocktail culture continued and spirits companies did more TV advertising, mostly on cable but some regional broadcasts. Also spirits are now allowed to advertise during professional sports events, complete with a recent decision from the NBA to allow spirits at arenas and during the show.</li> </ul>
<p><b>Competitive Advantages</b></p>	<p>RIO RUM’s Ultra Premium Brazilian Rum will have three competitive advantages:</p> <ol style="list-style-type: none"> <li>1. The name evokes the city of Rio de Janeiro, and will resonate with consumers as the forthcoming 2014 World Cup and 2016 Summer Olympics are held in Rio de Janeiro. The sensuality, spirit, passion and laughter that is the very essence of Rio de Janeiro also embodies RIO RUM and will come to life through Samba Dancers and Carnaval.</li> <li>2. The Ultra Premium Brazilian Rum itself is unique and different – it is handcrafted and distilled in small batches. The master distiller Weber Haus has won numerous awards and has a 150 year track record, one of the oldest in Brazil for distilling Brazilian Rum. They were the first to develop flavored Brazilian Rums.</li> <li>3. RIO RUM will be positioned as a Brazilian Rum verses a Cachaça</li> </ol>
<p><b>Competitors</b></p>	<p>RIO RUM will compete in the ultra premium segment. Key competitors will be Oronoco, 10 Cane, Pyrat, Tommy Bahama, and Leblon (Cachaca) within this price tier, as well as Pussers, Goslings Black Seal and Sailor Jerry at lower price levels.</p> <p>To date, most growth in the rum category has been with economy and premium brands. The super and ultra premium segment presents great opportunity for new entrants.</p>
<p><b>Target Market</b></p>	<p>Primary:</p> <ul style="list-style-type: none"> <li>• Rum Drinkers</li> <li>• Cocktail Drinkers</li> <li>• Consumers who celebrate life</li> <li>• Gay community and Millennials</li> <li>• Niche Markets w/in Urban Markets – High-end hotels, nightclubs and</li> </ul>

	<p>trendy night spots</p> <p>Secondary</p> <ul style="list-style-type: none"> <li>• White Spirits Drinkers</li> <li>• People who love Rio de Janeiro</li> </ul>
<p><b>Business Strategy</b></p>	<p>RIO RUM, LLC will be a small and nimble organization that utilizes the experience of industry experts to launch the brand and will add on support services as required. This will provide RIO RUM, LLC with the industry experience and knowledge it will need to succeed. It will also provide an extensive support network to implement plans quickly while minimizing costs.</p> <p>RIO RUM, LLC will provide a HQ’s location as well as their administrative services. They will take the lead in the overall management of the company as well as the involvement with the distillery.</p> <p>The Brand Action Team will provide strategic marketing support as well as the implementation of the multiple marketing strategies on the street as they have done for a range of alcohol companies including Pernod Ricard, Heineken and American Beverages. Brand Action Team will manage marketing programs:</p> <ul style="list-style-type: none"> <li>• Consumer and Trade PR will be a critical component of the marketing mix and they are set up to take advantage of the momentum building for Rio de Janeiro due to the upcoming involvement to generate awareness and interest in RIO RUM Ultra Premium Brazilian Rum. They will supplement their efforts with Consumer and Trade Advertising.</li> <li>• They will utilize their expertise leveraging the web and all the new tools including social media marketing to drive awareness, trial and actual purchase of RIO RUM by getting the word out into both the “cocktail” world as well as to the gay community and Millennials on the web. Consumer and Trade Promotional programming and Point of Sale merchandising will also be core elements of the campaign.</li> <li>• Further, bringing Rio de Janeiro to the people by way of Samba dancers, celebrations during Carnival and incentives for trips to Rio de Janeiro, will maximize all opportunities. Promotions will be conducted in local markets to motivate the trade to sell RIO RUM while consumers will be provided the opportunity to dance with Samba dancers and enter to wine trips to Rio de Janeiro. PR and local media within the market will be utilized to drive awareness and participation in RIO RUM events.</li> </ul>

	<p>Beacon Beverages, LLC is a company currently selling and distributing four spirit brands (Senor Frogs Tequila, Absinthe Mata Hari, OVAL Vodka, and 1921 Tequila) and a non-alcoholic brand (Tilted Palms/ 19th Hole Bloody Mary Mix) within a well established spirits wholesaler business network. Beacon Beverages will use their existing wholesaler network to obtain distribution of RIO RUM within the target states and then to expand to the entire US by year five.</p> <p>Additionally, using NEXT-LEVEL Marketing local Market Managers (MM's) they will penetrate on and off premise in the identified target markets. The MM's will be responsible for training sales people and Waitstaff, creating local promotions, and programs within their targeted accounts.</p> <p>In the first 3 years, RIO RUM's primary goal is to develop a relationship with the urban consumers. The company's route to market will start in strong gay, urban markets, i.e., Chelsea District, NYC; San Francisco, CA, South Beach, FL. RIO RUM will be made available everywhere the gay customer goes while in these areas but also the local bars, restaurants and liquor stores in these markets – this is the focus of the MM – the “feet on the street.” The route to market will expand to the rest of the country on a stepped basis, based on rum consumption development within the US. We will also be taking advantage of the natural interest of national chains/entities that would have a desire to engage in the excitement that will follow RIO RUM. This interest could actually extend RIO RUM distribution further and faster than planned.</p>
<p><b>Experienced Management Team</b></p>	<p>Jonathan Flaum and Adam Jenkins, Co-founders</p>
<p><b>Business Partners/Advisors</b></p>	<p>Jeff Grindrod, Managing Partner of Brand Action Team, a consultant to the spirits industry, brings 24 years of consumer packaged goods marketing and sales experience with P&amp;G and Nestle. He also has 17 years of experience in spirits marketing and sales, including seven years with Heublein/Diageo, with expertise in New Product Development, Spirits 3-tier system and B2B marketing.</p> <p>Steve Raye, Managing Partner of Brand Action Team, a consultant to the spirits industry, brings 27 years of experience in consumer packaged goods marketing and sales, as well as 19 years of spirits marketing and sales experience. His expertise is in New Product Development and Digital marketing.</p>

	<p>Dave Stringfellow is President of Beacon Beverage, a sales company selling a range of spirit brands through distributors to liquor stores as well as bars and restaurants. Dave was national sales manager with Diageo and Szarac, and was instrumental in the growth of Cabo Wabo Tequila before starting his own company.</p> <p>Mike Ginley is President of Next-Level Marketing, a marketing and promotion agency focused on building premium beverage brands. Mike has a team of 70 full-time beverage professionals supported by over 100 part-time staff operating nationally in 25 key markets.</p>
<b>Ownership &amp; Prior Financing</b>	Jonathan Flaum and Adam Jenkins currently own 100% of the business.
<b>Financing Sought/Use of Proceeds</b>	The Company is seeking up to \$11.0 MM over the next five years to provide growth capital to fund the launch, as well as expansion across the US and into international markets. Investment proceeds will be applied to working capital, human capital, in-store merchandising, advertising/promotions/events, distribution expenditures and new product development to support business growth

<b>Financial Summary</b>					
	Year 1	Year 2	Year 3	Year 4	Year 5
Gold	253	1529	6024	10559	21965
Silver	758	4586	11188	19610	32947
Total Case Volume	1010	6115	17212	30169	54912
Gold Case Cost	\$ 143.10	\$ 146.68	\$ 150.34	\$ 154.10	\$ 157.96
Silver Case Cost	\$ 108.30	\$ 111.01	\$ 113.78	\$ 116.63	\$ 119.54
<b>REVENUE</b>					
<b>Gold</b>	\$36,132.75	\$224,233.23	\$905,704.96	\$1,627,197.20	\$3,469,463.70
<b>Silver</b>	\$82,037.25	\$509,108.15	\$1,272,977.95	\$2,287,042.97	\$3,938,605.02
Gross Revenue	\$118,170	\$733,341	\$2,178,683	\$3,914,240	\$7,408,069
Less :COGS	\$68,705	\$415,973	\$1,032,720	\$1,629,126	\$2,965,248
Net Profit	\$49,465	\$317,369	\$1,145,963	\$2,285,114	\$4,442,821
Net Margin	42%	43%	53%	58%	60%
<b>OPERATING EXPENSES</b>					
Marketing & Advertising	\$435,000	\$910,000	\$1,300,000	\$1,300,000	\$1,300,000
Sales & Admin	\$246,000	\$854,000	\$1,446,000	\$1,446,050	\$1,446,050
TOTAL EXP	\$681,000	\$1,764,000	\$2,746,000	\$2,746,050	\$2,746,050
<b>EBITDA</b>	<b>(\$631,535)</b>	<b>(\$1,446,632)</b>	<b>(\$1,600,037)</b>	<b>(\$460,936)</b>	\$1,696,771

**Assumptions:**

- Pricing Based on \$28.99 for Silver and \$35 for Gold
- Pricing will increase annually at 2.5%
- Silver will outsell Gold in Years 1 & 2 at 3/1
- Silver will outsell Gold in Years 3 & 4 at 65/35
- Silver will outsell Gold in Year 5 at 60/40
- Cost of goods will reduce in year 3 to \$60 per case/\$5 btl
- Cost of goods will reduce in Years 4 & 5 to \$54 cs/\$4.5 btl
- Spending will hold steady Year 3, 4 & 5
- Cumulative Operating Expenses over 5 Years will equal \$10,683,100

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