



# Equity Research

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## RESEARCH REPORT

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**OTCQB:WDKA**

**Sector:** Consumer Goods

**Industry:** Beverage-Wineries and Distilleries

**Risk Level:** Speculative

Rating - Buy	Current
	12/15/11
12-Month Target Value Low	\$2.52
12-Month Target Value High	\$2.81
<b>12-Month Target Value Average</b>	<b>\$2.67</b>

Statistics	
12/14/11 Closing Price	\$1.85
Coverage Initiation Price	\$1.85
52 Week High	\$2.25
52 Week Low	\$1.01
Market Capitalization	\$42.8M
Enterprise Value	\$43.4M
Shares Outstanding	
-Primary (9/30/11)	23.14M
-Fully Diluted (9/30/11)	23.14M
-Float (approximate)	10.0M
-10 Day Average Volume	400
Balance Sheet Data (9/30/11)	
-Current Assets	\$2.03M
-Current Liabilities	\$1.05M
-Total Assets	\$2.05M
-Total Liabilities	\$1.58M
Forward Fiscal 2013 P/E	26.9x
Price to Sales 2013E	6.6x



Source: BigCharts.com

Fiscal Year-end Dec.	Estimated 2011	Estimated 2012	Estimated 2013	Estimated 2014
Revenue	\$1.80M	\$4.86M	\$9.36M	\$17.12M
Net Income (Loss)	(-\$1.8M)	(-\$0.6M)	\$2.3M	\$5.9M
EPS ó basic	(-\$0.08)	(-\$0.02)	\$0.07	\$0.16
EPS ó diluted	(-\$0.08)	(-\$0.02)	\$0.07	\$0.16

### Investment Highlights:

- Panache Beverage, Inc. is an alcoholic beverage company specializing in the development and global sales and marketing of spirits brands.
- The Company's expertise lies in the strategic development and early growth of its brands establishing its assets as viable and attractive acquisition candidates for the major global spirits companies.
- Panache management is following a "build and exit" business model. In December 2006, Panache sold 42 BELOW to Bacardi for \$91 million.
- Panache's existing portfolio contains three brands, all meeting different consumer needs in the marketplace: Wodka Vodka, Alchemia Vodka and Alibi Whiskey.
- With consumers looking for new brands and large conglomerates desperate for growth (in a mature developed market) through acquisition, Panache is the right conduit for both to meet their respective needs.

### Investment Consideration:

We are initiating coverage on shares of WDKA with a Buy rating and projecting revenue of \$4.9, \$9.4 million, and \$17.1 million for fiscal year 2012, 2013 and 2014 respectively which equates to a weighted average 12-month target value of \$2.67 per share.

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## I. OVERVIEW

### Company

Panache Beverage, Inc. (Panache or the Company) is an alcoholic beverage company specializing in the development and global sales and marketing of spirits brands. Panache management is following a build and exit business model. The Company's expertise lies in the strategic development and early growth of its brands establishing its assets as viable and attractive acquisition candidates for the major global spirits companies. Panache intends to sell brands individually as they mature while continuing to develop its pipeline of new brands in to the Panache portfolio. Panache's existing portfolio contains three brands: Wodka Vodka, Alchemia Vodka and Alibi Whiskey.

The Company's shares trade on the OTCQB under ticker WDKA.

### History

In November 2004, James Dale founded Panache as the import company of record for the premium vodka, 42 BELOW. At this time, 42 BELOW was a publically traded company but lacked traction in the United States, the most important liquor market in the world. Panache provided the solution by developing a proprietary sales and marketing infrastructure focused on building mass awareness and driving volume. One year later, the brand was in 19 strategically selected states and was outperforming in top tier image accounts. By mid 2005, 42 BELOW was a major player in the business and was being noticed in the U.S. by major suppliers.

After noticing that 42 BELOW had replaced Grey Goose in numerous key accounts, Bacardi added 42 BELOW to a list of top threats to Grey Goose in the U.S. Shortly thereafter, 42 BELOW was formally approached for acquisition. At this stage, Panache was responsible for over 50% of the total annual cases sold globally and was among the key driving factors in the success of the brand. In December 2006, Bacardi purchased 42 BELOW for \$91 million (representing a gain on sale of \$71 million).

During this time, Panache USA was developing its current pipeline brands Alchemia Vodka and Alibi Whiskey with an eye toward developing a value brand, which became Wodka Vodka. Today, Panache has developed a unique set of wholesale and retail relationships as well as sales and marketing infrastructure and proprietary partnerships enabling it develop, roll out and exit its brands.

### Opportunity

The major spirits conglomerates largely abandoned the grassroots developments of brands years ago in favor of an acquire to grow philosophy. Most acquisitions halted in 2008 when the economy turned down but over the past year, these spirits companies have begun to ratchet up their appetite for new deals. Panache management believes that the climate is ideal for significant M&A activity in the space over the next several years.

**Based on this opportunity, Panache's strategy is simply to find gaps in the marketplace where consumers wants in the spirits space are not being addressed – and that it has a unique ability to identify them and exploit them more quickly and more efficiently than any of its competitors.**

**Investment Summary/Conclusion**

We are initiating coverage on Panache Beverage, Inc. with a Buy rating. Panache is seeking to fill the gaps left open by the large conglomerate spirits companies. Given its size and entrepreneurial style, the Company is able to move quickly and efficiently to fill these gaps and meet the ever-changing demands of consumers of spirits. The Company's first spirits product is Wodka Vodka, a less expensive but high quality alternative to more expensive brands on the market. This product exploits the trend towards "premiumization", whereby consumers are demanding high quality vodka at less expensive price points.

With its proven ability to identify market opportunities, develop products into successful, commercially viable and recognizable brands via marketing and PR campaigns, and the ability to monetize these assets through strategic sales - creating value for shareholders, Panache's management team is well positioned to build its "build and exit" business model beyond Wodka Vodka with their two additional brands Alchemia Vodka and Alibi Whiskey. While execution and adequate capital are risks to any small, emerging business, we believe that an investment in WDKA provides speculative investors to participate in the \$970 billion global alcoholic beverage opportunity at reasonable prices trend across the global spirits market.

Based on our assumptions with respect to case volume over the next four years, we are estimating sales of \$4.9 million, \$9.4 million, \$17.1 million, and \$34.4 million in 2012, 2013, 2014, and 2015 respectively. Based on these assumptions, we calculate a 12-month target value of \$2.67 per share for shares of WDKA.

## II. CORPORATE STRATEGY

### Business Model

Panache is focused on developing strong, consumer brands by vertically integrating the branding, supply, distribution and marketing functions. Once the brands are mature, the Company will seek to position them for strategic sale and redeploy the capital into new brand development concepts.

The Company will pursue the following strategies to meet its goals:

- Build strong businesses with each brand through maximizing investment capital to minimize debt and create strong balance sheets.
- Develop a strong portfolio of brands meeting trade and consumer demands.
- Diversify its product offerings based on spirit type and price point.
- Create strong PR and marketing initiatives.
- Build key relationships to build a proprietary network of distribution, sales and marketing assets that can be leveraged across multiple brands.
- Ultimately seek out strategic buyers for the brands, monetizing the value created and rolling the capital into new development projects.

Panache has a global approach to launching and building brands, unlike many U.S. based competitors. Panache leverages its proprietary relationships to create a global launch and development strategy rather than a US-centric one.

### Strategic Focus



Source: Accenture

For businesses to outperform their peers, successful organizations must focus on market focus and position, distinctive capabilities, and performance anatomy. This approach applies well to Panache's strategy.

### Market Focus and Position

Successful businesses possess a deep understanding of profit dynamics across different markets and geographies. They recognize where future profit opportunities lie and they continuously reassess evolving opportunities within categories and geographies. Based on this insight, they can set up the organization for organic growth and/or seek growth via acquisition or partnerships and alliances that help strengthen their positions. With Panache's management team's extensive experience, the Company is able to leverage the global spirit conglomerates' strong balance sheets and (e.g. Diageo, Bacardi) demand for maximizing growth via acquisition. These conglomerates are facing flat to declining markets characterized by complex distribution systems, high fixed costs and capricious consumers. By identifying opportunities for product creation based on consumer demand, organically developing niche brands, growing the brands to attractive sales levels, Panache can meet their need for growth and monetize the brand's value through strategic sales, redeploying the capital into new and attractive opportunities.

### Distinctive Capabilities

Successful business possess three distinctive capabilities

ÉLeverage scale

ÉControl the route to the consumer

ÉDisplay exceptional brand and category leadership

With respect to the global alcoholic beverage market, a high-volume, global model with a wide portfolio of brands is necessary to offset high fixed costs. In Panache's case, this need applies more to the larger conglomerates. Due to the fact that so much consumption takes place outside the home, businesses are distinguished by their ability to control the route to the consumer. Successful companies ensure the availability of their products and brands to target consumers in the outlets of their choice— whether off-trade (hypermarkets, supermarkets, convenience stores) or on-trade (bars, nightclubs, restaurants). Panache accomplishes this by building relationships with wholesalers and retailers to develop and support distribution networks. In some cases, Panache may even create an international distribution model that provides competitively advantaged and sustainable routes to market in each country, leading to the development of a global footprint. Thirdly, successful businesses must have exceptional brand and category leadership. By spotting trends and opportunities early— a function of being able to control the route to the consumer— these companies are always ahead of the pack in delivering desirable brand imagery. Panache uses its extensive marketing experience to create premier brand recognition domestically and around the globe.

### Performance Anatomy

Successful companies are constantly on the lookout for opportunities in high value-growth markets. This distinction applies to both Panache and the global conglomerates. While the conglomerates seek out acquisition opportunities in growth markets, Panache is seeking organic opportunities that it can develop and monetize. This ability to identify opportunities, successfully develop a product and monetize the brands is a unique skill set that separates the successful companies from the rest.

**Build strong businesses with each brand**

Panache intends to build its portfolio by:

- Identifying gaps in the existing spirits landscape created by the fluid nature of consumer tastes
- Ability to get brands to market more efficiently with regard to time and cost than its competitors
- Developing brand position and differentiation from competitors using a brand building approach
- Securing an efficient supply chain
- Developing packaging and label in line with consumer relevant position
- Determining on and off premise pricing structure to meet a sweet spot in the market
- Developing brand voice, creative positioning
- Brand building in creative and cost effective ways reducing the capital requirement for traditional advertising
- Leverage proprietary database of relationships to generate distribution points on and off premise

**Develop a strong portfolio of brands meeting trade and consumer demands**

- Consumer-centric business approach focuses on identifying and filling gaps in the market
- Trend team identifies consumer trends and can identify an opportunity in the market to exploit before competitors
- Company principals regularly interact with trade and consumers obtaining direct feedback on where the market is moving
- Portfolio approach creates diversified portfolio
- Constant focus on brand development and innovation
- Access to deal flow for acquisitions of other independents without the resources Panache has

**Diversify its product offerings based on spirit type and price point**

- Portfolio presently contains three brands:
- Wodka Vodka, a premium, value vodka capitalizing on the projected growth segment within vodka (low cost premium).
- Alchemia Vodka, an infused premium spirit adopted by the epicurean world and those who enjoy all things culinary.
- Alibi Whiskey, a premium whiskey with an edgy positioning tapping in to the LDA-35 drinker in the exploding brown spirits category.
- Ongoing market research and development for other opportunities presently not being capitalized on.

**PR and Marketing**

The Company is committed to investing in its brands. The Company expects to invest \$4 million in 2012 in order to grow its brands. The Company makes extensive use of magazine, newspaper, point of sale and poster and billboard advertising, and uses radio, cinema, television and internet advertising where appropriate and permitted by law to engage with consumers and customers. Panache runs consumer promotional programs in the on trade (for example, licensed bars and restaurants) and supports customers in both the on and off trades with shopper/consumer promotions. Public Relations is a major differentiator and used by Panache to gain mass awareness for its brands.



To-date, the Company's WODKA VODKA BRAND has accomplished the following PR and Marketing successes:

- Completed equity deal with Van Wagner Communications yielding an estimated \$5M + in media against the brand
- Received Gold medal from BTI scoring 90 points, first Vodka in history to receive a 90 with a price point below \$10 for a 750ml
- Rolled out 6 OOH campaigns, all extensively covered in the trade and consumer media
- Launched social media efforts making Wodka Vodka one of the most followed Vodkas on Twitter
- Launched major PR push introducing the brand to the trade and consumer communities yielding over 5,000,000M + impressions
- Placements to date (run or confirmed) include: Wall Street Journal, Business Week, Brandweek, Time Magazine, NY Times, CNN, NY Post Page 6, Esquire, Maxim, TMZ
- Inked North American licensing deal with Surge licensing to extend Wodka Vodka in to consumer products

### **Build key relationships to build a proprietary network of distribution**

Having distribution channels in-place is key for Panache's ultimate success for its brand rollouts and brand building strategy. The Company is focused on building relationships with wholesalers and retailers to create a strong distribution network through which it can push its portfolio of products.

Economies of scale generated through its portfolio strategy will enable Panache to capitalize on these relationships ó enabling easy roll out of additional brands to its present partners.

Panache completed an import agreement with Domaine Select for Wodka Vodka for the U.S. territories yielding guaranteed case sales of:

- March 1, 2011 to April 30, 2012 85,000 nine (9) liter cases
- May 1, 2012 to April 30, 2013 144,000 nine (9) liter cases
- May 1, 2013 to April 30, 2014 189,000 nine (9) liter cases

In addition, it has secured distribution in 20+ U.S. states, representing 70% of the total spirits volume in the U.S. Panache has also secured distribution in 5 global territories through its partner Pure Spirits guaranteeing an additional 20,000 cases in 2012.

Following are activities/metrics in key states:

- NY: 1,500 accounts carrying Wodka Vodka
- FL: 2,500 accounts carrying Wodka Vodka, launched in Publix and ABC stores
- CA: Deal to launch brand in 70+ BevMo stores
- NJ: Test marketing with Whole Foods
- TX: Roll out to 60+ Gabriel's stores

### Seek out strategic buyers for the brands

Once the brands have reached critical mass with sufficient consumer interest and sales momentum, Panache will seek out strategic buyers for the brands. Due to the demand for growth by acquisition by the conglomerate spirits companies, selling a well-branded, high growth popular spirits product to a large spirits company can be done relatively quickly. Once the transaction has been executed and the brand has been monetized, Panache will redeploy the capital into further brand development to continue to cycle and create and exit.

NEWS

# VODKA BRANDING DISTILLED



**Absolut**  
U.S. debut: 1979  
**Where it's from:** Sweden  
**Claim to fame:** First fancy vodka import to tempt people to plunk down a substantial \$20 for a bottle of booze with no frills.  
**Advertising insight:** Pioneered the practice of being fancy and to enter the bottle in print ads, starting with "Absolut Warm" back in 1985.

**Kettle One**  
U.S. debut: 1992  
**Where it's from:** The Netherlands  
**What sets them apart:** The Kettle family's been brewing this stuff for over 300 years, so they'd better have the recipe down by now.  
**Memorable Ad:** 2009 consumerism hit: TV spots for Kettle One vodka "from delicately painted perfume bottles." Ouch.

**Grey Goose**  
U.S. debut: 1997  
**Where it's from:** France  
**Bringing points:** Use of French wheat, distilled in the Cognac region, and aged through "Charmagne limestone" filters.  
**Recent marketing gambit:** Just before Christmas, famed jeweler Cartier produced a limited edition magnum. It sold in Paris for \$35 each, great stocking-stuffer, sure.

**Stolichnaya elit**  
U.S. debut: 2005  
**Where it's from:** Russia  
**What makes it worth \$60 bucks?** We're not sure, but its ad claim that it is "50 times more slowly distilled than usual vodkas."  
**Uh, which means...** The filtration process takes place at -60°C, forcing impurities to freeze against the tank walls, and an ultra smooth vodka to be left over. The process is expensive as hell—and so is Stolich.

**Wodka**  
U.S. debut: 2010  
**Where it's from:** Poland  
**Why do we need another vodka brand?** "All these other vodkas have countless options, any too obvious," says spokeswoman Brian Gordon. "It's a small bottle of vodka for half the price."  
**Seamy ad:** Times Square billboard showing a man in a tuxedo being groped on in a futuristic club to the strains of the Jackson 5's "Dancing Machine."

**Svedka**  
U.S. debut: 2010  
**Where it's from:** Sweden  
**Tell us your selling points:** "We provide Swedish quality, premium style, and outrageous value," says SVP Marina Hahn. "We are the JarBlue of vodkas."  
**Memorable TV spot:** The Svedka color girl in, don't ask, who never grokes on in a futuristic club to the strains of the Jackson 5's "Dancing Machine."

**Sobieski**  
U.S. debut: 2010  
**Where it's from:** Poland  
**Pick us in five seconds:** "Sobieski offers consumers a super premium product that they can afford," says SVP Mike Sullivan.  
**Got a famous spokesperson?** "No."  
**Seamy ad:** Since Wills got over it, who's behind the curtain? "Truth is Sobek" campaign that built ingredients over fancy bottles.

**ROKK**  
U.S. debut: 2010  
**Where it's from:** Sweden  
**What's going to drink this?** Clearly, teenagers, perhaps, given the taking mascot and the hints of the Lovers Island comedy club as creative directors this December.  
**Memorable endorsement line:** "Dagge gave us a bunch of ROKK vodka," said Lovers Island's Andy Samberg, "which we enjoy drinking with our mouths."

A long time ago, in an economy far away, plunking down 30 bucks for a bottle of Stolich was no biggie. Then, again, neither were sub-prime mortgages. The recession has changed all that, of course, and made saving money cool. The latest proof: cheap-chic vodka—award-winning distillations that sell for around \$3 bucks. "We've left the days of glitz and bling behind," says spirits industry consultant Arthur Shapiro. "Consumers might like their Grey

Goose and Ketel One, but they might as well buy a good tasting vodka at a lower price." And they are. Svedka—which began the cheap-chic charge several years ago—is now the fastest growing spirits brand in America. And guess where its drinkers are coming from? "We steal market share from our more expensive competitors," says SVP Marina Hahn. These "newcomer" brands are hardly subtle about it, either. A recent ad

for Sobieski reads: "Overpricing on vodka? That's so 2008." Even the bottles look upscale—as our shelf of contenders and defenders below illustrates. While cheap-chic vodkas might not be comforting for the fans of Ketel One, it's great news for average consumers. As a WDKA spokesperson put it: "Good vodka for less money appeals to everybody." —No Zairowit  
—Robert Klara

**“The price of vodka has been getting out of control; for too long. Thankfully the people who are importing WODKA decided to bring in a honest vodka at an honest price. Stick a fork in that over priced Goose – it’s done! Overall Rating and value rating: 10 out of ten in both categories”**

**Chriss Carlsson** *Spirits Review*

### III. PRODUCTS

#### Portfolio

Given consumer sentiment moving away from premiumization with respect to the pure vodka category, the Company, with Wodka Vodka, is at the sweet spot in the growth space in vodka, the largest category within the alcoholic beverage industry. With consumers looking for quality at discount prices, and large conglomerates desperate for growth (in a mature developed market) through acquisition, Panache is the right conduit for both to meet their respective needs with Wodka Vodka.

#### Wódka (Vodka)

Panache management had identified a gap in the vodka market that was accelerated during the economic downturn which began in 2008: the need for a quality vodka at an affordable price. While global vodka volume remained stable, the overall revenue in the category was decreasing. Wholesalers were shedding expensive premium brands that tied up capital and filled warehouses. On the retail side, stores were cutting back on their exposure to the expensive brands due to weak consumer demand. It became evident that the consumer was no longer willing to pay a premium price for quality branded vodka products.

Panache meets this need by delivering a brand that boasts quality, taste and price while also portraying a brand that consumers will relate to drinking. With the introduction of Wodka, consumers will find that taste and quality do not have to equate to \$30/bottle. The success of Wodka is derived from combining premium Polish rye spirit in a package that reflects the essence of the brand i.e. tradition and heritage of the Vodka.



The Company's premium tasting Wodka vodka retails for as little as \$9.99 for a 750ml bottle, compared to competitors like Grey Goose that retails for north of \$30 per bottle. Both Wodka and Grey Goose earned 90 points (exceptional) by the Beverage Tasting Institute.

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## Alchemia (Vodka)

Alchemia is a traditional Polish vodka that is naturally infused with select raw ingredients and made in the spiritusvini, or "spirit of wine." The vodka itself is a 3 time distilled premium grain. The spirit is available in three varieties: Czekoladowa (Chocolate), Imbirowa (Ginger) and Wi nowa (Wild Cherry) and is best enjoyed straight up, on the rocks or in a classic cocktail.



## Marketing

The Company is marketing Alchemia as a spirit that defies its own category--an infused vodka that tastes like a cordial. It is being positioned as a high quality, more complex than a vodka (complex layers of flavors with a long finish but without the typical flavor profiles for vodka). It is targeted as a gourmet vodka for foodies, gastronomic enthusiasts, and wine and brown spirits geeks.

## Presentation

The bottles are hand blown, the product is hand poured and packed. The bottle looks like a laboratory instrument- an alembic (an alchemist's tool); the color of the screen printing/label and the cap is lead colored to stick with that lead to gold concept. The boxes on each bottle "Cz", "Im", and "Wi" are fake elements of the periodic table that work with the concept of Alchemia always being viewed as the "stepchild" of modern chemistry.

## Distillation Process

Alchemia's distillation process infuses flavors, NOT adding flavor. Flavored vodka merely adds extracts during the distillation process. The blending and filtration has been updated with modern technology, but is done in the process that Poland has been using since the times of home distillation. Alchemia infused vodka saturates the ingredients in an already distilled vodka, blending the ingredients with the vodka. The vodka is then transferred to an oak barrel where it macerates and soaks up all the characteristics of what is being saturated, then re-filtered, giving each infused vodka its intense color and taste. The flavoring becomes part of the vodka rather than just "added to". This also all works with the Alchemia/Alchemist concept as the product is said and characterized as being "raw".

## Behind the Name

Alchemia is the Polish word for "Alchemy." In addition to being the first recorded master distillers, the best known goals of the alchemists were the transmutation of common metals into gold or silver. Much like how the Alchemists practiced their craft of turning ordinary, bland materials into something beautiful and valuable, the art of Alchemia's infusions turn vodka (generally odorless and colorless) into complex and delectable spirits.

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**Alibi (Whiskey)**

Most existing bourbon brands are mainstream and staid, set in their ways, too scared to cross the boundaries of heritage and meet the aspirations of a new premium customer.

Grey Goose and 42 Below took the Vodka market by storm. Before them Smirnoff and Stolichnoff were the cool brands, today they are has-beens.

Panache believes and the market supports the belief that the Bourbon market is similar and offers opportunity for a new kid on the block. There is a place for a premium bourbon brand that is contemporary in presenting its values. A whiskey that breaks the conventional rules of old school stale whiskey barrel man culture-- a fearless whiskey with attitude.



**Alibi Brand Personality**

I drink Alibi cause I can!

We live in a world filled with wannabe rock stars and instant gratification. We all want to make good with a minimum of effort and we all want to be able to enjoy the very best that the world has to offer. We want it all and we want it now.

Jim Beam and Jack Daniels were cool for my Dad with his Led Zeppelin, the Beatles and the music anthems of Thorogood and Kristofferson. Alibi is for now, for today's generation of cool, empowered and impatient. While it is embodied with a heritage of traditional craftsmanship yet it is reflective to today's contemporary Rock n Roll-- The Killers, Eminem Mad Dog Cool.

Alibi is badass - a premium whiskey for the boys and girls with toys and attitude. Remember everybody needs an Alibi.

## IV. INDUSTRY

### Market

The \$970 billion global market for alcoholic beverages is experiencing a period of unprecedented change. While approximately 60% of the market is still in the hands of small, local enterprises, truly global players are steadily emerging<sup>1</sup>.

The alcoholic beverages industry offers few opportunities for organic growth. The notoriously high costs of distribution and brand building have created huge barriers to entry—hence the importance of acquisitions. Consolidation continues as aggressive acquirers seek to demonstrate that they can wring value out of the companies they buy, especially if they have paid a premium. Yet the market remains very fragmented. UK-based Diageo, the world's biggest spirits company, accounts for less than 10% of the total market.

Like many others, the alcoholic beverages industry is also feeling the effects of dramatic shifts in demographics and lifestyle. Today's drinkers are more affluent and sophisticated. They also are increasingly health conscious. These consumers demand premium products—preferably products they can customize—and they are willing to pay a premium for them. The combination of these trends is curbing alcohol consumption overall but driving demand for all manner of premium products, from better-quality wines and premium lagers to malt whiskeys—products that consumers are willing to pay more for. This trend toward drinking less but paying more—“premiumization” in industry parlance—is not restricted to developed markets. Increasingly affluent urban, middle-class drinkers in several Asian countries, Eastern Europe and parts of Latin America are also slowly trading up and will account for an increasing share of value growth in the future.

There are wide variations globally in these megatrends. Western Europe, where aging populations and a high number of financially independent female drinkers power the premiumization trend, must be managed for value rather than volume growth. Meanwhile, Eastern Europe, which combines growing populations with rising levels of disposable income, offers the potential for both, as does much of Asia.

With few exceptions, premiumization has yet to have much impact in Latin America. Yet Mexico is already among the largest and most profitable markets for beer and spirits in the world. Moreover, the region is a key location for some of the emergent global brewers, Mexico's Grupo Modelo among them. Plainly, the path to future success lies in being global—but with a focus on the right local markets and the right categories within them. However, virtually every company in the industry is jostling to do just that—and struggling to squeeze the last drop of cost out of the bottom line.

#### Global Spirits Market Highlights<sup>2</sup>

- The global spirits market grew by 3.2% in 2010 to reach a value of \$262.5 billion.
- In 2015, the global spirits market is forecast to have a value of \$306.4 billion, an increase of 16.7% since 2010.
- The global spirits market grew by 2% in 2010 to reach a volume of 19.1 billion liters.
- In 2015, the global spirits market is forecast to have a volume of 21.2 billion liters, an increase of 10.9% since 2010.

<sup>1</sup> Accenture report titled “Alcoholic Beverages Industry Report” dated 2007

<sup>2</sup> Market Research Report titled “Spirits, Global Industry Guide” dated August 2011

- Whisk(e)y is the largest segment of the global spirits market, accounting for 26.5% of the market's total value.
- Europe accounts for 47.7% of the global spirits market value.
- Diageo plc is the leading player in the global spirits market, generating a 5.2% share of the market's volume.

**Ten largest global distilled spirits marketers (by volume), 2006<sup>3</sup>**

Global market share (rank)

	1991	2006
Diageo UK	10.5% (1)	15.3% (1)
Pernod Ricard France	5.7% (4)	11.6% (2)
United Spirits Ltd India	3.7% (8)	9.4% (3)
Bacardi Bermuda	7.7% (3)	5.2% (4)
Beam Global Spirits and Wine USA	4.8% (6)	5.1% (5)
Suntory Japan	4% (7)	2.6% (6)
V&S Group Sweden	*	2.5% (7)
Brown-Forman Beverages Worldwide USA	*	2.5% (8)
Gruppo Campari Italy	*	2.4% (9)
Constellation Spirits USA	2.5% (10)	2.4% (10)
Total market share of top 10 companies	57.0%	59.0%

Global distilled spirits marketing is also highly concentrated. The ten largest marketers (by volume) have, since 1991, been responsible consistently for more than half the volume of globalized distilled spirits sold, and the market share of the two largest companies has increased by 65%, as shown in the table above.

**Industry Consolidation**

Consolidation has shaped the industry since the mid-1990s, when stagnant growth and high fixed costs in developed markets put a drag on profit growth in those same markets, which are home to the leading brewers and distillers. By 2000, the regional operating model had evolved into the current "global category" configuration characterized by restructuring (largely through divestiture of noncore and less profitable units), rigorous cost cutting, an acquisitions strategy designed to capture incremental profit streams outside home markets, and the broadening of portfolios to include a range of both global and local brands. Scaling up for these global alcoholic beverage companies became embracing a high-volume, global model with a wide portfolio of brands was the only way to effectively offset high fixed costs.

Large global players within the alcoholic beverages industry generally demonstrate good execution with respect to their acquisitions, delivering the expected synergies. This success is driven largely on their approach to post-merger integration that protects and leverages the unique assets acquired— usually brand equities but also customer and distribution assets, especially in emerging markets— while simultaneously integrating non-core, back-office functions into highly efficient regional service models. In some cases, in lieu of M&A deals, some leading businesses have created highly effective partnerships and alliances

<sup>3</sup> Paper titled "The global alcohol industry: an overview" by David H. Jernigan, Department of Health, Behavior and Society, Johns Hopkins Bloomberg School of Public Health, Baltimore, MD, USA dated March 2006

with other companies in the industry to build the critical mass necessary for distribution scale and efficiency in key markets.

### *Example--Diageo*

Its name is an amalgam derived from the Latin word for day (dies) and the Greek word for world (geo) says it all. The products of Diageo, the world's biggest and most profitable alcoholic beverages company, are consumed every day, world-wide. With leading brands in every spirits category, the company is a truly global presence.

Formed in 1997 from the merger of the London-based Grand Metropolitan conglomerate with the company that owned Ireland's iconic Guinness brand, Diageo was also the first in its industry to develop a truly global operating model. Diageo's innovative brand building initiatives has helped it build a portfolio of iconic global spirits brands, drive increased customer commitment and convert it into higher sales of the distiller's products. The company now occupies top positions in almost every spirits category in virtually every region of the world.

Eight global priority brands—Baileys, Smirnoff, Johnnie Walker, J&B, Cuervo, Tanqueray, Captain Morgan and Guinness—underpin Diageo's extraordinary 6% annual organic growth rate. Its biggest challenge, indeed, is to stay ahead of the game at a time when competitors are busy trying to replicate the successful Diageo model. Leveraging scale to expand in emerging markets is a key strategy. The December 2006 acquisition of a 43% stake in Sichuan Chengdu Quanxing Group Co., China's oldest distiller of baijiu, a traditional white spirit, consolidated the company's position in a country it first entered more than a decade ago. Sales of Diageo's leading whiskey brands have enjoyed double-digit growth in China, and the new, Singapore-based Diageo Asia Pacific logistics hub, which dramatically cuts time to market, will bring the company even closer to its Asian consumers.

## Outlook

The global market for distilled spirits is mature and well established in affluent nations, with saturation particularly apparent in North America, Western Europe, and Japan. To cash in on growing prosperity, multinational companies are aggressively expanding their presence in developing markets in Asia-Pacific and Eastern Europe. Several factors affect and shape this highly regulated and lucrative industry. Growing inclination towards low-alcohol drinks among core demographic groups and increasing media attention on the negative impact of alcohol consumption continue to exert a profound effect on the market for beverage alcohol. However, the positive aspect comes in the form of premiumization or the marked trend towards premium and super-premium products<sup>4</sup>.

Significantly rising consumption in certain markets is the key growth driver in the world beverage alcohol market. The rapid pace of urbanization is a major factor driving growth across most of these markets. This led to consumers having greater access to brands through rapidly developing on-trade and off-trade establishments, as well as greater affordability due to rising disposable income levels.

The global distilled spirits market, in terms of volume, is forecast to reach about 25.3 billion liters by 2015<sup>5</sup>. In terms of value, the market is expected to reach \$315 billion in 2012. Europe is the largest value market with an estimated share of 34%. Asia-Pacific is by far, the largest market in terms of volume sales

<sup>4</sup> Article titled: "World Distilled Alcoholic Beverages Market to Reach Over \$315 Billion by 2012" by Global Industry Analysts, dated November 2008.

<sup>5</sup> Ibid

with a share of 47%. The dominance reflects widespread popularity of local spirits, especially rice-based spirits such as baijiu in China and soju in South Korea. Asia-Pacific is forecast to emerge as the fastest growing region in terms of value as well as volume growth. The world market for brown spirits (whiskey, dark rum, and brandy) was projected to exceed \$100 billion in 2010, with whisky representing the largest product segment by value. The world market for white spirits (vodka, gin, and white rum) is forecast to reach a value of approximately \$80 billion in 2012. The on-trade sector continues to be the most popular consumption channel among young consumers.

## Distribution

It is estimated that there are some six million legally licensed points of sales for beverage alcohol worldwide. The off-trade is a more important channel in volume terms, accounting for 72% of spirit sales and 66% of beer sales in 2004. However, in value terms, on-trade outlets (all venues where drink are sold at retail for on-premise consumption), have a clear lead, representing approximately 60% of sales in 2004. This discrepancy is due to the considerably higher mark-up on spirits prices in bars, restaurants and nightclubs compared with off-trade outlets.

The variance in sales through on-trade and off-trade across regions is largely cultural, with some cultures closely aligned to drinking in pubs and bars, and others tending towards entertaining at home. Apart from Latin America, off-premise trade leads volume sales in every region, with the proportions ranging from approximately 66% in Western Europe to approximately 91% in Eastern Europe. Younger consumers drive on-trade sales in many markets around the world.

Two main trends shaping the retail environment in developed markets have been about convenience and low prices. Consequently, the drive towards "one-stop shopping" is almost universal in developed markets and, indeed, is becoming increasingly common in emerging regions. Thus, supermarkets and hypermarkets witnessed strong growth in many product areas between 1999 and 2004, including alcohol. However, because of legal restrictions on the sale of alcohol in major markets, specialist stores continue to maintain a significant share of global alcohol sales.

## Shifts

Four main forces are driving change in the industry, leading to increased consolidation and profitability.

### Lifestyle shifts

- Increasing health consciousness
- Consumer sophistication increases; traditional products unfashionable
- Trend toward experimentation
- Trend toward mixing drinks
- Development of ethical consumption
- Competition from more increasingly interesting soft drinks
- Increasingly restrictive legislation (drunk driving; advertising)
- Fashion-preoccupied consumers

### Demographic shifts

- Aging population in developed markets - less consumption/different consumption
- Growing numbers of financially independent women
- Increasing urbanization
- Rising numbers of young consumers in emerging markets

**Consolidation**

- Industry consolidation driving growth in global brand strength
- Options for inorganic growth increasingly limited within categories (wine, beer, spirits)
- Cross-category opportunities looking increasingly attractive (i.e., total beverage alcohol)
- Fewer, larger players left standing compete more aggressively

**Geographic shifts**

- Increasing affluence in developed markets
- Expansion in emerging markets, including inurban middle class
- Increased demand for prestige spirits in emerging markets

**Summary**

In summary, there are seven overarching trends taking place in the global spirits industry. They are:

1. Between 2000 and 2005, the market has been growing more in value than in volume across all categories as people drink less but pay more for what they do drink.
2. While the growth of consumption is projected to be attractive in emerging markets, those markets are not expected to deliver a future growth premium.
3. However, a premiumization strategy does not translate well into emerging markets, such as Latin America and Asia Pacific, where price per liter is not a strong upward trend.
4. This has a particular impact in developed regions, where consumers have been increasingly willing and able to pay more for higher-priced products.
5. Since 1990, there has been significant consolidation in the industry, with top 10 companies now controlling more than 60% of the market share.
6. Premiumization and consolidation have raised overall economic profitability.
7. Plainly, the path to future success lies in being global but with a focus on the right markets and the right categories.



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## V. FINANCIALS

### Index

- Revenue Breakdown
- Income Statement and Financial Projections
- Balance Sheet
- Statement of Cash Flows
- Comparison Table and Valuation Metrics

### Income Statement and Financial Projections

Panache Earnings Model					
	2011	2012	2013	2014	2015
Sales	1,803,622	4,864,152	9,361,848	17,122,865	34,361,688
COGS	1,293,709	1,860,079	3,607,792	6,598,490	13,142,156
Gross Profit	509,913	3,004,072	5,754,056	10,524,376	21,219,533
Operating Expenses	2,621,369	3,470,646	3,276,647	4,280,716	6,872,338
Income (Loss) from Operations	(2,111,456)	(466,574)	2,477,409	6,243,660	14,347,195
Other Income (expense)					
Interest expense	(48,849)	(100,000)	(200,000)	(300,000)	(400,000)
Shell expense	(75,000)				
Other Income	(123,849)				
Total Other Income (Expense)	(176,555)	(100,000)	(200,000)	(300,000)	(400,000)
Income Taxes	0	0	867,093	2,185,281	5,021,518
Minority Interest	462,339	0	0	0	0
Net Income After Taxes	(1,825,672)	(566,574)	2,277,409	5,943,660	13,947,195
Shares Outstanding	23,138,069	28,138,069	33,138,069	38,138,069	43,138,069
Net Income per share	(\$0.08)	(\$0.02)	\$0.07	\$0.16	\$0.32

**Balance Sheet**

<b>Panache Beverage Inc. Balance Sheet</b>		
	9/30/2011 (unaudited)	12/31/2010 (unaudited)
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	29,466	67,975
Accounts receivable, net	521,173	267,440
Inventory	49,201	96,190
Prepayment and deposits	1,431,455	2,248,655
Loan receivable	4,000	
<b>Total Current Assets</b>	<b>2,035,295</b>	<b>2,680,260</b>
Fixed Assets, net	15,304	24,214
<b>Total Assets</b>	<b>2,050,599</b>	<b>2,704,474</b>
<b>Liabilities and Stockholders Equity</b>		
Liabilities		
Current liabilities		
Accounts payable	428,309	250,873
Notes payable	32,716	84,765
Notes payable--related parties	28,000	
Officer compensation payable		52,501
Contingent liabilities	191,778	191,778
Accrued interest	83,350	37,550
Accrued expenses and other payable	283,462	77,641
<b>Total Current Liabilities</b>	<b>1,047,615</b>	<b>695,108</b>
Long-Term Liabilities		
Notes payable	192,802	247,500
Notes payable--related parties	342,046	245,059
<b>Total Long-Term Liabilities</b>	<b>534,848</b>	<b>492,559</b>
<b>Total Liabilities</b>	<b>1,582,463</b>	<b>1,187,667</b>
Minority Interest	144,617	501,105
<b>Stockholders Equity</b>		
Common Stock	24,538	22,355
Additional Paid-In Capital	1,882,136	1,808,102
Common Stock warrants	15,768	15,768
Accumulated deficit	(1,598,923)	(830,523)
<b>Total Stockholders Equity</b>	<b>323,519</b>	<b>1,015,702</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>2,050,599</b>	<b>2,704,474</b>

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**Statement of Cash Flows**

<b>Panache Beverage Statement of Cash Flows</b>	<b>For the nine months ended</b>	
	<b>9/30/2011</b>	<b>9/30/2010</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss	(1,464,098)	(434,147)
adjustments		
Minority interest	(462,339)	(257,324)
Bad debt expense	2,026	729
Depreciation	6,930	2,021
Common stock issued for services rendered	434,678	
Change in assets and liabilities:		
Accounts receivable	(255,759)	(384,147)
Inventory	46,989	188,696
Prepayments and deposits	817,200	(2,868,394)
Accounts payable	177,436	(76,713)
Officer comp payable	(52,501)	18,970
Accrued expenses and other payable	205,820	46,334
Accrued interest	45,800	26,700
Contingent liabilities		191,779
<b>Net cash (used in) provided by operating activities</b>	<b>(497,818)</b>	<b>(3,545,496)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Disposal of equipment	1,980	
Purchase of property and equipment		(29,397)
<b>Net cash (used in) investing activities</b>	<b>1,980</b>	<b>(29,397)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable--related parties	96,988	316,267
Proceeds from notes payable	28,000	84,765
Payments to notes payable	(110,747)	
Proceeds from stock issuance	230,000	
Contribution to paid-in capital	213,088	3,127,783
<b>Net cash provided by (used in) financing activities</b>	<b>457,329</b>	<b>3,528,815</b>
<b>Net Increase (Decrease) in cash</b>	<b>(38,509)</b>	<b>(46,078)</b>
Cash, beginning of period	67,975	52,394
Cash, End of Period	29,466	6,316

### Comparisons

Company Name	Ticker	Stock Price (\$)	P/E Multiple (trailing) (x)	P/E Multiple (forward) (x)	Price/Sales Multiple (x)	Book Value Multiple (x)	EV/Revenue (x)	EV/EBITDA (x)	Total Market Cap (\$M)
Diageo PLC	DEO	84.14	17.8	N/A	3.4	6.5	4.1	14.1	52,420
Brown-Forman	BF.B	77.53	19.4	19.4	4.0	5.5	4.2	13.0	11,000
Constellation Brands	STZ	19.36	6.3	N/A	1.3	1.5	2.3	10.6	3,920
<b>Average</b>			<b>14.5</b>	<b>19.4</b>	<b>2.9</b>	<b>4.5</b>	<b>3.5</b>	<b>12.6</b>	<b>22,447</b>

Source: Yahoo Finance, 12/14/11

### Valuation Summary

Summary Table	Un-weighted Value \$ Per Share	Weight	Weighted Value \$ Per Share
Discounted Earnings Model	\$2.52	50.00%	\$1.26
Transaction-based	\$2.81	50.00%	\$1.41
<b>Average Valuation</b>	<b>\$2.67</b>	<b>100.00%</b>	<b>\$2.67</b>

We calculate a weighted average 12-month target value of \$2.67 for shares of WDKA. We note that the Company is in the early stages of rolling out its branded products. As such, these estimates may change materially due to numerous variables. For detail on Discounted Earnings, EBITDA multiple, and transaction-based analyses, please see the following section.

**Valuation Metrics**

One of the several ways to value a spirits company is based on recently closed sales transactions. In this case, we can see the purchase price/case sales multiple based on the five separate recent deals in the space.

**Case Volume Metrics**

Brand	Case Sales	Purchase Price Paid	Purchase Price/Case Sales Multiple
<b>Premium</b>			
Grey Goose	1,500,000	\$2,100,000,000	\$1,400
42 Below	107,000	\$91,000,000	\$850
Kettle One	1,800,000	\$1,800,000,000	\$1,000
Absolut Vodka	8,200,000	\$8,800,000,000	\$1,073
<b>AVERAGE</b>			<b>\$1,081</b>
<b>Value</b>			
Svedka	1,100,000	\$384,000,000	\$349
Brand	Expected 2014 Case Sales	Expected 2014 Purchase Price Paid	Purchase Price/Case Sales Multiple
Wodka	400,000	\$139,636,364	\$349
Alchemia	45,000	\$15,709,091	\$349
Alibi	27,000	\$9,425,455	\$349
<b>Total</b>		<b>\$164,770,909</b>	

<b>Price Discounted back to 2011</b>	\$84,362,705
Discount rate	25%
Outstanding Shares	30,000,000
<b>Current estimated value per share</b>	<b>\$2.81</b>

Based on the purchase price/case sales multiple (for value brand Svedka) of \$349 per case and assuming 400,000 cases of Wodka, 45,000 cases of Alchemia, and 27,000 cases of Alibi will be sold in 2014, we arrive at a discounted valuation of 2.81 per share.

**Discounted Earnings Model :**

Year	Earnings Estimate	Price to Earnings Multiple (X)	Future Value	Discount Rate	12-Month Target Value
2013	\$0.07	25	\$1.72	25%	\$1.30
2014	\$0.16	25	\$3.90	25%	\$2.36
2015	\$0.32	25	\$8.08	25%	\$3.91
<b>Average:</b>					<b>\$2.52</b>

Based on pro forma expectations and by applying a 25 times P/E multiple with a 25% discount rate, we calculate a 12-month target value of \$2.52 for WDKA's common shares. We believe using a 25x earnings multiple is reasonable given the Company's projected revenue growth (Three year 2013-2015 CAGR of 92%).

## VI. RISKS

### General Risk Factors

Following are some general risk factors: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation; or (4) External factors that affect the U.S. economy, interest rates, the U.S. dollar or major segments of the economy could alter investor confidence and investment prospects. International investments involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability.

### Risk Factors Specific to Industry

Panache's operations are subject to extensive regulatory requirements which include those in respect of production, product liability, distribution, importation, marketing, promotion, sales, pricing, labeling, packaging, advertising, labor, pensions, compliance and control systems, and environmental issues. Changes in laws, regulations or governmental or regulatory policies and/or practices could cause Panache to incur material additional costs or liabilities that could adversely affect its business. In particular, governmental bodies in countries where Panache operates may impose new labeling, product or production requirements, limitations on the advertising and/or promotion activities used to market beverage alcohol, restrictions on retail outlets, other restrictions on marketing, promotion, importation and distribution or other restrictions on the locations or occasions where beverage alcohol is sold which directly or indirectly limit the sales of Panache products. Regulatory authorities under whose laws Panache operates may also have enforcement power that can subject the group to actions such as product recall, seizure of products or other sanctions, which could have an adverse effect on its sales or damage its reputation. An increase in the stringency of the regulatory environment could cause Panache to incur material additional costs or liabilities that could adversely affect its business.

In addition, companies in the beverage alcohol industry are, from time to time, exposed to class action or other litigation relating to alcohol advertising, product liability, alcohol abuse problems or health consequences from the misuse of alcohol. Such litigation may result in damages, penalties or fines as well as reputational damage to Panache or its brands, and as a result, Panache's business could be materially adversely affected.

### Risk Factors Specific to Company

#### Competition Risk

The spirits industry is intensely competitive. There are many companies, both small and large, domestic and international, competing for market share in the highly fragmented spirits industry. Many of these firms have a longer operating history than Panache and possess substantially more financial capital with which they can launch more effective and more far reaching marketing campaigns. However, Panache's competitive advantage is that it is focused on the high quality products with lower price points providing consumers with brands at low prices without sacrificing quality. In addition, many of its competitors may also purchase brands from Panache as they mature or become strategic partners with Panache for manufacturing and distribution.

**Execution Risk**

As with any early stage company implementing an aggressive growth plan, Panache's success or failure will depend on management's ability to execute their business plan in an efficient and timely manner.

**Financial Risk**

The Company is dependent on continued financing from outside investors due to recurring operating losses. As a result, the Company's ability to continue as a going concern could depend upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due and to generate profitable operations in the future. There can be no assurance that any funding would be attainable or attainable on favorable terms, thus investors should be financially capable of losing all or a portion of their investment.

**Key Management Risk**

Management's skill and experience is a key determinant of success. Panache, like most small companies, is heavily dependent on key management, the loss of any of which could seriously, adversely affect the company.

**Micro-capital Investment Risk**

Micro-capital investing involves inherent risk and investors should carefully research any company considered for investment. Micro-capital companies are usually early in their market cycle and vulnerable to significant price volatility.

**Non-Specific Market Risks (Liquidity, trading rules & BD restrictions)**

Panache Beverage's common stock is quoted on the Over-the-Counter Exchange as such; there is only a limited trading market for its common stock. As a result, the Company's common stock is subject to the penny stock rules by the Securities and Exchange Commission that requires brokers to provide extensive disclosure to its customers prior to executing trades in penny stocks, and as such there may be a reduction in the trading activity of its common stock. As a result, investors may find it difficult to sell their shares of the Company's common stock.

**Risk Categories**

WSR's investment universe revolves around undiscovered emerging growth companies that possess higher risk profiles than established "blue chip" companies. Presently WSR maintains three risk categories including growth, aggressive growth and speculative with the later assigned to higher risk companies.

**Growth** – Lower risk investment relative to small capital company investments with a defined revenue pattern, reasonable earnings predictability and sound balance sheet.

**Aggressive Growth** – Average to higher risk investment relative to small capital company investments in a high growth stage or industry. May have limited history of generating revenue or be operating in a

highly competitive or rapidly changing environment. Investors must have the financial capacity to lose a significant portion of his or her investment.

**Speculation** - High risk investment with short or unprofitable operating history and limited revenue or earnings predictability. Companies are typically early stage and in the process of commercializing a new and often potentially disruptive technology into a large market. Investors must have the financial capacity to lose his or her entire investment.

## VII. MANAGEMENT AND DIRECTORS

### Officers, Directors and Key Management

<u>Name</u>	<u>Age</u>	<u>Position</u>
James Dale	41	Chief Executive Officer and Chairman
Brian Gordon	37	President
Agata Podedworny	35	Vice President of Logistics and Director
Sjoerd de Jong	35	Vice President of Sales and Director

#### **James Dale, Chief Executive Officer and Chairman**

Mr. Dale is the Chief Executive Officer of Panache LLC. Dale was born in New Delhi India and raised in Auckland NZ. Dale came to the US as 42 Below vodka's strategic North American partner in 2003 and was instrumental in the brands sale to Bacardi in 2007. After the trade sale, Mr. Dale developed brands which are currently part of Panache's expanding portfolio. Mr. Dale is not, and has not been, a participant in any transaction with the Registrant that requires disclosure under Item 404(a) of Regulation S-K. There is no family relationship between Mr. Dale and any director, executive officer, or person nominated or chosen by the Registrant to become a director or executive officer.

#### **Brian Gordon, President**

Mr. Gordon graduated from the University of California, Santa Barbara and has spent the past 16 years working on the agency side with major corporations including American Express, General Motors, ESPN and Diageo. Mr. Gordon developed an expertise in the spirits space beginning with his work on Diageo's brands while running the New York office of Bragman Nyman Cafarelli (now Interpublic's PMK/BNC) where the agency was an Agency of Record for many of Diageo's brands. Over the years Mr. Gordon has developed programs for brands owned by many of the other major spirits companies including Pernod Ricard, Moet Hennessey and Remy Cointreau.

Mr. Gordon began working with Dale and Panache LLC in 2005 overseeing all of the US marketing for 42 Below. Over the past 6 years he managed all marketing and advertising for Panache brands. Currently Mr. Gordon is the President of Panache LLC and directly oversees all brand development, marketing and advertising while managing the day to day business operations including the sales and marketing teams and Panache's outside agency partners.

#### **Agata Podedworny, Vice President of Logistics and Director**

Ms. Podedworny holds an international business and marketing degree from New York University and a JD degree from St John's Law School. She is fluent in Polish and manages all logistics from the vodka supplier and distillery in Poland as well as manages all operations for nationally and internationally based Panache LLC customers. She is currently a director of Panache LLC and brand ambassador and principal for Alchemia Vodka.

#### **Sjoerd de Jong, Vice President of Sales and Director**

Mr. Sjoerd de Jong graduated from the University of Vermont in 1999 with a business degree in Community Development and Applied Economics. After college de Jong pursued a career in professional basketball in Holland for three years. de Jong joined Midnight Oil Company and quickly rose to become

the general manager of all five MOC properties in New York. In 2003 de Jong joined forces with James Dale to become national sales director for 42 Below Vodka out of New Zealand. de Jong was responsible for building the brand's image and sales from an on-premise market and helping bring it to a place where it was a viable brand to acquire (by Bacardi USA).

Currently, Sjoerd de Jong is the national sales director for all of Panache Imports brands (Wodka Vodka, Alchemia vodka and Alibi Bourbon) and a 4.29% share holder in the Company.

## VIII. CORPORATE OFFICES & ADVISORS

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I, Paul Silver, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers.

### About the Analyst:

Mr. Silver joined Wall Street Resources in 2006 as the Director of Research. He has been in the financial services industry since 1995 and began his professional career in auditing with a Big Four accounting firm in New York City. Mr. Silver made the move to Wall Street as a sell-side research analyst for two global investment banks in New York City including Salomon Smith Barney and UBS Paine Webber. At Salomon Smith Barney he was a member of the firm's research team covering REITs that was consistently ranked #1 by Institutional Investor magazine. Most recently, Mr. Silver worked for a private equity firm as its Chief Investment Strategist. Mr. Silver is a graduate of the College of William and Mary in Virginia with a BA in liberal arts and New York University's Stern Business School with an MBA in International Finance and Accounting.

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