



PUBLIC STATEMENT
FROM THE BALCONES DISTILLING BOARD OF MANAGERS

The Balcones Board of Managers is pleased to give you an update on business developments and clarify the ownership of the company.

We're operating at full capacity at Balcones, and our team is more energized than ever about the growth plans for the business. Jared Himstedt, Distillery Manager, who's been responsible for production since day one, is still producing and releasing the same whisky our customers have come to love. This week Balcones closed on a \$15 million deal to fund the construction and provide operating capital for an expanded distillery. The Company offered all of the current owners the opportunity to participate in the investment on a pro rata basis. This important funding commitment comes entirely from the owners who elected to participate.

"The Craft Distilling process at Balcones has always required a deep, cohesive and talented team. The recent investment to build a new facility validates our commitment to the quality and pioneering spirit of the Balcones organization." said board member and long-time investor, Michael Rockafellow.

ICC, a St. Louis-based engineering firm well-known in the spirits and beverage industry, has designed and will build Balcones' expanded distillery in the historic Texas Fireproof Storage building where we currently warehouse our barrels. ICC's design respects the history of the building while incorporating the best-of-the-best in distilling from around the world. Construction will begin after the first of the year, and we expect production by October 2015. Current production will not be impacted by the construction. The distillery is designed to be implemented in phases as Balcones grows and expands its product line. The Forsyths stills are being custom fabricated and will be shipped from Scotland to the Port of Houston, then overland to Waco after the beginning of the New Year.

Investors have been an important part of the leadership, success and growth of Balcones Distilling since 2008. On August 31, 2010, Stephen Germer and Michael Rockafellow jointly acquired 67% of the units in Balcones Distilling. In February of 2013, PE Investors II, LLC was presented with a buy-out opportunity and business plan for expanding the company. As a result, PE II and Texas native Michael Rockafellow own 73% of the company.

Balcones is governed by a five-member Board of Managers with the responsibility for making all business decisions for the company. Day-to-day operations are managed by COO Keith Bellinger, a highly regarded, long-time veteran in the spirits industry, and Jared Himstedt, Distillery Manager.

Balcones will not comment on the dispute with one of its management team members outside of the legal process.