



*A Message from Michael Rockafellow, Owner and Director, Balcones Distilling
October 20, 2014*

All of us at Balcones Distilling understand and appreciate the interest in the recent litigation activity; however, we believe that it is not appropriate or fair at the current time to discuss the pending case beyond referring to details that are readily available in public filings and court rulings. After Judge Myers held Chip in contempt of court for violating the Court's TRO, we agreed to pursue mediation as a next step in the process. At the same time, we also agreed to narrow some of the TRO restrictions imposed on Chip in return for his agreement to abide by some other restrictions as part of an attempt to move forward.

Putting aside the litigation, the Balcones team would like its fans and supporters to know that it is operating at full capacity and proceeding with expansion plans to increase production of our popular spirits. Current production and blending continues to be managed and supervised by Jared Himstedt, long term Distillery Manager for Balcones. A recent Brimstone blend won Best in Class and a Gold Medal in the Innovative Whisky category at the Whiskies of the World competition, with Texas Single Malt winning a Silver medal for USA Malt whiskies, and Balcones' newest expression, FR.OAK, our Texas Single Malt finished in French oak casks, earning a Silver medal as well. Jared has been a part of building this company, constructing equipment, designing products and blending from the beginning, and is garnering well deserved recognition and respect for his contributions to our ongoing success.

As the largest owner, an early investor, and the sole lender to Balcones until 16 months ago, it's immensely satisfying for me to watch Balcones' success exceed our original aspirations. I remain active in the management of the business and want all our fans to know that we have a great team who are committed to the Company's vision and enjoying renewed enthusiasm for working in a safe, collaborative and supportive culture.

The entire team is excited about the future. We're producing the whiskies our fans have come to expect, and we look forward to creating great new expressions.