

1. Executive Summary

Small batch investing is a relatively new niche in the ever-growing popular bourbon whiskey sector. Similar to the fractional ownership of Thoroughbred racehorse syndications, which have gained popularity over the recent years, fractional investing in bourbon whiskey allows the small investor interested in Kentucky's other signature industry to own bourbon whiskey shares in certain volumes of product beginning at the maturation stage. Investors are grouped in blocs, and assigned to specific volumes of the bourbon whiskey which has been recently produced and ready to begin its long slumber. The product is either sold on the open market to help fill other large batch production quotas from distillers, or bottled to become its own unique edition. Investor blocs choose which of the paths for each of the specific quantities.

2. Introduction

Kentucky has long been known as the bourbon whiskey capital of the world. In the spirit of that tradition, BourbonStartup.com was created to expand the access to more parts of this fascinating business to more regular folks who not only enjoy delicious bourbon whiskey, but want to take a more active role in its production and promotion. The most accessible way is through fractional ownership of specific volumes of bourbon whiskey immediately following its distillation process, and seeing it through to the retail purchase and/or consumption phase.

3. Small Batch Investing

Fractional ownership consists of a specific volume of newly distilled and soon to be bourbon whiskey, identified and divided into shares which are owned by individual investors. The bourbon whiskey must be aged for a minimum duration of at least two years, during which time the value of the product increases. Specific volumes are owned by investor blocs, who decide among themselves how long to age the product, and whether to sell the product in bulk at the end of the maturation process or bottle it under their own brand.

4. Location and Facilities

BourbonStartup.com only deals with reputable, well-established Kentucky distillers for the purchase of the initial bulk product and barreling. Our aging process takes place in the true small batch style with small rickhouses located in Kentucky.

5. Investment Opportunity

The value of matured distilled spirits, such as aged whiskey or other aged spirits, can indeed increase over time due to various factors. Here are some reasons why the market value of matured distilled spirits might increase:

Aging Process: Distilled spirits often mature in wooden barrels, gaining complexity, flavors, and characteristics from the aging process. The longer the aging period, the more desirable the spirit might become to collectors and enthusiasts.

Limited Supply: Some premium or rare spirits are produced in limited quantities, making them more valuable to collectors and investors. Limited supply and high demand can drive up market prices.

Brand Reputation: Established and well-regarded brands with a history of producing high-quality spirits can command higher prices. Reputation and brand recognition contribute significantly to the market value of the Bourbon brand.

Collector's Items: Certain bottles become sought-after collector's items, either due to their rarity, unique packaging, or historical significance. Collectors may be willing to pay a premium for these unique bottles.

Awards and Recognition: Spirits that have won awards or received high ratings from experts may see an increase in value. Positive reviews and accolades can boost the perceived quality and desirability of a particular spirit.

Market Trends: Consumer preferences and trends can also influence the market value of distilled spirits. For example, if there's a growing interest in premium or craft spirits, the value of well-aged and unique offerings may rise.

It's important to note that the market for spirits, like any other market, can be subject to fluctuations, and not all spirits will necessarily increase in value. Additionally, the value of a particular bottle may depend on factors such as its condition, packaging, and overall rarity.

If you are considering purchasing matured distilled spirits as an investment, it's crucial to do thorough research and, if possible, consult with experts in the industry. Keep in mind that the value of spirits can be influenced by various factors and may not always follow a predictable pattern.

6. Financial Information

Collaborative Investment or Business Venture for the purpose of manufacturing Whiskey:

Multiple individuals or entities come together to invest in or engage in a joint business venture with a focus on whiskey (Kentucky bourbon) manufacturing.

Financial Escrow Arrangement:

Before any agreed-upon group expenditures take place, a financial escrow arrangement is set up. This means that funds contributed by the involved parties are held in escrow by a neutral third party until certain conditions are met.

Prior to Agreed-Upon Group Expenditures:

The use of an escrow account ensures that funds are secure and not released until specific conditions, likely related to the bourbon manufacturing process or the business venture's milestones, are fulfilled. This helps provide a level of security and trust among the collaborators.

In practical terms, this setup could involve the following steps:

Agreement: All parties agree on the terms of the investment, business venture, and the conditions under which funds in the escrow account will be released.

Escrow Setup: A third-party escrow service is engaged to hold the funds. This entity ensures that the conditions specified in the agreement are met before releasing the funds.

Bourbon Manufacturing Process: The funds are released from the escrow account as agreed upon, likely to cover group expenditures related to the bourbon manufacturing process. This could include raw materials, production equipment, facility costs, etc.

It is Lagom LLC's intention to mitigate risks and ensure that funds are allocated appropriately, fostering a collaborative and trustworthy environment among the participants in the venture and ensure financial commitments are met before proceeding with expenditures.

7. Risks and Mitigations

Risks associated with bourbon production:

Regulatory Compliance:

The bourbon industry is subject to various regulations and standards, including those related to production methods, labeling, and distribution. Non-compliance with these regulations can lead to legal issues, fines, and reputational damage.

Supply Chain Risks:

Bourbon production relies on a complex supply chain involving grains, water, barrels, and other raw materials. Disruptions in the supply chain, such as shortages or quality issues with key ingredients, can impact production.

Quality Control:

Maintaining consistent quality is crucial in the bourbon industry. Variations in the production process, fermentation, distillation, or aging can lead to variations in taste and quality. Consistency is vital for building and maintaining a brand.

Market Demand and Competition:

The demand for bourbon can be influenced by various factors, including consumer trends, economic conditions, and changes in preferences. Intense competition in the spirits industry also poses a risk, especially for new entrants or smaller producers.

Barrel Aging Risks:

Bourbon must be aged in new charred oak barrels for a specified period. Factors such as barrel leakage, temperature fluctuations, or contamination can affect the aging process and the final product's flavor profile.

Natural Disasters:

Distilleries and warehouses can be vulnerable to natural disasters such as floods, fires, or earthquakes. These events can lead to property damage, loss of inventory, and operational disruptions.

Brand Reputation:

Bourbon brands are highly dependent on their reputation. Negative publicity, product recalls, or quality issues can harm a brand's image and impact consumer trust.

Environmental and Sustainability Concerns:

Increasingly, consumers and regulators are focusing on environmental sustainability. Distilleries need to consider sustainable practices to mitigate environmental risks and meet evolving consumer expectations.

Global Economic Factors:

Economic conditions can impact consumer spending habits. Economic downturns or currency fluctuations can affect production costs and market demand.

Cybersecurity:

As with any industry, bourbon production is susceptible to cybersecurity threats. This includes the risk of data breaches, intellectual property theft, and disruption of production processes through cyber-attacks.

Mitigating these risks involves implementing robust quality control measures, adhering to regulations, maintaining a flexible and resilient supply chain, investing in cybersecurity, and staying attuned to market trends and consumer preferences. Regular risk assessments and contingency planning are crucial for the long-term success of bourbon production operations.

8. Regulatory Compliance

Key aspects of the legal and regulatory landscape for bourbon distillation in the United States:

Federal Regulations:

Tax and Trade Bureau (TTB):

The Alcohol and Tobacco Tax and Trade Bureau, part of the U.S. Department of the Treasury, regulates the production, distribution, and taxation of alcoholic beverages at the federal level.

Standards of Identity:

Bourbon must meet specific standards of identity defined by the TTB. These include requirements such as being made from a mash bill that is at least 51% corn, distilled to no more than 160 proof, and aged in new charred oak barrels.

Labeling and Advertising:

Bourbon labels must comply with TTB regulations regarding information such as alcohol content, origin, and health warnings. False or misleading advertising is strictly prohibited.

Distillation Proof:

Bourbon must be distilled to not more than 160 proof and entered into the barrel for aging at no more than 125 proof.

Compliance Measures:

Permitting and Licensing:

Distilleries must obtain the necessary federal permits from the TTB before commencing operations. State-level permits are also required, and requirements can vary.

Record-Keeping:

Detailed records of production, distillation, and aging processes must be maintained. This includes records of ingredients, distillation proofs, barrel entry proofs, and more.

Standards of Identity Compliance:

Distillers must ensure that their bourbon meets the specific criteria outlined in the Standards of Identity for Distilled Spirits.

Label Approval:

Labels for bourbon bottles must be submitted to the TTB for approval. This includes ensuring that the label provides accurate and non-misleading information.

Tax Compliance:

Distillers must comply with federal excise tax regulations on distilled spirits. This includes paying the appropriate taxes on the production and distribution of bourbon.

Health and Safety Regulations:

Compliance with health and safety regulations is essential. This includes adherence to guidelines on hygiene, sanitation, and workplace safety.

Environmental Regulations:

Distilleries are subject to various environmental regulations. This includes waste disposal, water usage, and emissions control measures.

State-Specific Regulations:

Distillers must be aware of and comply with state-specific regulations, which can vary widely. This includes state-level licensing, distribution, and sales regulations.

Quality Control:

Implementing quality control measures is crucial to ensuring that the bourbon produced meets the required standards consistently.

Community Engagement:

In some areas, community engagement and local zoning laws may play a role in the establishment and operation of distilleries.

Distillers typically work closely with legal and compliance experts to navigate this complex regulatory landscape and ensure that all requirements are met. Continuous monitoring of regulatory changes is also essential to stay up-to-date with any amendments or new requirements in the industry.

9. Management Team

Lagom LLC, dba BourbonStartup.com .

The qualifications of a bourbon distilling management team can significantly impact the success and quality of the distillery's operations. Here are key qualifications and skills that Lagom LLC highlights as necessary for successful production and marketing:

Distillation Expertise:

Master Distiller or Head Distiller: Lagom LLC contracts with a qualified individual with extensive experience and expertise in distillation processes, including mash bill creation, fermentation, distillation, and barrel aging.

Industry Knowledge:

Experience in the Spirits Industry: Lagom LLC seeks out and works with those who have a thorough knowledge of the spirits industry, including trends, consumer preferences, and competitive landscape.

Regulatory Compliance:

Legal and Regulatory Understanding: Lagom LLC's staff have a familiarity with federal and state regulations governing the production, labeling, and distribution of alcoholic beverages.

Quality Control:

Quality Assurance and Control: Lagom LLC understands the importance of investing in the skills involved in maintaining and ensuring the quality and consistency of bourbon production, including sensory evaluation and quality testing.

Operational Management:

Operational Leadership: Lagom LLC maintains an active awareness of the need for qualified individuals to manage day-to-day distillery operations, oversee production schedules, and coordinate with other departments.

Supply Chain Management:

Supply Chain Expertise: Lagom LLC consults with leaders in the industry in an attempt to best understand supply chain dynamics, including sourcing raw materials, managing inventory, and ensuring a reliable supply of key ingredients.

Innovation and Creativity:

Product Development Skills: Lagom LLC will execute an ability to innovate and create new bourbon expressions or variations to meet market demands while respecting traditional bourbon-making principles.

Business Acumen:

Business Management Skills: Lagom LLC, when necessary will call upon those with the knowledge of financial management, budgeting, and business strategy to ensure the distillery's economic viability.

Marketing and Brand Management: The Lagom LLC team's experience and understanding of modern marketing principles to promote the distilled products, build brand awareness, and engage with consumers.

Effective Communication: Clear communication skills to convey the brand story, interact with team members, and represent the distillery to the public, media, and stakeholders.

Team Building:

Team Leadership: Lagom LLC understand the need for a strong ability to build and lead a cohesive team, fostering a positive and collaborative work environment.

Environmental Stewardship: Lagom LLC has a long held understanding of and commitment to sustainable and environmentally responsible practices in bourbon production.

Community Relations: Lagom LLC will seek to engage with the local community, fostering positive relationships and potentially contributing to the distillery's positive impact on the region.

Problem-Solving Skills:

Adaptability and Problem-Solving: Lagom's LLC's capacity to adapt to changing circumstances and solve problems that may arise during the production process.

Lagom LLC's well-rounded management team with a combination of these qualifications can contribute to the success, reputation, and sustainability of a bourbon distillery. The expertise of Lagom LLC's team members covers the entire spectrum of distillery operations, from the technical aspects of distillation to the broader business and marketing considerations.

10. Distribution and Marketing

Developing effective distribution and marketing plans is crucial for successfully bringing bourbon products to market. Below are key considerations for both distribution and marketing, along with insights into target markets and pricing strategies:

Distribution Plans and Market Entry Strategy:

Determine whether the focus is on local, regional, national, or international markets. Decide on an entry strategy, such as starting locally before expanding.

Distribution Channels:

Identify distribution channels, including liquor stores, bars, restaurants, and online platforms. Consider building relationships with distributors to reach a wider audience.

On-Premise vs. Off-Premise:

Decide on the balance between on-premise (bars and restaurants) and off-premise (liquor stores) distribution based on the target market and consumer behavior.

Branding in Retail:

Develop eye-catching and informative packaging to stand out on the shelves. Consider point-of-sale marketing materials to educate consumers about the brand.

E-commerce Strategy:

If legally permissible, explore online sales and direct-to-consumer shipping options. Invest in an appealing and user-friendly website for online sales.

Marketing Plans:

Brand Identity:

Develop a strong brand identity, including a distinctive logo, packaging, and overall brand aesthetic that resonates with the target market.

Storytelling:

Craft a compelling brand story that communicates the heritage, craftsmanship, and unique aspects of the bourbon. Storytelling can enhance the brand's connection with consumers.

Digital Marketing:

Leverage digital platforms for marketing, including social media, email campaigns, and online advertising. Engage with consumers through storytelling, behind-the-scenes content, and interactive campaigns.

Event Marketing:

Plan and participate in events such as tastings, festivals, and collaborations. These activities can build brand awareness and allow consumers to experience the product firsthand.

Partnerships and Collaborations:

Consider collaborations with other brands or influencers to expand reach and appeal to new audiences.

Consumer Education:

Educate consumers about bourbon production, the brand's unique selling points, and how to appreciate and enjoy the product. This can be done through online content, tastings, and educational events.

Community Engagement:

Engage with the local community through sponsorships, partnerships, or participation in community events. Building a strong local presence can enhance brand loyalty.

Target Market and Pricing Strategy:

Target Demographics:

Define the target demographic, including age, income level, and lifestyle preferences. Identify the characteristics of the ideal consumer for the brand.

Positioning:

Position the bourbon in the market by emphasizing its unique qualities. Determine whether it will be positioned as a premium product, a craft offering, or positioned for a specific lifestyle.

Competitive Analysis:

Conduct a thorough analysis of competitors in the bourbon market. Determine the unique value proposition and differentiators that will make the brand stand out.

Pricing Strategy:

Set a pricing strategy based on production costs, positioning in the market, and perceived value. Consider introductory pricing or promotions to attract initial customers.

Promotions and Discounts:

Plan periodic promotions, discounts, or limited-time offerings to stimulate sales and create a sense of urgency among consumers.

Adaptability:

Remain adaptable and open to adjusting marketing and pricing strategies based on market feedback, consumer preferences, and changes in the competitive landscape.

By carefully planning distribution, creating a compelling marketing strategy, identifying the target market, and implementing a thoughtful pricing strategy, a bourbon brand can establish a strong presence in the market and connect with consumers effectively.

11. Terms of Participation

Clear terms for how investors can benefit from the syndicate's success.

Any profit-sharing arrangements.

12. Fees and Expenses

The details of management fees or expenses associated with participation in a bourbon manufacturing shared syndicate can vary based on the specific structure and agreements established among the participants. Shared syndicates involve a group of investors coming together for a common purpose, participating in the management of a bourbon manufacturing venture.

Lagom LLC outlines these aspects regarding management fees and expenses in a bourbon manufacturing shared syndicate:

The terms related to management fees and expenses will be outlined in the operating agreement (for an LLC) or partnership agreement. The operating agreement governs the rights, responsibilities, and financial arrangements among syndicate members.

Management Fees:

Management fees may be charged to compensate individuals or entities responsible for overseeing and managing the day-to-day operations of the bourbon manufacturing venture outlined in the operating agreement.

Expense Allocation:

Expenses related to the bourbon manufacturing process, facility operation, marketing, distribution, and other operational costs may be incurred. The agreement will specify how these expenses are allocated among syndicate members.

Profit-Sharing Structure:

The syndicate agreement shall outline how profits generated from bourbon manufacturing will be distributed among participants. This may include a distribution waterfall, where certain expenses are deducted before profits are shared.

Transparent Communication:

Transparent communication is crucial in a shared syndicate. The management team or individuals responsible for overseeing operations shall provide regular updates on financial performance, expenses, and any deviations from the initial plans.

Exit Strategies and Liquidation:

The agreement shall address exit strategies and procedures for liquidation or dissolution of the syndicate. This includes how remaining assets or proceeds will be distributed among participants.

Legal and Regulatory Compliance:

The syndicate must comply with legal and regulatory requirements related to the production and distribution of alcoholic beverages. Compliance costs are part of the overall expenses.

It's important for participants in a bourbon manufacturing shared syndicate to thoroughly review and understand the terms outlined in the operating or partnership agreement before committing to the venture. Legal counsel with experience in both business partnerships and the spirits industry can provide valuable guidance in structuring equitable and transparent arrangements for management fees and expenses.

13. Exit Strategy

Exiting or liquidating investments in a bourbon manufacturing shared syndicate involves specific considerations and may be influenced by the terms outlined in the syndicate agreement. Here are key aspects to consider regarding exit strategies and potential returns for investors:

Exit Strategies and Buyout Agreements:

The syndicate agreement should outline mechanisms for buyouts, allowing one or more participants to buy out the interests of others. Buyout agreements could be triggered by specific events, such as a participant's desire to exit the syndicate.

Sale of Assets:

The syndicate may decide to sell the assets of the bourbon manufacturing venture. The agreement should specify the process for selling assets, distribution of proceeds, and any conditions for approval by syndicate members.

Initial Public Offering (IPO):

In rare cases, the syndicate may consider taking the bourbon manufacturing venture public through an IPO. This would involve listing shares on a stock exchange, providing an opportunity for investors to sell their shares.

Dissolution and Liquidation:

If the syndicate decides to dissolve the venture, a plan for liquidation should be in place. This involves selling assets, settling liabilities, and distributing remaining proceeds among participants.

Potential Returns for Investors:

Profit Distributions:

Investors may receive returns through regular profit distributions, as outlined in the syndicate agreement. The agreement should specify how profits generated by the bourbon manufacturing venture are distributed among participants.

Appreciation of Investment:

If the value of the bourbon manufacturing venture increases over time, investors may realize returns upon exit by selling their interests at a higher valuation than their initial investment.

Buyout Premiums:

In a buyout scenario, the participant exiting the syndicate may negotiate a premium on the value of their interest, providing additional returns.

Asset Sale Proceeds:

If the venture sells its assets, investors may receive returns based on their pro-rata share of the proceeds after settling liabilities and expenses.

IPO Returns:

If the bourbon manufacturing venture goes public through an IPO, investors could potentially sell their shares on the public market, realizing returns based on market demand and share prices.

Preferred Returns:

Some syndicate agreements may include provisions for preferred returns, ensuring that certain participants receive a specified return on their investment before others.

Tax Considerations:

Investors should be aware of the tax implications associated with exit strategies. Depending on the structure of the investment and the jurisdiction, capital gains taxes may apply.

It's crucial for participants in a bourbon manufacturing shared syndicate to thoroughly review the exit provisions outlined in the syndicate agreement and seek legal and financial advice to understand the potential returns and implications associated with each exit strategy. Clear communication among syndicate members and adherence to the agreed-upon processes are essential for a smooth exit or liquidation process.

14. Appendices

No appendices at this time.

15. Contact Information

Please address all inquiries at Contact Us page on website <https://bourbonstartup.com/>