

2020.09.09 Why I Invested 2XL Swagger

Hall T Martin: [00:08:13] Hello, guys, this is Hall Martin with TEN Capital. I'm the founder of TEN Capital where we help startups and investors connect for funding. Today's webinar is what we call, "Why I Invested", in which investors in a startup join us to tell us why they invested in that startup. Today, we have from the startup team, Robert Tushinsky of 2XL Swagger Brands, and Robert Guglielmi, CFO, who is going to be with us today as well. And then, on the investor side we have David Cadis, the lead investor, and Eric Reininger, who is one of the lead investors as well. So, maybe, Robert, you can introduce yourself and tell us a little bit about 2XL Swagger.

Robert Tushinsky: [00:09:01] Sure. Thanks Hall. As Hall mentioned, my name is Robert Tushinsky, I'm the founder and CEO of 2XL Swagger Brands. Our trailblazing spirits are the first all-natural, low-calorie, aphrodisiac liqueurs infused with natural libido-boosting herbs. PinkKitty is a seductive blend of ultra-premium vodka and pomegranate, mingling with peach and an exotic blend of herbs specifically formulated for women. And EasyRhino is equally a seductive blend of ultra-premium vodka with vanilla, mingling with cinnamon and blood orange in an exotic blend of herbs specifically formulated for men. They have been awarded high scores by the prestigious Tasting Panel Magazine in October 2018, an 89 and 90. Since bootstrapping the brand in the Fall of 2016, here in Austin, Texas, we've successfully - with Eric and David on board - raised approximately three-quarters of a million dollars. We focused our test market proof of concept per se in the Boston area, because I reside here in Austin. I personally have picked up over 100 accounts in the on and off premise. On premise is bars, restaurants, hotels, and off premises are the liquor stores. Unfortunately, since COVID, we lost a couple of accounts, but just recently, Austin is getting ready to open back up and I've been able to visit and communicate with at least 50% of our customers and they have already, and/or have committed to pull our brands back in, so that's good news. COVID has changed the way this industry is trying to figure itself out, just like everyone else, and we're finding that online and direct consumer has been a big boon for our industry and helping us as well. We have a retail partner out in California who's been moving roughly about five cases a month just on internet sales, with very little to little or no advertising. We feel that we are positioned for exponential growth in 2021.

We have distribution in place, product in warehouses in Florida and Southern California, and are ready to step these brands out in a more national scale. Our goal is to introduce what we've successfully done here in Austin to the California, Nevada, Florida, New York, New Jersey markets in 2021.

Hall T Martin: [00:12:37] Great. Thanks for that. Appreciate that. Let's start with David Cadis. David, tell us about your background as an investor. What do you invest in and what do you look for in a startup?

David Cadis: [00:12:49] As a UCLA graduate out of school, I moved into a manufacturing business, and I'm really well versed in running corporate companies. The reason why I invested in this business and some of the investments that I've done in the past, right now I own a company in Hawaii, we supply the people with material, raw materials _____. So, I've been managing several people and been doing rather well even through the COVID times. The reason why I joined with Robert is, we've had several businesses in the past that have been successful. He's a personal friend I've known since I was 16 years old. I trust him like a brother, and one of the reasons why I did invest, I told my wife about the product that Robert had invented - actually, his father invented it - and I flew out to Texas about four and a half years ago and I wanted to see if the product worked. I felt that if the product actually did work and increased libido, I would invest. So, what I did is I flew up there, Robert took me to the first bar they mixed up a drink, and we went to the second bar to mix up a drink, and after we just got to the third bar, let's just say I got "semi" and I called my wife up and said, "We're in". And from that day on, I believed in the product because the aphrodisiac herbs infused in the vodka that we use [00:14:21]_____is [00:14:21] the first to the market. There's nothing else on the market like it that actually increases libido while you're drinking alcohol. So, that was the reason why I invested in it. I believed in it from day one when I tried it, the flavors were delicious. Robert spent his due diligence with a mixologist and making sure the ingredients were matching and the reason why he broke them apart rather than having one drink, is because there's certain herbs that affect women differently than men. That's why he came out with the two different drinks, EasyRhino and PinkKitty. My biggest challenge with this product is in raising the money for the demand we've created. We've created such a demand for this product, we've had to stop selling only in Texas. We'd get fired up in other States like Robert mentioned, but we can't oversell the product and not provide the distributors that we put

in place now, because the demand is so great that we need to be able to produce the product in order to service their needs, and that's why we had to stop promoting and servicing only the accounts that we have. And we are in the process of producing our new bottles and producing the volume and demand that we need to be able to supply not only the U.S., but the international markets have taken great interest to us. I don't know if Robert told you, but we do have a Germany distributor and a South African distributor that have been extremely excited. They pay us 100% upfront for the products so we don't have to be out of pocket. But right now our biggest challenge is raising the money to produce the product, to service the demand that we've started to create.

Hall T Martin: [00:16:11] Great. And Eric, can you tell us a bit about your background as an investor and what you look for in deals and what do you think about this group?

Eric Reininger: [00:16:18] Sure. My background primarily, I'm an entrepreneur in the insurance field and I have stock investments, and real estate has been another area that I've dabbled in. But, through a mutual friend that Robert and I had, I heard about this concept and I thought, wow, that's pretty interesting. And so, that mutual friend that we had connected Robert and I, and so we met for lunch, and, you know, I just listened to the story which was very intriguing, and, you know, I said, I mean, I was literally the first person to invest with him. And so, I said, well, "Take me out to see some of your accounts", and let's - you know, because I'm in the insurance business with a sales background, I just kind of wanted to see how the customers were responding to the product. And, you know, basically in uniformity - it's really odd, and Robert didn't know I was going to ask him to do that so he had no time to prep - but in uniformity, it seemed like every single person that we sat down and talked with would say, "Gosh, I wish I would have thought of that". And I can't count the amount of times in my life that I've seen things and said, "Boy, I wish I would have thought of that, and/or invested in that in a timely fashion." So, from there, our experience furthered and we did, you know, I did a little more due diligence with him and decided that the uniqueness of the product and the fact that I have a friend from college that is in the business and has been very successful with the brand, who I picked his brain on it as well, and that pretty much put me in the position to invest in the company.

Hall T Martin: [00:18:22] Great, thank you for that. And David, you've worked with the team for a while now. What do you like about the team and what do you think the challenges are for the team coming up?

David Cadis: [00:18:32] Well, we have an extremely dedicated team. Robert is extremely passionate about the product. We have a wonderful story behind it. Robert's father actually created it back in, I think it was the '70s I believe, right Robert? But, I am extremely excited to be involved with it. We work on it every day. We try different ventures to raise capital because the liquor industry really needs a lot of capital in order to be successful. We've shied away from dealing with A or B-list entertainment people that may want to take over the business and run it the way they want. We really have marketed and positioned ourselves with experience we've learned from others and we know how to present it to the five states that we're after, that we are licensed to sell it in now. We have to pay the brand ambassadors, the ones that are going to follow the distributors around. As soon as we came out with our product, RNDC picked us up, which is the second-largest distributor in Colorado. They just wanted us to put together a \$30,000 a month marketing budget to wrap their trucks and cars and do promotions ____ and at that time, we weren't just ready to do that just yet. But we do have the contacts and we know the direction we're going in. We have already moved forward with our mini bottles, which everyone asked for the mini bottles so they can mix our product with whatever drinks they like to drink. We've already produced the mini bottle, and, like I said, our biggest task right now is to raise the money to produce the product, to supply the demand that we've created.

Hall T Martin: [00:20:17] Great. And Eric, on your side, what's your experience with the team and what do you think the challenges are with that coming up?

Eric Reininger: [00:20:26] Well, my experience, as I said, you know, I've been with Robert quite some time and I think that looking back on it all, the interesting thing that I take from the experience so far is that Austin is one heck of a trial ground for launching an alcoholic beverage. As you well know, there's many, many brands: Deep Eddy, Tito's vodka. There's a lot of brands that initiated and were developed in Austin, therefore making Austin an extremely competitive environment and a wonderful testing ground to prove your concept and to see if you have something that is going to work with Austin's music scene and bar scene and so forth, and being involved and watching Robert and

our team basically saturate Austin, a very difficult place to saturate, is what I think is super exciting because Austin is just so, so competitive and I've seen it, I've been on many calls. My duties with the team is basically anything and everything. I sit on the board and I do a lot of brainstorming with Robert and David and contribute from a business standpoint and brainstorming standpoint, pretty much.

Hall T Martin: [00:22:06] Great. Appreciate that. And so, David, you talked about, you know, it's a great product, it's a great team, but beyond that, why do you think this company will be successful? And aside from fundraising, what challenges do you think the company will need to overcome in the next few years?

David Cadis: [00:22:22] Well, you know, I feel that this company is going to be extremely successful because living here in Hawaii and selling stone and granite, I can only address the million people here in Hawaii, I'm limited to the amount of people I could tell. Our products have been proven and been accepted worldwide, and we've talked to one of our investors who has a family that supplies molasses to all of India for all their alcohol beverages. We can be successful and have a very successful company in any city, in any country. I mean, if we could be successful in Italy, Germany, I mean, so there's a lot of avenues for us to go after when we have some funding to produce the product; we don't have to only count on one State, one city. It's well recognized everyone drinks vodka, everyone's drinking more now in a recession or a COVID situation. Our products can be mixed with any other mix, it could be put into anything. We have a lot of ideas that we've discussed, but we really want to focus on the main products we have right now and get those promoted and produced. And _____ few of the other wonderful ideas we have to go along with this company. So, our market is huge worldwide, and it won't take very much for us to get out there, even if we just were in Germany, or just in Russia. I mean, they drink a lot of vodka in Russia, we could be a successful company just in Russia and not even be successful in the U.S.A. and be very happy people. So, the clientele that we can go after is huge. Once we have the product produced, we have some money behind us to fill the bottles that we already ordered and keep them being filled. We have a distillery that can produce as much as we want and we have a worldwide market we can sell to. So, me as a salesperson and a business owner, it allows me to sell our product to anyone who shows interest and at the price _____ we're at and with the unique product we have, our market is tremendous. So, that's why we feel that we will be successful and our biggest challenge

right now has been to not be taken advantage by someone who is not telling us the truth, they're not saying who they are. We have met a lot of people who claim they're billionaires, they have all the money in the world to do this and all the money to do that. We tried crowdfunding and we realized that we're well beyond the crowdfunding initial startup, we got past that already. We were misled by the company that we signed up with. We had hoped that they would help market it for us and then after we paid them all the money, went through the due diligence of everything, they just said, "OK, well, what are you guys are going to do now?" They didn't tell us about that. So, Robert, myself and Eric have been working quite diligently to try and find the right partner to team up with because we have a wonderful product that's produced that is really so proven in one of the toughest markets like Eric was saying in Austin. They picked our product up in every bar, almost every bar in Austin on the strip. They're forming shots and calling them "Viagra shots", and people just love the concept of our product. One of the things that's very difficult for us to overcome but we've been able to get around it is, we can't make claims in the alcohol industry that it does anything. We can't say it makes you horny, it makes you frisky, you can't say you get a boner when you drink our things. You can't make any claims in the alcohol industry, kind of like the medical industry, you cannot say a product can heal you unless you've gone through double-blind studies and done all the due diligence and paid hundreds of thousands of dollars. So, we have to be very careful when we promote our product. We have to pay influencers to talk about our product and all of this takes money, so, that's one of the things that's been difficult, but the response from people worldwide has been phenomenal and their reactions to our products, they're like Eric said, "Wow, why didn't I think of that?"

Hall T Martin: [00:26:40] Great. And Eric, on your side, what do you think this is going to be successful overall and what do you think the biggest challenge for the company is coming up?

Eric Reininger: [00:26:51] You know, to be really honest with you, I think that with adequate funding the challenge will be - and it's interesting, having watched like I said, I have first-hand knowledge, a very good friend of mine launched a very successful vodka brand, it's doing quite well - and so, having watched what he's gone through and talked with him about his challenges and hurdles and so forth, we have a pretty good understanding of - and through our own trial - we have a pretty good understanding of what we need to do and how we need to move forward. Funding is the big key, as

Robert and David both have said, that you've got to pay to play in this business. You absolutely have to work with distributors - that costs money, you have to pay salespeople - that costs money, all these things that come along with promoting and developing and furthering the brands, it's absolutely a financial gain. You know, we have a plan that has been developed around that premise, basically that, you know, with adequate funding, we're ready to take those correct steps in growing the brand.

Hall T Martin: [00:28:19] Great.

Eric Reininger: [00:28:21] There's two, I should say. Brands.

Hall T Martin: [00:28:23] And David, how are you helping the team and what else should the investors know about the company?

David Cadis: [00:28:30] Every day Robert and I get on the phone and discuss our duties for the day. I've been the acting COO of the company and helping with everything that needs to be, from arranging shipments, dealing with anti-dumping charges and dealing with the international shipments of our product coming out of China. We've also worked on lowering our product and our pricing in order to be competitive in the market. We work with our lawyers in putting together contracts in many things. I mean, we're working on a daily basis. Robert and I, we do work on different time zones, so it's a little bit more difficult to _____ but Robert makes himself always available to us to talk to us at any time. So, we try and tackle the most important things and still deal with some of the things that are in our background. Obviously, producing the product and getting the product to market is my main focus right now. We've raised money to produce the product, which we did from private investors. Our CFO has helped us out quite a bit, putting together the documents we need. We have a wonderful lawyer on board who Robert and I grew up with, his brother, and he's helped with crowdfunding in the past and he's helped us out quite a bit. So, we put together a real strong team that we can rely on each of us to handle certain duties and move forward with. We go back and forth and discuss the pluses and the minuses of everything, but we've even hired people from other companies that have been very successful to guide us in the right way, putting together distributor discount sheets and distributor forms and how we should approach them. So, Robert's traveled to RNDG in Colorado when they set us up, and traveled with their reps and been extremely successful selling the product. I don't foresee our

most difficult part, which most people do, is selling the product to the customers. We have a very high success rate when we go out and meet with bars, restaurants, and they're very receptive and understanding of our product and willing to bring it into the establishment to try it out. But it just comes right back to the funding and getting the money behind us to do the things that we've wanted to do. We've got a lot of free advertising, we've had a lot of nice write ups in the press, we've had wonderful support from a lot of people in the industry that believe in our products, so, we know the direction we need to go in. We've already forecasted spending \$20 million and where we would spend it. We've forecasted spending \$10 million and where we're going to spend it. We've gone through scenarios and scenarios over and over again. It all comes back to having the funding to produce the product fast enough to get to these markets and hire the right people to talk about our product.

Robert Tushinsky: [00:31:33] Well, if you don't mind, I'd like to clarify something. We distill our products in Texas, the only thing that we source from China that David mentioned, is our glass bottles.

Hall T Martin: [00:31:48] OK.

Robert Tushinsky: [00:31:48] I just wanted to clarify that. I didn't want people to think that we were having our spirits produced in China and we were importing our spirits, that is not the case.

Hall T Martin: [00:31:58] Well, great, great. And Eric, what's your role with the company, and what else do you think investors should know about this opportunity?

Eric Reininger: [00:32:09] You know, basically, we're all jack of all trades. We all have different backgrounds, all of which are entrepreneurial-based, so, we all know what it takes as far as making a company be successful, and I think that shows in everyone's passion for what aspects that they do for the company. As I stated before, I tend to help Robert a lot on the business side, and with the brainstorming side and, you know, have done sales calls. So, I mean, we've all done it all. You know, one of the interesting things that I neglected to say earlier is that I think we've all kind of touched on, you know, as far as saturation goes with Austin, but, I'll tell you one thing, I have yet to be on a call - whether it be with myself, with Robert, with David or with all three of us - I have

yet to be on a call when either a bar, restaurant, or liquor store said "No", they wouldn't take it. So, you know, it kind of leads to, you know, leads to what David was saying. We know the demand is there. Our proof of concept is every single place we've ever walked into and Robert may have a couple that he's gone on that it didn't work out, but every single one that I've gone on that I've seen, they're willing to give it a shot. "Why didn't I think of that" is the first thing that comes out of their mouth, and the second thing is, "Sure, we'll bring it on and see how it does". So, you know, I think that's a big testament. Now as far as what other investors would like to know is, first of all, I hope from the interviews and so forth that you've understood the passion that we have for the company, the ins and outs of the opportunity and so forth. But, two things that I think are really, really big. First of all, the company is absolutely 100% debt-free, so investing in a company, that's something I would absolutely look for. And also, every single dollar that we've raised, there is no - if you want to call us "executives" or "managers" or whatever you want to call it, the positions that we have - there have been no "executive" salaries. You know, the only salaries that we've paid is for people to do marketing and/or sales. So, you know, that's something that we're really big believers on, not saying that as the company becomes successful that could change, but in developmental stages, that's a big rule that we've had from the start, that none of us are taking any money out of the company. So, you can be assured that if you decide to invest in the company, that 100% of your investment is going to go towards furthering your investment.

Hall T Martin: [00:35:18] Great to hear. So, in the last few minutes that we have, Robert, maybe you can give us a quick recap on the fundraiser. If you'd like to switch to slides, we can maybe update the investors a little bit about the current opportunity that you have there. Is that possible?

Robert Tushinsky: [00:35:33] Sure. Thank you. As I previously mentioned, we successfully raised three-quarters of a million dollars since launching the brand in the Fall of 2016. The campaign that we're on right now, none of us are savvy in fundraising, this is new to us, so, this has been a challenge for us. So, I don't know what we call this round, a round two or a seed round, but whatever round, we're looking to raise \$2 million, between a minimum of \$1 million to \$5 million. Hall, you and I worked on our forecasts our CFO created for me and we think that we are solid on our numbers and we're ready for exponential growth once we find the right partner or partners to get on board with us.

Hall T Martin: [00:36:55] Well, that's great. Want to thank you guys for joining us today. Are there any other comments before we go ahead and close out this session?

Robert Tushinsky: [00:37:04] Yeah, I'd like to add something. I know that David has mentioned several times about the demand. I'd like to share just a little more detail to that. We know we've got many challenges like any other business, especially a startup business, especially in the highly-competitive world of spirits on a bootstrap budget. We're still in Total Wine, we're still in many liquor stores without having the push-through marketing dollars to promote the spirits as in tastings, and that goes to show that we're still there because we've got an 85% repurchase rate, our customers and audience find us. Case in point, just Monday, I got a call from Don's Liquor Store - who claims to have seven locations in Nevada, primarily in the Reno area - out-of-the-blue call to see if we had any distribution in Nevada because they were, by chance, at a boat party in Lake Tahoe over the weekend for Labor Day, and someone on the boat pulled out a bottle of PinkKitty and was introduced just by chance and wants to be the first to introduce our product into Nevada.

Hall T Martin: [00:38:46] That's great to hear. Word of mouth is very strong on it, sounds like. Well, with that I want to thank David and Eric for joining us today and sharing your thoughts about this deal and what you're doing, appreciate that. And Robert, thank you for coming on today as well to give us the update about the fundraiser. We'll go ahead and finish it at this point. But I want to thank you guys for sharing your thoughts and we'll be back in touch soon.

ALL: [00:39:09] Thank you Hall. Thank you Hall, appreciate it. And thank you. Thank you very much, appreciate it. Thank you. Have a good one.