

LOST SPIRITS DISTILLERY, INC.

2022 Report

Dear investors,

Dear Shareholders,

The reboot from Covid has been long and filled with setbacks. However, we have many exciting things to talk about.

In 2022 we grew revenue to \$9.4 Million from \$2.2 Million in 2021 a whopping 300% growth!

In 2022 we refined our Las Vegas show and turned it into one of the best shows in Vegas according to the annual Thrillist list and we sold over 100,000 tickets!!!

In 2022 we launched a new Séance themed parlor show which has been sold out almost every night for the past few months.

In 2023 we turned the corner on profitability generating a net profit on a monthly basis for the first time since Covid.

Despite those delightful achievements, we also suffered some serious setbacks. Covid and the Las Vegas launch left us with a massive amount of debt to service and we have struggled to stay current with payments. A \$10 Million funding deal to reopen LA fell apart and the new landlord we were planning to work with in LA began defaulting on its own debts and ended negotiations.

What can I say, it this was easy everyone would do it.

We hope you will continue to follow our work and continue to share in our journey.

We need your help!

Sincerely,

Bryan Davis

Co-Founder & CEO - Board Director

Joanne Haruta

Co-founder

Wynn Sanders

COO

Our Mission

Lost Spirits produces a highly successful blend of entertainment company and distillery. The unique mixture of content has captivated the public imagination in a way no distillery operating today has. COVID-19 closed our perpetually sold out LA tours. However, Las Vegas is running and generating millions in revenue. Over the next 5 years we plan to reopen LA, expand Vegas, and grow. Over time, our spirits business might very well grow into a multibillion dollar operation.

[See our full profile](#)



The Good

Lost Spirits Distillery reached positive monthly net profit for the first time since COVID

The company has rapidly gained acclaim for its show in Las Vegas alongside giants such as Cirque Du Soleil and Spiegelworld

The company achieved over 300% year-over-year growth

The Bad

Recovery from COVID & the Vegas launch created a lot of debt

The company lost a \$10 million funding deal to rebuild LA

While the 300% growth rate was good, the Las Vegas launch was more costly than projected

2022 At a Glance

January 1 to December 31

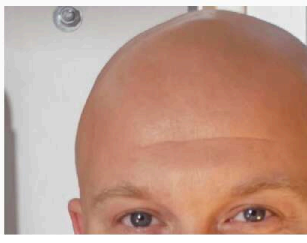

\$9,409,730 +320%
Revenue

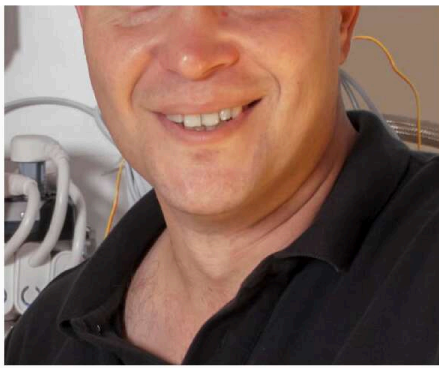

-\$6,652,949
Net Loss


\$5,996,179 +145%
Short Term Debt



From the Lost Spirits Distillery, Inc. Team





Bryan Davis
Co-Founder & CEO - Board Director



Joanne Haruta
Co-Founder & CMO - Board Director



Wynn Sanders
COO - Board Director
Former Lt. Colonel in the United States Air Force and ScD in Materials Science and Engineering, MIT. Published one patent and multiple scientific papers with over 1,600 citations. Serial Investor.



Roshini Jaiswal
Board Director
Chief Restructuring Officer of Jagatjit Industries, a Indian whisky company selling over 60,000,000 bottles annually.



Chester Brandes
Board Director
Chester Brandes is the former President and CEO of Finlandia Vodka as well as the former President and CEO of Imperial Brands (Sobieski Vodka). He is a significant shareholder in Lost Spirits and acts as a consultant to management.



Ron Daignault
Board Director
Ronald M. Daignault is an intellectual property litigator and trial attorney, and serves as co-chair of Goldberg Segalla's Intellectual Property Practice Group.



Stephen Williams
CFO

Details

The Board of Directors

DIRECTOR	OCCUPATION	JOINED
Wynn Sanders	COO @ Lost Spirits Distillery, Inc.	2016
Joanne Haruta	CMO @ Lost Spirits Distillery, Inc.	2010
Ron Daignault	Patent Attorney @ Goldberg Segalla	2015
Rashini Jaiswal	Executive @ Jagatjit Industries	2018
Bryan Davis	CEO @ Lost Spirits Distillery, Inc.	2010

Officers

OFFICER	TITLE	JOINED
Wynn Sanders	COO	2016
Joanne Haruta	CMO	2010
Bryan Davis	CEO	2010

Voting Power [Ⓔ]

No one has over 20% voting power.

Past Equity Fundraises

DATE	AMOUNT	SECURITY	EXEMPTION
11/2017	\$21,500		Other
11/2017	\$5,700		Other
02/2018	\$11,000		Other
02/2018	\$59,000		Other
04/2018	\$39,115		Other
05/2018	\$68,000		Other
06/2018	\$467,500	LLC, Membership Units	Regulation D, Rule 506(b)
09/2018	\$75,000		Other
11/2018	\$606,283	Membership Units	Regulation D, Rule 506(b)
12/2018	\$150,000		Other
02/2019	\$568,257	Membership Unit Purchase	Regulation D, Rule 506(b)
06/2019	\$13,000		Other
08/2019	\$50,000		Other
08/2019	\$50,000		Other
08/2019	\$52,000		Other
10/2019	\$94,372		Other
11/2019	\$150,000		Other
11/2019	\$200,000		Other
01/2020	\$40,000		Other
02/2020	\$150,000		Other
03/2020	\$20,500		Other
03/2020	\$1,069,999		4(a)(6)
03/2020	\$500,000		Other
03/2020	\$24,999	Common Stock	Regulation D, Rule 506(c)
03/2020	\$468,794		506(c)
05/2020	\$184,520		Other
12/2020	\$184,520		Other
04/2021	\$125,000		Regulation D, Rule 506(c)
04/2021	\$250,000		Regulation D, Rule 506(c)
04/2021	\$50,000		Regulation D, Rule 506(c)
04/2021	\$200,000		Regulation D, Rule 506(c)
04/2021	\$125,000		Regulation D, Rule 506(c)
05/2021	\$500,000		Regulation D, Rule 506(c)
05/2021	\$232,000		Regulation D, Rule 506(c)
05/2021	\$10,000		Regulation D, Rule 506(c)
05/2021	\$1174,126		506(c)
07/2021	\$3,000,000		Regulation D, Rule 506(c)
01/2022	\$100,000	Common Stock	Regulation D, Rule 506(c)
03/2022	\$50,000	Common Stock	Regulation D, Rule 506(c)
05/2022	\$2,272,329		4(a)(6)
09/2022	\$50,000		Regulation D, Rule 506(c)
10/2023	\$92,500		Section 4(a)(2)

The use of proceeds is as find general operations.

Convertible Notes Outstanding

ISSUED	AMOUNT	INTEREST	DISCOUNT	VALUATION CAP	MATURITY
04/16/2021	\$125,000 [Ⓔ]	0.12%	0.0%	None	04/16/2021 [Ⓔ]
04/16/2021	\$250,000 [Ⓔ]	0.12%	0.0%	None	04/16/2021 [Ⓔ]
04/22/2021	\$50,000 [Ⓔ]	0.12%	0.0%	None	05/10/2021 [Ⓔ]
04/22/2021	\$200,000 [Ⓔ]	0.12%	0.0%	None	04/22/2021 [Ⓔ]
04/23/2021	\$125,000 [Ⓔ]	0.12%	0.0%	None	04/23/2021 [Ⓔ]
05/01/2021	\$500,000 [Ⓔ]	0.12%	0.0%	None	05/10/2021 [Ⓔ]
05/07/2021	\$232,000 [Ⓔ]	0.13%	0.0%	None	05/07/2021 [Ⓔ]
05/10/2021	\$10,000 [Ⓔ]	0.13%	0.0%	None	05/10/2021 [Ⓔ]
07/15/2021	\$3,000,000 [Ⓔ]	10.0%	0.0%	None	02/28/2025 [Ⓔ]
09/13/2022	\$50,000 [Ⓔ]	10.0%	0.0%	\$0	[Ⓔ]

Outstanding Debts

LENDER	ISSUED	AMOUNT	OUTSTANDING	INTEREST	MATURITY	CURBE
PayPal [Ⓔ]	11/17/2017	\$21,500	\$0 [Ⓔ]	0.0%	08/10/2021	
Square Capital [Ⓔ]	11/20/2017	\$5,700	\$0 [Ⓔ]	0.0%	01/14/2019	
Square Capital [Ⓔ]	02/14/2018	\$11,000	\$0 [Ⓔ]	0.0%	02/14/2019	
PayPal [Ⓔ]	02/14/2018	\$59,000	\$0 [Ⓔ]	0.0%	08/08/2019	
Square Capital [Ⓔ]	04/23/2018	\$39,115	\$0 [Ⓔ]	0.0%	04/23/2019	
PayPal [Ⓔ]	05/28/2018	\$68,000	\$0 [Ⓔ]	0.0%	08/11/2019	
PayPal [Ⓔ]	09/21/2018	\$75,000	\$0 [Ⓔ]	0.0%	05/10/2020	
PayPal [Ⓔ]	12/21/2018	\$150,000	\$0 [Ⓔ]	0.0%	06/19/2020	
Square Capital [Ⓔ]	06/26/2019	\$13,000	\$0 [Ⓔ]	0.0%	06/26/2020	
Joanne Haruta [Ⓔ]	08/05/2019	\$50,000	\$50,000 [Ⓔ]	0.0%	11/01/2020	Yes
Bryan Davis [Ⓔ]	08/05/2019	\$50,000	\$50,000 [Ⓔ]	0.0%	11/01/2020	Yes
Square Capital [Ⓔ]	08/08/2019	\$52,000	\$0 [Ⓔ]	0.0%	08/08/2020	
Square Capital [Ⓔ]	10/09/2019	\$94,372	\$0 [Ⓔ]	0.0%	10/09/2020	Yes
Rapid Finance [Ⓔ]	11/11/2019	\$150,000	\$0 [Ⓔ]	0.0%	05/11/2021	Yes
PayPal Working Capital (MRS) [Ⓔ]	11/20/2019	\$200,000	\$93,059 [Ⓔ]	0.0%	02/05/2024	
Kabbage [Ⓔ]	01/23/2020	\$40,000	\$0 [Ⓔ]	79.0%	02/12/2021	Yes
Cedar Advance LLC [Ⓔ]	02/10/2020	\$150,000	\$0 [Ⓔ]	0.0%	08/24/2020	

PayPal [®]	03/07/2020	\$20,500	\$20,756 [®]	0.0%	03/07/2020	
Federal Government [®]	03/30/2020	\$500,000	\$508,674 [®]	3.75%	03/30/2060	Yes
Federal Government [®]	05/04/2020	\$184,520	\$184,520 [®]	1.0%	05/04/2022	
SBA [®]	12/04/2020	\$184,520	\$184,520 [®]	1.0%	06/04/2021	
Square Capital [®]	10/05/2023	\$92,500	\$107,256 [®]	0.0%	10/05/2023	

Related Party Transactions

Name	Wynn Sanders
Amount Invested	\$417,303
Transaction type	Priced Round
Issued	11/13/2020
Relationship	Board Member

Name	Bryan Davis
Amount Invested	\$50,000
Transaction type	Loan
Issued	08/05/2019
Outstanding principal plus interest	\$0 as of 02/2020
Interest	0.0 per annum
Maturity	11/01/2020
Current with payments	Yes
Relationship	CEO / Board Member
This loan has been repaid.	

Name	Joanne Haruta
Amount Invested	\$50,002
Transaction type	Priced Round
Issued	03/05/2021
Relationship	Co-founder and Board Member
SPV Investment.	

Name	Roshini Jaiswal
Amount Invested	\$50,000
Transaction type	Loan
Issued	01/10/2020
Outstanding principal plus interest	\$0 as of 09/2021
Interest	0.0 per annum
Maturity	09/18/2021
Relationship	Board Member
This loan has been repaid.	

Name	Joanne Haruta
Amount Invested	\$50,000
Transaction type	Loan
Issued	08/05/2019
Outstanding principal plus interest	\$0 as of 02/2020
Interest	0.0 per annum
Maturity	02/01/2020
Current with payments	Yes
Relationship	Co-Founder Board Member
This loan has been repaid.	

Name	John Berry
Amount Invested	\$0
Transaction type	Other
Issued	06/02/2021
Relationship	Company Architect and Board Member

Stock grant issued by the Board of Directors in recognition of the successful completion of a series of architectural projects.

Name	John Berry
Amount Invested	\$0
Transaction type	Other
Issued	03/03/2022
Relationship	Company Architect Prior Board Member

Stock grant issued by the Board of Directors per architectural contract.

Name	Roshini Jaiswal
Amount Invested	\$250,000
Transaction type	Priced Round
Issued	03/07/2019
Relationship	Relative - Karamjit Jaiswal
Investment by Karamjit Jaiswal, immediate relative of Board of Director Roshini Jaiswal	

Name	Roshini Jaiswal
Amount Invested	\$80,000
Transaction type	Priced Round
Issued	03/07/2020
Relationship	Relative - Shakun
Investment	

Name	Roshini Jaiswal
Amount Invested	\$200,001
Transaction type	Priced Round
Issued	03/06/2020
Relationship	Board Member
WeFunder Raise	

Name	Wynn Sanders
Amount Invested	\$200,000
Transaction type	Convertible Note
Issued	04/22/2021
Interest	0.12 per annum
Discount rate	0.0
Maturity	05/10/2021
Converted	Yes
Valuation cap	\$1
Relationship	COO / Board Member
These notes were set to auto convert based upon a set of specific triggers, not a specific date.	

Name	Bryan Davis
Amount Invested	\$49,749

Transaction type Priced Round
Issued 03/19/2021
Relationship CEO / Board Member

Name Wynn Sanders
Amount Invested \$50,020
Transaction type Priced Round
Issued 03/23/2022
Relationship COO / Board Member

41,000 shares purchased at \$1.22 per share for a total of \$50,020.00.

Name Brandersson LLC
Amount Invested \$50,000
Transaction type Convertible Note
Issued 09/13/2022
Interest 10.0 per annum
Discount rate 0.0
Maturity 11/24/2023
Valuation cap None
Relationship Former Board Member Chester Brandes is an owner of Brandersson LLC

This note does not have a maturity date. It is triggered by specified actions.

Name Brandersson, LLC
Amount Invested \$100,000
Transaction type Priced Round
Issued 01/14/2022
Relationship Former Board Member Chester Brandes is an owner of Brandersson LLC

Shares issued 84,967 in exchange for \$100,000 at \$1.22 / share

Capital Structure

CLASS OF SECURITY	SECURITIES (OR AMOUNT) AUTHORIZED	SECURITIES (OR AMOUNT) OUTSTANDING	VOTING RIGHTS
Common	30,000,000	19,792,123	Yes
SECURITIES RESERVED FOR EXERCISE UPON EXERCISE OR CONVERSION			
Warrants:	1,120,417		
Options:	983,361		

Risks

Unlike many offerings on Wefunder, in this offering investors are investing directly in the company (rather than through a "Special Purpose Vehicle") and voting rights are proxy'd to the CEO, rather than a Lead Investor. As such the investment may carry more risk.

The success of our business will depend upon our ability to create brand awareness.

Our industry is already highly competitive, with many well-known brands leading the industry. Our ability to compete effectively and generate revenue will be based upon our ability to create awareness of our products distinct from those of our competitors. Advertising and packaging and labeling of our products will be limited by various regulations.

Our future success depends on the efforts of a small management team. The loss of services of the members of the management team may have an adverse effect on the company. There can be no assurance that we will be successful in attracting and retaining other personnel we require to successfully grow our business.

Our industry is highly competitive.

Our industry is highly competitive and fragmented. We expect competition to intensify in the future. We can make no assurance that we will be able to effectively compete with these other companies or that competitive pressures, including possible downward pressure on the prices we charge for our products, will not arise. In the event that we cannot effectively compete on a continuing basis or competitive pressures arise, such inability to compete or competitive pressures will have a material adverse effect on our business, results of operations and financial condition.

Changes in government regulation, or failure to comply with existing regulations, could adversely affect our business, financial condition and results of operations.

The production, distribution and sale in the United States of many of our products are also currently subject to various federal and state regulations, including, but not limited to: the Federal Food, Drug, and Cosmetic Act, including as amended by the Dietary Supplement Health and Education Act of 1994; the Occupational Safety and Health Act; various environmental statutes; and various other federal, state and local statutes and regulations applicable to the production, transportation, sale, safety, advertising, labeling and ingredients of such products. Outside the United States, the production, distribution and sale of many of our products are also subject to numerous statutes and regulations. If a regulatory authority finds that a current or future product or production run is not in compliance with any of these regulations, we may be fined or face other remedial measures, all of which could adversely affect our business, financial condition and results of operations.

Similarly, the loss or revocation of any existing licenses, permits or approvals, or the failure to timely obtain any additional licenses, permits or approvals when required, could have a material adverse effect on our ability to conduct our business. In addition, if any taxes or fees imposed on our business by applicable regulatory authorities are increased, our profit margins could be negatively affected.

We require additional capital in order to continue our business operations as planned.

We have budgeted the need for additional funding during the next several months to continue our business operations as planned. If we cannot secure additional financing, our business and operations could be significantly impaired by limitations on our access to capital. There can be no assurance that capital from outside sources will be available, or if such financing is available, that it will be on terms that management deems sufficiently favorable. If we are unable to obtain additional financing upon terms that management deems sufficiently favorable, or at all, it would not have a material adverse impact upon our ability to continue our business operations and pursue our expansion strategy. In the event we do not raise additional capital, it is likely that we may need to scale back or curtail implementing our full business plan, putting the company on a longer glideslope to success and leaving itself open to competition with better capital investment.

If we do not maintain sufficient inventory levels and/or if we are unable to deliver our products to our customers in sufficient quantities, and/or if our customers' or retailers' inventory levels are too high, our operating results could be adversely affected.

If we do not accurately anticipate the future demand for a particular product or the time it will take to obtain new inventory, our inventory levels may be inadequate and our results of operations may be negatively impacted. If we fail to meet our shipping schedules, we could damage our relationships with distributors or retailers. Increase our distribution costs or cause sales opportunities to be delayed or lost. In order to be able to deliver our products on a timely basis, we need to maintain adequate inventory levels of the desired products. If the inventory of our products held by our distributors and/or retailers is too high, they will not place orders for additional products, which could unfavorably impact our future sales and adversely affect our operating results.

If we are not able to retain the services of senior management there may be an adverse effect on our operations until we find suitable replacements.

Our business is dependent, to a large extent, upon the services of our senior management. We do not maintain key person life insurance on any members of our senior management. The loss of services of Bryan Davis, Joanne Harruta, Wynn Sanders, or any other key members of our senior management could adversely affect our business until suitable replacements can be found. There may be a limited number of personnel with the requisite skills to serve in these positions and we may be unable to locate or employ such qualified personnel on acceptable terms. If senior management is

not able to spend a sufficient amount of their available time on our operations, any investment in the Company could become worthless.

We anticipate being dependent on a limited number of independent suppliers for our products, which may affect our ability to deliver our products in a timely manner. If we are not able to ensure timely product deliveries, potential distributors and customers may not order our products, and our revenues may decrease.

We will rely entirely on a limited number of third parties to provide supplies for our products. These third party supplies may be unable to satisfy our supply requirements or provide services at competitive costs or offer reliable products. The failure to meet any of these critical needs would delay or reduce product shipment and adversely affect our revenues, as well as jeopardize our relationships with independent distributors and customers. An extended interruption in the supply of our products would result in decreased product sales and our revenues would likely decline.

Adverse publicity associated with our products, or those of similar companies, could adversely affect our sales and revenues.

Adverse publicity concerning any actual or purported failure of our Company to comply with applicable laws and regulations regarding any aspect of our business could have an adverse effect on the public perception of our Company. This, in turn, could negatively affect our ability to obtain financing, endorser and attract distributors or retailers for our products, which would have a material adverse effect on our ability to generate sales and revenues. Our distributors' and customers' perception of the safety and quality of our products or even similar products distributed by others can be significantly influenced by national media attention, publicized scientific research or findings, product liability claims and other publicity concerning our products or similar products distributed by others. Adverse publicity, whether or not accurate, that associates consumption of our products or any similar products with illness or other adverse effects, will likely diminish the public's perception of our products. Claims that any products are ineffective, inappropriately labeled or have inaccurate instructions as to their use, could have a material adverse effect on the market demand for our products, including reducing our sales and revenues.

We may face intellectual property infringement claims and other litigation which would be costly to resolve.

We are not aware that any of our products infringe on the proprietary rights of third parties. However, we cannot assure you that third parties will not assert infringement claims against us in the future with respect to current or future products. There has been substantial litigation in the industry regarding copyright, trademark and other intellectual property rights. Whether brought by or against us, these claims can be time consuming, result in costly litigation and divert management's attention from our day-to-day operations, which can have a material adverse effect on our business, operating results, and financial condition.

The Company's has limited resources and will require additional financings in the future, which may further dilute the ownership of the Company.

The Company intends to seek additional equity or debt investments. If the Company raises additional equity capital or debt capital convertible into equity beyond the Offering described herein, purchasers of Shares offered hereby will experience dilution of ownership in the Company. Debt financing would result in higher interest expense. There can be no assurance that the Company will generate sufficient funds to service its debt. Moreover, there is no assurance that future equity or debt financing will be available on terms acceptable to or in the amounts needed by the Company.

The Directors' and Officers' liability is limited, and the Company will indemnify the Directors and Officers for certain acts.

The directors and officers of the Company are not liable to the Company or the stockholders for any acts performed or failures to act by them in good faith and in the reasonable belief that such act or omission is in or is not contrary to the best interests of the Company and, if applicable, is within the scope of authority granted to them. The directors, the officers, and their affiliates shall be indemnified by the Company to the fullest extent permitted by law. A successful claim for such indemnification could deplete the Company's assets by the amount paid.

This Offering has not undergone any regulatory review.

As noted above, the shares have not, and will not be, registered under the Securities Act or any applicable state securities laws. Therefore, no regulatory authority has reviewed or approved the terms of this offering, including the disclosure of risks and tax consequences, and the fairness of its terms. Prospective investors do not have the protections afforded by applicable federal and state securities laws governing registered offerings and they must judge the adequacy of disclosure and the fairness of the terms of this offering without the benefit of review by any regulatory authority.

The Company is taxed as a "C" corporation.

The Company is taxed as a corporation pursuant to Subchapter C of the Internal Revenue Code. The Company's tax and fiscal year is the calendar year. There may be certain tax consequences of holding shares. Subscribers must rely on their own tax advisors and should obtain the advice of his, her or its own tax advisor concerning the effect of an investment in the Company on his, her or its personal tax situation.

This Offering is being made on a "Best Efforts" basis.

This Offering is made on a "best efforts" only basis. There is no assurance that all of the offered shares, or any particular lesser number, will in fact be sold. Once accepted by the Company, Subscribers will not be permitted to withdraw their subscriptions if less than all of the offered shares are sold. If less than all of the offered shares are sold, there is no assurance that the Company will be able to complete its proposed use of proceeds, nor is there any assurance that the Company will be able to achieve its business plan.

The transferability of the Shares is limited.

Potential investors should recognize the long term nature of their investment in the shares. As purchasers of securities in a private offering not registered under the Securities Act of 1933, as amended ("Securities Act"), investors in the shares are not permitted to sell, transfer, or otherwise dispose of the shares unless the shares are registered or an exemption from registration is available. As a result, the transfer of the shares to third parties is subject to legal restrictions that may impair or prohibit the holder from transferring shares. Any sale, transfer or other disposition of the shares must also comply with relevant state securities laws. Accordingly, purchasers of the shares may be required to hold the shares for an indefinite period of time. The purchase of shares in this Offering will not be suitable for an investor desiring or requiring liquidity. Investors desiring to sell their shares may be unable to do so because no one may be willing to purchase such restricted securities with very limited liquidity.

The shares are subject to the terms of the Stockholder Agreement.

The shares are subject to the terms of a Stockholder Agreement, which provides, among other things, (i) a voting agreement related to certain stockholders rights to designate members to the Company's board of directors (and a corresponding obligation of stockholders to vote in favor of such designated), (ii) a right of first refusal in favor of the Company first and the other stockholders second, should a stockholder desire to transfer any shares, (iii) co-sale rights for certain transfers, (iv) a drag along right should a sale of the company occur, and (v) rights of first offer for certain issuances of new securities in favor of certain stockholders.

The offering price of the shares was arbitrarily determined.

The offering price of the shares has been arbitrarily determined and is not based on expected return on investment or independent appraisal of the value of the Company.

The shares are a speculative investment.

Our business objectives must be considered highly speculative, and there is no assurance that we will satisfy those objectives. No assurance can be given that the investors will realize a return on their shares, if any, or that the investors will not lose their entire investment. For this reason, each prospective investor should carefully read the Subscription Agreement, including all exhibits thereto. All investors should consult with their attorney or business advisors prior to making an investment.

Dividends have never been paid, and we do not expect to pay dividends in the foreseeable future.

The Company has never paid a dividend and does not anticipate that it will paid dividends in the foreseeable future.

We may face increased competition and downward price pressure if we are unable to protect our intellectual property rights.

Our business is heavily dependent upon our confidential and proprietary intellectual property. We rely primarily on a combination of confidentiality and non-disclosure agreements, patent, copyright, trademark and trade secret laws, as well as other proprietary rights laws and legal methods, to protect our proprietary rights. However, current U.S. laws afford us only limited protection. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy our products or obtain and use information that we regard as proprietary. Our business, results of operations and financial condition could be adversely affected if a significant amount of unauthorized copying of our products were to occur or if other parties develop products substantially similar to our products. We cannot assure you that our attempts to protect our proprietary rights will be adequate or that our competitors will not independently develop similar or competitive products.

The stockholders may lose the limited liability protection currently offered by the Company.

One of the advantages of a corporation is the limitation of a stockholder's liability for the obligations of the company to the value of that stockholder's shares. In order to maintain the limited liability of the stockholders, the Company must comply with the requirements of the Delaware General Business Corporation Act. We will operate in such a manner as the directors and officers, in consultation with legal counsel, deem appropriate to preserve, to the extent possible, the limited liability of the stockholders. There is a risk, however, that we could act, or fail to act, in such a way as to jeopardize the limited liability of the stockholders.

Our limited operating history makes it difficult to forecast our future results, making any investment in the Company highly speculative.

We have a limited operating history, and as such, our historical financial and operating information is of limited value in predicting our future operating results. We may not accurately forecast customer behavior and recognize or respond to emerging trends, changing preferences or competitive factors facing us, and, therefore, we may fail to make accurate financial forecasts. Our current and future expense levels are based largely on our investment plans and estimates of future revenue. As a result, we may be unable to adjust our spending in a timely manner to compensate for any unexpected revenue shortfall, which could then force us to curtail or cease our business operations.

Our failure to accurately estimate demand for our products could adversely affect our business and financial results.

We may not correctly estimate demand for our products. Our ability to estimate demand for our products is imprecise, particularly with regard to new products, and may be less precise during periods of rapid growth, particularly in new markets. If we materially underestimate demand for our products or are unable to secure sufficient ingredients or raw materials we might not be able to satisfy demand on a short-term basis. We do not use hedging agreements or alternative instruments to manage this risk. Such shortages could interfere with or delay production of certain of our products and could have a material adverse effect on our business and financial results.

We face substantial uncertainties in executing our business plan.

Successfully executing our business plan will require us to attain certain objectives to which no assurance can be given that we will be successful in our efforts. We believe that in order to execute our business plan and achieve the sales growth we are anticipating we must, among other things, successfully recruit additional personnel in key positions, develop a distribution network and establish a customer base and create awareness of our brand name. In order to implement any of these we will be required to materially increase our operating expenses, which may require additional working capital. If we are unable to secure additional working capital, we will be unable to accomplish our objectives, and if we are unable to accomplish one or more of these objectives, our business may fail.

Changes in consumer preferences may reduce demand for some of our products.

Our industry is subject to changing consumer preferences and shifts in consumer preferences may adversely affect us.

Consumers are seeking greater variety in their beverages. Our future success will depend, in part, upon our continued ability to develop and introduce different and innovative beverages that appeal to consumers. In order to retain and expand our market share, we must continue to develop and introduce different and innovative beverages, although there can be no assurance of our ability to do so. There is no assurance that consumers will continue to purchase our products in the future. Product lifecycles for some beverage brands or products may be limited to a few years before consumers' preferences change. There can be no assurance that the beverages we market will become or remain profitable for us. We may be unable to achieve volume growth through product and packaging initiatives. We also may be unable to penetrate new markets. If our revenues decline, our business, financial condition and results of operations could be adversely affected.

We cannot predict the effect of inquiries from or actions by attorneys general or other government agencies and/or quasi-government agencies into the advertising, marketing, promotion, ingredients, usage or sale of our products.

We are subject to the risks of investigations or enforcement actions by state attorneys general or other government and/or quasi-governmental agencies relating to the advertising, marketing, promotion, ingredients, usage or sale of our products. We cannot predict the outcome of any such inquiry and what, if any, effect it may have on our business, financial condition or results of operations. If an inquiry by a state attorney general or other government or quasi-government agency finds that our products or the advertising, marketing, promotion, ingredients, usage or sale of such products are not in compliance with applicable laws or regulations, we may become subject to fines, changes in the usage or sale of our products or changes in our advertising, marketing and promotion practices, each of which could have an adverse effect on our business, financial condition or results of operations.

Our growth will place significant strains on our resources.

Since inception, the Company has had limited operations. Our growth, if any, is expected to place a significant strain on our managerial, operational and financial resources as the Company currently has limited full-time employees and we will likely continue to have limited employees in the future. There can be no assurance that our systems, procedures or controls will be adequate to support our operations or that we will be able to achieve the rapid execution necessary to successfully offer our services and implement our business plan. Our future operating results, if any, will also depend on its ability to add additional personnel commensurate with the growth of our business, if any. If we are unable to manage growth effectively, our business, results of operations and financial condition will be adversely affected.

The Company has filed a complaint against one of its former employees for trade secret theft, unfair competition, breach of fiduciary duty, intentional interference with contractual relationships, intentional interference with prospective economic advantage, conversion, and breach of contract. Further, the Company has obtained a temporary restraining order injunction against the employee enjoining him from using the trade secret materials. Without the injunction (and if the former employee disregards the injunction), the Company believes that this employee could potentially use the Company's trade secrets to engage in activities which would be competitive with the Company's business, and, such competition could materially impact the value of the Company's business or its future.

An investment in the shares involves significant risks and uncertainties. A prospective investor should carefully consider the following risk factors in conjunction with the other information provided by the Company before purchasing any shares. The risks discussed below can adversely affect the Company's business, operating results, prospects, and financial condition. As a result, these risks can cause the value of the Company, and therefore, the shares, to decline and could cause the total or partial loss of the investor's investment in the shares. While the risks and uncertainties described below are not the only ones the Company faces, they do represent those risks and uncertainties the Company believes are material to the Company's business, operating results, prospects, and financial condition. Additional risks and uncertainties that are not presently known to the Company, or that are currently deemed immaterial, may also have an adverse effect on the Company, its operating results, prospects, and financial condition.

The Company experienced a fire in 2019.

One of the Company's business locations suffered extensive fire damage in 2019. As a result of the fire, the Company secured short term debt. Prior to the COVID-19 closures, the Company was servicing several hundred thousand dollars of such related debt, and it was endeavoring to pay off such debt as quick as possible. The Company was then retiring \$75,000 of such debt per month, which contributed to the Company's current negative cash flow. There can be no assurances that the Company will be able to generate sales gains in the future to allow it continue its debt service obligations, and there is a risk the Company could become insolvent.

We face an inherent risk of exposure to personal injury liability claims if the attendance or employment at our venue results in or is believed to have resulted in personal injury. Although we maintain liability and workman's compensation insurance, it may not be sufficient to cover all liability claims and such claims that may arise, could have a material adverse effect on our business. The successful assertion or settlement of an uninsured claim, a significant number of insured claims or a claim exceeding the limits of our insurance coverage would harm us by adding further costs to our business and by diverting the attention of our senior management from the operation of our business. Even if we successfully defend a liability claim, the uninsured litigation costs and adverse publicity may be harmful to our business. Any liability claim may increase our costs and adversely affect our revenues and operating income. Moreover, liability claims arising from a serious adverse event may increase our costs through higher insurance premiums and deductibles, and may make it more difficult to secure adequate insurance coverage in the future. In addition, our liability insurance may fail to cover future claims, which, if adversely determined, could subject us to substantial monetary damages.

The Company was ordered closed due to COVID mitigation measures by the state of California in 2020 and those operations never reopened. The Company's business locations in California suffered extensive economic damage in 2020. As a result of the COVID-19 closures & stay at home orders, the Company secured long term debt. The Company is currently servicing millions of dollars dollars of debt. There can be no assurances that the Company will be able to generate sales gains in the future to allow it continue its debt service obligations, and there is a risk the Company could become insolvent.

The sale of our products involves product liability and related risks that could expose us to significant insurance and loss expenses. We face an inherent risk of exposure to product liability claims if the use of our products results in, or is believed to have resulted in, illness or injury. Although we maintain product liability insurance, it may not be sufficient to cover all product liability claims and such claims that may arise, could have a material adverse effect on our business. The successful assertion or settlement of an uninsured claim, a significant number of insured claims or a claim exceeding the limits of our insurance coverage would harm us by adding further costs to our business and by diverting the attention of our senior management from the operation of our business. Even if we successfully defend a liability claim, the uninsured litigation costs and adverse publicity may be harmful to our business. Any product liability claim may increase our costs and adversely affect our revenues and operating income. Moreover, liability claims arising from a serious adverse event may increase our costs through higher insurance premiums and deductibles, and may make it more difficult to secure adequate insurance coverage in the future. In addition, our product liability insurance may fail to cover future product liability claims, which, if adversely determined, could subject us to substantial monetary damages.

The global economic crisis may adversely impact our business and results of operations. Our industry can be affected by macro-economic factors, including changes in national, regional, and local economic conditions, armed conflict, employment levels, and consumer spending patterns or the impact of inflation, interest rates or the novel coronavirus (COVID-19) on the macro-economy. Disruptions in the overall economy and financial markets may impact our industry, could reduce consumer confidence in the economy and could negatively impact consumers' willingness to purchase our products as they reduce their discretionary spending.

The Company defaulted on agreements with its Landlord and largest creditor and has been negotiating a workout agreement with them. These negotiations are ongoing and subject to non-disclosure agreements. There can be no assurances that the Company will enter into a workout agreement with its Landlord & lender, and the failure to enter into such an agreement could materially impact the value of the Company.

Description of Securities for Prior Reg CF Raise

Additional issuances of securities. Following the Investor's investment in the Company, the Company may sell interests to additional investors, which will dilute the percentage interest of the Investor in the Company. The Investor may have the opportunity to increase its investment in the Company in such a transaction, but such opportunity cannot be assured. The amount of additional financing needed by the Company, if any, will depend upon the maturity and objectives of the Company. The declining of an opportunity or the inability of the Investor to make a follow-on investment, or the lack of an opportunity to make such a follow-on investment, may result in substantial dilution of the Investor's interest in the Company.

Issuer repurchase of securities. The Company may have authority to repurchase its securities from shareholders, which may serve to decrease any liquidity in the market for such securities, decrease the percentage interests held by other similarly situated investors to the Investor, and create pressure on the Investor to sell its securities to the Company concurrently.

A sale of the Issuer or of assets of the Issuer. As a minority owner of the Company, the Investor will have limited or no ability to influence a potential sale of the Company or a substantial portion of its assets. Thus, the Investor will rely upon the executive management of the Company and the Board of Directors of the Company to manage the Company so as to maximize value for shareholders. Accordingly, the success of the Investor's investment in the Company will depend in large part upon the skill and expertise of the executive management of the Company and the Board of Directors of the Company. If the Board Of Directors of the Company authorizes a sale of all or a part of the Company, or a disposition of a substantial portion of the Company's assets, there can be no guarantee that the value received by the Investor, together with the fair market estimate of the value remaining in the Company, will be equal to or exceed the value of the Investor's initial investment in the Company.

Transactions with related parties. The investor should be aware that there will be occasions when the Company may encounter potential conflicts of interest in its operations. On any issue involving conflicts of interest, the executive management and Board of Directors of the Company will be guided by their good faith judgement as to the Company's best interests. The Company may engage in transactions with affiliates, subsidiaries or other related parties, which may be on terms which are not arm's-length, but will be in all cases consistent with the duties of the management of the Company to its shareholders. By acquiring an interest in the Company, the Investor will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

Minority Ownership

An Investor in the Company will likely hold a minority position in the Company, and thus be limited as to its ability to control or influence the governance and operations of the Company.

The marketability and value of the Investor's interest in the Company will depend upon many factors outside the control of the Investor. The Company will be managed by its officers and be governed in accordance with the strategic direction and decision-making of its Board Of Directors, and the Investor will have no independent right to name or remove an officer or member of the Board Of Directors of the Company.

Following the Investor's investment in the Company, the Company may sell interests to additional investors, which will dilute the percentage interest of the Investor in the Company. The Investor may have the opportunity to increase its investment in the Company in such a transaction, but such opportunity cannot be assured.

The amount of additional financing needed by the Company, if any, will depend upon the maturity and objectives of the Company. The declining of an opportunity or the inability of the Investor to make a follow-on investment, or the lack of an opportunity to make such a follow-on investment, may result in substantial dilution of the Investor's interest in the Company.

Exercise of Rights Held by Principal Shareholders

As holders of a majority-in-interest of voting rights in the Company, the shareholders may make decisions with which the investor disagrees, or that negatively affect the value of the Investor's securities in the Company, and the investor will have no recourse to change these decisions. The Investor's interests may conflict with those of other investors, and there is no guarantee that the Company will develop in a way that is optimal for or advantageous to the Investor.

For example, the shareholders may change the terms of the Articles of Incorporation for the company, change the terms of securities issued by the Company, change the management of the Company, and even force out minority holders of securities. The shareholders may make changes that affect the tax treatment of the Company in ways that are unfavorable to you but favorable to them. They may also vote to engage in new offerings and/or to register certain of the Company's securities in a way that negatively affects the value of the securities the Investor owns. Other holders of securities of the Company may also have access to more information than the Investor, leaving the Investor at a disadvantage with respect to any decisions regarding the securities he or she owns. The shareholders have the right to redeem their securities

at any time. Shareholders could decide to force the Company to redeem their securities at a time that is not favorable to the Investor and is damaging to the Company. Investors' exit may affect the value of the Company and/or its viability. In cases where the rights of holders of convertible debt, SAFES, or other outstanding options or warrants are exercised, or if new awards are granted under our equity compensation plans, an Investor's interests in the Company may be diluted. This means that the pro-rata portion of the Company represented by the Investor's securities will decrease, which could also diminish the Investor's voting and/or economic rights. In addition, as discussed above, if a majority-in-interest of holders of securities with voting rights cause the Company to issue additional stock, an Investor's interest will typically also be diluted.

Based on the risks described above, the Investor could lose all or part of his or her investment in the securities in this offering, and may never see positive returns.

Restrictions on Transfer

The securities offered via Regulation Crowdfunding may not be transferred by any purchaser of such securities during the one year period beginning when the securities were issued, unless such securities are transferred:

- to the issuer;
- to an accredited investor⁴⁹;
- as part of an offering registered with the U.S. Securities and Exchange Commission; or
- to a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with the death or divorce of the purchaser or other similar circumstance.

Valuation Methodology for Prior Reg CF Raise

The offering price for the securities offered pursuant to this Form C has been determined arbitrarily by the Company, and does not necessarily bear any relationship to the Company's book value, assets, earnings or other generally accepted valuation criteria. In determining the offering price, the Company did not employ investment banking firms or other outside organizations to make an independent appraisal or evaluation. Accordingly, the offering price should not be considered to be indicative of the actual value of the securities offered hereby.

In the future, we will perform valuations of our common stock that take into account factors such as the following:

- unrelated third party valuations of our common stock;
- the price at which we sell other securities, such as convertible debt or preferred stock, in light of the rights, preferences and privileges of our those securities relative to those of our common stock;
- our results of operations, financial position and capital resources;
- current business conditions and projections;
- the lack of marketability of our common stock;
- the hiring of key personnel and the experience of our management;
- the introduction of new products;
- the risk inherent in the development and expansion of our products;
- our stage of development and material risks related to our business;
- the likelihood of achieving a liquidity event, such as an initial public offering or a sale of our company given the prevailing market conditions and the nature and history of our business;
- industry trends and competitive environment;
- trends in consumer spending, including consumer confidence;
- overall economic indicators, including gross domestic product, employment, inflation and interest rates; and
- the general economic outlook.

We will analyze factors such as those described above using a combination of financial and market-based methodologies to determine our business enterprise value. For example, we may use methodologies that assume that businesses operating in the same industry will share similar characteristics and that the Company's value will correlate to those characteristics, and/or methodologies that compare transactions in similar securities issued by us that were conducted in the market.

Company

Lost Spirits Distillery, Inc.
- Delaware Corporation
- Organized January 2020
- 24 employees

3202 W Desert Inn Road
Las Vegas NV 89102

<http://lostspirits.net>

Business Description

Refer to the [Lost Spirits Distillery, Inc. profile](#).

EDGAR Filing

The Securities and Exchange Commission hosts the [official version of this annual report](#) on their EDGAR web site. It looks like it was built in 1989.

Compliance with Prior Annual Reports

Lost Spirits Distillery, Inc. has previously not complied with the reporting requirements under Rule 202 of Regulation Crowdfunding.

In 2023, we terminated our CFO, contracted a 3rd party accounting firm to provide fractional CFO services, and immediately went to work on the 2021 & 2022 audit as well as catching up missed regulatory filings.

All prior investor updates

You can refer to the company's [updates](#) page to view all updates to date. Updates are for investors only and will require you to log in to the Wefunder account used to make the investment.