



Cruzan International (RUM:AMEX) (formerly Todhunter International Inc.)

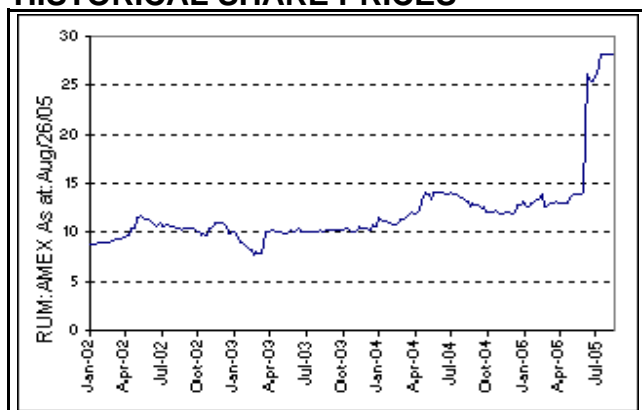
THE COMPANY

Todhunter International is engaged in a number of different businesses, all of which are related to the production of alcoholic beverages. First of all, the company is the largest supplier of bulk rum, citrus brandy and fortified citrus wine in the United States. The company sells its bulk alcohol products to over 40 producers of beverage alcohol in the U.S. and exports products to approximately 10 foreign countries. Second, to complement its distilling operations, the company also produces vinegar, vinegar stock and cooking wine. Finally, Todhunter carries its own line of premium branded estate and flavoured rums under the brand name "Cruzan". Cruzan is sold to retailers in the U.S., Europe and Canada, including Liquor Stores in Ontario, which carry Cruzan's Coconut and Vanilla flavoured rums.

FINANCIAL DATA

	2001	2002	2003
Earnings per Share (\$)	1.12	0.97	0.60
Price to Earnings (times)	10.7	12.3	20.0
Dividend (\$)	-	-	-
Dividend Yield (%)	-	-	-
Book Value (\$)	11.10	12.04	12.64
Price to Book Value (times)	1.08	0.98	0.93

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT TODHUNTER

Todhunter is 64% owned by Angostura Limited, a Trinidad based distiller. Due to the high percentage of stock that Angostura owns, Todhunter's public float is small and trading in the stock is thin. As a result, very few people on Wall Street bother to follow it and therefore, not surprisingly, many investors do not know the company. Shares of Todhunter sell at a 7% discount to their book value of \$12.77 per share: a figure that likely understates the company's 138 acres of land that it owns in Florida and the Virgin Islands. The shares also trade for less than 12 times earnings of approximately \$1 per share. However, if you exclude the operating loss of the Cruzan line, the multiple on the remaining bulk and cooking wine/vinegar divisions would actually be closer to 8 times earnings. This multiple is low considering the high margin and high cash flow nature of these businesses.

As for Cruzan Rum, we feel this asset could be the company's hidden jewel. Comparable valuations such as Seagram's sale of Captain Morgan and Diageo's sale of Malibu suggest that Cruzan alone could be worth as much as \$8 to \$10 per share. Furthermore, Barcardi, the world's number one selling brand of rum in the world, is rumoured to be considering a public stock offering. An IPO of this magnitude could revitalize interest in the sector and set a new precedent for valuations in the industry given that Barcardi would likely fetch a premium multiple. On a final note, it seems that Todhunter is close to being taken private by its parent Angostura Limited. On March 16th, 2004, Angostura agreed to purchase \$10 million worth of Todhunter stock in a private placement. Given the lack of interest in the stock, the added costs of being a public company, and the potential hidden value in the Cruzan brand, we would not be surprised if Angostura made a premium offer for the remaining Todhunter shares.

ABC Funds
April 16, 2004

UPDATE

On February 11th 2005, Todhunter International announced financial results for its first quarter in fiscal year 2005. Net sales were \$24.2 million compared with \$22.4 million reported for fiscal 2004's first quarter. Gross profit was \$8.0 million, compared to \$7.6 million in the same period last year, and first quarter net income was \$149,090, or \$0.02 per diluted share, compared with net income of \$851,284 or \$0.15 per diluted share, one year ago. Earnings were lower in 2004 due to a 24% increase in selling general and administrative expenses. The company attributes this increase to higher spending on marketing and advertising for its premium brand segment.

Todhunter's advertising strategy appears to be working. Cruzan Estate Rums and Cruzan Flavoured Rums posted a 25% increase in sales for the quarter. In addition, two leading beverage industry publications have recognized Cruzan as one of the

UPDATE (CONT'D)

fastest growing brands in the spirits industry. Yet despite this impressive growth, it appears the investment community has failed to take notice of Todhunter's stock. The share price is virtually unchanged from a year ago and with no official analyst coverage and very little trading volume, it is safe to say that Todhunter is probably "off the radar screen" of many investors.

Todhunter's overlooked status has not gone unnoticed by management and the Board of Directors. At the company's Annual General Meeting, which took place on March 15th 2005, a decision was made to change the company's name from Todhunter International to Cruzan International. The change is designed to alter investor's perception of the company, which many still view as a bottler and ingredients supplier as well as a producer of cooking wines and vinegars. Finally, shares of Cruzan International will now trade under a new ticker symbol to go with its new name. Even we were surprised that it hadn't been taken, but Cruzan International will soon trade under the ticker symbol "RUM".

ABC Funds

March 18, 2005

We have sold our shares in Cruzan International (formerly Todhunter International). On June 3rd Cruzan's majority shareholder, Angostura, agreed to sell its 67.8% stake in Cruzan to Stockholm-based Absolut Spirits for \$28.37 per share. This was welcomed news as the following day shares of Cruzan traded as high as \$26.50, an 89% increase over the previous days closing price of \$14.05. Despite this impressive gain, the shares were still selling approximately \$2 below the \$28.37 price of the Angostura/Absolut deal. This discount was probably due to the uncertainty of whether or not Cruzan's minority shareholders would eventually get bought out at the same price. Given the future growth potential of Cruzan's premium rum business, Absolut's large financial resources and the nuisance of having a publicly traded subsidiary, we were confident that Absolut would eventually offer the remaining shareholders the same deal and take Cruzan private. Therefore, with a possible \$2 per share in upside remaining, we decided to hold onto our shares. Approximately one month later, Cruzan announced that Absolut would, in fact, purchase the remaining 32.2% of Cruzan's shares for \$28.37. When the shares recently began trading over \$28, we agreed the best course of action was to be prudent and to liquidate our position, now, since the timing of the buyout could be several months or longer.

ABC Funds

August 26, 2005