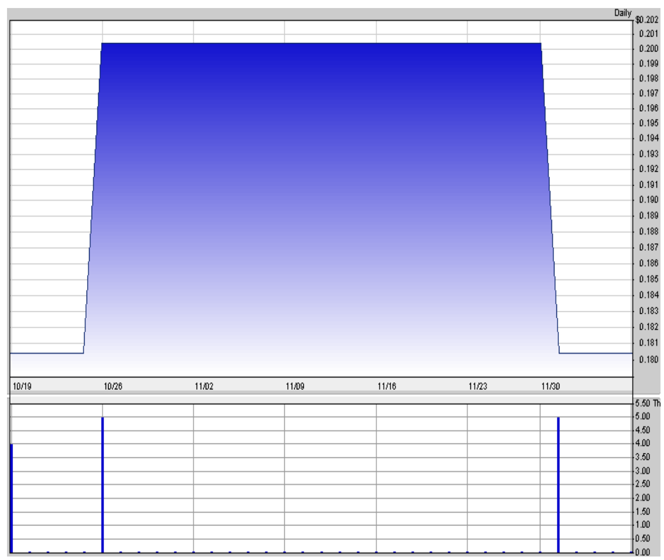
December 8, 2009

Blue Gem Enterprise: (BGEM.OB)

Symbol	BGEM
Current Price	$0.18
Fiscal Year End	31-Dec
Dividend Yield (TTM)	NA
52-Week High	$0.20
52-Week Low	$0.18
Daily High Price	$0.18
Daily Low Price	$0.18
Previous Close	$0.18
Daily Volume	500
Beta Coefficient	0.9
Shares Outstanding ('000 shares)	107,237
Market Capitalization (M$)	19.3
% Float Outstanding	NA
Number of Shareholders on Record	NA



The Cohen Price Target	**$1.01**

INVESTMENT THESIS & RECOMMENDATION

Blue Gem Enterprise, BGEM.OB envisions creating a network for direct distribution of beverages to target markets. The Company expects to hold a portfolio of non-competing innovative products to gain traction in the fast expanding non-alcohol beverage industry. The Company's business model seeks to garner exclusive agreements with beverage manufacturers to market and distribute their products. Blue Gem Enterprise will cater primarily to start-up and independent beverage companies that do not have an effective route to market in South Florida.

The functional beverage market has witnessed robust growth over the last few years. This growth is attributable to rising health consciousness as a result of a rapidly aging population in the United States. The industry is expected to continue to see significant growth, in the short to intermediate term, especially in the health and sports drinks segments.

Our growth estimates assume the Company successfully raises approximately $2.0 million of funds in fiscal 2010. The Cohen Price Target based on market based multiples and intrinsic valuation, is $1.01 per share. At $0.18 per share, we recommend BGEM as a BUY for long-term, risk adverse investors.

EXECUTIVE SUMMARY

- BGEM operates a Direct Store Distribution system focusing on the Florida markets. The Company sends dedicated sales teams into the marketplace to sell and merchandise a portfolio of beverages.
- Blue Gem Enterprise will service a wide spectrum of retailers including grocery, corporate and independent convenience stores, drug stores, café/restaurants, hotels, gym/spas, on-premise, and schools.
- The Company will create a broad portfolio of products in the area of non-alcohol beverage including, ice teas, juices, waters, shots, and carbonated soft drinks. Blue Gem Enterprise is the sole distributor of all brands owned by The Electric Beverage Company.
- Blue Gem Enterprise will also manage and distribute select allied brands through exclusive marketing and distribution agreements. The Company expects to create a non-competing portfolio of brands. Blue Gem Enterprise will choose the best brand in each category based on market and consumer needs. These innovative products tailored to market need will allow high margins for the Company.
- The Business Model is based on direct interaction with retailers. This enables increased shelf space dedicated to Blue Gem Enterprise products and brand visibility through the placement Point of Sale material.
- Direct Store Distribution system is installed. This system is common in other regions of the country but absent in the Florida market. The market has a few large multi-national beverage companies. There is minimal competition in a large underserved market. Blue Gem Enterprise expects to capitalize on this opportunity.
- The Company plans to expand to northern Florida, Orlando, Tampa and Jacksonville by spring 2010. Blue Gem Enterprise expects to expand its beverage brand portfolio as it continues to expand its geographic footprint.
- Miami Dade County, alone, has an estimated 6,000 + independent convenience and grocery stores. Blue Gem Enterprise transacted with 1,000 independent retailers its first month of operation. The Company should be able to secure a larger market share with its robust beverage portfolio.
- Risks: Access to capital and management's execution of its business plan.

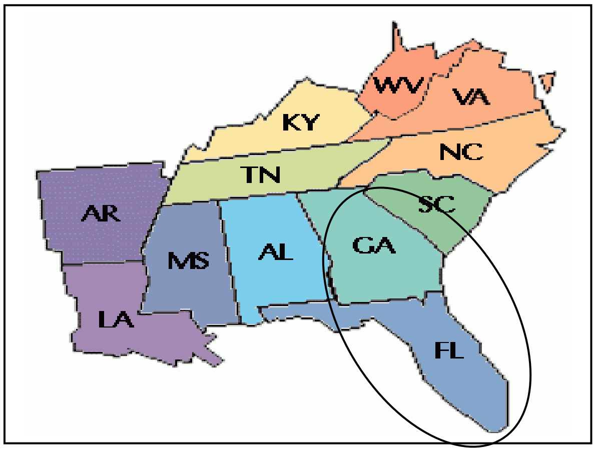
Financials and Valuations:

- We expect robust revenue growth from \$6.6 million in fiscal 2010 (year ended July) to \$47.1 million in 2014 representing a CAGR of 63.1%. Our model assumes the Company raises capital through equity/debt of approximately \$2.0 million in 2010. The business model is not capital intensive and the sales cycles are short as a result of cash transactions. We expect minimal working capital requirements in the later years.
- BGEM's average gross margin on case sales of allied brands is over 40%. Blue Gem Enterprise works on lower margins for brands owned by The Electric Beverage Company.
- The Cohen Price Target is calculated using market-based multiple valuation, our Cohen Discounted Cash Flow (DCF) and Cohen Price Performance Index approach. The multiple based valuation approach uses the expected 2010 Price-to-Earnings and the Cohen Price-to-Capital Employed ratio. We also include the Cohen Price Performance Index, which is a representative of the post coverage performance of all stocks covered by us. The last component in calculating the Cohen Price Target is the value derived using the long-term DCF valuation approach. Based on an average of these methods, the BGEM common stock is valued at \$1.01 per share, 463.4% higher than current market price of \$0.18.

BULL CASE

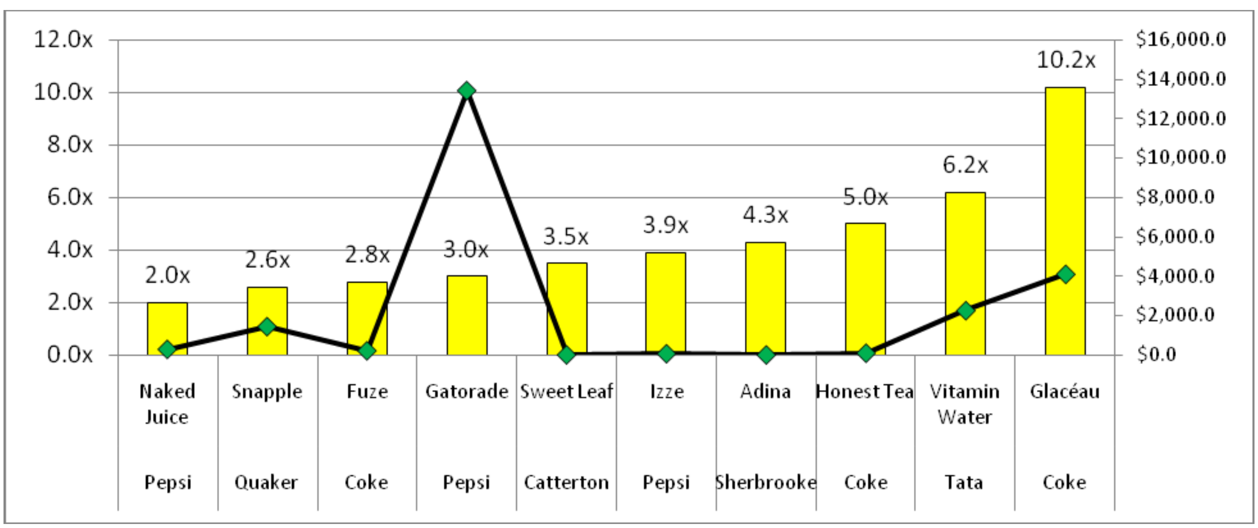
- Non-carbonated markets are benefiting from a shift away from carbonated soft drinks as a result of increased health awareness. An aging population and growing health concerns, particularly over obesity, have encouraged new lucrative segments such as, fruit juice drinks, sports and energy drinks and bottled water.

- The Florida market is an ideal geography with low barriers to entry and significant market potential.



  - The region does not have a typical DSD (Direct Store Distribution) system as is prevalent in other parts of the Country. The competition is limited to few large multi-national beverage companies such as The Coca-Cola Company. Other large markets include colleges, universities etc.

- Large carbonated beverage companies such as Pepsi and Coke are constantly looking to expand their Non-Carbonated Beverage (NCB) share in the market. Smaller up-start brands make good acquisition targets. Historically, these industry giants have paid considerable premiums to acquire brands that have gained market acceptance. This provides an incentive to NCB producers.



Acquisition Multiples

- The direct distribution business entails high margins with the elimination of the wholesaler warehouse. The supplier/beverage producer assumes the costs of delivery, inventory management and merchandising resulting in higher retail margins. The producer on the other hand gains direct consumer interaction and is able to create customized products for its target audience.

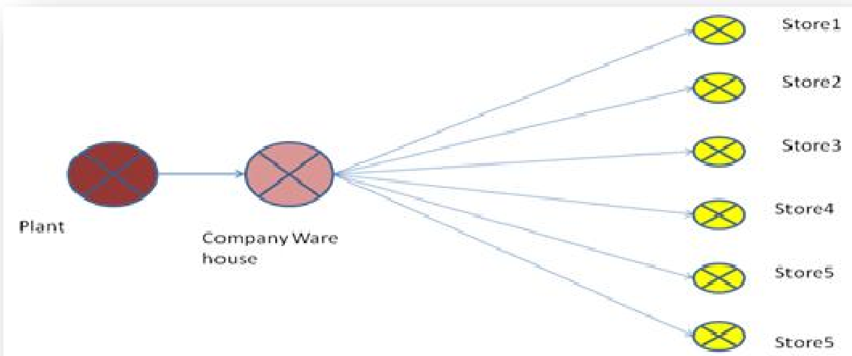
TBDC Sale of EBC Brands		TBDC Sale of Allied Brand (ex: Barracuda®)	
Case Cost	$9.5	Case Cost	$3.3
TBDC Sell Price	$12.0	TBDC Sell Price	$5.5
Margin	20.8%	Margin	40.9%

BEAR CASE

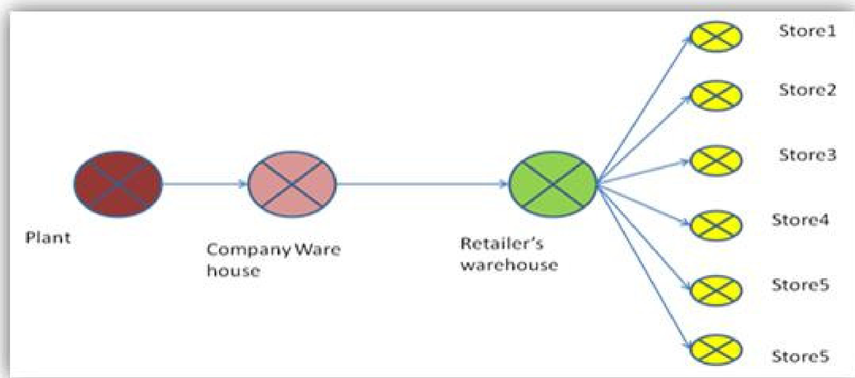
- The current economic environment may pose difficulties for the Company in executing its business strategy. The worldwide credit squeeze has resulted in a tight financing situation and has made raising funds difficult. The Company must continually have access to the capital markets to raise funds for operations.

The Direct Store Distribution System (DSD)

Direct Store Distribution (DSD) is a method of delivering products from a distributor directly to the retail store, bypassing a retailer's warehouse. The vendor manages the product from order to shelf. Major DSD categories include greetings cards, beverages, baked goods and snacks, pharmaceuticals, and for that matter can be used in most fast moving consumer goods. But the greater value of DSD lies in delivering the customer experience.



DSD



Traditional

The direct distribution system eliminates the needs for wholesaler/retailer warehouses which translate into reduction of warehousing cost for the retailer. The supplier has to assume the cost of warehousing/transportation but also has more flexibility in planning the inventory leading to improvement in the Working Capital and Cash Flow cycles. In the DSD processes the store replacement and payment cycles are faster than traditional retail. Direct interaction with the delivery representative on a regular basis improves inventory management as he is well aware of the movement of the goods at the shelf. With more customer preference feedback the supplier is better equipped to predict future sales. Frequent visits also enforce timely payments resulting in significantly improved cash flow.

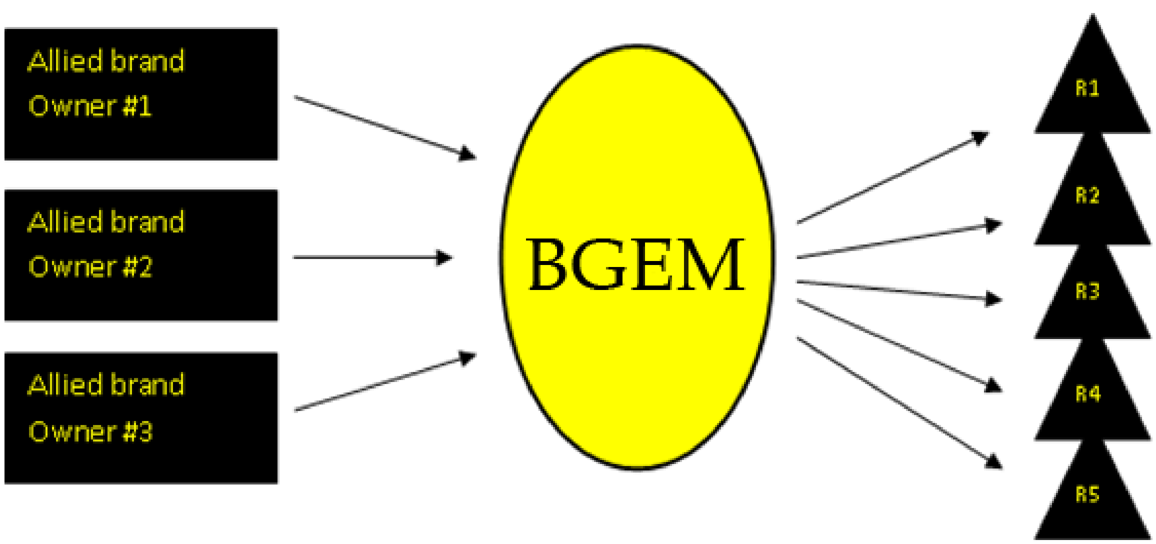
Blue Gem Enterprise BGEM

Mission:

Blue Gem's mission is to become one of the leading distributors of non alcoholic beverages and foods in the state of Florida.

Business Model:

The Company's business model seeks to create a retail presence for its allied beverage brands in the Florida beverage market through direct and regular interaction with independent store owners. The Company intends to capitalize on the void in direct store distribution systems in South Florida.



South Florida has a heavy concentration of underserved small mom and pop stores, creating an opportunity for distribution companies such as Blue Gem. The Company's business model emphasizes creating exclusive relationships with beverage producers. The Company intends to implement a rapid growth strategy by adding new products to its distributor network throughout South Florida.

This business model serves two key groups of clients, allied brand owners and the end retailers.

Allied Brand Owners

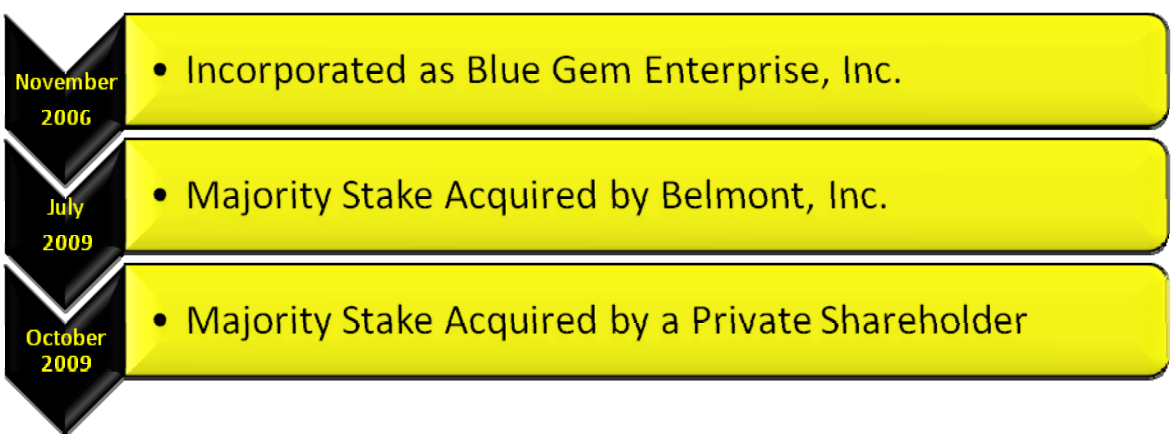
The Company intends to provide start-up and independent beverage companies an effective route to market. The Company will partner with innovative, competitive allied brands and help launch their product in the fragmented South Florida market. These brands are expected to make up-front investments for product discounts, manpower, promotional materials, and merchandising. The beverage companies will also advertise their products and spend on marketing activities. The model significantly reduces capital expenses for the Company while allowing a healthy operating margin. Allied brand partners include, Chestnut Ridge Beverage Company's Barracuda, a wholly owned subsidiary of Giant Eagle Foods, [XYZ] from NoYu China and Koh Coconut (100% Pure Coconut Water) from Kana Connection Corp of Thailand.

Retailers

The Company will build relationships with many independent store owners as well as store chains to effectively place and launch new beverage brands. Most new beverage categories--like energy drinks or energy shots--are launched through independent retail stores using Direct Store Distribution. Independent retailers rely on impulse purchase and immediate consumption to sell beverages. Direct distribution enables quicker adaption and response to changing consumer needs.

Evolution:

The Company was incorporated as Blue Gem Enterprise, Inc in November 2006. In July 2009, Belmont Inc. acquired approximately 76% of the outstanding shares to become the majority stake owner. In October 2009, a private individual investor acquired the 76% stake from Belmont, Inc and also changed the Company's business plan to become a beverage distributor from a mining company. The Company hired Robert Friedopfer, who has vast industry experience to head its sales and expansion program, and then acquired by merger Title Beverage Distribution Company.

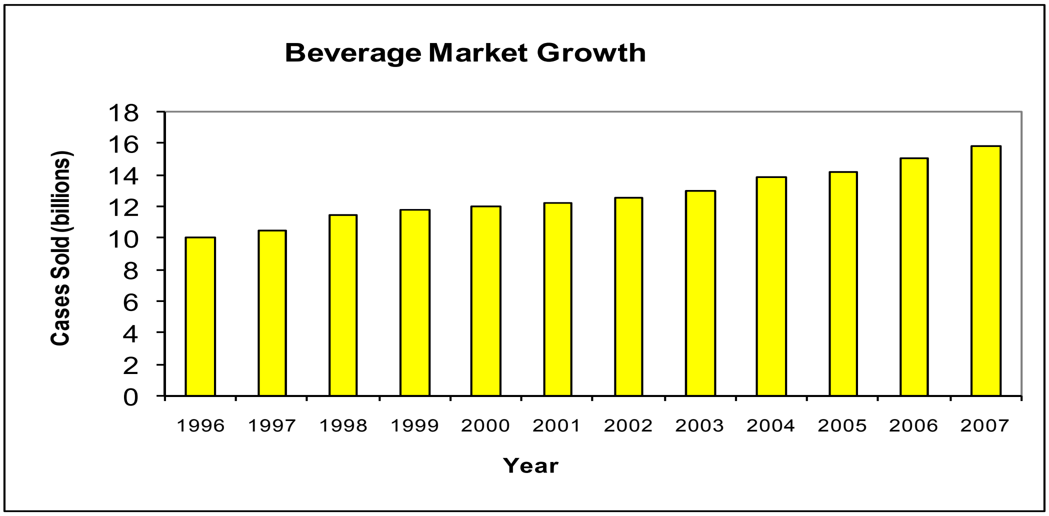


Growth Strategy:

Strategy	
Wide Customer Spectrum	• The company sells its products through grocery, drug, convenience, club and health and fitness channels
Non-Competing Brands	• To enhance visibility of its product portfolio, Blue Gem Enterprise will choose non-competing brands for its distributorship
Broad Product Category	• The Company has a diverse product suite and competes in all areas of the non-alcohol beverage industry including; ice teas, juices, waters, shots, carbonated soft drinks and more.
Best Product in each Category	• Blue Gem Enterprise intends to choose the best product in each category for maximium exposure.
Relationship Building	• The Company believes in continued relationship building with retailers and producers to maintain its competitive advantage.

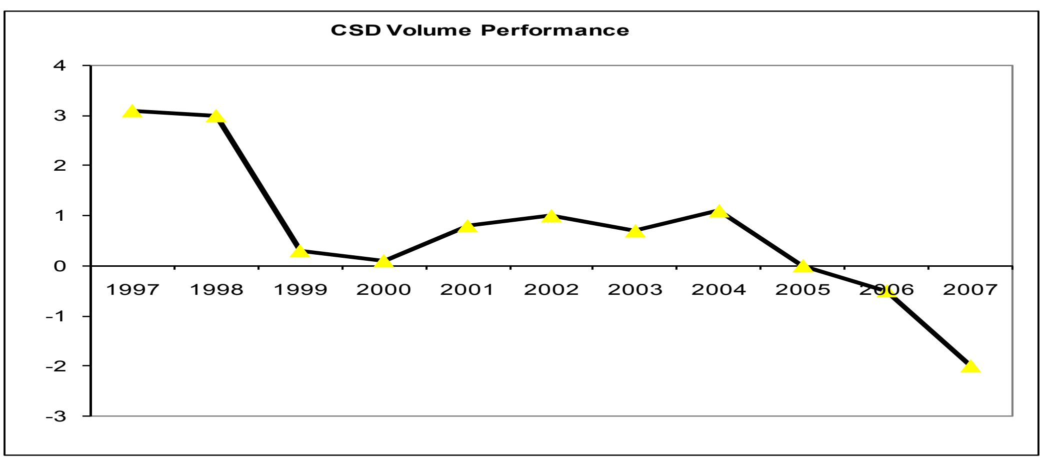
Industry: US Functional Food and Beverage Market

The aging US population, high health care costs and consumer awareness of the benefit of healthy habits is driving robust demand in the functional foods categories. Approximately 45% of functional food purchasers used functional foods to make up for less than healthy eating habits, as per a 2009 Mintel presentation. There is significant market opportunity for food and beverage manufacturers, retailers, ingredient suppliers, and distributors.



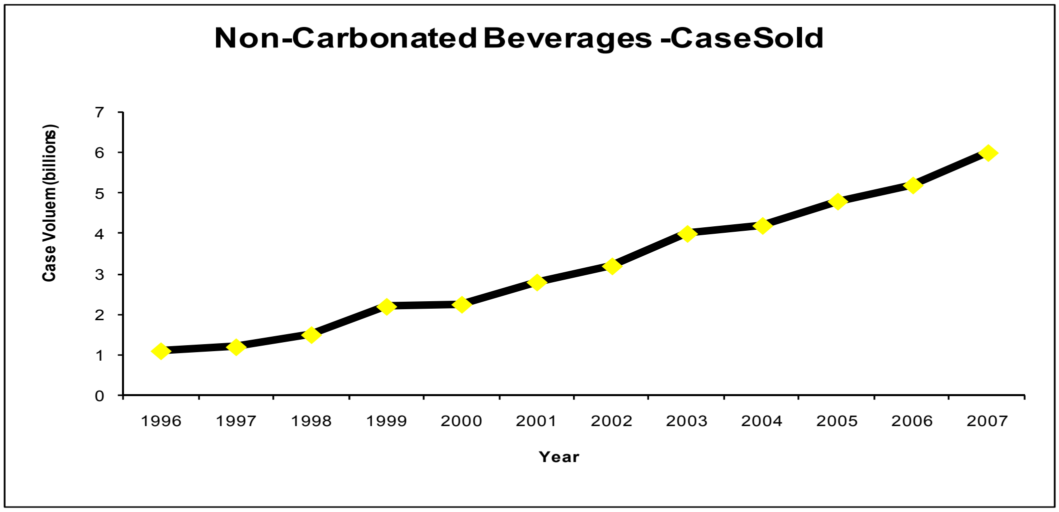
Source: Beverage Digest, Rogo Capital Research, Container Recycling Institute

- U.S. beverage volume has averaged 4% growth over the last 10 years
- Beverages prices have also risen, increasing market size and opportunity
- Double-digit gains in energy drink and enhanced waters brands (up 15%+ year over year)



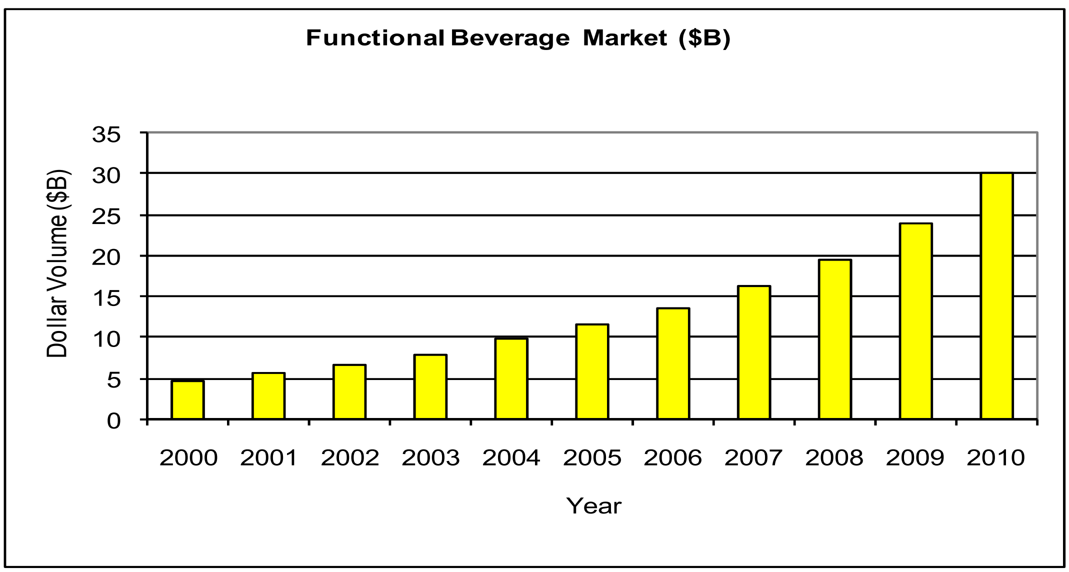
Source: Beverage Digest, Rogo Capital Research, Container Recycling Institute

- Carbonated Soft Drink market (CSD): Current volume decline equals 300 million
- Major CSD companies don't own top brands in biggest growth segment (energy drinks), Coca-Cola recently purchased top brand in enhanced waters (Glaceau)
- CSD companies are actively seeking additional avenues to grow their business.



Source: Beverage Digest

- Non-carbonated beverages (NCBs) have averaged 15% annual growth over the last ten years.
- NCBs account for 35% of refreshment beverage consumption
- Sales exceeded $38 billion in 2007
- NCBs are forecasted to grow 35% between 2007 and 2012



Source: Mintel Non-Carb Beverage Report 2008, Beverage Digest

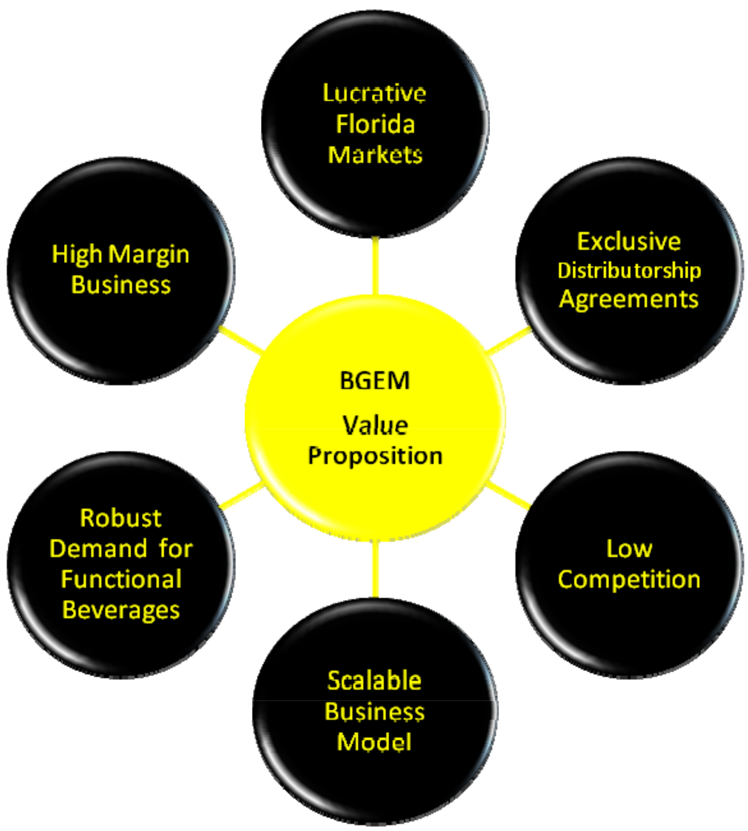
- Functional beverages, including enhanced sports drinks and waters, energy drinks, and smoothies are projected to reach $30 billion by 2010
- Organic beverages sales in FDM and natural supermarkets reach $1.3 billion in 2006, a 97% increase from 2001. Projected to grow additional 55% by 2011.
- Beverages with evidenced health benefits are expected to drive segment sales.

Industry Trend - Distribution
One of the most dominant trends in retail distribution in recent decades has been the substantial increase in retailers' control of the supply chain. Direct store delivery (DSD), retailer oriented concept, is gaining much attention and promises to be the trend of the future. The supply chain is continually changing to gain cost efficiencies. The DSD model maximizes the benefit to both retailer and the producer, creating a win-win situation.

In addition, revenue increases can be realized through higher margins due to reduced markdowns, especially on time-sensitive merchandise and by way of increased sales thanks to a reduction in stock-outs. Companies can also achieve strategic improvements because they can focus management, labor and financial resources on core competencies such as buying and merchandising.

Value Proposition:

The BGEM value proposition lies in the Company's ability to tap small mom and pop stores in the lucrative Florida market to launch innovative beverage brands.



Projects, Sales, Earnings Margin 5 Year Forecast

Revenue Forecast

$000	2010E	2011E	2012E	2013E	2014E
Grocery Stores	**4,169**	**8,897**	**14,458**	**21,022**	**29,515**
% growth		113.4%	62.5%	45.4%	40.4%
Convenience Stores	**2,486**	**5,306**	**8,622**	**12,536**	**17,600**
% growth		113.4%	62.5%	45.4%	40.4%
Total Revenue	**6,656**	**14,203**	**23,080**	**33,558**	**47,115**
% Growth	NM	113.4%	62.5%	45.4%	40.4%

Sales, Margins and Earnings Forecast

all figures in $ 000s; unless otherwise	2010E	2011E	2012E	2013E	2014E
Revenues	6,656	14,203	23,080	33,558	47,115
% growth	*NM*	*113.4%*	*62.5%*	*45.4%*	*40.4%*
EBIT	(560)	736	3,609	7,351	13,441
EBIT Margin	*-8.4%*	*5.2%*	*15.6%*	*21.9%*	*28.5%*
EBITDA	(466)	852	3,808	7,550	13,663
EBITDA Margin	*-7.0%*	*6.0%*	*16.5%*	*22.5%*	*29.0%*
Net Profit	(560)	736	2,707	5,293	9,409
Net Profit Margin	*-8.4%*	*5.2%*	*11.7%*	*15.8%*	*20.0%*
Earnings Per Share - Diluted	(0.00)	0.01	0.02	0.04	0.08
Free Cash Flow to Firm	(856)	674	2,406	5,397	9,418

BGEM intends to be a full service Direct Store Distribution company that competes in all areas of the non-alcohol beverage industry including; ice teas, juices, waters, shots, carbonated soft drinks etc. The Company intends to focus on the underserved Florida markets.

The Company expects to distribute products of allied beverage companies to independent as well as chain stores. Grocery stores and convenience stores are the two broad categories the Company intends to service. We expect strong revenue growth over our forecast period as the Company introduces new products and also expands geographically. The continuing shift towards health foods and drinks in the US augurs well for top line growth. Revenue is expected to increase from $6.6 million in 2010 (year ended July) to $47.1 million by 2014.

Operating margins are expected to be healthy. The direct distribution business is a high margin cash business. We forecast the Company will experience significant margin expansion post its initial establishment expenses. We expect operating margin to improve from -8.4% in 2010 to 28.5% in 2014.

The Company's strong product portfolio should help faster penetration in the Florida markets providing a significant boost to revenues. Our projections reflect a strong and positive outlook for BGEM in the intermediate-to-long term. The favorable market dynamics for the Company's products enhances our outlook.

VALUATION

THE COHEN PRICE TARGET - $1.01

The Cohen Price Index Target is derived using a combination of academic and market-based valuation approaches. The four equal weighted (25%) important components used in calculating our target price are:

1. The first 25% equal weighted component is the market multiple based valuation methodology. This method uses the industry average 2011E Price-to-Earnings ratio to calculate the potential stock price (Price to Book if an asset based company). The Company functions in the beverage distribution industry which has an average Price-to-Earnings multiple of 28.6x. This means that, on an average, stocks in this industry should currently trade 28.6x times their 2011 expected earnings.

2. The second 25% equal weighted component of our target price is our Capital Employed based valuation. Most start-up companies require significant capital to meet our projections. We believe our Cohen Target Price should reflect its ability to raise additional capital. Based on our capital projection and long-term price target from our Cohen DCF valuation model, we derive a Price-to-Capital Employed ratio of 135. We then multiply this ratio with our capital employed per share assumption to derive the target price based on this approach.

3. Our third 25% equal weighted component is our use of the Cohen Price Performance Index, which calculates the average price increase of all the stocks covered by Grass Roots Research and Distribution Inc. and Cohen Research post its release. Currently, for the week ending December 3, 2009, the Cohen Price Performance Index is up by 91.6%. This means that post the release of this report we expect the stock to follow the same trend and rise by 91.6%. To date, 97.5% of our stocks since May 2009 have traded above the price of initiate coverage report.

4. Our fourth 25% equal weighted component is the use the more theoretical Discounted Cash Flow (DCF) method of valuation. Our DCF valuation is based on an assumed long-term sustainable growth rate of 2%, our Base Case forecasts the cost of capital range between 7.0% and 10.0%.

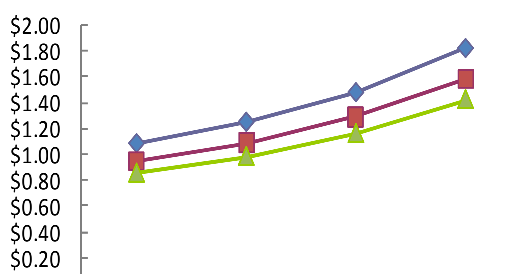
Capital raising and cash is the life blood of any micro cap/small company. Both our Capital Employed and Cohen DCF formulas combined include a 50% capital raising assumption component of the Cohen Price Target. We have awarded a 25% equal weighting to all of the four factors to arrive at the Cohen Price Index Target of $1.02 per share. Our formula is shown below.

Multiple Based Valuations

Price-to-Earnings (P/E)	in US$	in US$
BGEM - Earnings Per Share - 2011 Forecasts	0.01	
Industry Average P/E Ratio	28.6x	
Price based on P/B Ratio		**0.17**
Price-to-Capital Employed (P/CE)	**in US$**	**in US$**
BGEM - Capital Employed - 2010 Forecasts	0.02	
Industry Average P/CE Ratio	135.0x	
Price based on P/CE Ratio		**2.45**
Cohen Performance Index	**in US$**	**in US$**
Cohen Price Performance Index Value	91.6%	
BGEM - Current Stock Price	0.18	
Price based on Cohen Performance Index		**0.34**
Cohen Discounted Cashflow	**in US$**	**in US$**
DCF - Base Case Valuation	1.09	
Price based on DCF Calculation		**1.09**
Simple Average of Price Targets		**1.01**
The Cohen Price Target		**1.01**

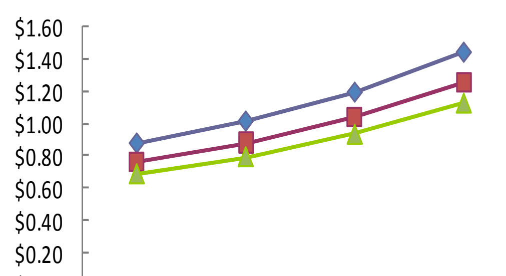
Discounted Cash flow Based Valuation

Range of Price Targets Vs. Long Term Growth Rates



	1%	2%	3%	4%
Optimistic Case	$1.09	$1.25	$1.48	$1.82
Base Case	$0.95	$1.09	$1.29	$1.58
Pessimistic Case	$0.85	$0.98	$1.16	$1.42

Range of Price Targets Vs. Cost of Capital



	10%	9%	8%	7%
Optimistic Case	$0.89	$1.02	$1.20	$1.44
Base Case	$0.77	$0.89	$1.04	$1.26
Pessimistic Case	$0.69	$0.80	$0.94	$1.13

Cohen Growth Drivers

Annual Revenues, Margins, Assets, Turns					
all figures in $ 000s	2010E	2011E	2012E	2013E	2014E
Revenue	6,656	14,203	23,080	33,558	47,115
Operating Margin	-26.3%	14.4%	40.1%	54.8%	67.9%
Net Margin	-8.4%	5.2%	11.7%	15.8%	20.0%
EPS - Diluted	(0.005)	0.006	0.022	0.044	0.078
EBITDA	(466)	852	3,808	7,550	13,663
Free Cash Flow to Firm	(856)	674	2,406	5,397	9,418
Cash	1,248	1,740	3,996	9,212	18,414
Working Capital	(10)	(399)	(592)	(832)	(1,090)
Long Term Debt	-	-	-	-	-
Total Debt	-	-	-	-	-
Total Assets	2,010	3,125	6,246	12,041	22,047
DSO	18	7	7	7	7

Percentage Change in Annual Revenues, Margins, Assets, Turns					
	2010E	2011E	2012E	2013E	2014E
Revenues	NM	113.4%	62.5%	45.4%	40.4%
Operating Margin	NM	40.7%	25.7%	14.7%	13.2%
Net Margin	NM	13.6%	6.5%	4.0%	4.2%
EPS - Diluted	-16.9%	-231.5%	267.7%	95.5%	77.8%
EBITDA	1177.6%	-282.9%	346.9%	98.3%	81.0%
Free Cash Flow	NM	NM	257.0%	124.4%	74.5%
Cash	15867.8%	39.4%	129.7%	130.5%	99.9%
Working Capital	#DIV/0!	4067.2%	48.1%	40.7%	31.0%
Long Term Debt	NM	NM	NM	NM	NM
Total Debt	NM	NM	NM	NM	NM
Total Assets	25613.2%	55.5%	99.9%	92.8%	83.1%
DSO	NM	-60.0%	0.0%	0.0%	0.0%

BGEM derives revenue through its direct distribution network for non-alcoholic beverages. The Company intends to launch new products and brands in the expanding functional drinks and beverages market. Florida is an affluent state with high per capita income with significant elderly populace. Growing health consciousness, especially among the aged population, makes Florida an ideal market for the products BGEM expects to distribute. The Company expects to tap the multitude of small independent store owners in the Florida market to create favorable entry point for up- start beverage companies. The Company expects to leverage its direct interaction with retailers and understanding of consumer preference to launch beverages that are in demand.

The Company expects to be selective about its product portfolio, selecting only the best brands in each category. BGEM will also distribute non-competing brands to avoid conflicts of interest. Many companies that anticipate entering the Florida markets do not have choices for market entry or placement. The Company intends to capitalize on this demand for distribution avenues.

The Company will gain from the cash nature of the business resulting in low working capital requirements. Smaller revenue cycles will enhance cash flows and profitability.

Management

Mr. Anthony Dervali is the Chief Financial Officer, Corporate Secretary of Blue Gem Enterprise. He has been in the service business and on site production business for over 15 years. He has extensive experience in organizing events. He is expected to use his management skills to handle promotions, logistics and events for the Company's beverage distribution.

Bob Friedopfer will head the sales and expansion plan of the Company. Mr. Friedopfer's career spans 30 years in managing end-to-end operations encompassing product development, sales and marketing, brand management, domestic and off-shore logistics along with specializing in enterprise-wide system design & management solutions for a variety of industries.

CONCLUSION

Blue Gem Enterprise is a development stage company that is focusing on operating as a full service direct store beverage distribution company. It intends to distribute various non-alcohol beverages in the affluent Florida markets. The company expects to manage and distribute select allied brands with beverage manufacturers. Exclusive agreements with beverage manufacturers provide stability to the business model.

According to Euromonitor 2009, the United States food and beverage market was worth an estimated $688 billion in 2008 representing 18% of the global food and beverage market. The retail value of the US fortified functional food and beverages market in 2007 was approximately $59 billion while the retail value of the US packaged foods and beverages market in 2007 was $46 billion. The US functional food market is expected to grow at annually at 6.1% from 2007-2012, as per Datamonitor estimates. The US is estimated to the largest functional food and drink market in the world. The market potential for functional beverages is significant.

The Company competes on the basis of speed of service, proximity to consumer groups and unconventional new products. We are confident of the ability of the Company to penetrate the market and garner a larger market share. Risks include raising capital, and the execution of the Company's proposed business strategy. The Company will have to raise $2 million of capital to meet our projections.

We forecast BGEM is on a fast paced growth trajectory and believe the Company is a potentially lucrative investment opportunity for risk adverse investors.

PJ/Grass Roots Research and Distribution, Inc.

LATEST PRESS RELEASE

Source: Blue Gem Enterprise
Wednesday November 18, 2009

Blue Gem Hires Veteran Beverage Distributor to Head Up Sales, Deploy Growth Strategy

MIAMI, FL--(Marketwire - 11/18/09) - Blue Gem Enterprise (OTC.BB:BGEM - News) is pleased to announce it has hired veteran beverage Industry executive Bob Friedopfer to head up its sales and expansion plan. Mr. Friedopfer will officially begin today and is charged with implementing a growth strategy, adding new products to distribute throughout South Florida independent and larger chain stores. South Florida has a heavy concentration of underserved small mom and pop stores, creating an opportunity for which Blue Gem intends to exploit.

"I have personally known Robert for over 30 years, and he is an extraordinary asset to Blue Gem," says CEO Allan J Sepe. "His combination of industry experience and relationships should bode very well for us in this ripe market."

Mr. Friedopfer's career spans 30 years in managing end-to-end operations encompassing product development, sales and marketing, brand management, domestic and off-shore logistics along with specializing in enterprise-wide system design & management solutions for a variety of industries. He has successfully launched numerous beverage brands for both start up and established companies throughout the US. As a successful professional and entrepreneur, he represents the power of leveraging relationships and networking to achieve results; Friedopfer worked for National Dairy Holdings, one of the largest dairy and beverages companies in the US as Vice President for their SE region. At NDH, Mr. Friedopfer directed an 800 million dollar division responsible for 33 manufacturing plants, multiple sales teams and hundreds of DSD routes; distributing beverages to regional and national accounts including; Walmart, Food Lion, Walgreens, 7-11, Hess, Race Track, Mobile, Dunkin Donuts, Disney, Whole Foods, Cruise Industry, School Systems, Hospital Groups and many others. During his tenure at NDH, Mr. Friedopfer developed, manufactured and launched new brands of nutritional beverages. He was one of the first executives in the beverage industry to recognize and develop "healthy" alternatives for the school systems.

About Blue Gem Enterprise

Blue Gem Enterprise is an emerging beverage distribution company headquartered in South Florida and serves the area from Southern Georgia through the Florida Keys, including major chains, independent stores, hospitals, gyms, hotels and other retailers. It is the mission of Blue Gem to become one of the leading distributors of non alcoholic beverages and foods in the state of Florida.

Safe Harbor

This press release includes statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Blue Gem Enterprise, Inc. claims the protection of the safe-harbor for forward-looking statements contained in the Reform Act. These forward-looking statements are often characterized by the terms "may," "believes," "projects," "expects," or "anticipates," and do not reflect historical facts. Specific forward-looking statements contained in this press release include, but are not limited to: our successful integration of diversified growth companies, impact of the company's expansion plan, and new business development success, future financial results, development and acquisition of new product lines and services, the impact of competitive products or pricing from technological changes, the effect of economic conditions and other uncertainties. The forward-looking statements contained herein involve risks and uncertainties that could cause actual results to differ materially from the expectations contained in any such, forward-looking statements. These risks include, but are not limited to: failure to manage operating expenses or integrate new companies and/or technologies, each of which could have a material impact on our business, our financial results, and the company's stock price. Most of these factors are difficult to predict accurately and are generally beyond the Company's control. Forward-looking statements speak only as to the date they are made and Blue Gem Enterprise does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

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Investor Relations

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HISTORICAL HEADLINES

Wed, Nov 18, 2009

- Blue Gem Hires Veteran Beverage Distributor to Head Up Sales, Deploy Growth Strategy

Wed, Oct 21, 2009

- BLUE GEM ENTERPRISE Files SEC form 8-K, Completion of Acquisition or Disposition of Assets, Changes in Control or Reg

APPENDIX

Price Targets

Price targets can be heavily influenced by investor awareness campaigns. In general, we believe the more money spent on such campaigns, the greater the probability for price increases post report release. Our price targets assume capital raising and forecast 5 year Income Statement, Balance Sheet and Cash Flow statements. In a perfect world, these assumptions may be realized. We do not give investment advice. However, in the practical/real world, it is very difficult for a small company to reach our theoretical 5 year projections. We are not aware of any research firm that forecasts the three statements (IS, BS, CF) in 3 cases for 5 years. We believe our price targets are unique to the body of knowledge in the field of securities analysis.

Note: How we calculate our Price Targets

We further explain our Cohen DCF, which is an important 25% component of The Cohen Price Target. The Cohen Discounted Cash Flow Analysis (DCF) creates a price target and values a company today, based on projections of how much future cash will be generated from a Company. Our DCF analysis assumes that a Company is worth all of the cash that it can make available to investors in the future. It is called "discounted" cash flow because cash in the future is worth less than cash today, and therefore must be discounted to today. We forecast various line items including assuming capital is raised, to calculate the free cash flow we expect a company to generate during our 5 year forecasted time period. After using a formula to discount free cash flow, we divide the total forecasted equity of the company by the shares of stock outstanding to calculate our Cohen DCF (Discounted Cash Flow) valuation, or theoretical price per share target. We believe our DCF is a more accurate method of calculating operating cash. We forecast three assumed price targets because companies change during 5 years, Base Case, Optimistic Case, and Pessimistic Case.

Note: What is our formula used to calculate our DCF, the Cohen Long Term Price Target?

Some line items include free cash flow to the firm, the weighted average cost of capital, assumption of capital raised and capital spent, and the total enterprise value of the business less its debt, total equity value, total shares outstanding, and our projected price per share. A DCF cannot be academically calculated without projecting the 5 year cash flow statement.

Risks of the Cohen Price Targets

Our Price Targets assume capital will be raised in two of four of our components, or 50% of the Cohen Price Target. The majority of micro cap/small cap companies need capital to reach our 5 year sales and cash flow projections. In the academic world, The Gordon Growth Model justifies an analyst's decision to forecast for 5 years. We forecast the three statements for 5 years in 3 cases. However, in the practical/real world, buying a micro cap stock based on 5 year forecasting is highly risky.

If smaller companies are able to raise capital, our theoretical price targets in a perfect world might be justified, providing the company executes on its business model. If an investor believes that a given

Company cannot raise the necessary capital to reach our projections, then any investment becomes highly risky.

The investor should consider the possibilities of a given company being able to raise capital and execute over 5 years. Few micro/small cap companies are able to raise enough capital and execute over an extended period of time, primarily due to competition, management competence, access to capital, and execution of their master budget. Our price targets are academic theory and should not be relied upon. Investors should do their own research and consult with their financial consultants.

FINANCIAL EXHIBITS

Income Statement – Base Case

all figures in $ 000s	2010E	2011E	2012E	2013E	2014E
Revenues	**6,656**	**14,203**	**23,080**	**33,558**	**47,115**
Cost of Goods Sold	4,526	9,090	14,079	20,135	27,327
Gross Profit	**2,130**	**5,113**	**9,001**	**13,423**	**19,788**
Expenses					
General and administrative	799	1,136	1,269	1,510	1,885
Product Development	466	852	923	1,007	942
Coupons/Discounts	333	568	923	1,342	1,885
Sales & Marketing	998	1,704	2,077	2,013	1,413
Depreciation	94	116	199	200	222
Total Expenses	**2,690**	**4,377**	**5,392**	**6,072**	**6,347**
Operating Profit/ EBIT	**(560)**	**736**	**3,609**	**7,351**	**13,441**
Interest Expense, Net	-	-	-	-	-
Other Income	-	-	-	-	-
Earnings before tax	**(560)**	**736**	**3,609**	**7,351**	**13,441**
Provision for Taxation	-	-	902	2,058	4,032
Net Profit/Loss	**(560)**	**736**	**2,707**	**5,293**	**9,409**
Shares Outstanding - Basic	120,570	120,570	120,570	120,570	120,570
Shares Outstanding - Diluted	120,570	120,570	120,570	120,570	120,570
EPS - Basic	(0.005)	0.006	0.022	0.044	0.078
EPS - Diluted	(0.005)	0.006	0.022	0.044	0.078

Balance Sheet – Base Case

all figures in $ 000s	2010E	2011E	2012E	2013E	2014E
ASSETS					
Cash	1,248	1,740	3,996	9,212	18,414
Accounts Receivable	333	284	462	671	942
Inventory					
Prepaid Expenses	33	71	115	168	236
Current Assets	**1,705**	**2,368**	**4,995**	**10,655**	**20,411**
Fixed Assets	305	757	1,251	1,387	1,636
Total Assets	**2,010**	**3,125**	**6,246**	**12,041**	**22,047**
LIABILITIES					
Accounts payable and accrued liabilities	376	754	1,169	1,671	2,268
Total Current Liabilities	**376**	**754**	**1,169**	**1,671**	**2,268**
Notes payable	-	-	-	-	-
Total Liabilities	**376**	**754**	**1,169**	**1,671**	**2,268**
Common Stock	121	121	121	121	121
Additional paid-in capital	2,129	2,129	2,129	2,129	2,129
Accumulated comprehensive loss	(615)	121	2,828	8,120	17,529
Total Shareholders Equity	**1,635**	**2,371**	**5,077**	**10,370**	**19,779**
Total Liabilities, Shareholders Equity, MI	**2,010**	**3,125**	**6,246**	**12,041**	**22,047**

Cash Flow Statement – Base Case

all figures in $ 000s	2010E	2011E	2012E	2013E	2014E
Operating Activity					
Net Income	(560)	736	2,707	5,293	9,409
Adjustments to Reconcile Cash Flows					
Depreciation & Amortization	94	116	199	200	222
(Increase)/Decrease in:					
accounts receivable	(333)	49	(178)	(210)	(271)
inventory	(91)	(182)	(150)	(182)	(216)
prepaid expense	(33)	(38)	(44)	(52)	(68)
accounts payable and accrued liabilities	376	379	414	503	597
Change in Working Capital	(81)	208	42	59	42
Cash Flow from Operating Activities	**(547)**	**1,060**	**2,948**	**5,551**	**9,673**
Investing Activity					
Capital Expenditures	(399)	(568)	(692)	(336)	(471)
Cash Flow from Investing Activities	**(399)**	**(568)**	**(692)**	**(336)**	**(471)**
Financing Activity					
Proceeds of common shares	2,187	-	-	-	-
Proceeds Notes Payable	-	-	-	-	-
Repayments Notes Payable	-	-	-	-	-
Cash Flow from Financing Activities	**2,187**	**-**	**-**	**-**	**-**
Net Change in Cash	**1,241**	**492**	**2,256**	**5,216**	**9,202**
Opening Cash Balance	**8**	**1,248**	**1,740**	**3,996**	**9,212**
Ending Cash Balance	**1,248**	**1,740**	**3,996**	**9,212**	**18,414**

Financial Summary – Base Case

Sales Metrics	2010E	2011E	2012E	2013E	2014E
G&A/Sales (%)	12.0%	8.0%	5.5%	4.5%	4.0%
Receivables/Sales (%)	*5.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
Cohen Forward P/E Multiple	N/A	178.4x	48.5x	24.8x	14.0x
Receivables per day of Sales (Days)	18	7	7	7	7

Profitability Metrics	2010E	2011E	2012E	2013E	2014E
EBITDA Margin	-7.0%	6.0%	16.5%	22.5%	29.0%
Pre Tax profit Margin	*-8.4%*	*5.2%*	*15.6%*	*21.9%*	*28.5%*
Net profit Margin	-8.4%	5.2%	11.7%	15.8%	20.0%
Effective Tax Rate	*0.0%*	*0.0%*	*25.0%*	*28.0%*	*30.0%*

Performance Metrics	2010E	2011E	2012E	2013E	2014E
Return on Equity (ROE)	-34.3%	31.0%	53.3%	51.0%	47.6%
Return on Assets(ROA)	*-27.9%*	*23.6%*	*43.3%*	*44.0%*	*42.7%*
Return on Invested Capital (ROI)	-27.9%	23.6%	43.3%	44.0%	42.7%

Per Share Data	2010E	2011E	2012E	2013E	2014E
Sales per Share	$0.055	$0.118	$0.191	$0.278	$0.391
Cash per Share	*$0.010*	*$0.014*	*$0.033*	*$0.076*	*$0.153*
Current Assets per Share	$0.014	$0.020	$0.041	$0.088	$0.169
Total Assets per Share	*$0.017*	*$0.026*	*$0.052*	*$0.100*	*$0.183*
Tangible Book Value per Share	$0.014	$0.026	$0.052	$0.100	$0.183
Long Term Debt - per Share	*$0.003*	*$0.006*	*$0.010*	*$0.014*	*$0.019*
Working Capital per Share	$0.000	-$0.003	-$0.005	-$0.007	-$0.009
Free Cash Flow per Share	$0.011	$0.006	$0.020	$0.045	$0.078

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