



House Bill 629 Testimony

Thank you for the opportunity to provide testimony on House Bill 629. I'm Doug Hall, the co-founder and CEO of Brain Brew Custom WHISKeY of Newtown Ohio. We are a technology driven craft distillery which patented/patent pending technologies in WoodCraft Finishing, Distilled Smoke, Vapor Infusion, Custom Bourbon and Artificial Intelligence systems. We are also designed to be a national and eventually an international export distillery that brings new money into the state of Ohio.

Brain Brew was created in 2016 with a focus on discovering a more reliable system for creating super premium and above bourbon and rye. Our Dexter Bourbon is named after the famous Cincinnati Barrel Blender who hosted author Charles Dickens and the future King Edwards VII of England in the 1800s. It has been named one of the 12 top bourbons in the USA by Ultimate Spirits.

To improve our gross profit margin we offer Custom Bourbon Experiences. As I'm sure you understand it is very, very hard to have a profitable craft distillery. The USA's "three tier" distribution system takes half of the retail revenue. To improve our profitability we created our WoodCraft Custom Bourbon experience. It guides consumers in the creation of their custom bourbon as was popular in the 1800s when 85% of American whiskey/bourbon came from the Cincinnati Area.

Therefore - where we pay the State of Ohio about 50% of the revenue we receive on our spirits we realize a gross margin of nearly 95% from our custom bourbon experience. This changes the economics for a distillery. The custom bourbon experience is so valuable to craft distillery profitability that we are franchising it. Our first WoodCraft Bourbon Blender Franchise is open on Main street in Louisville with others in discussion for Hilton Head, Las Vegas, Chicago and New York.

To improve our cost of production we do contract bottling. Specifically, we produce and package Noble Oak bourbon for Edrington Distillers Limited of Scotland. The brand has been very successful and is distributed in nearly every state in the USA. And while as a contract manufacturing company it is not very profitable however it helps us cover overheads and the scale improves our raw material costs.

However - sometime next year, we will exceed production of 100,000 gallons of Noble Oak. Under Ohio law this means we automatically lose our rights to sell bottles at our facility or to offer Custom Bourbon Experiences. That would destroy our profitability. Even worse - it would eliminate our distillery as a "learning lab" for creating new experiences to help grow sales at our franchisees.

Quite simply - if the production limit is not expanded we will have to look into moving 7 miles south to Kentucky. WE WOULD PREFER TO STAY IN Newtown Ohio as we have about \$5 million invested in our distillery and land to do an additional \$1 million expansion hopefully next year. While I respect the idea of a cap on craft distilleries - the current cap is not high enough for someone to create a sustainable and profitable business given industry economics. House Bill 629 would fix that.

The second part of HB 629 is repealing the fee that customers have to pay when sampling our spirits at an Ohio liquor store. This is a simple matter of fairness. There are no fees to sample beer or wine. If you sample our bourbon, there is a 50-cent fee. It just doesn't make sense.

As I stated earlier, with all due respect to the distilleries in Kentucky, the truth is that Cincinnati Ohio was the commercial birthplace of American bourbon and whiskey in the 1800s. House Bill 629 will help my team and my fellow Ohio Distillers continue our quest to bring Ohio back to its rightful place as one of the leading whiskey producers in the USA and eventually the world.