



## House Bill 86 Testimony

Thank you for the opportunity to provide testimony on House Bill 86. I'm Doug Hall, the co-founder and CEO of Brain Brew Custom WHISKEY of Newtown Ohio. We are a next generation craft distillery that is creating disruptive products and business models in the Bourbon Industry.

Brain Brew was created in 2016 with a focus on discovering a more reliable system for creating super premium and ultra premium 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. Dexter has been named one of the 12 top bourbons in the USA by Ultimate Spirits.

We employ 18 employees and are optimistic that we will have more employees in Ohio in the future.

**To deliver a reasonable profit margin we offer Custom Bourbon Experiences.** It is very hard to create a profitable craft distillery. The “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.

Selling “experiences” along with bottles increases our profitability. With the experience fee we keep 100% of gross revenue versus 50% when we sell a bottle. 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 also do contract bottling.** Contract bottling is not very profitable but it is necessary to cover overheads as our own brands grow. In our case we produce and package Noble Oak bourbon for Edrington Distillers Limited of Scotland. The brand is now the fastest growing super premium brand in America due in large part to our Patented Woodcraft Finishing system.

Our concern is that sometime this fall, 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 with plans 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 86 would fix that.

The second part of HB 86 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 86 will help my team and my fellow Ohio Distillers continue our quest to bring Ohio back to it's rightful place as one of the leading whiskey producers in the USA and eventually the world.