

AMERICAN CRAFT DISTILLER

by the *Distilled Spirits Council of the United States*



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REMINDER: Craft Distiller Public Policy Meeting in Washington, DC on May 2-3; Sign-up now!

Already more than a dozen DISCUS Craft Distiller members are set to come to Washington, DC for the second annual Craft Distiller Public Policy Meeting on Capitol Hill, May 2-3. That said, there is still time to sign up and reserve your spot for what is going to be a substantive industry event in our nation's capitol. **Call us now!**

This year's conference will feature meetings with key federal officials, coordinated lobbying visits to your congressional delegation, a DISCUS-hosted welcome reception and dinner, and a spectacular Congressional Spirits Festival with individual booths to showcase your products to Members of Congress, their staffs and influential media.

During the General Session and Industry Briefing, which will be held in the U.S. Capitol complex, a host of influential legislators and key administrative officials will stop by to meet you and discuss policy matters important to distillers of all sizes. The morning session will brief members on key state and federal government



DISCUS Hosts Receptions at ADI Annual Conference in Portland
DISCUS SVPs Frank Coleman and Mark Gorman flank Rogue Spirits President Brett Joyce at a reception during the ADI Annual Conference in Portland, OR on April 4-5.

issues, present a broad regulatory update on the spirits industry and highlight important international promotion opportunities for interested craft distillers.

"This public policy event is an excellent opportunity for craft distiller members to highlight their unique issues and products," said DISCUS Senior Vice President Mark Gorman. "Gathering in Washington, DC shows members of Congress that we are a strong, united force when it comes to defending our issues — especially taxes

and market access fights."

After the briefing, craft distillers will depart on coordinated lobbying visits to share with Members of Congress personal distilling stories and talk about the harm that higher taxes and poor federal policies would do to the craft distilling industry and its businesses.

Following the congressional visits, there will be a Craft Distiller Congressional Spirits Festival in which each attending craft distiller has a booth to showcase the fine spirits products.

ISSUE SPOTLIGHT: CHEERS! Georgia State Legislature Strikes Down Blue Law — 37th State to Allow Sunday Sales

Georgians who have supported the convenience of Sunday alcohol sales have reason to cheer after the State Legislature passed a bill striking down the Prohibition-era Blue Law.

"This is a terrific victory for consumer convenience, market modernization and free enterprise," said Distilled Spirits Council President Peter Cressy, noting that Georgia is the 37th

state to allow Sunday liquor sales — and the 15th since 2002.

Senate Bill 10, authored by Sen. John Bulloch, passed the Senate on March 16th by a vote of 32-22. The bill passed the House last night by a vote of 127-44. The bill will allow individual communities to hold local option elections for Sunday sales if they choose. Once signed, the bill takes effect July 1

and allows for special alcohol elections as early as November.

"States across the country are modernizing their alcohol laws to satisfy modern consumer buying habits and provide legislators with much-needed additional revenue," Cressy said. He also noted only two states, CT and IN, continue to prohibit beer, wine and distilled spirits sales on Sundays.

Inside this issue:

Public Policy Meeting
Cover Story

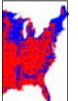
The DISCUS Corner
Page 2

Capitol Files
Page 2

State
Page 3

Peach Brandy Story
Page 3

Membership
Page 4



Distilled Down:

- **Fly-in Reminder:** Sign up NOW to join the Craft Distiller Public Policy Committee Meeting (fly-in) in Washington D.C. on **May 2-3**; The event will feature lobbying visits to your congressional delegation and a spectacular Congressional Spirits Festival to showcase your products in front of Members of Congress, their staffs and influential media. For more information, call Cheryl Hecht at 202-682-8840
- **If you haven't already:** Send DISCUS a product sample for the display case in The 1797 tasting lounge where receptions and congressional visits occur.
- **Reminder:** It's time to start planning for your Distiller Affiliate Membership renewal.
- **Contact:** Please contact Craft Distiller Member Services Director Cheryl Hecht at checht@discus.org or 202-682-8840 for more information or questions regarding your Craft Distiller Affiliate Membership.

THE DISCUS CORNER

FRANK COLEMAN & MARK GORMAN

It has been an historic 14 months for the Distilled Spirits Council and we want to tell you how proud we are to see the Craft Distiller Affiliate Membership grow so fast in such a short time. We launched this organization in February 2010 with 12 members. With the publication of our first 2011 newsletter, we have reached 34 members and are still growing strong. This is a terrific development for the entire industry, and we're certain the number will continue to grow as more distillers across the country learn about the work we're doing together.

Of course, we would not exist as a group without the foresight and determination of our first Chairman, Fritz Maytag. We are especially grateful for Fritz's vision and ability to put this group together under the Distilled Spirits Council banner so that distillers of all sizes can work together to educate policymakers in Washington and across the country on the critical role we play within American hospitality industry.

As craft distiller liaisons for the Distilled Spirits Council, we are honored by the commitment and resolve of our experienced craft distiller members; and gratified by the enthusiasm of all our new members. We believe it's important for distillers to work together to highlight the critical role our businesses play in our communities. To that end, we encourage each of you to reach out and tell a colleague about this opportunity. As our number grows, so grows our strength.

As a parting thought, we would urge those of you who have not signed up yet to sign up now for our 2nd Annual Public Policy Meeting in Washington, DC this May 2-3. This event was a major success last year, and will only get bigger and better moving forward. The Washington fly-in features a full day of briefings and lobbying visits with your congressional representatives; and caps off with a terrific Congressional Spirits Festival featuring your products for Members of Congress, staffers and media. If you'd like more information on registering for the public policy meeting, or have questions regarding your membership, please contact our Member Services Director, Cheryl Hecht, at 202-682-8840.

With that, please have a wonderful Spring, and we look forward to seeing you all very soon at the U.S. Capitol.

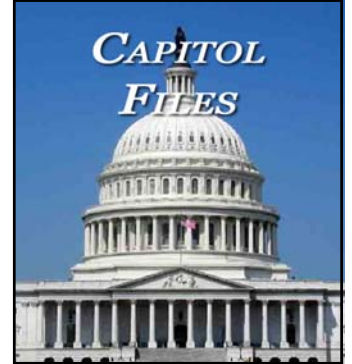
See you in May,

Frank Coleman & Mark Gorman
Distilled Spirits Council

INTRA-INDUSTRY FEUD FORCES MAJOR ALCOHOL SUPPLIERS TO SEND LETTER TO CONGRESS OPPOSING "HR 1161"

Washington, DC – In a letter to Members of Congress, all major alcohol supplier trade associations strongly denounced the wholesaler-crafted HR 1161 – the so-called "CARE Act." The letter said the bill would "undermine the free-market system enshrined in the Constitution" and urged Members of Congress not to get involved in this intra-industry dispute. The groups signing the letter include: Distilled Spirits Council; Wine Institute; Beer Institute; Brewers Association; WineAmerica; and the National Association of Beverage Importers.

Asked to comment on the wholesalers' reintroduction of such controversial and divisive legislation, DISCUS Senior Vice President of Government Relations Mark Gorman said: "Proponents of H.R. 1161 claim that this bill is necessary to retain a state's right to regulate wine, beer and distilled spirits, to end an 'avalanche' of litigation, and to stem the tide of



'deregulation.' These assertions could not be further from the truth.

"Suppliers support states' rights to regulate alcohol pursuant to the Twenty-First Amendment. But we, as well as the courts and Congress, also recognize that the powers vested to the states under the Twenty-First Amendment are not absolute and must be balanced with other provisions of the Constitution, such as the Commerce Clause.

"The wholesalers want to change this and we find that unacceptable," Gorman said.



New DISCUS Craft Distiller Logo/Badge for Members

The Distilled Spirits Council has created a new Craft Distiller Membership logo and badge for members to include on website and marketing materials. Please contact DISCUS Craft Distiller Member Services Director Cheryl Hecht at 202-682-8840 to get your file and link.

2011 Mid-Session State Tax Overview

Spirits tax threats have surfaced in 14 states (AZ, CA, CT, HI, KS, MA, MD, MN, NV, NM, NY, OR, VT, WA) and Washington, DC. Most legislatures are still in session, but DISCUS and our hospitality industry partners have already been successful in defeating all proposals in NM. Other major tax efforts include:

Maryland: On April 12, the State Legislature approved increasing the sales tax on alcohol from 6 to 9%. The sales tax is applicable to both on and off-premise sales of distilled spirits, beer and wine. The bill is expected to be signed into law by the Governor. Once signed, the increase will be effective July 1, 2011. The sales tax increase was in lieu of a proposal initially considered which would have increased the excise on beer, wine and spirits from between 600-1200%.

Hawaii: On April 14, legislation to increase the alcohol

excise tax by 20% was passed by the House and sent to the Senate. The Senate is not expected to concur with the House amendments to increase the tax on beverage alcohol and the bill will go to conference. DISCUS will focus our grassroots on Senate conferees as they have been reluctant to pass any tax increases, believing that government should make further reductions.

Connecticut: The Governor's budget proposal includes a 20% increase to spirits, beer and wine excise taxes. The Joint Committee on Finance heard the tax proposal on March 17, but no action has been taken yet. DISCUS is advocating for the legislature to adopt Sunday sales of spirits, beer and wine to help boost state revenue, instead of enacting a tax increase that would harm the industry and increase prices for Connecticut consumers.

2011 Mid-Session Market Access Update

DISCUS has actively been supporting market access initiatives in states across the country. From Sunday sales to tastings to Election Day sales, DISCUS has worked with legislators, industry partners and media to make positive strides on the ground. Some notable accomplishments include:

Georgia Sunday Sales: On April 12, the legislature approved local option Sunday sales. Governor Deal must act on the bill before May 15 and he has publically stated that he would sign the bill if it reaches his desk. Once signed into law, the first Sunday sales local elections could take place in November 2011.

Washington Tastings and Modernization: On April 13, legislation to establish an off-premise spirits tastings pilot project in state stores was approved by the legislature and sent to Governor Gregoire, who must act on the bill before April 23. Tastings is one

of the several measures being considered in Washington to modernize the state system. Other measures include additional stores, co-locating stores within grocery stores, sales of complementary items, and allowing additional stores to open on Sundays.

West Virginia Election Day Sales: On March 30, legislation to allow off-premise spirits sales was delivered to the Governor. This leaves South Carolina and Kentucky as the only two states that ban spirits sales on Election Day statewide.

Texas Sunday Sales: On March 8, the Senate Business and Commerce Committee heard a bill to allow Sunday spirits sales. No vote has been taken. On April 11, HB 3685 was heard in the House Ways and Means Committee. This legislation would allow for the sale of taxable items by certain retailers on Sundays in Texas, which would include spirits.

Craft Distillers Recreate George Washington's Peach Brandy at Historic Mount Vernon Distillery

Mount Vernon, VA — DISCUS craft distillers from across the country gathered at Mount Vernon at the end of 2010 to recreate the First President's Peach Brandy at the George Washington Distillery.

Using 18th century distilling methods, the distillers created a unique Peach Brandy, which will be aged, bottled and eventually sold to the public for the benefit of Mount Vernon's educational programs. They produced approximately 50 gallons of the Peach Brandy, which will yield approximately 500 bottles.

"While not the revenue-producer that Rye Whiskey was for George Washington, Peach Brandy was distilled in limited quantities and was very popular for entertaining at the Mount

Vernon mansion, according to his meticulous records," said Dennis Pogue, Mount Vernon's chief historian. Pogue noted that Washington's financial accounts revealed he sold only eight gallons of Peach Brandy in 1798, and a distillery ledger entry from 1799 shows 60 gallons of Peach Brandy was sent to the "Mount Vernon house" for entertaining.

"Two hundred years later, the reconstructed distillery at Mount Vernon is helping to restore an unknown aspect of our Founding Father's entrepreneurial spirit, while educating the public about the industry's heritage," said DISCUS President Peter Cressy.

Several distillers stayed as guests at Mount Vernon.



Craft Distillers Recreate President George Washington's Peach Brandy at Historic Mount Vernon, Virginia

Craft distillers from around the country recreated Washington's peach brandy in October. Members of the team included (L-R): Scott Harris, Catocin Creek Distillery (VA), Scott Bush, Templeton Rye (IA), Brian McKenzie, Finger Lakes Distilling (NY), Ted Huber, Huber Starlight Distillery (IN), David Pickerell, WhistlePig Whiskey (VT), Thomas McKenzie, Finger Lakes Distilling (NY), Lance Winters, St. George Spirits (CA), Steve Bashore, George Washington's Distillery (VA), Joe Dangler, A. Smith Bowman Distillery (VA), and Rob Cassell, Philadelphia Distilling (PA).

