

PRESENT:

RUTHANNE MILLER, Chairperson

NICK ALBERTI, Member

DONALD BROOKS, Member HECTOR RODRIGUEZ, Member

MICHAEL SILVERSTEIN, Member

JAMES SHORT, Member

HERMAN JONES, Member

1 P-R-O-C-E-E-D-I-N-G-S

2 (1:40 p.m.)

3 CHAIR MILLER: I'm going to call the
4 case. And more board members will be coming out
5 very shortly, but we have a quorum.

6 And I'm going to call Right Proper
7 Brewing Company, located at 920 Girard Street
8 N.E., License No. 97516, Manufacturer A, and ANC
9 5B.

10 And I'm also going to call Right
11 Proper Brewing Company, 624 T Street N.W.,
12 License No. 92357, and ANC 1B. And that's with
13 respect to an application to transfer license to
14 new owners. Okay, why don't we start with
15 introductions?

16 MR. KLINE: Yes, good afternoon.
17 Andrew Kline here on behalf of the Applicants.

18 MS. SNEDDEN: Kim Snedden.

19 CHAIR MILLER: Kim Snedden.

20 MS. SNEDDEN: From Right Proper
21 Brewing Company.

22 MR. CHESTON: Right Forward.

1 MS. SNEDDEN: Or Right Forward, LLC.

2 MR. CHESTON: Thor Cheston.

3 CHAIR MILLER: I'm sorry, what's your
4 name?

5 MR. CHESTON: Thor, T-H-O-R.

6 CHAIR MILLER: Thor.

7 MR. CHESTON: Just like the movie,
8 comic book.

9 CHAIR MILLER: Cheston. Okay, and on
10 my left?

11 MS. CHESTON: Leah Cheston, Right
12 Proper, LLC.

13 CHAIR MILLER: And?

14 MR. SNEDDEN: And I'm John Snedden,
15 from Right Proper, LLC.

16 CHAIR MILLER: Okay. So, first of
17 all, I think I need to, since I called two cases,
18 even though I know they're closely related and
19 that's why we're having this fact finding hearing
20 with respect to both cases, I think I need to ask
21 you to identify which case you're with. Can you
22 do that? Is that too complicated?

1 MR. KLINE: Yes.

2 CHAIR MILLER: Okay. Maybe you can
3 help with that.

4 MR. KLINE: Kim Snedden and Thor
5 Cheston are here in connection with Right
6 Forward.

7 CHAIR MILLER: Right Forward?

8 MR. KLINE: Yes, which is the
9 Applicant for a manufacturer's license and
10 they're to my left. And to my right are John
11 Snedden and Leah Cheston, who are here for Right
12 Proper, which is the existing brew pub.

13 CHAIR MILLER: Okay.

14 MR. KLINE: And for the record, and I
15 think everybody knows this, but so it's all on
16 the record, Thor Cheston and Leah Cheston are
17 husband and wife. John Snedden and Kimberly
18 Snedden are husband and wife.

19 MEMBER RODRIGUEZ: Okay.

20 CHAIR MILLER: And you're representing
21 everybody?

22 MR. KLINE: I beg your pardon?

1 CHAIR MILLER: Are you representing
2 everybody?

3 MR. KLINE: At this point, yes.

4 CHAIR MILLER: Okay, at this point.
5 Okay. All right, so we have different spouses
6 for each relationship on different licenses.

7 MR. KLINE: Right. That's why we're
8 here, I believe, under 23 DCMR 403 and DCK 25-
9 303.

10 CHAIR MILLER: Okay, right. All
11 right, so, those are the statutes and the
12 regulations that we've been looking at --

13 MR. KLINE. Sure.

14 CHAIR MILLER: -- but do you, I would
15 appreciate it if you could address how all the
16 parties will be meeting those statutes and
17 regulations, particularly 403, so that we can
18 make sure that there's not going to be a conflict
19 of interest or prohibitive business interests.

20 MR. KLINE: Sure.

21 CHAIR MILLER: Okay.

22 MR. KLINE: We understand.

1 CHAIR MILLER: Okay.

2 MR. KLINE: We understand why we're
3 here and we understand the Board's concerns.

4 CHAIR MILLER: Oh, let me say one more
5 thing. And I'm sure you understand this and they
6 probably do, too, but this is a fact finding
7 hearing. It's not an evidentiary hearing.

8 We're not putting anybody under oath.
9 We're not going to, you know, be issuing any
10 sanctions as a result of this type of hearing.
11 We just want to get more understanding of how you
12 all are going to proceed Okay, thank you.

13 MR. KLINE: All right. By way of
14 background, Right Proper exists and operates as a
15 brew pub and is up and operating. It was owned
16 by John Snedden, who is to my right, and Thor
17 Cheston, who is to my left.

18 Ultimately, it was decided that there
19 was an opportunity for a manufacturing facility.
20 Thor, who has been in the restaurant business for
21 a number of years, over the years his interest
22 has grown more into the beer production

1 capabilities. And the thought was to open a
2 manufacturing facility, understanding we do have
3 the prohibitive business interests.

4 CHAIR MILLER: Mm-hmm.

5 MR. KLINE: He has conveyed his
6 interest in the on-premise license, the CT, to
7 his wife, Leah, who is seated to my right. And
8 Leah is no stranger to the restaurant business
9 herself.

10 She can certainly tell you about her
11 experience, but she's worked in a number of
12 places over the years and is not, as I said, a
13 stranger to the business. And will play a role,
14 and is playing a role at this point actually, in
15 terms of the operation of the brew pub. The CT
16 licensee.

17 There is separate ownership of the two
18 entities. There will not be common ownership.
19 There will not be common management.

20 There will not be operational control
21 by any of the members or owners of the
22 manufacturing facility over the CT licensing, nor

1 any operation or management between or by the
2 owners of the brew pub over the manufacturing
3 facility. They understand that those are the
4 requirements. All of the monies will be
5 separate.

6 And there is one commonality. There
7 is the hope to capitalize on the brand equity in
8 the name Right Proper.

9 There's actually a third company that
10 owns the Right Proper name and that name is
11 licensed to each of these two Applicants. One,
12 of course, being the brew pub and the other being
13 the manufacturing company.

14 And it's a nominal fee that's paid for
15 the license. It's just that there's a separate
16 company that owns the brand, if you will. It was
17 thought in that way, there would be separation.

18 It's not as if one owns the brand and
19 is licensing it to the other. Rather, there's a
20 third company and both of the Applicants license
21 the branding from the holder of the intellectual
22 property. And it's nominal payment just for

1 purposes of reflecting that there is a license
2 agreement.

3 CHAIR MILLER: Who is the third
4 company?

5 MR. KLINE: Um.

6 CHAIR MILLER: It's a totally separate
7 --

8 MR. KLINE: It's a totally separate
9 company.

10 CHAIR MILLER: Okay.

11 MR. KLINE: It doesn't have anything
12 to do with these operations and it's --

13 MR. CHESTON: It's a holding company.
14 It's just a holding company.

15 MR. KLINE: It's just a holding
16 company.

17 MR. CHESTON: It just holds the brand
18 name Right Proper, so we can lay claim to that
19 trademark.

20 MR. KLINE: It's called RPIP Holdings,
21 LLC.

22 CHAIR MILLER: Oh, okay.

1 MR. CHESTON: We have grand
2 aspirations for the trademark.

3 CHAIR MILLER: Okay.

4 MR. KLINE: And the other thing you
5 should know is this, the manufacturing facility
6 for which the license is sought has a
7 distributorship agreement with a wholesaler.

8 MR. CHESTON: We are currently
9 pursuing an agreement with a distributor.

10 CHAIR MILLER: Okay.

11 MR. CHESTON: We do not have one in
12 place.

13 MR. KLINE: So let me restate that.
14 Will have.

15 CHAIR MILLER: Okay.

16 MR. KLINE: So to the extent that the
17 brew pub buys beverages, they will not be buying
18 those beverages from the manufacturer directly.
19 This will go through the wholesaler.

20 CHAIR MILLER: Right.

21 MR. KLINE: It will be an independent
22 and completely separation operation. Not having

1 nothing to do with either of these two companies.

2 CHAIR MILLER: Mm-hmm.

3 MR. KLINE: Arm's length transaction
4 between the manufacturer and the wholesaler and
5 then between the wholesaler and the Right Proper
6 brew pub.

7 CHAIR MILLER: Okay. Board questions?

8 MEMBER SHORT: I'd just like to --

9 CHAIR MILLER: Mm-hmm.

10 MEMBER SHORT: If we had an easel or
11 something to show the diagram of what you said.
12 How the distribution would flow?

13 MR. KLINE: Sure. I can, if you have
14 a white board or any -- I'd be more than happy to
15 do it, but I don't bring a board in.

16 CHAIR MILLER: How would this be?

17 MR. KLINE: Is that possible? I love
18 that type of stuff.

19 MEMBER SHORT: Because, as pointed by
20 your attorney, it came out one way, but I'd like
21 to see it.

22 MR. CHESTON: So, there's a holding

1 company.

2 MALE: We have an easel.

3 MR. KLINE: That's awesome.

4 MEMBER SHORT: Thank you. Thank you,
5 Martha.

6 (Off microphone discussion)

7 MR. KLINE: So he's asking about the
8 distribution.

9 MR. CHESTON: Yes. There's so two
10 main things. So there's a -- we want to hold on
11 to the rights to the name Right Proper, which is
12 the holding company.

13 MEMBER SHORT: Is that the one on
14 Girard Street or is that the --

15 MR. CHESTON: No, sir. It's the --

16 MR. KLINE: The holding company is --

17 MR. CHESTON: -- it's the holding
18 company. There's the common wording of Right
19 Proper and then there's two entities underneath
20 that that are completely separate companies.

21 MEMBER SHORT: So that's what you want
22 to broker?

1 MR. CHESTON: Yes, sir. That's what
2 I'm saying. So there's two LLCs. The first one
3 that was opened back in 2013 is Right Proper,
4 LLC, which is the --

5 MEMBER SHORT: That was opened when?

6 MR. CHESTON: In 2013.

7 FEMALE PARTICPANT 1: December --

8 MEMBER SHORT: Okay.

9 MR. CHESTON: We started operation in
10 2013 December, and then we have started another
11 LLC. I'm started to get a little dyslexic with a
12 lot of these lines. We started another LLC that
13 we're calling Right Forward and this is purely
14 manufacturing. They're a different license
15 class.

16 MEMBER SHORT: What year did that
17 start?

18 MR CHESTON: January 1, 2014.

19 MEMBER SHORT: Okay.

20 MR. CHESTON: '15.

21 CHAIRMAN MILLER: Oh, okay,
22 manufacturing.

1 MR. CHESTON: Yes. So it' a different
2 license class. So there's just the holding
3 company.

4 MR. KLINE: Let me be clear, though,
5 in terms of the holding company. The holding
6 company does not own these companies. The
7 holding company is a misnomer. I want to be
8 clear on that. Even though it's called RPIP
9 Holdings, LLC, it does not own these LLCs.

10 The relationship between RPIP, RP is
11 Right Proper, IP Intellectual Property, if
12 anybody's curious. RPIP owns the intellectual
13 property.

14 It has license agreements, which is,
15 for those of you that don't know, license
16 agreement doesn't mean an ABC license. It means
17 the rights to use a particular brand.

18 It has agreements with the two
19 Applicants, Right Proper and Right Forward, but
20 Right Proper is owned by, and I'm going to use
21 first names since we have spouses so we're not
22 confused, Leah and John. And Right Forward is

1 owned by Kim Snedden and Thor Cheston.

2 So the ownership is completely
3 separate. There's just a licensing agreement
4 between what's on top and those two companies.
5 And then if we were to go from there, if you look
6 at Right Forward, Right Forward -- probably just
7 do by a triangle and if you don't mind me doing
8 it so that communicated clearly is independent.

9 MR. CHESTON: The two businesses in
10 D.C. are Right Forward and Right Proper. One is
11 a, has a tavern license and that we opened on
12 December 10, 2013. It is an operating restaurant
13 with a group owned endorsement.

14 We want to extend the brand and I'm
15 very ambitious and so I thought that there were a
16 lot of different avenues where we could extend
17 the brand. And so, one of the extensions is as a
18 manufacturing license.

19 To be honest, my wife has been in the
20 restaurant industry as a manager for over ten
21 years. She's much better at this job than I am.
22 I was more than happy to turn over the restaurant

1 operations to her so that I could focus on the
2 extension of the brand and manufacturing. I'm
3 sorry. I'm very nervous.

4 CHAIR MILLER: No, don't worry about
5 it.

6 MR. CHESTON: Manufacturing and
7 extending the brand. I want to see the brand
8 grow in a lot of different ways.

9 MR. KLINE: Thor, if I could, let me
10 just finish with the chart, because that's where
11 we were. So --

12 CHAIR MILLER: I'm still confused
13 about that. I don't -- probably others are, but
14 Right Proper is the brand of what? Is the brand
15 a certain brand of alcohol? Is that it?

16 MR. KLINE: No.

17 CHAIR MILLER: Or is it a name? A
18 brand name or what is it?

19 MR. KLINE: It's a brand name.

20 MR. CHESTON: It's a brand name.

21 CHAIR MILLER: A brand name. So even
22 though these --

1 MR. CHESTON: I want to manufacturer
2 motorcycles in Italy.

3 CHAIR MILLER: Yeah.

4 MR. CHESTON: I want to have surf
5 boards made in Australia. Everything under the
6 Right Proper name. And so I'm just establishing
7 the foundation now.

8 CHAIR MILLER: Okay.

9 MEMBER ALBERTI: So who else owns the
10 hold -- do any of these people have an interest
11 in the holding company you just --

12 MR. KLINE: John and Thor own the
13 holding company.

14 CHAIR MILLER: Oh.

15 MEMBER ALBERTI: Own the holding
16 company that have the intellectual property?

17 MR. KLINE: That owns the intellectual
18 property.

19 MEMBER ALBERTI: All right.

20 MR. KLINE: Okay?

21 MEMBER ALBERTI: Thank you.

22 MR. KLINE: And then the holding

1 company, as I said, licenses that brand name to -

2 -

3 MEMBER ALBERTI: I got it.

4 MR. KLINE: Okay.

5 CHAIR MILLER: But I don't get it
6 totally. Why do --

7 (Simultaneous speaking)

8 CHAIR MILLER: If it's Right Proper
9 and you call this Right Forward, you're still
10 going under the brand name of Right Proper?

11 MR. CHESTON: No, no, no, no. That's
12 not our d/b/a.

13 CHAIR MILLER: Oh, okay.

14 MR. KLINE: Let me see if I can
15 clarify it, okay. So Right Proper, this is
16 actually called RPIP.

17 CHAIR MILLER: Okay.

18 MR. KLINE: RPIP invents the
19 intellectual property. RPIP has, I think this,
20 we've established they've got lots and lots of
21 this and that without this.

22 CHAIR MILLER: Yeah.

1 MR. KLINE: Has a licensing agreement
2 with Right Proper, LLC.

3 CHAIR MILLER: Okay.

4 MR. KLINE: Owns the current Right
5 Proper, LLC, owns the current operating brew pub.

6 CHAIR MILLER: Mm-hmm.

7 MR. KLINE: The brew pub, owed by Leah
8 and John, because Thor transferred his interest
9 in the brew pub to Leah. Right Forward, LLC, is
10 the Applicant for a manufacturing license. It
11 will be essentially a brewery. It also has a
12 separate licensing agreement with RPIP for use of
13 the Right Forward --

14 FEMALE PARTICIPANT 1: Right Proper
15 Brand.

16 MR. KLINE: -- trade marks, brand
17 names --

18 CHAIR MILLER: Okay.

19 MR. KLINE: -- right. And it will
20 operate independently as a brewery. In terms of
21 distributing it's product, it then will enter in
22 to an agreement, a distributorship agreement,

1 with an independent wholesaler not owned by any
2 of them. The familiar names that you all know.
3 I don't know who you're talking to. We're not
4 going to get into that --

5 CHAIR MILLER: Okay.

6 MR. KLINE: -- in terms of all the
7 negotiating we had this morning, but one of your
8 licensed wholesalers will be the distributor for
9 Right Forward, LLC, which will trade as Right
10 Proper Holding, okay?

11 CHAIR MILLER: Okay.

12 MR. KLINE: And then, so, to the
13 extent that the brew pub buys beverages that were
14 initially manufacturer in Right Forward, those
15 will go through the wholesaler. So that Right
16 Proper, LLC, the brew pub, will have an arm's
17 length transaction buying beverages from a
18 wholesaler.

19 CHAIR MILLER: Mm-hmm.

20 MR. KLINE: And similarly, Right
21 Forward, as the brewery, will have an
22 arrangement, an agreement, arm's length, with an

1 independent wholesaler that's not involved with
2 either of them. Does that make it somewhat
3 clear?

4 CHAIR MILLER: Yeah, yeah. All right

5 MR. KLINE: Thank you.

6 CHAIR MILLER: Thank you. Okay.

7 That's great. Thank you. All right, questions?
8 All right. While I'm waiting for them then, I'm
9 going to ask you, looking at 403.1.

10 MR. KLINE: Yeah.

11 CHAIR MILLER: I'm not sure exactly
12 where you are in the process. I want to know,
13 have you submitted any affidavits at this point?

14 MR. KLINE: No. We have them
15 prepared. We will submit them. We wanted to see
16 if there was additional concerns that the Board
17 had as a result of this hearing.

18 CHAIR MILLER: Mm-hmm.

19 MR. KLINE: We have drafts prepared
20 them and will file them tomorrow, but I wanted to
21 see --

22 CHAIR MILLER: Okay.

1 MR. KLINE: -- whether there was
2 anything else that the Board might want us to
3 include in such an affidavit, other than
4 specifically what's in A through E.

5 CHAIR MILLER: So there's going to be
6 totally separate bank accounts and things like
7 that, right?

8 MR. CHESTON: And those have already
9 been established.

10 CHAIR MILLER: Okay. All right, you
11 present that neither spouse will have control or
12 operational control or whatever over the other
13 businesses. Are there any documents that you are
14 using to establish that or are you just saying
15 that's --

16 MR. KLINE: Well, the LLC documents
17 reflect who the owners are.

18 CHAIR MILLER: Okay.

19 MR. KLINE: And we will, although I
20 don't know it's technically required, we'll do it
21 anyway, we'll -- shortly we contemplated doing an
22 affidavit on behalf of the new Applicant, which

1 is the manufacturing facility. We'll give you
2 one from the other one as well so that
3 everybody's clear on their direct from me. You
4 understand that we understand what's required.

5 The operating agreements reflect who
6 the owners are. If the Board prefers something
7 more than the operating agreement and the
8 affidavits, which will be sworn, we're certainly
9 happy to entertain it.

10 CHAIR MILLER: Okay. So, right now,
11 you're talking about two affidavits, which I
12 think is a good idea.

13 MR. KLINE: Four.

14 CHAIR MILLER: Four affidavits?

15 MR. KLINE: Four.

16 CHAIR MILLER: Okay.

17 MR. KLINE: There will be one from
18 each of them.

19 CHAIR MILLER: Okay. And the
20 operational agreements that are with each?

21 MR. KLINE: Right. Oh, in the
22 interests of full disclosure, so that we get

1 everything on the table?

2 CHAIR MILLER: Yeah.

3 MR. KLINE: John Snedden also has an
4 interest in Rocklands, which is also licensed by
5 him and we will, that's included in his
6 affidavit. That, and it also will be included in
7 Kimberly's affidavit that she has no interest in
8 Rocklands and will not have any interest in
9 Rocklands and will not exercise any advantagement
10 authority over Rocklands or operational authority

11 And, well, that's all I need actually
12 from Kimberly, because John is already indicating
13 in his affidavit that he has no operational
14 control or participation in the running of the
15 brewery.

16 CHAIR MILLER: Okay.

17 MR. KLINE: Not to further complicate
18 it, but I want to make sure that they got it on
19 record.

20 MR. CHESTON: And things can be
21 supplemented with payroll documentation,
22 scheduling document, which is all -- we use an

1 on-line platform for all of our scheduling and
2 things like that. And so you would see when I
3 was on payroll --

4 CHAIR MILLER: Mm-hmm.

5 MR. CHESTON: -- and when I'm not.
6 And all that we would be more than happy to
7 provide for you.

8 CHAIR MILLER: Okay. Do you have a
9 question? Other board members have questions?
10 No?

11 MEMBER ALBERTI: I have --

12 CHAIR MILLER: Go right ahead.

13 MEMBER ALBERTI: Right now, I have one
14 quick question.

15 CHAIR MILLER: Okay.

16 MEMBER ALBERTI: And I'm curious about
17 your agreement with the wholesaler or when you
18 have one. Will that wholesaler be allowed to
19 sell Right Proper products to other
20 establishments?

21 MR. CHESTON: Yes. And that's the
22 line. That's the entire brand --.

1 FEMALE: I hope so. Please.

2 MR. CHESTON: -- that we sell.

3 MEMBER ALBERTI: All right, all right.

4 So it's not just the pipeline from one, from the
5 manufacturer straight to the brew pub. It's --

6 MR. CHESTON: Yeah.

7 MEMBER ALBERTI: I mean, you're
8 selling to the --

9 MS. CHESTON: Other restaurants and
10 retail sources.

11 MEMBER ALBERTI: You're selling to the
12 wholesaler and the wholesaler can sell to
13 whoever he chooses?

14 MR. CHESTON: We want to expand the
15 production of the brand so that we can satisfy --

16 MS. CHESTON: Right.

17 MR CHESTON: -- the demands that we've
18 had from retail stores.

19 MEMBER ALBERTI: Okay.

20 MR. CHESTON: On premises.

21 MS. CHESTON: And satisfy demand.

22 Yea. You know, we've only been able to produce

1 just enough for the brew pub so far, so that
2 drove us to find this location on Girard Street
3 so that --

4 MEMBER ALBERTI: Okay

5 MS. CHESTON: -- we can satisfy the
6 rest of the world.

7 MEMBER ALBERTI: Okay, thank you

8 CHAIR MILLER: I'm sorry. I forgot
9 who's who.

10 MR. KLINE: John --

11 CHAIR MILLER: John.

12 MR. KLINE: -- Snedden.

13 CHAIR MILLER: So you're the one, you
14 said you had interest in Rocklands.

15 MR. SNEDDEN: Rocklands as well.

16 CHAIR MILLER: And which license do
17 you have an interest in in this case? The
18 manufacturing or the other one?

19 MR. SNEDDEN: The Right Proper, LLC.
20 The brew pub

21 CHAIR MILLER: Okay.

22 MR. CHESTON: The tavern license.

1 CHAIR MILLER: The tavern, okay.

2 MEMBER ALBERTI: To the right of Mr.
3 Kline is the brew pub and to the left of Mr.
4 Kline is the manufacturing.

5 (Simultaneous speaking).

6 MEMBER ALBERTI: You have to sort of
7 keep the players straight. No, I am just trying
8 to help out everybody.

9 CHAIR MILLER: Are you with the
10 tavern?

11 MR. KLINE: I beg your pardon?

12 CHAIR MILLER: The tavern? Over -- is
13 John? Okay. Because I was looking and I just
14 want to make sure there's not a conflict 25-
15 303.3. And it doesn't look like there is, if
16 you're a tavern, a CT.

17 MR. SNEDDEN: That's Right Proper,
18 LLC.

19 CHAIR MILLER: Right. Okay. Anything
20 else? Mr. Jones?

21 MEMBER JONES: Thank you, Madam Chair.
22 Just, I think I'm piecing it together, so just

1 bear with me if the questions come out just
2 stupid. The brew pub, Thor and Leah used to own
3 that together?

4 MS. CHESTON: No. Thor and John used
5 to own it.

6 MEMBER JONES: Thor and John used to
7 own that.

8 MS. CHESTON: Together.

9 MEMBER JONES: Okay.

10 MR. CHESTON: And I turned my
11 ownership over to Leah

12 MEMBER JONES: In its entirety?

13 MR. CHESTON: Yes.

14 MEMBER JONES: Okay. When did that
15 take place.

16 MR. CHESTON: That was our official --

17 MS. CHESTON: January 1, 2015.

18 MEMBER JONES: Okay. So it just
19 recently occurred. Okay.

20 MS. CHESTON: Yes.

21 MEMBER JONES: January 1, 2015.

22 MS. CHESTON: Yes. I held another

1 job at a restaurant in DC. --

2 MEMBER JONES: Got it.

3 MS. CHESTON: -- until December 31st,
4 30th, and I quit that. That was a full-time job
5 and I quit that and am now full-time director of
6 operations at the brew pub.

7 MEMBER JONES: Okay Is there anything
8 in either of the operating agreements that are in
9 place for, well, let me back up. Are the only
10 businesses, or only activities that Right Proper,
11 LLC, is engaged in directly related to and only
12 to the operation of the brew pub?

13 MS. CHESTON: That's correct.

14 MEMBER JONES: That's it?

15 MS. CHESTON: Yes.

16 MEMBER JONES: Is the intent for there
17 to be any other things added to the portfolio of
18 operations associated with Right Proper, LLC, at
19 this time?

20 MS. CHESTON: No.

21 MEMBER JONES: No. Does the operating
22 agreement speak to that?

1 MR. CHESTON: Absolutely.

2 MEMBER JONES: It does? Okay. In
3 both instances?

4 MR. CHESTON: Yes.

5 MEMBER JONES: Okay. And in the
6 event, does the operating agreement speak to in
7 the event that you become incapacitated in some
8 way, shape or form? What happens to your
9 interests?

10 MR. CHESTON: There's a key man
11 insurance.

12 MEMBER JONES: Key man insurance?

13 MR. CHESTON: Yep. There's key man
14 insurance that's in place.

15 MEMBER JONES: Okay.

16 MR. CHESTON: Leah is -- so the
17 business is the recipient or the beneficiary of
18 that. And the management, the chain of
19 management, is addressed within the operating
20 agreement for Right Proper, LLC, and all of that
21 has been transferred from my name to Leah's name.

22 MEMBER JONES: Can we -- so if she

1 gets hit by a truck?

2 MR. CHESTON: We have a plan, a
3 management, in place, as well as an insurance
4 policy.

5 MEMBER JONES: So, under no
6 circumstances will you be allowed to, as an
7 individual --

8 MR. SNEDDEN: No.

9 MEMBER JONES: -- come into Right
10 Proper, LLC, and that's documented in the
11 operating agreements. Okay. And just to make
12 sure I'm following, if, and I don't want to sound
13 morbid or moribund in any way, shape or form, but
14 in the event that something happens where you're
15 not able to perform in the function that you're
16 currently performing in --

17 MS. CHESTON: Sure.

18 MEMBER JONES: What are the, at a high
19 level, what happens to your ownership interest in
20 Right Proper, LLC? Does it get forwarded to
21 John? Does it go in some type of family trust?
22 What happens as part of that? And my concern is

1 I just don't want you to become incapacitated and
2 then he, by virtue of him being your husband,
3 gets those rights. That's what I'm trying to
4 understand.

5 MS. CHESTON: It's in your last --

6 MR. CHESTON: You're probably entering
7 into the --

8 MS. CHESTON: -- in to the --

9 MR. CHESTON: That's a very good
10 question. We --

11 MR. KLINE: Well --

12 MS. CHESTON: -- to the investors.

13 MR. KLINE: If there's key man, and I
14 didn't do their business deal, so I'm not as
15 intimately familiar with these documents.

16 MEMBER JONES: Right. I didn't do it
17 either, so.

18 MR. KLINE: It's not by my doing.
19 What's that?

20 MEMBER JONES: I said, I didn't do it
21 either. That's why I'm asking these questions.

22 MR. KLINE: That's a great question.

1 If there's key man insurance, typically what that
2 means is that the company has insurance on the
3 key personnel.

4 MEMBER JONES: Mm-hmm.

5 MR. KLINE: In the event something
6 happens to them, the proceeds of that policy are
7 then used to buy out the decedent. That's
8 classic key man circumstance so that if something
9 happened to Leah as a key person, the company has
10 insurance on her

11 That money would then be used by the
12 company to redeem her interest or buy it out from
13 her estate, depending upon the how the documents
14 are done.

15 MR. SNEDDEN: In this case, that's how
16 we have it set up so --

17 MEMBER JONES: That's you set it up?
18 Okay. All right.

19 MR. SNEDDEN: -- if something were to
20 happen to me, I get hit by a bus --

21 MEMBER JONES: Right.

22 MR. SNEDDEN: This policy enacts and

1 Leah gets the payment. It helps to replace me
2 and then, I guess, the payment goes to buy my
3 interest --

4 MEMBER JONES: Okay.

5 MR. SNEDDEN: -- out, so she would
6 become the --

7 MEMBER JONES: So from the standpoint
8 of the business operations, I'm not -- immaterial
9 to me, right. I'm just more concerned that there
10 -- is it, in any way, shape or form, contemplated
11 and also documented in the operations agreement
12 in such a way that that's what will happen?

13 MR. CHESTON: Yeah.

14 MEMBER JONES: Okay.

15 MR. CHESTON: That was in the selling
16 point for --

17 MEMBER JONES: Okay.

18 MR. CHESTON: -- investors. That's
19 why.

20 MEMBER JONES: Okay, cool. That was
21 my main concern I just wanted to make. So
22 everything else sounds pretty straight forward in

1 terms of aggregation.

2 MR. CHESTON: That is a great
3 question.

4 MEMBER JONES: All right. Thank you.
5 That's all I have now, too.

6 CHAIR MILLER: Okay. Mr. Rodriguez?

7 MEMBER RODRIQUEZ: Mainly a point of
8 information for me and maybe counts with you, but
9 let's say the brewery, Right Forward?

10 MR. CHESTON: Mm-hmm.

11 MEMBER RODRIQUEZ: The brewery. Now,
12 suppose you come up with a new brew, right?
13 You're innovative, creative, and you come up with
14 a new brew. So, is that trademarked or patented?

15 CHAIR MILLER: That these individuals
16 --

17 MR. CHESTON: That's a very good
18 question. Within --

19 CHAIR MILLER: Mm-hmm.

20 MR. CHESTON: Federal law does not
21 allow a brewery to patent a recipe.

22 MEMBER RODRIQUEZ: Right. So it would

1 be a trademark then.

2 MR. CHESTON: So we would have
3 trademarked -- we would have a certain labels
4 that would be trademarked through TTV and, yes,
5 and we expect to expand on it.

6 So Right Proper is -- Right Proper
7 Brewing Company makes a beer called Raised By
8 Wolves. Right Proper Brewing Company makes a
9 beer called Haxon. Right Proper Brewing Company
10 makes a beer called Alice. We would have
11 different trademarks for all those different
12 beers.

13 MEMBER RODRIQUEZ: So Right Forward,
14 then who would get the rights to that new,
15 innovative brew?

16 MR. CHESTON: A new, innovative brew.
17 That would go to Right Forward, which is actually
18 manufacturing that brew. On any sort of scale,
19 that would, you know.

20 MEMBER RODRIQUEZ: So Right Proper
21 would not have any rights?

22 MR. CHESTON: No, no, no, no, no. The

1 only thing, Right Proper, the holding company,
2 the only thing we're concerned about is those two
3 words in that order. Right and Proper.

4 MEMBER RODRIQUEZ: My second question
5 is, as far as the wholesaling, does Right Proper
6 have any say on that?

7 MR. CHESTON: Does Right Proper?

8 MEMBER RODRIQUEZ: Have any say on the
9 wholesaling?

10 MR. KLINE: You mean the tavern? No,
11 that's up to them.

12 MR. CHESTON: No.

13 MEMBER RODRIQUEZ: Okay. All right.

14 FEMALE: It's Right Forward's
15 decision.

16 MEMBER JONES: And so --

17 CHAIR MILLER: Yes?

18 MEMBER JONES: And just to be clear,
19 so take this with a grain salt, obviously,
20 legally, completely separate, right? Completely
21 separate entities, but you're still going to be
22 husband and wife, right? So there's still going

1 to bedroom talk, pillow talk, discussions, what
2 should I do, what do you think, but you'll have
3 influence on the mechanics of the decisions that
4 are made. You can only provide loving feedback
5 and support or constructive input to your
6 husband. No more than any other wife, right?

7 MS. CHESTON: There are other jobs.

8 MEMBER JONES: Right, okay.

9 MR. CHESTON: If you don't mind me
10 speaking candidly, my wife is a much better
11 hospitality manager than I am.

12 MEMBER JONES: Right.

13 MR. CHESTON: All right. She's been
14 in the restaurant industry for --

15 MEMBER JONES: You're so hard on
16 yourself, sir.

17 MR. CHESTON: No, you are.

18 MEMBER JONES: Hey, Thor, just so you
19 know, you're scoring major points with the Missus
20 right now.

21 MR. CHESTON: I have a long-term gold
22 digger. So my brother, who is married for ten

1 years, has two kids, says you're not actually
2 married until you have children. The day that I
3 signed my business interest over to my wife, we
4 really got married. Despite the fact that our
5 marriage license goes back to 2010.

6 MEMBER JONES: Got you.

7 MR. CHESTON: So that was the real
8 date of our marriage. Is there going to be
9 pillow talk? Are we going to discuss things?
10 Absolutely right. Is she going to run that
11 restaurant? Yes. Because I am terrible at doing
12 that.

13 MEMBER JONES: Fair enough.

14 MR. CHESTON: She's much better at
15 doing it.

16 MEMBER JONES: Fair enough.

17 MS. CHESTON: Nor am I going to run
18 the --

19 MR. CHESTON: Yeah, just, you know.

20 MEMBER JONES: Got you.

21 CHAIR MILLER: Okay. Any other
22 questions on -- oh, Mr. Jones?

1 CHAIR JONES: Yes, thank you. So, and
2 it's a little bit nefarious in nature, so just
3 bear with me. Is it, and so I'm sure you'll
4 understand where I'm going without me having to
5 piece it together, so right now we have, what we
6 have on our documents in terms of the Leah, John
7 and other members, right? And that's this
8 document here.

9 I apologize. I'm referencing a
10 document that I haven't identified. It appears
11 to be the application for Right Proper, LLC, for
12 the associated license. And it lists the
13 individuals and percentage of ownership, okay?

14 Clearly, this can change in the
15 future. And what I am candidly speaking to is a
16 concern. Not that I believe you are nefarious in
17 nature, but it's possible.

18 You could trade a separate entity, dot
19 dot dot, XXX, LLC, of which you're a member and
20 you're a member. You being Thor and you being
21 Leah are a member. And that entity could then
22 buy interest in this. Is there anything that

1 prevents that from happening?

2 MR. KLINE: I think that, oddly
3 enough, and I think it's the way the regulations
4 grew up --

5 MEMBER JONES: Uh, huh.

6 MR. KLINE: The restrictions on
7 spouses and the laws on spouses holding
8 conflicting interest, are actually more precise
9 and clearer than they are if you and I were to go
10 into business together. Or, I mean, if you look
11 at 403 --

12 MEMBER JONES: Right, yeah.

13 MR. KLINE: 403 is much stricter.
14 And, you know, in fact, we had a situation
15 recently where we had to give an opinion on this.
16 And I can only argue by analogy, well, we presume
17 the Board would, you know, would apply 403.
18 Although, 403 only seems to talk about spouses.

19 MEMBER JONES: Right.

20 MR. KLINE: Because there's not much
21 meat in 303.

22 MEMBER JONES: No, I got you. Yeah.

1 MR. KLINE: So --

2 MEMBER JONES: Fair enough.

3 MR. KLINE: Because of 403 --

4 CHAIR MILLER: Yeah.

5 MR. KLINE: -- I think you have less
6 concern from a strictly legal standpoint that
7 they're going to do any of that, because anything
8 that they would do would likely run afoul of 403.
9 403, even if it didn't run afoul of the precise
10 language of 303, which seems to be a lot looser
11 in terms.

12 MEMBER JONES: Fair enough.

13 MR. KLINE: Just not very precise.

14 MEMBER JONES: Thank you. Thank you,
15 Madam Chair. That's all I have.

16 CHAIR MILLER: Okay. Any other Board
17 questions?

18 MEMBER RODRIQUEZ: I have a Board
19 question.

20 CHAIR MILLER: Okay, Mr. Rodriguez.

21 MEMBER RODRIQUEZ: About again the
22 independent wholesalers. Would they -- are you

1 restricted to D.C. or would you be using
2 wholesalers outside of Washington, D.C.?

3 MR. CHESTON: It's a possibility, but
4 just any wholesale distribution agreement that we
5 would sign would be within the D.C.

6 MEMBER RODRIQUEZ: Okay.

7 MR. CHESTON: And then if we wanted to
8 move into the Maryland market or Virginia market,
9 we'd have to have a separate agreement.

10 Regardless of if there's joint ownership between
11 the two different distribution owners. It all
12 comes to where the warehouse actually. Where the
13 product is actually stored.

14 MEMBER RODRIQUEZ: Okay, thank you.

15 CHAIR MILLER: Okay. Anything else
16 you want to add in this hearing?

17 MR. KLINE: No, I think, I mean, I
18 appreciate the Board fleshing out these issues
19 when we understand the concern. I think it's
20 been well thought out by the Applicants in terms
21 of what they want to do here. The law is not
22 ideal given the evolving concepts that we're

1 seeing in the District of Columbia between those
2 that manufacture --

3 CHAIR MILLER: Mm-hmm.

4 MR. KLINE: -- and those that serve on
5 premises. Those are the laws and we have to
6 comply with them. And I think that there's been
7 given a lot of thought in this situation to
8 compliance.

9 We will file the affidavits probably
10 tomorrow, which will reflect exactly what's in
11 the regulations. I haven't heard anything today
12 that leads me to believe that you need anything
13 else. But of course, if you do, we're happy to
14 supply it. And I think it's all pretty clear,
15 even as convoluted as it might have seemed at
16 first.

17 CHAIR MILLER: The affidavit will
18 address a little more specifically than just the
19 general, right? Like, you're not just going to
20 go A, B, C, and --

21 MR. KLINE: Well, we're going to say
22 they're not going to have any interest in then

1 we'll -- exactly and we'll identify the
2 companies. In Kim's case, we'll identify the two
3 on-premise licensees --

4 CHAIR MILLER: Okay.

5 MR. KLINE: -- that her husband has
6 ownership interest in and make it clear that she
7 will not have the operational control and will
8 not be entitled to the profits and so on, so
9 forth.

10 CHAIR MILLER: Okay. I just kind of
11 mean if there are any safeguards that you are
12 setting up or, you know, how would we see that
13 that won't happen. For instance, maybe it's all
14 in the operating agreements that you're going to
15 submit as well, right?

16 MR. KLINE: Yeah. I mean, I think the
17 safeguards are knowledge of what the restrictions
18 are. And, I mean, look, we all know we can put
19 anything in the operating agreements, but if the
20 people who are sitting at these tables don't
21 understand what the law is and don't intend to
22 comply, it doesn't really mean a whole lot.

1 But I think you've heard from these
2 people today and they do understand what the
3 requirements are and we can all acknowledge that
4 they're clumsy, but so be it. That's the law.
5 And they're going to comply with those and they
6 will give, we will give, you affidavits affirming
7 that they understand what the law is and that
8 they're going to comply.

9 CHAIR MILLER: Okay. I just meant
10 something -- I've heard some specifics today, you
11 know. Such as you're going to have separate
12 accounts and things like that.

13 FEMALE: Separate bank accounts.

14 MR. CHESTON: All of that. We'd be
15 more than happy to --

16 FEMALE: Separate payroll.

17 MR. CHESTON: --provide you any of
18 that information.

19 CHAIR MILLER: Okay.

20 MR. CHESTON: We do have separate
21 operating agreements. All of that can be
22 produced at a moment's notice.

1 CHAIR MILLER: Okay. I mean, even
2 referencing that you're going to have separate
3 accounts --.

4 MR. KLINE: That's fine.

5 CHAIR MILLER: -- is something more
6 than what the, citing the regulation. Okay. Any
7 questions then? Any other comments or questions
8 from Board members? Okay. Well, thank you very
9 much.

10 MR. KLINE: Thank you.

11 CHAIR MILLER: Okay.

12 MR. CHESTON: Your welcome.

13 MEMBER ALBERTI: Good luck to you.

14 CHAIR MILLER: Yeah, good luck.

15 (Off microphone discussion)

16 CHAIR MILLER: So, our next hearing is
17 at 2:30 and it's 2:23. I don't see anybody else
18 in the audience, so we can recess and come back
19 at 2:30.

20 (Whereupon, the foregoing matter when
21 off the record at 2:23 p.m.)
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