

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

1

DISTRICT OF COLUMBIA

ALCOHOLIC BEVERAGE CONTROL BOARD

MEETING

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IN THE MATTER OF: :  
 :  
Federal Spirits, LLC :  
t/a Federal Spirits :  
1629 K Street, NW :  
Retailer A : Fact Finding  
License No. 89730 : Hearing  
ANC 2B :  
New Application :  
-----x

July 25, 2012

The Alcoholic Beverage Control

Board met in the Alcoholic Beverage Control Hearing  
Room, Reeves Building, 2000 14th Street, N.W.,  
Washington, D.C., Ruthanne Miller, Chairperson,  
presiding.

PRESENT

RUTHANNE MILLER, Chairperson  
NICK ALBERTI, Member  
DONALD BROOKS, Member  
HERMAN JONES, Member  
CALVIN NOPHLIN, Member  
MIKE SILVERSTEIN, Member  
ALSO PRESENT

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In the Matter of: Federal Spirits, LLC 07-25-2012

2

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

2 2:16 p.m.

3 CHAIRPERSON MILLER: The next case is a fact  
4 finding hearing that's scheduled for 2:30 involving  
5 Federal Spirits. You're here? Okay.

6 MR. BENOIT: I'm here.

7 CHAIRPERSON MILLER: Thank you. Come forward  
8 because I don't think that there's anybody else that we  
9 expect to participate in this hearing. No. So if  
10 you're ready to start, we can start early.

11 MR. BENOIT: Sure.

12 CHAIRPERSON MILLER: Okay. So why don't you  
13 have a seat? And there's a sign in also so we get your  
14 spelling right. So could you introduce yourself for  
15 the record, please?

16 MR. BENOIT: Okay. Charles Benoit. I'm a  
17 resident of Ward 2. I applied for a Class A off-  
18 premise retail license on May 16th on behalf of Federal  
19 Spirits, LLC. The reason for the fact finding hearing  
20 is that there are some unusual aspects to the  
21 application, although, I understand they're not  
22 unprecedented -- mainly that I -- the business

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In the Matter of: Federal Spirits, LLC 07-25-2012

3

1 establishment is at 1629 K Street, Suite 300, which is  
2 actually an office in a C1 Zone.

3           And the reason for that is -- well, that  
4 would be the business premise where transactions would  
5 be processed and administrative matters would be  
6 handled in the -- in where the DC limited liability  
7 companies incorporated -- it wouldn't actually involve  
8 any retail sales taking place there in the hope that  
9 the claim to this license, which I'd be happy to be put  
10 in a voluntary agreement or covenant or stipulation or  
11 whatever the Board sees fit.

12           It is to (inaudible) the license and  
13 certainly solicit, market and sell spirits online, on  
14 the internet. And one thought was that, along with the  
15 Class A off-premise retail license application, there  
16 would also be a separate off-site storage application  
17 permit. And there's also a secured location across the  
18 street at 1421 -- 1420 U Street, which would be the  
19 off-site storage permit.

20           So may -- I'll pause for your questions. And  
21 I trust that -- I submitted a ten-page background or  
22 walk through the plan and if anyone's -- I'll be happy

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In the Matter of: Federal Spirits, LLC 07-25-2012

4

1 to read something.

2 CHAIRPERSON MILLER: I don't have a copy of  
3 that ten-page plan. Is that something that you've --

4 MR. BENOIT: I submitted it to Ms. Walker and  
5 she said that she would submit it.

6 CHAIRPERSON MILLER: And I just want to say  
7 for the record, you know, that you're not under oath  
8 and this isn't that kind of a hearing. And it is kind  
9 of like just getting more information from you.

10 MR. BENOIT: Oh, sure. Well --

11 CHAIRPERSON MILLER: Yeah.

12 MR. BENOIT: -- I just speaking then -- so  
13 the idea was we'd have the license for -- which is this  
14 business address but nothing would -- indicative of a  
15 typical brick and mortar liquor store would have in --  
16 at that location whatsoever. No signage, no -- just --  
17 as far as the ANC, Ward 2 would -- it would -- there  
18 would be no change to the streetscape, no change to the  
19 property values. Anyone near would be obvious other  
20 than if you walk into the office tower, on the office  
21 directory, it says, "Federal Spirits, LLC."

22 So in terms of bringing product into the

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In the Matter of: Federal Spirits, LLC 07-25-2012

5

1 district or receiving it, that would happen at the  
2 storage facility, which is across the street. It's --  
3 they have a manager on site from no earlier than 9:00  
4 a.m. and no later than 6:00 p.m. It varies a bit  
5 during the week but those are the maximum (inaudible)  
6 hours. And that manager will keep books of receiving  
7 packages. There's a security system that's extensive.  
8 Everything's under surveillance at -- locked there.

9           And then the product stored there -- as  
10 orders came in via the website, they'd be delivered to  
11 the District and within the mandated delivery times,  
12 business hours only, no Sunday delivery. And similar  
13 to again, what's being done with some other retailers  
14 you see, with DC Wine Guy. And the reason why this is  
15 newest -- and the reason why, which is discussed a bit  
16 more in the memo, is that my background is -- I came  
17 into this by working with an association of craft  
18 distillers. Think microbrewers but for spirits.

19           And I was a big believer in their product. I  
20 saw the barriers they had, most were legal -- some  
21 legal barriers, but also business straight barriers  
22 that were - - they're having -- presenting a hard time

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In the Matter of: Federal Spirits, LLC 07-25-2012

6

1 for them to get their product on shelves outside of  
2 their home market. And so I saw an opportunity because  
3 the District's laws are actually quite progressive in  
4 that they afford retailers the ability to order  
5 directly from out-of-state producers or wholesalers if  
6 no District wholesaler carries the product.

7           And given that, it seemed that it was a  
8 worthwhile opportunity to try and market these craft  
9 spirits produced by small, independent distillers  
10 around the country in to District residents in one  
11 location. So it would be -- and in terms of doing that  
12 only online, there's -- one of the reasons I don't  
13 think it's happening right now in a brick and mortar  
14 format is that there'd be almost no way to make the  
15 numbers work.

16           So if there's -- this is -- the  
17 microdistillery craft spirits movement is sort of brand  
18 new. It's taking off. The number -- the growth in  
19 microdistilleries around the country's gone up  
20 exponentially. The District just got its first  
21 licensed distillery this January. So it's a very new  
22 phenomenon. There's limited product available

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In the Matter of: Federal Spirits, LLC 07-25-2012

7

1 nationally.

2           So to the volume requirements that having a  
3 brick and mortar lease with -- it'd be hard to keep a  
4 store consistently and sufficiently stocked to move  
5 enough product to pay the lease. So that's one reason  
6 for choosing the online route. And then the other is I  
7 actually think that maybe in five or ten years, when  
8 certain brands of craft spirits are as familiar as some  
9 brands of microbrews are, then it will be okay to -- it  
10 will be feasible to have a store stocked with those  
11 artisan spirits brands and then have consumers walk in  
12 and know what they're evaluating and to decide to make  
13 that purchase.

14           But right now, it's less -- mostly driving  
15 sales of artisan spirits is it's not when people walk  
16 into a store and look on the shelf and see -- to give  
17 you an example, the first distiller I met, Catoctin  
18 Creek, which is a nearby -- just in Northern Virginia  
19 about 45 minutes west of here in Bristol, it's very  
20 unlikely that someone's going to -- if they've not  
21 heard of that brand and pick it up off the store shelf.

22           That just doesn't happen. People decide to

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In the Matter of: Federal Spirits, LLC 07-25-2012

8

1 try the product only after they've heard the  
2 distiller's story and met them and if there's that kind  
3 of authentic connection between the producer and the  
4 consumer. The -- it's very difficult to replicate  
5 inside a brick and mortar store, where you've got  
6 limited shelf space and it's hard to tell a whole  
7 store.

8           Whereas, via the internet, we -- you've got  
9 all the space you need in terms of not just text and --  
10 but video connecting with the distiller's own social  
11 network. So on product pages you can go, "Well, I've  
12 never heard of this brand but can 7000 Americans be  
13 wrong?" That's the way you can -- that's the kind of  
14 thing you can -- you can see when you're browsing on  
15 the web.

16           And so that's the business plan and that's  
17 the idea and the motivation behind the whole venture.  
18 The hiccups right now are that -- and this is not  
19 unique to DC -- but that certainly no law has been  
20 written, as far as I'm aware, in any state with the  
21 internet in mind. This is our squarely 20th-century  
22 laws that, you know, understand a retailer to be

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In the Matter of: Federal Spirits, LLC 07-25-2012

9

1 exclusively -- be a brick and mortar space.

2           So there's that -- from that manifest,  
3 there'd be very two specific restrictions, which kind  
4 of pose an interesting question for a project like  
5 this. One is the placarding requirement. How -- if  
6 you -- if you're a business premises, the third floor  
7 of an office building, how do you purport to put a  
8 placard to advise the neighbors and those callers that  
9 the sign requirement -- so a requirement to display  
10 your license on your -- inside your property, and as  
11 well as the other -- the requirement that (inaudible)  
12 must list the legal drinking age, so forth?

13           So I think that -- I suggest that these here  
14 kind of laws are -- can -- are -- can transport very  
15 well to the internet. So if -- but one theory that --  
16 our idea that I'd like to purport would be, in addition  
17 to the standard newspaper announcement that there's a  
18 new Class A license application, it would -- it would  
19 explain that this would be a -- not a brick and mortar  
20 license but an internet application and redirect -- or  
21 encourage visitors to go to the exclusive domain, which  
22 will be used to market and solicit sales by the

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In the Matter of: Federal Spirits, LLC 07-25-2012

10

1 retailer.

2           And there all the information can be  
3 displayed. Residents' questions could be answered and  
4 discussed. Anything else? I'd hoped that would capture  
5 the spirit behind the law, that people understand this  
6 and now can move forward. There's the -- I'm a little  
7 unclear on -- does the 400-foot requirement now -- the  
8 location is 1629 K Street. It's not within 400 feet of  
9 any school or library or anything else.

10           Depending on how you measure, there's a  
11 store, Imperial Liquor, that's right on the cusp,  
12 underneath 400 feet if you -- if you -- certainly it's  
13 around 330 feet - - I have to double-check the  
14 application -- if you measure from the entrance to the  
15 office building on 1629 K Street to the front door of  
16 the other store. That's another issue I -- the -- I  
17 don't claim to have business premise in that whole  
18 office tower. It's strictly an office on the third  
19 floor.

20           So there's nothing -- the DC law does not  
21 acknowledge or does not contemplate situations where a  
22 retailer might not be at street level. It doesn't say

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In the Matter of: Federal Spirits, LLC 07-25-2012

11

1 you have to be at street level. But it's just not  
2 thought of. It's not an issue. But then again, be --  
3 all that being aside, and certainly from liquor stores  
4 in that area, I don't know what to (inaudible) them.  
5 If the retail license that was awarded for that  
6 premise had a covenant or stipulation that no walk-in  
7 clients, no changeable sales will take place in that  
8 location, then I don't know what would it -- matter  
9 then if it was there or another part of the District.

10 So I hope that obviously it can be able to  
11 get past you. I'll take questions now.

12 CHAIRPERSON MILLER: Okay. Thank you. Are  
13 there some Board questions?

14 (No audible response.)

15 CHAIRPERSON MILLER: No? Oh, well, I'll  
16 start off then. I'm trying to understand the concept  
17 here.

18 MR. BENOIT: Sure.

19 CHAIRPERSON MILLER: So you're going to have  
20 a website and a name and whatever?

21 MR. BENOIT: Uh-huh.

22 CHAIRPERSON MILLER: So DC residents will go

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In the Matter of: Federal Spirits, LLC 07-25-2012

12

1 to your domain and they'll see all the different  
2 spirits that you have to offer, right?

3 MR. BENOIT: That's right.

4 CHAIRPERSON MILLER: Okay. So those spirits,  
5 are they spirits that you then get from all these other  
6 places?

7 MR. BENOIT: Actually I'm glad you asked that  
8 so we can (inaudible) is our offering. So the most --  
9 the majority of the products -- I should say the domain  
10 exists here -- oh, we created federalspirits.com. It's  
11 locked under a password right now but the password is  
12 just, "Craftspirits." But I didn't want to be  
13 soliciting sales before I had a license or anything.

14 CHAIRPERSON MILLER: Right.

15 MR. BENOIT: So it's not accessible to the  
16 public. So I encourage you all to browse the website.  
17 But there's over a 100 product offerings on there right  
18 now. And the vast majority of them are not available  
19 here in the District because nobody in DC will  
20 (inaudible) them. So they -- the products would be  
21 ordered via the standard ABRA import current form --

22 CHAIRPERSON MILLER: Uh-huh.

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In the Matter of: Federal Spirits, LLC 07-25-2012

13

1 MR. BENOIT: -- where you pay the \$5 and you  
2 identify the producer or wholesaler out of state that  
3 you're purchasing from and you write down your own  
4 license number. And you -- and you then send that  
5 import permit to the out-of-state producer or  
6 distributor who then ships you the case of the  
7 (inaudible) form and put it -- and taxes have already  
8 been paid at that point.

9 So that's if it exists and you can see this  
10 every day. Retailers in the city come in and place  
11 orders such as this one.

12 CHAIRPERSON MILLER: So it's shipped to your  
13 storage facility?

14 MR. BENOIT: That's -- that is right. It  
15 would be --

16 CHAIRPERSON MILLER: And then --

17 MR. BENOIT: Uh-huh.

18 CHAIRPERSON MILLER: -- how does the customer  
19 get it?

20 MR. BENOIT: And then so it would stay in the  
21 storage facility until the -- the website tracks all  
22 inventory real time. It's a very competent e-commerce

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In the Matter of: Federal Spirits, LLC 07-25-2012

14

1 platform. So it knows exactly how much product is  
2 available and will obtain -- it doesn't -- and stops  
3 allowing sales the moment your inventory was drawn out.  
4 Right now if you -- even after logging into the  
5 website, you'll see that every product is sold out.  
6 And then it won't allow orders.

7           When an order does come through, the shipping  
8 policy is something that (inaudible) Board, ABRA would  
9 like to expand over time. Right now, it won't accept  
10 orders outside of the District. If you typed in an  
11 address outside of the District, it -- then it won't  
12 allow it. And orders within the District are - it's a  
13 flat \$5 shipping fee and a promise to deliver within  
14 the next two to three business days.

15           We -- if there's nobody -- if there's no one  
16 available with identification -- no one available to  
17 accept it and sign for it, then we don't deliver it.  
18 We promise to wait 15 minutes at the location. And if  
19 no one signs, then it's returned to the storage  
20 facility. And they still have to pay the fee. That \$5  
21 fee will have already been paid. And they can make  
22 arrangements for another time.

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In the Matter of: Federal Spirits, LLC 07-25-2012

15

1           And again, deliveries would be six days a  
2 week, but not on Sundays, and business hours only.

3           CHAIRPERSON MILLER: I just have one more  
4 follow up and then --

5           MR. BENOIT: Sure.

6           CHAIRPERSON MILLER: -- I'll turn to Mr.  
7 Jones. So is it delivered to your storage area because  
8 you're -- are you buying in bulk from these other  
9 wholesalers? Is that the concept?

10          MR. BENOIT: I actually envision buying the  
11 most product directly from producers.

12          CHAIRPERSON MILLER: You just --

13          MR. BENOIT: But it would certainly not  
14 involve it. These craft distillers, they -- a single  
15 run for them might be, you know, 12 cases worth. It's  
16 a small batch. I mean, I really can't overstate how  
17 small these operations are. So I wouldn't imagine  
18 ordering ever more than a case a time. And then  
19 actually I'd be willing -- if that's a concern to the  
20 Board, I'd be willing to make sure that there won't be  
21 any bulk shipments arriving ever at this storage area.  
22           It'd be no more than one case per import per

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In the Matter of: Federal Spirits, LLC 07-25-2012

16

1 requirement. It's something -- it's -- they -- the  
2 other concern from these producers is also that they --  
3 with their small run, they have to really worry about  
4 their hallmark. And so even if I was -- I -- even if I  
5 said, "Let me buy 100 percent of the run you just did,"  
6 that's not something they'd be comfortable with because  
7 they need -- they want and need to supply their own  
8 local stores.

9           The metrics that -- you're not even tracked  
10 by DISCUS or large spirits producers until you get 5000  
11 cases a year, which most of them are below -- far  
12 below. So it's -- for them it's a matter of just  
13 getting a foothold in your local market, if you can get  
14 over 5000 cases a year. And if you're in more than  
15 your home state and you actually hit -- are at 20,000  
16 cases a year, would be bought up -- backed by a major  
17 spirits company.

18           And then you're at that point -- you're  
19 dealing with their distributors and everything. So it  
20 was interesting to me that it's 2012, the United States  
21 -- prohibition ended 70 years ago -- and nowhere in the  
22 country is there a national market -- a national

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

17

1 selection available to residents of any state or  
2 anywhere in the country of craft spirits from across  
3 the United States.

4           And that's because of the three-tiered  
5 judicial system as well as the business restraints. DC  
6 law affords retailer -- takes away the legal aspect of  
7 the problem in that there -- you can purchase -- you  
8 know, if a producer says, "Well, I'm sorry, I've sold  
9 out to my local distributor," I can try to quote their  
10 state's wholesaler and distributor. But it -- I think  
11 it's actually exciting that for residents of the  
12 District -- would be the first people anywhere in the  
13 country who would be able to try a vodka made with  
14 Nebraska grain or, you know, a whiskey from malt --  
15 from Washington State.

16           That wouldn't -- like I said, this would be -  
17 - we would be the only people in the country, the only  
18 citizens to have access to a complete offering  
19 presenting all across the country.

20           CHAIRPERSON MILLER: Okay. Let me ask some  
21 more questions. So, like, right now could a DC  
22 resident just order from the producers direct instead

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In the Matter of: Federal Spirits, LLC 07-25-2012

18

1 of going through you?

2 MR. BENOIT: No, no. Only retailers can take  
3 advantage of this in partner form.

4 CHAIRPERSON MILLER: Okay.

5 MR. BENOIT: So any DC resident is certainly  
6 free to go to their -- I mean, I've done several times.  
7 I go to my local retailer and make a request. And  
8 depending on that retailer's level of enthusiasm or  
9 ambition, they can -- they might ask their wholesaler  
10 to order it.

11 CHAIRPERSON MILLER: Uh-huh.

12 MR. BENOIT: And it's actually Bacchus  
13 Importers -- is a DC wholesaler. And they're kind of  
14 from this -- the other wholesalers haven't really shown  
15 any interest at all. They've got their distilling  
16 relationships and they're not looking to change it  
17 anything. Bacchus is a wine wholesaler. They're very  
18 -- they're not really a spirits wholesaler but they're  
19 starting to pick up some artisan craft spirits, out-of-  
20 state producers, which is wonderful.

21 Of course, if Bacchus or another DC  
22 wholesaler chooses to carry a product, then by law I

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In the Matter of: Federal Spirits, LLC 07-25-2012

19

1 will have to order from them, which is fine. And so  
2 I'm sorry if I didn't get quite to --

3 CHAIRPERSON MILLER: Okay. Mr. Jones?

4 MR. JONES: Thank you, Madam Chair. I just  
5 wanted to kind of zero in a little more on the  
6 delivery.

7 MR. BENOIT: Sure.

8 MR. JONES: So I'm a customer. I go to your  
9 website. I order some product and pay the \$5 flat  
10 shipping. I'm a resident. I'm located in DC. I'm  
11 having it delivered to a location in DC. And it's  
12 being delivered by what?

13 MR. BENOIT: Me to start with. I actually --  
14 I mean, I would not like to be delivering it myself for  
15 too long. But I spoke with fulfillment companies and  
16 traditional -- well, I've spoken with three groups.  
17 I've spoken with traditional fulfillment logistics  
18 companies. I've spoken with specialty wine fulfillment  
19 logistic companies and I've spoken with DC retailers  
20 who offer delivery, which there's a lot of.

21 This is not -- there -- I mean, I'm aware  
22 alone of half a dozen retailers just anecdotally that

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In the Matter of: Federal Spirits, LLC 07-25-2012

20

1 even advertise home delivery. And DC law certainly  
2 conflates that -- DC law's actually sale, you know,  
3 delivery and there's a specific -- which authorized as  
4 three hours. So at the beginning, when I, you know, I  
5 questioned fulfillment companies and they say, "Well,  
6 we don't want to take on a new client until we know  
7 what kind of, like, order flow you're going to have.  
8 I'm telling you, I don't want -- you know, what's your  
9 volume going to be?"

10           You'll -- see, they want -- they want you to  
11 start yourself so -- which is a fair point. I -- so at  
12 the beginning my plan right now is to simply deliver  
13 the -- go to the address, the inside -- it'll always be  
14 inside the District; the website will not process  
15 deliveries for outside the District -- go to that  
16 address. And, I mean, and there's no -- if you want to  
17 add special instructions, like, "Please call this phone  
18 number," you can do that when you place the order.

19           And the delivery person of course -- speaking  
20 to the wine fulfillment companies, which actually I  
21 should mention includes FedEx -- and in my memo, I give  
22 you an example the FedEx stamp that they put when they

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

21

1 deliver alcoholic beverages. And this makes clear that  
2 you don't deliver to anybody who appears intoxicated.  
3 You don't deliver with -- unless there's valid, proper  
4 identification showed.

5           And so I'd be following the existing  
6 practices of -- there's many DC retailers that actually  
7 do the simplest, doing it in your own personal vehicle.  
8 I know that (inaudible) and that's the model I took was  
9 a retailer on P Street in Georgetown. There's --  
10 higher up you have Cairo Wine and Spirits. They've got  
11 their own van. (Inaudible) website called  
12 dcwineguy.com, where they --

13           MR. JONES: I'm going to cut you off. And I  
14 think maybe we're all top loaded. What do you going to  
15 be doing?

16           MR. BENOIT: It's just hard when --

17           MR. JONES: It'll be your business model.

18           MR. BENOIT: Yeah, yeah.

19           MR. JONES: You --

20           MR. BENOIT: To begin with, I will --

21           MR. JONES: Right.

22           MR. BENOIT: -- I will be delivering vehicles

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

22

1 -- I will be delivering product to customers within the  
2 District only in my personal vehicle. And --

3 MR. JONES: So how will that work? I just  
4 want to make sure -- so you --

5 MR. BENOIT: Sure.

6 MR. JONES: -- take the product. You put it  
7 in the back of your Humvee.

8 MR. BENOIT: Well, I'll start off at the  
9 beginning. So the product has already been ordered.  
10 It's in the storage locker --

11 MR. JONES: That's right.

12 MR. BENOIT: -- at 20th Street. There's a  
13 manager onsite. Again, I get an order that has come in  
14 for, say, three bottles. I'll each -- I'll not -- it's  
15 not --

16 MR. JONES: They want three bottles of Bell  
17 Beer.

18 MR. BENOIT: Sure, okay. But I just want to --

19 MR. JONES: Similar product, just not -- a  
20 different product.

21 MR. BENOIT: Right. But then -- right. I  
22 meant to say three orders in different parts of the

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In the Matter of: Federal Spirits, LLC 07-25-2012

23

1 District.

2 MR. JONES: Okay, cool.

3 MR. BENOIT: So, you know, three (inaudible).  
4 I'll, you know, make a route plan. And, you know, it's  
5 not (inaudible) night, not on Sundays and drive them --  
6 load them in my vehicle, drive them to the address and  
7 knock on the door or if it's in the instructions like  
8 phone -- call a phone number, I'll do that. And --

9 MR. JONES: So do you have another job?

10 MR. BENOIT: I -- yes. I'm not employed  
11 anywhere. I'm a lawyer. So I -- and this -- I  
12 actually -- I saw on the -- just so you understand, how  
13 did I ever come to be in this business, I was with  
14 General Electric until the end of last year as a full-  
15 time employee as in-house counsel. And then I still  
16 work for General Electric. I help them get uranium in  
17 and out of the country.

18 So in terms of moving highly, you know,  
19 highly regulated products, exactly have some experience  
20 here. And so I -- so some of the -- sort of perform for  
21 GE as an employee, I continue to perform on contract.  
22 It's great because it's -- I'm able to control my work

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

24

1 tempo. And I've actually been winding down. So I've  
2 got some minor contractual commitments, which are, you  
3 know, paying the rent for the end of the year.

4 But if this grows up -- that's why I want to  
5 say that this -- that's my shipment plan for now and  
6 I'm able to do that now. But it's not my long-term  
7 business plan. But I -- you know, like I said, speaking  
8 to fulfillment companies, they don't want to talk to  
9 you until they have an idea of how much business you're  
10 doing. So you've got to start somewhere. So that's  
11 why I'm starting it myself. And I'm sure -- stop me if  
12 I --

13 MR. JONES: But, I mean, completely  
14 understand. I get that concept. I'm just trying to  
15 figure out the -- so from an alcohol regulation or  
16 regulatory perspective --

17 MR. BENOIT: Oh, right.

18 MR. JONES: -- all right -- so you're going  
19 to have a product in your vehicle. You'll be a single  
20 person driving your car to these various locations with  
21 product?

22 MR. BENOIT: I'm happy to -- it's open.

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

25

1 MR. JONES: Right.

2 MR. BENOIT: If I'm happy with --

3 MR. JONES: No, no. I'm not -- I'm not  
4 trying to --

5 MR. BENOIT: That's my plan. That's my  
6 product.

7 MR. JONES: What are you planning to do --

8 MR. BENOIT: Yeah, that --

9 MR. JONES: What's your plan now? I'm not  
10 trying to critique you.

11 MR. BENOIT: It's not -- it's not what you  
12 said.

13 MR. JONES: I'm not trying to evaluate. I'm  
14 not trying to assess. I'm just trying to understand  
15 it.

16 MR. BENOIT: Exactly.

17 MR. JONES: So you're going to be a single  
18 person. You --

19 MR. BENOIT: That's right.

20 MR. JONES: -- are going to be in a car --

21 MR. BENOIT: Yes, yes.

22 MR. JONES: -- driving the product --

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

26

1 MR. BENOIT: Yes.

2 MR. JONES: -- to the delivery addresses,  
3 correct?

4 MR. BENOIT: That's correct.

5 MR. JONES: Okay.

6 MR. BENOIT: That's cool.

7 MR. JONES: So you're in the car. You get  
8 the call. You had three delivery locations based on  
9 the scenario you picked out. You go to the first  
10 location. What do you do?

11 MR. BENOIT: I knock on the door or follow  
12 the instructions in the special note that came in --  
13 that came in with the order.

14 MR. JONES: Okay.

15 MR. BENOIT: If I --

16 MR. JONES: So you find your way to the front  
17 door. You find your way to the door?

18 MR. BENOIT: Uh-huh. That's right.

19 MR. JONES: Yes? Okay.

20 MR. BENOIT: And --

21 MR. JONES: So once you're at the door, what  
22 do you do?

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

27

1 MR. BENOIT: I knock on the door or -- it  
2 encourages the customer to provide special  
3 instructions. So, I mean, if there's not a front door --

4 MR. JONES: So I didn't provide you any  
5 special instructions.

6 MR. BENOIT: Okay. Well, then --

7 MR. JONES: I have then --

8 MR. BENOIT: -- I'll show up at the location.

9 MR. JONES: I have a single-family home with  
10 a front door that you can easily access. You go to  
11 that door.

12 MR. BENOIT: Yes, I do.

13 MR. JONES: What do you do?

14 MR. BENOIT: Knock on the door.

15 MR. JONES: And?

16 MR. BENOIT: And I wait 15 minutes. And if  
17 no one's going to answer --

18 MR. JONES: So I answer the door.

19 MR. BENOIT: Then the -- there's -- no money  
20 will change hands. This is just a delivery. And I ask  
21 for identification. And after you show me a valid  
22 permanent ID, I give you the product and I leave.

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

28

1 MR. JONES: Okay. So you solely by yourself  
2 are kind of responsible for ensuring that that  
3 individual that receives their product, that takes it  
4 into their hands, has the appropriate -- or is of the  
5 proper age to receive and drink, consume?

6 MR. BENOIT: Absolutely. And I understand  
7 that DC law requires that -- and you -- when -- other  
8 than -- like, many employees have ABC manager training.  
9 And if I were to hire somebody to make these  
10 deliveries, I guess I would do that. I would make  
11 sure. I'd also be interested though -- because the --  
12 I mean, so you -- I'm taking more questions about what  
13 I plan on doing on Day 1 if I were to receive a  
14 license.

15 I can answer those but --

16 MR. JONES: Yeah. On Day 1, go ahead.

17 MR. BENOIT: Okay. So there's -- then we --  
18 yes. It (inaudible) --

19 MR. JONES: So you check the ID. Do you --  
20 would you plan on keeping a log? Would you plan on  
21 doing --

22 MR. BENOIT: Oh, I have to keep a log.

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

29

1           MR. JONES: Okay, cool. So I didn't hear  
2 that in your process. So I'm trying to understand it.

3           MR. BENOIT: Certainly. There's a  
4 requirement for retailers to report twice a year all  
5 sales and inventory. So I'll absolutely -- but I'll go  
6 -- that's --

7           MR. JONES: So will there be any cross--  
8 correlation between I, the individual -- my name is H.  
9 Jones and I purchased your product. When you go to the  
10 house and you look at the ID, does that person have to  
11 be H. Jones?

12           MR. BENOIT: No, it doesn't. It just has to  
13 be an adult.

14           MR. JONES: Okay. So you'll -- what, are you  
15 going to make a copy of the driver's license? Are you  
16 going to write down --

17           MR. BENOIT: No.

18           MR. JONES: What are you going to do?

19           MR. BENOIT: That's just -- and just look at  
20 the identification. And if it says that the person I'm  
21 delivering the product to is --

22           MR. JONES: Okay. So you're not going to

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

30

1 record the actual individual's license information or  
2 anything?

3 MR. BENOIT: No.

4 MR. JONES: So you're just going to check it  
5 and --

6 MR. BENOIT: Just -- yeah, that's -- so  
7 that's right. And I should say that this is the  
8 practice of everyday kind of this -- whether it's  
9 Federal Express delivering -- I mean, this is -- this  
10 is FedEx policy. They're -- they have common carriers  
11 every day that delivery alcoholic beverages to District  
12 residents. This is their business -- their procedure  
13 too. There's --

14 MR. JONES: Now, as you start off Day 1,  
15 though, are you going to have certain time windows?

16 MR. BENOIT: That's -- absolutely.

17 MR. JONES: Does fatigue --

18 MR. BENOIT: Oh, absolutely.

19 MR. JONES: So fatigue plays a factor in how  
20 well you are able to evaluate and assess --

21 MR. BENOIT: Absolutely.

22 MR. JONES: -- IDs and confirm that people

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

31

1 are of the appropriate age and what have you?

2 MR. BENOIT: Absolutely.

3 MR. JONES: So given that it's only going to  
4 be you -- you're going to be doing it solo, by  
5 yourself, driving at whatever times of the night or day  
6 -- whatever you'll --

7 MR. BENOIT: No, not during night.

8 MR. JONES: So have you defined what you're  
9 going to be able to handle --

10 MR. BENOIT: Yes.

11 MR. JONES: -- given your other job  
12 requirements or other demands?

13 MR. BENOIT: Absolutely.

14 MR. JONES: I mean, you said they're tapering  
15 down and tapering off. But, I mean, you have a life.  
16 So out - totally outside of this adventure that you're  
17 embarking on -- I hope you embark on --

18 MR. BENOIT: Uh-huh.

19 MR. JONES: -- so I'm just -- do you have  
20 defined windows that you're going to use for delivery --

21 MR. BENOIT: Sure. Yeah.

22 MR. JONES: -- to make sure you're fresh?

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

32

1           MR. BENOIT: Yes, I do.

2           MR. JONES: All right. What --

3           MR. BENOIT: So Monday --

4           MR. JONES: You're --

5           MR. BENOIT: Monday to Saturday only during  
6 business hours. The inventory -- deliveries are not  
7 live. If you're -- not the best here but, say, orders  
8 placed will be shipped in the next two to three  
9 business days.

10          MR. JONES: Right.

11          MR. BENOIT: So I give myself a window there.  
12 I actually do imagine that I'll be -- there'll be --  
13 there'll be some correspondence with most customers.  
14 When -- because they have to -- they have to explain  
15 what time they'll be available. I should note that  
16 I've talked a lot to -- in just trying to get an  
17 understanding of how internet deliveries are already  
18 happening in the District.

19                 One thing that's quite common is because  
20 people aren't around during the day to accept a  
21 delivery is that they use -- whether it's a FedEx  
22 office or the draft design company I use to do some

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

33

1 artwork for the website, it's -- they're called -- it's  
2 called Basecamp on 18th and Florida. And literally  
3 almost every day they receive shipments of wine. And  
4 that's the employee at that store who's signing the  
5 receipts and showing identification to the FedEx or UPS  
6 delivery person who then -- and that employee accepts  
7 wine and then hands it off to the person who picks it  
8 up later in the day.

9           So that's actually quite attractive too. I  
10 mean, I don't have an agreement yet with Basecamp,  
11 although, I mean, I know them quite well having used  
12 them to help build the website. But to -- I was -- one  
13 thing that you -- it hasn't worked out yet but  
14 offering, for instance, free delivery if the customer  
15 picks it up at a business premise -- or a premise that  
16 I've got an agreement with.

17           So I -- so instead of having to deliver all  
18 over the District, I could deliver exclusively to  
19 Basecamp or exclusively use FedEx distribution network.  
20 There are common carriers, make these deliveries every  
21 day -- Lasership. So people are -- it's -- it was  
22 weird to me. A year ago I've never heard of buying

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

34

1 alcoholic beverages over the internet but this is  
2 actually already a substantial industry.

3           There's a lot that's going to come it so it's  
4 a little weird but that's why your -- so your questions  
5 are all fantastic questions. I'm only basing my plan  
6 on the practices I've seen around me. I'm not trying  
7 to come up with anything new. And I think you're  
8 right, that if I - - if it doesn't quickly -- if the  
9 store is wildly successful and it's not possible for me  
10 to make, you know, 10 or 12 deliveries in a day, then I  
11 might have to -- I would consider changing some policy  
12 to, you know, we can only deliver to these locations  
13 and you'll have to go pick it up there and show ID.

14           MR. JONES: Okay. Thank you, Madam Chair.

15           CHAIRPERSON MILLER: Mr. Silverstein?

16           MR. SILVERSTEIN: Mr. Benoit, one of the  
17 things we're charged with by law is to ensure that  
18 products are not sold to minors or to persons  
19 (inaudible). And when we're dealing with a traditional  
20 brick and mortar establishment, we simply send someone  
21 over and do a compliance check. We'll have people  
22 watching and they'll send a person under age in to

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

35

1 attempt to buy.

2 Now, in a situation like yours, how would we  
3 be able to conduct compliance checks? What are the --

4 MR. BENOIT: Well --

5 MR. SILVERSTEIN: You know, I mean, obviously  
6 I trust you (inaudible) but you trust --

7 MR. BENOIT: No. It's a good point.

8 MR. SILVERSTEIN: You know, it's, like, the  
9 law is -- trusts everybody with cars.

10 MR. BENOIT: Uh-huh. I --

11 MR. SILVERSTEIN: How do we make sure that  
12 you're not selling to a 19 year old and how do we make  
13 sure that 19 year olds don't find some way to beat the  
14 system here?

15 MR. BENOIT: Well, I would -- I do take full  
16 responsibility. Even if I designate, I'm going to take  
17 responsibility that deliveries don't happen -- I mean,  
18 I can't designate that responsibility and nobody here  
19 can. So I imagine it would be the same enforcement  
20 approach. Whereas, a brick and mortar retailer, I don't  
21 know but I'm assuming that the enforcement happens  
22 where they send somebody who doesn't have proper

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

36

1 identification from -- maybe he's even actually under  
2 age -- into a store to attempt a purchase; is that  
3 right?

4 Well, I mean, then to -- the same thing would  
5 -- I imagine would be presumably would be to make a  
6 purchase and see -- and if the product was put in the  
7 hands of a minor, then that would be a violation. And  
8 I'd bear the responsibility.

9 MR. SILVERSTEIN: So truly your way of  
10 stopping a minor from making a purchase on the  
11 internet, it would simply be that delivery would be the  
12 way of stopping the actual provision of the spirits to  
13 the underage person?

14 MR. BENOIT: So this has been an issue for a  
15 long time. When the FTC actually -- the Federal Trade  
16 Commission in 2005 did a census study on internet  
17 delivery of alcoholic beverages so -- and found that  
18 there wasn't an issue. I mean, I'd say again that  
19 already out-of-state retailers every day ship alcoholic  
20 beverages into the District. The -- it's the Wild West  
21 out there for shipping right now of alcoholic  
22 beverages.

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

37

1           The laws are chaos. But DC is actually --  
2 it's considered open territory by -- there's no  
3 retailer or producer or wholesaler in the country that  
4 won't ship to -- or I should -- I shouldn't say,  
5 "Won't." So there's no producer that has the right to  
6 sell their own product or retailer in the country that  
7 won't ship into the District of Columbia because the DC  
8 -- because DC's considered wide open for internet  
9 delivery.

10           Other states you can -- there are some states  
11 you can't, where they've made the decision, "We don't  
12 want anybody purchasing alcohol over the internet  
13 completely." I actually know of Utah -- is the only  
14 one but -- that I'm aware of. But in terms of --  
15 wine.com, every day there's -- this is not a new space.  
16 So whatever existing retailer and the existing  
17 (inaudible) practices are, I would be happy to  
18 accommodate those.

19           And of course, I would take responsibility  
20 and as -- and as I don't believe that responsibility  
21 can be delegating in any event for products not being  
22 handed to minors. But I would -- I would urge the

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

38

1 Board to not prevent DC internet retailers from doing  
2 deliveries when non-DC retailers are already delivering  
3 to District residents every day.

4 MR. SILVERSTEIN: Any other questions?

5 CHAIRPERSON MILLER: Mr. Brooks?

6 MR. BROOKS: Yeah.

7 CHAIRPERSON MILLER: Yeah.

8 MR. BROOKS: Thank you, Madam Chair. It's  
9 just two quick questions. I guess the follow up on the  
10 two previous Board members' questions they had as far  
11 as the delivery and age of persons receiving the  
12 product. Let's say you get an address that happens to  
13 be on the campus of Howard University. And would that  
14 person then make a delivery to -- say, to a dormitory  
15 room?

16 MR. BENOIT: No. I would not -- I would not  
17 send it to a dormitory.

18 MR. BROOKS: Would not do that?

19 MR. BENOIT: That's a -- that's a good  
20 question and I'm glad you raised it. And since it's  
21 hard to think of every contingency until you started  
22 doing it -- and I'll make that explicit on the shipping

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

39

1 instructions, which will be presented to a customer  
2 before they make a purchase. But that's a great point.

3 I don't -- I --

4 MR. BROOKS? I mean, a person could be a PhD  
5 student.

6 MR. BENOIT: No, no. That --

7 MR. BROOKS: A law student, you know.

8 MR. BENOIT: That's right but --

9 MR. BROOKS: Certainly of age.

10 MR. BENOIT: I just -- it's not something I'd  
11 want -- I would not want to walk into dormitories. So  
12 in my personal preference, I would not want to -- want  
13 to walk into a --

14 MR. BROOKS: Yeah, for a lot of reasons, I'm  
15 sure.

16 MR. BENOIT: -- any residence. So I think  
17 that's actually a great point. I'm comfortable  
18 delivering to, you know, street-level entrances. But I  
19 don't want to enter dorms.

20 MR. BROOKS: And finally, what is the price  
21 point of your products?

22 MR. BENOIT: To answer your question, it

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

40

1 varies. There's on the low end about -- you could find  
2 some neutral grain spirits, so vodka or gin for a bit  
3 under \$20. So I believe the least expensive product I  
4 have is the Nebraska vodka, which I think is \$18 or  
5 \$17, thereabouts.

6 MR. BROOKS: Nebraska vodka?

7 MR. BENOIT: Uh-huh. That's right. And then  
8 --

9 MR. ALBERTI: How large a container?

10 MR. BENOIT: Well, it's all -- it's all --  
11 you know, the term is grain to glass artisan. So --  
12 and, I mean, it's -- I think it's a wonderful  
13 phenomenon because it's -- all of these distillers,  
14 they're all local agriculture you're supporting.  
15 They're more often than not USDA organic. That seems  
16 to be the norm. And they do it all in house. So --  
17 no. But they're actually still able to -- the prices  
18 are not outrageous compared to --

19 MR. BROOKS: Oh, okay.

20 MR. BENOIT: -- what people pay for a \$20  
21 bottle of scotch. The mean price for most spirits  
22 would -- the mean spirits for rum would be in the high

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

41

1 twenties. The mean price for whiskey would be probably  
2 low thirties. The most expensive product on the website  
3 is a bottle -- it's a seven-year-aged, single malt  
4 whiskey from San Francisco. It's distilled in the San  
5 Francisco city limits. It's one -- it's Anchor  
6 Distilling Company.

7           They were one of the first craft distillers.  
8 So they've actually got product that's -- it's that  
9 old, seven year. And, I mean, it -- I think it's  
10 wonderful. It's -- but that's the most expensive on our  
11 website, \$80.

12           MR. BROOKS: Thank you, Madam Chair.

13           CHAIRPERSON MILLER: Okay. Thank you. Mr.  
14 Nophlin?

15           MR. NOPHLIN: Certainly I know the Board --  
16 I'm not speaking in behalf of the Board but this seems  
17 to be an opportunity. Have you looked at best  
18 practices in other areas to see how you can improve the  
19 process? And could you tell us where those other  
20 places would be?

21           MR. BENOIT: Sure. Well, the best practice  
22 from -- and not being any delivery here because -- but

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

42

1 the best practice -- my dream end state -- how about  
2 let's say that? Well, if I -- if I could take -- if I  
3 could be able to scale this out, my dream end state  
4 would be to have a proper fulfillment center, which  
5 would -- does two things. It both stores the inventory  
6 and then when an order comes in -- when an order comes  
7 in from the website, the fulfillment center -- there's  
8 -- has software that can then ensure the correct  
9 delivery.

10           The reason why I'd say that's my best dream,  
11 best practice is because then I would -- I'd be able to  
12 ship outside of the District of Columbia. I would --  
13 and at that point, I would use FedEx as a common  
14 carrier. They're the most further -- they're the  
15 farthest along in terms of having a grip on  
16 interstate shipping laws. So that's kind of -- it's  
17 nice in that FedEx knows. I don't have to constantly  
18 research every state where I can ship to a consumer.

19           If they'll -- I can -- if I had a proper --  
20 if I had a logistic center and it's used in relation --  
21 and a fulfillment relationship with FedEx as a common  
22 carrier, then I would -- that would let me ship outside

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

43

1 the District without the constant worries. It's a  
2 felony to ship in Maryland. Maryland's actually one of  
3 the most -- the strictest states. Maryland's retailers  
4 can ship a product into DC, no problem whatsoever.

5 A DC retailer ships product into Maryland,  
6 it's a felony, jail for two years. And it's crazy.  
7 It's absolutely crazy. It's -- so my best -- my best  
8 practice would be certainly having a consistent  
9 approach. And if I was able to engage FedEx to have  
10 that kind of relationship -- well, and I have -- I have  
11 tried to speak to them but they don't want to speak to  
12 you until you can tell them -- give them an expected  
13 volume.

14 I would actually use them for all shipping  
15 inside and outside the District. They already make  
16 deliveries of alcoholic beverages in the District every  
17 day. And that would be my ultimate best practice. But  
18 they will not take you on when you have no volume. You  
19 have to be able to tell them, "I can promise you that I  
20 will deliver at least -- make at least 25 deliveries a  
21 month."

22 So I do hope to scale up quite soon. If this

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

44

1 is successful, I do hope to move up and -- with  
2 (inaudible) or however you'd see fit.

3 MR. NOPHLIN: Thank you, Madam Chair.

4 CHAIRPERSON MILLER: Picking up on Mr.  
5 Nophlin's question, I think he might have been getting  
6 to -- which I don't -- didn't hear you address. Like,  
7 in other states is there precedent for this and is  
8 there, like, some states that do it really well that --

9 MR. BENOIT: I see.

10 CHAIRPERSON MILLER: -- you look to?

11 MR. BENOIT: The -- frankly, the laws are  
12 never designed with the consumer in mind ever or even  
13 the protection of children. The law in every state is  
14 on what the wholesalers have accomplished in that state  
15 frankly. So I actually think DC's a best practice  
16 because it doesn't offer any less. There's no state  
17 that -- there's no state that does anything more to  
18 protect -- to stop delivery to children --

19 CHAIRPERSON MILLER: Uh-huh.

20 MR. BENOIT: -- other than, I suppose,  
21 potentially Utah, which made the decision that, "We  
22 will not tolerate any delivery or sales in our state."

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

45

1 So it -- I mean, that's the best practice but then,  
2 that's -- in terms of not keeping it out of children's  
3 -- but that's a policy choice that the District of  
4 Columbia has not made because, obviously, then it  
5 deprives consumers of all sorts of selection.

6           So -- and, I mean, I -- actually I understood  
7 that was traditionally Utah's practice but I don't know  
8 that it's still the case. But in terms of best  
9 practices for delivery -- for home deliveries, there --  
10 it's -- there is no -- there's no law or model anywhere  
11 in the country. It's -- you know, the -- there's not  
12 many common carriers or fulfillment centers that will  
13 do it. FedEx has started.

14           It's my -- and I'm just speaking entirely  
15 frankly here. FedEx advertises this business  
16 practice's wine shipping. If you just Google, "FedEx  
17 wine shipping," it will take you to their wine shipping  
18 page. And they have all the information about how they  
19 ship wine. In actuality, when it comes down to a stamp  
20 -- it's put on the label. It just says, "Alcoholic  
21 beverages."

22           And retailers across the country do ship a

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

46

1 variety of -- I mean, beer obviously doesn't lend  
2 itself just practically, economically to internet sales  
3 and delivery. But certainly wines and spirits and --  
4 brandy very quickly snuck in with wine sales. As soon  
5 as internet wine took off, all these wineries also  
6 produced brandy and so that was being shipped.

7           And most states are -- their policies are  
8 actually, I believe, indefensible in the sense of -- so  
9 wine.com had a problem in Texas when the Texas  
10 wholesalers managed to come out. That led to a lot of  
11 litigation. And the settlement was Texas licensed  
12 wine.com as a winery. So wine.com is a winery in the  
13 state of Texas, even though they do not ferment a  
14 single grape where you would have (inaudible) to do so.

15           But -- so it's the Wild West out there.  
16 There's no -- there's no -- other than saying, "We will  
17 not have home delivery of alcoholic beverages," there's  
18 no other model for what you should do to deliver  
19 product.

20           CHAIRPERSON MILLER: Can I interrupt you for  
21 a second?

22           MR. BENOIT: Sure.

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

47

1           CHAIRPERSON MILLER: Because I think you  
2 really, fully addressed the home delivery.

3           MR. BENOIT: Okay.

4           CHAIRPERSON MILLER: And that's not even  
5 necessarily -- just internet delivery and obviously  
6 stores deliver it.

7           MR. BENOIT: Exactly.

8           CHAIRPERSON MILLER: Right?

9           MR. BENOIT: Uh-huh.

10          CHAIRPERSON MILLER: So is -- do other states  
11 have the internet sales -- many states?

12          MR. BENOIT: Sure -- well, absolutely. So  
13 it's -- there's actually a whole company called  
14 ShipCompliant. And they produce software. And they  
15 promise you to the - - and if you run their -- if you  
16 run their software, they promise to track exactly --  
17 can you -- you know, whether or not producer-to-  
18 consumer shipping for your product type is the -- the  
19 federal agency in charge of overseeing, Alcohol and  
20 Tobacco Tax and Trade Bureau, the TTB, if you ask them  
21 about direct shipping laws, they actually just throw  
22 their hands up in the air.

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

48

1 I mean, on their internet website, they say,  
2 "It's chaos because of a 2005 Supreme Court decision  
3 called Granholm v. Heald," which before then, states  
4 just didn't allow -- pardon me. That's just a bit of  
5 helpful background. Before 2005, many states allowed  
6 home delivery but other states -- but would not allow  
7 out -- producers or anyone outside of the state to do  
8 home delivery.

9 And just this went all the way to the US  
10 Supreme Court in 2005 and Justice Kennedy wrote the  
11 majority opinion. And he wrote that -- and it was  
12 actually weird, I thought, and he was joined by Scalia  
13 and he was joined by Ginsberg. So I was -- didn't --  
14 it didn't go along (inaudible) at all. But the fact  
15 pattern that -- this was -- California wineries -- so  
16 Napa Valley is a huge industry -- they were shipping  
17 wine into New York and Michigan until New York and  
18 Michigan said, "You can't do that."

19 But sure enough, New York had no problem with  
20 its Fingers Lakes wineries shipping directly to  
21 consumers. And so the California wineries challenged  
22 that under their commerce law. And it went all the way

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In the Matter of: Federal Spirits, LLC 07-25-2012

49

1 to the Supreme Court. And Justice Kennedy said, "Look,  
2 the 21st Amendment -- does Section 2 of the 21st  
3 Amendment -- gives all sorts of latitude to the states  
4 to regulate alcoholic beverages as they see fit. But  
5 that does not mean that we can start any trade wars  
6 within the Republic. We can't -- we can't use alcohol  
7 regulation to favor domestic producers."

8           Now, it's interesting because he -- at one  
9 point in the decision, he was talking about the  
10 regulation of alcoholic beverages. And then he talks -  
11 - starts talking about discrimination against out-of-  
12 state producers. So this -- so most states have  
13 complied as narrowly as possibly with that holding,  
14 saying that, "Okay. Out-of- state wineries can ship.  
15 But what about an out-of-state retailer?"

16           If your in-state retailers can ship, as they  
17 can in the District -- and as they can -- again, and  
18 almost every state -- although I think I've heard that  
19 Utah doesn't allow it. But if you're in state,  
20 retailers can ship. Why can't an out-of-state retailer  
21 ship? That's actually -- there's litigation happening  
22 right now. There's split decisions.

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In the Matter of: Federal Spirits, LLC 07-25-2012

50

1           The most recent one was a loss. Texas did  
2 not -- Texas only allows their retailers to ship inside  
3 their county or also a certain geographical area. But  
4 out of state -- some Florida retailers are shipping  
5 into that state. They won at the District Court. They  
6 lost the Circuit Court. So right now -- then that's  
7 when wine.com went in and just established themselves  
8 as a winery in Texas to ship in then.

9           So when I say that it's chaos out there, it  
10 really is. DC's not part of the chaos because they  
11 have a very open policy.

12           CHAIRPERSON MILLER: What's the Supreme Court  
13 case's name?

14           MR. BENOIT: It's Granholm v. -- I'm not  
15 really sure how to pronounce the second name actually.  
16 It's H- E-A-L-D, but Granholm, G-R-A-N -- and fairly --  
17 Granholm, G-R-A-N-H-O-L-M, maybe.

18           CHAIRPERSON MILLER: Okay.

19           MR. BENOIT: And if you actually -- so if you  
20 go to the federal agency, the Tax and Trade Bureau and  
21 just -- they have a button you can click on that says,  
22 "Direct shipping." And they actually literally throw

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

51

1 it up in the air. They say -- they will cite you to  
2 the Supreme Court case. And they say, "The states are  
3 figuring it out."

4 CHAIRPERSON MILLER: Okay.

5 MR. BENOIT: "You know, please have  
6 patience."

7 CHAIRPERSON MILLER: Okay. Thank you. Yes,  
8 Mr. Alberti?

9 MR. ALBERTI: Okay. One quick -- one quick  
10 question, Mr. Benoit, because I'm not sure --

11 MR. BENOIT: Pardon me?

12 MR. ALBERTI: There was a question here and  
13 I'm not sure you answered it. So I'm going to rephrase --

14 MR. BENOIT: Please do.

15 MR. ALBERTI: -- for my own benefit. Can you  
16 name one state that would license a business model --  
17 or has licensed the business model similar to what  
18 you're proposing?

19 MR. BENOIT: Yes. Certainly California,  
20 where wine.com is from. But I should --

21 MR. ALBERTI: Okay. And their business model  
22 is shipping within state?

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

52

1 MR. BENOIT: No.

2 MR. ALBERTI: -- on the internet?

3 MR. BENOIT: Across states. Well, wine.com  
4 has been collecting permits around the country. So  
5 they started out as just a California retailer when --

6 MR. ALBERTI: In-state. You're model is to  
7 currently --

8 MR. BENOIT: Oh --

9 MR. ALBERTI: -- here before us --

10 MR. BENOIT: Okay.

11 MR. ALBERTI: -- is to deliver in state. I  
12 know the District isn't a state but we compete like  
13 every other state.

14 MR. BENOIT: Oh, no, no. Sure, sure.

15 MR. ALBERTI: All right. Is there another  
16 state where -- maybe you have many states who could --  
17 that you can tell us which ones have licensed a  
18 business model similar to what you're proposing?

19 MR. BENOIT: Well, my understanding is  
20 actually that the District of -- DC has licensed twice  
21 before a --

22 MR. ALBERTI: Okay. Other than the District

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In the Matter of: Federal Spirits, LLC 07-25-2012

53

1 of Columbia?

2 MR. BENOIT: Oh, certainly. Well, I guess I  
3 have to qualify the question. Because the states never  
4 -- no state tells you, "Don't ship to other states."

5 MR. ALBERTI: No. We're talking about  
6 delivery in state. Your business model right now is to  
7 deliver in state.

8 MR. BENOIT: Oh, certainly. Oh, but I  
9 actually think every state allows retailers to do -- to  
10 deliver in state. I know that Texas limits retailers  
11 to --

12 MR. ALBERTI: On the internet and the model  
13 in which you --

14 MR. BENOIT: Yes, that's right. There's no -  
15 - that's right. There's no state that I'm aware of --  
16 which actually that's the huge qualifier, I should note  
17 right there --

18 MR. ALBERTI: All right, yeah.

19 MR. BENOIT: -- that does not allow the  
20 business model I'm proposing.

21 MR. ALBERTI: Okay. Thank you.

22 CHAIRPERSON MILLER: Okay. I don't see any

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In the Matter of: Federal Spirits, LLC 07-25-2012

54

1 other questions.

2 MR. BENOIT: I'd be happy to give some  
3 closing comments.

4 CHAIRPERSON MILLER: Okay.

5 MR. BENOIT: So as -- first of all, I really  
6 appreciate you all giving me time. Actually this has  
7 been a really great conversation. I've really enjoyed  
8 the questions. I -- and to the last question as well,  
9 DC is a great place to do this because of the -- think  
10 about an oil company. Like, you've got the upstream  
11 and downstream. DC is phenomenal in that -- I think DC  
12 is actually possibly alone in giving retailers the  
13 freedom to source from wherever they want.

14 So that's unique to the District, as far as I  
15 know. On the other end, selling, DC is not -- is not  
16 remarkable. It's -- in fact, it's actually a  
17 disadvantage of living in the District. I'd probably  
18 be much better off locating in, say, New York State  
19 because then I have unquestioned access to the whole  
20 state. New York has -- is one of the defendants in the  
21 original case. They're -- it's very -- and it's an  
22 ambiguous situation.

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55

1           But they -- if you're certainly -- if I was a  
2 retailer in Buffalo, that license is a lot less -- much  
3 more expensive than a license in DC. But if I was a  
4 retailer in Buffalo, I would pitch it to all of New  
5 York State without any hang up. Right now, if I'm  
6 shipping on -- you know, on a small scale, New York's  
7 probably not going to make a fuss. But if I were to  
8 ever seriously expand, they would say, "Hey, you're  
9 going to -- you're going to open up your -- you're  
10 going to import your product here for the New York  
11 wholesaler. You're not going to -- no more shipping in  
12 the District."

13           So right now, as new project venture, just  
14 hoping to start small, DC's a great place to be. DC's  
15 not a great place to be if you're higher up because  
16 frankly, there's nothing -- there's nothing stopping  
17 you from shipping into the District. Individuals can  
18 bring in a case -- a case a time, which is remarkable.  
19 Whereas, the -- Texas and New York are two very large  
20 markets, which have -- are -- I say the state's helping  
21 but the wholesalers in that state are hell-bent on  
22 keeping everybody who's not already in -- so -- oh, and

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56

1 to get around to my final comment, I -- this -- I  
2 understand this is new, unorthodox and that the law  
3 (inaudible) it was not written to contemplate the  
4 internet whatsoever.

5           So I just want to stress again, any concerns  
6 you have, I'd love to work at them. I -- ideas I put  
7 forward should be viewed as, you know, tentative,  
8 pending your consideration. I'd love to -- I'd love  
9 nothing more than a proactive engagement with ABRA.

10           I'd love to, you know -- if this agency or  
11 the Board has a time to consult with me on every step  
12 along the way, I think we have the opportunity to do  
13 something exciting in the District by offering the  
14 first ever national catalogue -- or catalogue of coast  
15 -- spirits from coast to coast that wouldn't be  
16 available in any other state. And we can -- that's  
17 something that we should be proud of then -- because  
18 there's no good reason for other states not allowing it  
19 other than their wholesalers lobby.

20           So I hope this is something that could  
21 accomplish together. And then finally, there's the  
22 issue of the placard and the signage thing. I

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In the Matter of: Federal Spirits, LLC 07-25-2012

57

1 suggested earlier on that maybe a newspaper ad that  
2 could redirect DC residents to the internet site for  
3 all that information. But if any other ideas I'm happy  
4 to accommodate. One -- an idea I can't accommodate is  
5 I don't have any rights whatsoever to the lobby of 1629  
6 K Street. I cannot put placard or anything like that  
7 on the large office building in the central business  
8 district.

9 I -- it seems silly. I can put a placard up  
10 in the window of my office, which -- you know, but that  
11 seems like it's wasting everybody's time. But it's  
12 important.

13 CHAIRPERSON MILLER: Do you put a placard on  
14 your domain?

15 MR. BENOIT: Yeah, absolutely. Absolutely.  
16 Any -- the domain, anything goes. However, the -- my  
17 only limitations are I can't do anything to the -- to  
18 the main force behind it. The website --

19 CHAIRPERSON MILLER: Uh-huh.

20 MR. BENOIT: -- whatever the Board sees fit,  
21 I'd be happy to accommodate.

22 CHAIRPERSON MILLER: I have some follow up on

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In the Matter of: Federal Spirits, LLC 07-25-2012

58

1 that. So your application is pending, right?

2 MR. BENOIT: That's right.

3 CHAIRPERSON MILLER: Not as quick as -- well,  
4 okay. Have you had any conversations with the ANC?

5 MR. BENOIT: Well, the -- not phone  
6 consultations. Actually in (inaudible) in ANC 2B.  
7 I've talked informally with two of the commissioners.  
8 Ramon Estrada is a commissioner. And I told him about  
9 this venture that I was hoping to ground. You know, it  
10 was interesting because I was going through DC law. I  
11 mean, there is actually some stuff they probably should  
12 change.

13 You know, it's illegal in DC to sell anything  
14 other than Irish and Scotch whiskey in a 375 milliliter  
15 bottle. That strikes me as, (A) indefensible but also  
16 as not even being -- you know, there's Hudson Spirits.  
17 You can buy their products in DC. Because -- so I --  
18 we talked briefly -- we -- Ramon Estrada, he's a  
19 councilmember -- about this. And -- so, yes -- one  
20 answer.

21 I talked with my ANC informally. Not -- I've  
22 not approached them as a --

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In the Matter of: Federal Spirits, LLC 07-25-2012

59

1 CHAIRPERSON MILLER: Okay. I was just  
2 curious and -- curious if there were any kind of  
3 conditions that were contemplated.

4 MR. BENOIT: Well, I would welcome any  
5 conditions, I mean, they have. I know that -- I looked  
6 at the specific requirements for Ward 2. And there's  
7 nothing there that would pose a problem for me. And  
8 I'm not (inaudible). So --

9 CHAIRPERSON MILLER: Okay.

10 MR. BENOIT: -- but by all means -- I would  
11 hope that -- I can't imagine opening business and it  
12 would be a -- that we're raising any concern with any  
13 ANC other than possibly delivery hours. But I would  
14 keep those exclusively well within the mandated times.

15 CHAIRPERSON MILLER: Okay.

16 MR. BENOIT: But would accommodate  
17 (inaudible) if that's something the ANC wanted.

18 CHAIRPERSON MILLER: Okay. Okay. Good. All  
19 right. Anything else? All right. Well, thank you  
20 very much for coming.

21 MR. BENOIT: Thank you very much. It was a  
22 pleasure.

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60

1           CHAIRPERSON MILLER: Okay. If you have any  
2 other questions, you know you can contact our legal  
3 staff, you know.

4           MR. BENOIT: Oh, will do. I -- you know,  
5 they've been wonderful. I spoke with Ms. Walker and  
6 she's been great. And as I said, I mean, I definitely  
7 -- I actually -- I hope that we could -- America's  
8 first liquor store dedicated to artisan craft spirits  
9 right here in the District or kind of, like, a --  
10 hopefully it'd be -- and we can work together to make  
11 that happen and I'd be thrilled.

12           CHAIRPERSON MILLER: Okay. Thank you very  
13 much.

14           MR. BENOIT: Okay. Thank you very much for  
15 your time.

16                   (WHEREUPON, at 3:17 p.m., the hearing was  
17 concluded.)

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In the Matter of: Federal Spirits, LLC 07-25-2012

61

1 CERTIFICATE OF NOTARY PUBLIC

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3 I, BRADLEY ANGLIN, the officer before whom the  
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2

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8 true, correct and complete transcription of said  
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Page 1

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 In the Matter of: Federal Spirits, LLC 07-25-2012  
 Page 2

<p>52:2,6,9,11,15,2 2 53:5,12,18,21</p> <p><b>alcohol</b> 24:15 37:12 47:19 49:6</p> <p><b>alcoholic</b> 1:2,11,12 21:1 30:11 34:1 36:17,19,21 43:16 45:20 46:17 49:4,10</p> <p><b>allow</b> 14:6,12 48:4,6 49:19 53:19</p> <p><b>allowed</b> 48:5</p> <p><b>allowing</b> 14:3 56:18</p> <p><b>allows</b> 50:2 53:9</p> <p><b>alone</b> 19:22 54:12</p> <p><b>already</b> 13:7 14:21 22:9 32:17 34:2 36:19 38:2 43:15 55:22</p> <p><b>am</b> 61:9,11 62:3</p> <p><b>ambiguous</b> 54:22</p> <p><b>ambition</b> 18:9</p> <p><b>Amendment</b> 49:2,3</p> <p><b>Americans</b> 8:12</p> <p><b>America's</b> 60:7</p> <p><b>ANC</b> 1:8 4:17 58:4,6,21 59:13,17</p> <p><b>Anchor</b> 41:5</p> <p><b>anecdotally</b> 19:22</p> <p><b>ANGLIN</b> 61:3,19</p> <p><b>announcement</b> 9:17</p> <p><b>answer</b> 27:17,18 28:15 39:22</p>	<p>58:20</p> <p><b>answered</b> 10:3 51:13</p> <p><b>anybody</b> 2:8 21:2 37:12</p> <p><b>anyone</b> 4:19 48:7</p> <p><b>anyone's</b> 3:22</p> <p><b>anything</b> 10:4,9 12:13 18:17 30:2 34:7 44:17 57:6,16,17 58:13 59:19</p> <p><b>anywhere</b> 17:2,12 23:11 45:10</p> <p><b>appearing</b> 61:5</p> <p><b>appears</b> 21:2</p> <p><b>application</b> 1:8 2:21 3:15,16 9:18,20 10:14 58:1</p> <p><b>applied</b> 2:17</p> <p><b>appreciate</b> 54:6</p> <p><b>approach</b> 35:20 43:9</p> <p><b>approached</b> 58:22</p> <p><b>appropriate</b> 28:4 31:1</p> <p><b>area</b> 11:4 15:7,21 50:3</p> <p><b>areas</b> 41:18</p> <p><b>aren't</b> 32:20</p> <p><b>arrangements</b> 14:22</p> <p><b>arriving</b> 15:21</p> <p><b>artisan</b> 7:11,15 18:19 40:11 60:8</p> <p><b>artwork</b> 33:1</p>	<p><b>aside</b> 11:3</p> <p><b>aspect</b> 17:6</p> <p><b>aspects</b> 2:20</p> <p><b>assess</b> 25:14 30:20</p> <p><b>association</b> 5:17</p> <p><b>assuming</b> 35:21</p> <p><b>attempt</b> 35:1 36:2</p> <p><b>attorney</b> 61:12</p> <p><b>attractive</b> 33:9</p> <p><b>audible</b> 11:14</p> <p><b>authentic</b> 8:3</p> <p><b>authorized</b> 20:3</p> <p><b>available</b> 6:22 12:18 14:2,16 17:1 32:15 56:16</p> <p><b>awarded</b> 11:5</p> <p><b>aware</b> 8:20 19:21 37:14 53:15</p> <p><b>away</b> 17:6</p> <hr/> <p style="text-align: center;"><b>B</b></p> <hr/> <p><b>Bacchus</b> 18:12,17,21</p> <p><b>backed</b> 16:16</p> <p><b>background</b> 3:21 5:16 48:5</p> <p><b>barriers</b> 5:20,21</p> <p><b>Basecamp</b> 33:2,10,19</p> <p><b>based</b> 26:8</p> <p><b>basing</b> 34:5</p> <p><b>batch</b> 15:16</p> <p><b>bear</b> 36:8</p> <p><b>beat</b> 35:13</p> <p><b>beer</b> 22:17 46:1</p>	<p><b>begin</b> 21:20</p> <p><b>beginning</b> 20:4,12 22:9</p> <p><b>behalf</b> 2:18 41:16</p> <p><b>behind</b> 8:17 10:5 57:18</p> <p><b>believe</b> 37:20 40:3 46:8</p> <p><b>believer</b> 5:19</p> <p><b>Bell</b> 22:16</p> <p><b>benefit</b> 51:15</p> <p><b>Benoit</b> 2:6,11,16 4:4,10,12 11:18,21 12:3,7,15 13:1,14,17,20 15:5,10,13 18:2,5,12 19:7,13 21:16,18,20,22 22:5,8,12,18,21 23:3,10 24:17,22 25:2,5,8,11,16,1 9,21 26:1,4,6,11,15,1 8,20 27:1,6,8,12,14,1 6,19 28:6,17,22 29:3,12,17,19 30:3,6,16,18,21 31:2,7,10,13,18, 21 32:1,3,5,11 34:16 35:4,7,10,15 36:14 38:16,19 39:6,8,10,16,22 40:7,10,20 41:21 44:9,11,20 46:22 47:3,7,9,12 50:14,19 51:5,10,11,14,19 52:1,3,8,10,14,1</p>
---	--	---	---

Capital Reporting Company  
 In the Matter of: Federal Spirits, LLC 07-25-2012  
 Page 3

<p>9 53:2,8,14,19          54:2,5 57:15,20          58:2,5          59:4,10,16,21          60:4,14  <b>best</b> 32:7 41:17,21          42:1,10,11          43:7,17 44:15          45:1,8  <b>better</b> 54:18  <b>Beverage</b>          1:2,11,12  <b>beverages</b> 21:1          30:11 34:1          36:17,20,22          43:16 45:21          46:17 49:4,10  <b>bit</b> 5:4,15 40:2          48:4  <b>Board</b> 1:2,12 3:11          11:13 14:8 15:20          38:1,10 41:15,16          56:11 57:20  <b>books</b> 5:6  <b>bottle</b> 40:21 41:3          58:15  <b>bottles</b> 22:14,16  <b>bought</b> 16:16  <b>BRADLEY</b>          61:3,19  <b>brand</b> 6:17 7:21          8:12  <b>brands</b> 7:8,9,11  <b>brandy</b> 46:4,6  <b>brick</b> 4:15 6:13          7:3 8:5 9:1,19          34:20 35:20  <b>briefly</b> 58:18</p>	<p><b>bring</b> 55:18  <b>bringing</b> 4:22  <b>Bristol</b> 7:19  <b>Brooks</b> 1:16          38:5,6,8,18          39:4,7,9,14,20          40:6,19 41:12  <b>browse</b> 12:16  <b>browsing</b> 8:14  <b>Buffalo</b> 55:2,4  <b>build</b> 33:12  <b>building</b> 1:12 9:7          10:15 57:7  <b>bulk</b> 15:8,21  <b>Bureau</b> 47:20          50:20  <b>business</b> 2:22 3:4          4:14 5:12,21          8:16 9:6 10:17          14:14 15:2 17:5          21:17 23:13          24:7,9 30:12          32:6,9 33:15          45:15          51:16,17,21          52:18 53:6,20          57:7 59:11  <b>button</b> 50:21  <b>buy</b> 16:5 35:1          58:17  <b>buying</b> 15:8,10          33:22  <hr style="width: 20%; margin: 0 auto;"/> <p style="text-align: center;">C</p> <hr style="width: 20%; margin: 0 auto;"/> <b>C1</b> 3:2  <b>Cairo</b> 21:10  <b>California</b>          48:15,21 51:19</p>	<p>52:5  <b>callers</b> 9:8  <b>CALVIN</b> 1:17  <b>campus</b> 38:13  <b>capture</b> 10:4  <b>car</b> 24:20 25:20          26:7  <b>carrier</b> 42:14,22  <b>carriers</b> 30:10          33:20 45:12  <b>carries</b> 6:6  <b>carry</b> 18:22  <b>cars</b> 35:9  <b>case</b> 2:3 13:6          15:18,22 45:8          51:2 54:21 55:18  <b>cases</b> 15:15          16:11,14,16  <b>case's</b> 50:13  <b>catalogue</b> 56:14  <b>Catoctin</b> 7:17  <b>census</b> 36:16  <b>center</b> 42:4,7,20  <b>centers</b> 45:12  <b>central</b> 57:7  <b>certain</b> 7:8 30:15          50:3  <b>certainly</b> 3:13 8:19          10:12 11:3 15:13          18:5 20:1 29:3          39:9 41:15 43:8          46:3 51:19          53:2,8 55:1  <b>CERTIFICATE</b>          61:1 62:1  <b>certify</b> 61:4 62:3</p>	<p><b>Chair</b> 19:4 34:14          38:8 41:12 44:3  <b>Chairperson</b>          1:13,15 2:3,7,12          4:2,6,11          11:12,15,19,22          12:4,14,22          13:12,16,18          15:3,6,12 17:20          18:4,11 19:3          34:15 38:5,7          41:13 44:4,10,19          46:20          47:1,4,8,10          50:12,18 51:4,7          53:22 54:4          57:13,19,22 58:3          59:1,9,15,18          60:1,12  <b>challenged</b> 48:21  <b>change</b> 4:18 18:16          27:20 58:12  <b>changeable</b> 11:7  <b>changing</b> 34:11  <b>chaos</b> 37:1 48:2          50:9,10  <b>charge</b> 47:19  <b>charged</b> 34:17  <b>Charles</b> 2:16  <b>check</b> 28:19 30:4          34:21  <b>checks</b> 35:3  <b>children</b> 44:13,18  <b>children's</b> 45:2  <b>choice</b> 45:3  <b>chooses</b> 18:22  <b>choosing</b> 7:6  <b>Circuit</b> 50:6</p>
---	---	---	---

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

<p><b>cite</b> 51:1  <b>citizens</b> 17:18  <b>city</b> 13:10 41:5  <b>claim</b> 3:9 10:17  <b>Class</b> 2:17 3:15  9:18  <b>clear</b> 21:1  <b>click</b> 50:21  <b>client</b> 20:6  <b>clients</b> 11:7  <b>closing</b> 54:3  <b>coast</b> 56:14,15  <b>collecting</b> 52:4  <b>Columbia</b> 1:1 37:7  42:12 45:4 53:1  61:21  <b>comes</b> 42:6 45:19  <b>comfortable</b> 16:6  39:17  <b>coming</b> 59:20  <b>comment</b> 56:1  <b>comments</b> 54:3  <b>commerce</b> 48:22  <b>Commission</b> 36:16  <b>commissioner</b>  58:8  <b>commissioners</b>  58:7  <b>commitments</b> 24:2  <b>common</b> 30:10  32:19 33:20  42:13,21 45:12  <b>companies</b> 3:7  19:15,18,19  20:5,20 24:8  <b>company</b> 16:17</p>	<p>32:22 41:6 47:13  54:10  <b>compared</b> 40:18  <b>compete</b> 52:12  <b>competent</b> 13:22  <b>complete</b> 17:18  62:8  <b>completely</b> 24:13  37:13  <b>compliance</b> 34:21  35:3  <b>complied</b> 49:13  <b>concept</b> 11:16 15:9  24:14  <b>concern</b> 15:19  16:2 59:12  <b>concerns</b> 56:5  <b>concluded</b> 60:17  <b>conditions</b> 59:3,5  <b>conduct</b> 35:3  <b>confirm</b> 30:22  <b>conflates</b> 20:2  <b>connecting</b> 8:10  <b>connection</b> 8:3  <b>consider</b> 34:11  <b>consideration</b> 56:8  <b>considered</b> 37:2,8  <b>consistent</b> 43:8  <b>consistently</b> 7:4  <b>constant</b> 43:1  <b>constantly</b> 42:17  <b>consult</b> 56:11  <b>consultations</b> 58:6  <b>consume</b> 28:5  <b>consumer</b> 8:4</p>	<p>42:18 44:12  47:18  <b>consumers</b> 7:11  45:5 48:21  <b>contact</b> 60:2  <b>container</b> 40:9  <b>contemplate</b> 10:21  56:3  <b>contemplated</b> 59:3  <b>contingency</b> 38:21  <b>continue</b> 23:21  <b>contract</b> 23:21  <b>contractual</b> 24:2  <b>control</b> 1:2,11,12  23:22  <b>conversation</b> 54:7  <b>conversations</b> 58:4  <b>cool</b> 23:2 26:6 29:1  <b>copy</b> 4:2 29:15  <b>correct</b> 26:3,4 42:8  62:8  <b>correlation</b> 29:8  <b>correspondence</b>  32:13  <b>councilmember</b>  58:19  <b>counsel</b> 23:15  61:9,12  <b>country</b> 6:10  16:22  17:2,13,17,19  23:17 37:3,6  45:11,22 52:4  <b>country's</b> 6:19  <b>county</b> 50:3  <b>course</b> 18:21 20:19</p>	<p>37:19  <b>Court</b> 48:2,10 49:1  50:5,6,12 51:2  62:4,6  <b>covenant</b> 3:10  11:6  <b>craft</b> 5:17 6:8,17  7:8 15:14 17:2  18:19 41:7 60:8  <b>Craftspirits</b> 12:12  <b>crazy</b> 43:6,7  <b>created</b> 12:10  <b>Creek</b> 7:18  <b>critique</b> 25:10  <b>cross</b> 29:7  <b>curious</b> 59:2  <b>current</b> 12:21  <b>currently</b> 52:7  <b>cusp</b> 10:11  <b>customer</b> 13:18  19:8 27:2 33:14  39:1  <b>customers</b> 22:1  32:13  <b>cut</b> 21:13</p> <hr/> <p style="text-align: center;">D</p> <hr/> <p><b>D.C</b> 1:13  <b>Date</b> 62:15  <b>day</b> 13:10  28:13,16  30:11,14 31:5  32:20 33:3,8,21  34:10 36:19  37:15 38:3 43:17  <b>days</b> 14:14 15:1  32:9</p>
--	--	---	--

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

<p><b>DC</b> 3:6 5:14 8:19 10:20 11:22 12:19 17:5,21 18:5,13,21 19:10,11,19 20:1,2 21:6 28:7 37:1,7 38:1 43:4,5 52:20 54:9,11,15 55:3 57:2 58:10,13,17</p> <p><b>DC's</b> 37:8 44:15 50:10 55:14</p> <p><b>dcwineguy.com</b> 21:12</p> <p><b>dealing</b> 16:19 34:19</p> <p><b>decide</b> 7:12,22</p> <p><b>decision</b> 37:11 44:21 48:2 49:9</p> <p><b>decisions</b> 49:22</p> <p><b>dedicated</b> 60:8</p> <p><b>defendants</b> 54:20</p> <p><b>defined</b> 31:8,20</p> <p><b>definitely</b> 60:6</p> <p><b>delegating</b> 37:21</p> <p><b>deliver</b> 14:13,17 20:12 21:1,2,3 33:17,18 34:12 43:20 46:18 47:6 52:11 53:7,10</p> <p><b>delivered</b> 5:10 15:7 19:11,12</p> <p><b>deliveries</b> 15:1 20:15 28:10 32:6,17 33:20 34:10 35:17 38:2 43:16,20 45:9</p> <p><b>delivering</b> 19:14 21:22 22:1 29:21</p>	<p>30:9 38:2 39:18</p> <p><b>delivery</b> 5:11,12 19:6,20 20:1,3,19 26:2,8 27:20 30:11 31:20 32:21 33:6,14 36:11,17 37:9 38:11,14 41:22 42:9 44:18,22 45:9 46:3,17 47:2,5 48:6,8 53:6 59:13</p> <p><b>demands</b> 31:12</p> <p><b>depending</b> 10:10 18:8</p> <p><b>deprives</b> 45:5</p> <p><b>design</b> 32:22</p> <p><b>designate</b> 35:16,18</p> <p><b>designed</b> 44:12</p> <p><b>different</b> 12:1 22:20,22</p> <p><b>difficult</b> 8:4</p> <p><b>direct</b> 17:22 47:21 50:22</p> <p><b>direction</b> 61:7</p> <p><b>directly</b> 6:5 15:11 48:20</p> <p><b>directory</b> 4:21</p> <p><b>disadvantage</b> 54:17</p> <p><b>discrimination</b> 49:11</p> <p><b>DISCUS</b> 16:10</p> <p><b>discussed</b> 5:15 10:4</p> <p><b>display</b> 9:9</p> <p><b>displayed</b> 10:3</p>	<p><b>distilled</b> 41:4</p> <p><b>distiller</b> 7:17</p> <p><b>distillers</b> 5:18 6:9 15:14 40:13 41:7</p> <p><b>distiller's</b> 8:2,10</p> <p><b>distillery</b> 6:21</p> <p><b>distilling</b> 18:15 41:6</p> <p><b>distributor</b> 13:6 17:9,10</p> <p><b>distributors</b> 16:19</p> <p><b>distribution</b> 33:19</p> <p><b>district</b> 1:1 5:1,11 6:6,10,20 11:9 12:19 14:10,11,12 17:12 20:14,15 22:2 23:1 30:11 32:18 33:18 36:20 37:7 38:3 42:12 43:1,15,16 45:3 49:17 50:5 52:12,20,22 54:14,17 55:12,17 56:13 57:8 60:9 61:21</p> <p><b>District's</b> 6:3</p> <p><b>domain</b> 9:21 12:1,9 57:14,16</p> <p><b>domestic</b> 49:7</p> <p><b>DONALD</b> 1:16</p> <p><b>done</b> 5:13 18:6</p> <p><b>door</b> 10:15 23:7 26:11,17,21 27:1,3,10,11,14, 18</p> <p><b>dormitories</b> 39:11</p> <p><b>dormitory</b></p>	<p>38:14,17</p> <p><b>dorms</b> 39:19</p> <p><b>double-check</b> 10:13</p> <p><b>downstream</b> 54:11</p> <p><b>dozen</b> 19:22</p> <p><b>draft</b> 32:22</p> <p><b>drawn</b> 14:3</p> <p><b>dream</b> 42:1,3,10</p> <p><b>drink</b> 28:5</p> <p><b>drinking</b> 9:12</p> <p><b>drive</b> 23:5,6</p> <p><b>driver's</b> 29:15</p> <p><b>driving</b> 7:14 24:20 25:22 31:5</p> <p><b>during</b> 5:5 31:7 32:5,20</p> <hr/> <p style="text-align: center;">E</p> <hr/> <p><b>E-A-L-D</b> 50:16</p> <p><b>earlier</b> 5:3 57:1</p> <p><b>early</b> 2:10</p> <p><b>easily</b> 27:10</p> <p><b>e-commerce</b> 13:22</p> <p><b>economically</b> 46:2</p> <p><b>Electric</b> 23:14,16</p> <p><b>else</b> 2:8 10:4,9 59:19</p> <p><b>embark</b> 31:17</p> <p><b>embarking</b> 31:17</p> <p><b>employed</b> 23:10 61:9,12</p> <p><b>employee</b> 23:15,21 33:4,6 61:11</p> <p><b>employees</b> 28:8</p>
---	---	---	--

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

<p><b>encourage</b> 9:21 12:16 <b>encourages</b> 27:2 <b>enforcement</b> 35:19,21 <b>engage</b> 43:9 <b>engagement</b> 56:9 <b>enjoyed</b> 54:7 <b>ensure</b> 34:17 42:8 <b>ensuring</b> 28:2 <b>enter</b> 39:19 <b>enthusiasm</b> 18:8 <b>entirely</b> 45:14 <b>entrance</b> 10:14 <b>entrances</b> 39:18 <b>envision</b> 15:10 <b>established</b> 50:7 <b>establishment</b> 3:1 34:20 <b>Estrada</b> 58:8,18 <b>evaluate</b> 25:13 30:20 <b>evaluating</b> 7:12 <b>event</b> 37:21 <b>everybody</b> 35:9 55:22 <b>everybody's</b> 57:11 <b>everyday</b> 30:8 <b>everything</b> 16:19 <b>Everything's</b> 5:8 <b>exactly</b> 14:1 23:19 25:16 47:7,16 <b>example</b> 7:17 20:22 <b>exciting</b> 17:11</p>	<p>56:13 <b>exclusive</b> 9:21 <b>exclusively</b> 9:1 33:18,19 59:14 <b>existing</b> 21:5 37:16 <b>exists</b> 12:10 13:9 <b>expand</b> 14:9 55:8 <b>expect</b> 2:9 <b>expected</b> 43:12 <b>expensive</b> 40:3 41:2,10 55:3 <b>experience</b> 23:19 <b>explain</b> 9:19 32:14 <b>explicit</b> 38:22 <b>exponentially</b> 6:20 <b>Express</b> 30:9 <b>extensive</b> 5:7</p> <hr/> <p style="text-align: center;">F</p> <hr/> <p><b>facility</b> 5:2 13:13,21 14:20 <b>fact</b> 1:7 2:3,19 48:14 54:16 <b>factor</b> 30:19 <b>fair</b> 20:11 <b>fairly</b> 50:16 <b>familiar</b> 7:8 <b>fantastic</b> 34:5 <b>farthest</b> 42:15 <b>fatigue</b> 30:17,19 <b>favor</b> 49:7 <b>feasible</b> 7:10 <b>federal</b> 1:5,6 2:5,18 4:21 30:9 36:15 47:19</p>	<p>50:20 <b>federalspirits.com</b> 12:10 <b>FedEx</b> 20:21,22 30:10 32:21 33:5,19 42:13,17,21 43:9 45:13,15,16 <b>fee</b> 14:13,20,21 <b>feet</b> 10:8,12,13 <b>felony</b> 43:2,6 <b>ferment</b> 46:13 <b>figure</b> 24:15 <b>figuring</b> 51:3 <b>final</b> 56:1 <b>finally</b> 39:20 56:21 <b>financially</b> 61:13 <b>finding</b> 1:7 2:4,19 <b>fine</b> 19:1 <b>Fingers</b> 48:20 <b>first</b> 6:20 7:17 17:12 26:9 41:7 54:5 56:14 60:8 <b>fit</b> 3:11 44:2 49:4 57:20 <b>five</b> 7:7 <b>flat</b> 14:13 19:9 <b>floor</b> 9:6 10:19 <b>Florida</b> 33:2 50:4 <b>flow</b> 20:7 <b>foothold</b> 16:13 <b>force</b> 57:18 <b>foregoing</b> 61:4,5 <b>foregoing/ attached</b> 62:7 <b>form</b> 12:21 13:7</p>	<p>18:3 <b>format</b> 6:14 <b>forth</b> 9:12 <b>forward</b> 2:7 10:6 56:7 <b>Francisco</b> 41:4,5 <b>frankly</b> 44:11,15 45:15 55:16 <b>free</b> 18:6 33:14 <b>freedom</b> 54:13 <b>fresh</b> 31:22 <b>front</b> 10:15 26:16 27:3,10 <b>FTC</b> 36:15 <b>fulfillment</b> 19:15,17,18 20:5,20 24:8 42:4,7,21 45:12 <b>full</b> 23:14 35:15 <b>fully</b> 47:2 <b>fuss</b> 55:7</p> <hr/> <p style="text-align: center;">G</p> <hr/> <p><b>GE</b> 23:21 <b>General</b> 23:14,16 <b>geographical</b> 50:3 <b>Georgetown</b> 21:9 <b>getting</b> 4:9 16:13 44:5 <b>gin</b> 40:2 <b>Ginsberg</b> 48:13 <b>given</b> 6:7 31:3,11 61:8 <b>gives</b> 49:3 <b>giving</b> 54:6,12 <b>glad</b> 12:7 38:20</p>
--	---	---	--

Capital Reporting Company  
 In the Matter of: Federal Spirits, LLC 07-25-2012  
 Page 7

<p><b>glass</b> 40:11  <b>gone</b> 6:19  <b>Google</b> 45:16  <b>grain</b> 17:14            40:2,11  <b>G-R-A-N</b> 50:16  <b>Granholm</b> 48:3            50:14,16,17  <b>G-R-A-N-H-O-L-M</b> 50:17  <b>grape</b> 46:14  <b>great</b> 23:22            39:2,17 54:7,9            55:14,15 60:6  <b>grip</b> 42:15  <b>ground</b> 58:9  <b>groups</b> 19:16  <b>grows</b> 24:4  <b>growth</b> 6:18  <b>guess</b> 28:10 38:9            53:2  <b>Guy</b> 5:14</p> <hr/> <p style="text-align: center;">H</p> <hr/> <p><b>half</b> 19:22  <b>hallmark</b> 16:4  <b>handed</b> 37:22  <b>handle</b> 31:9  <b>handled</b> 3:6  <b>hands</b> 27:20 28:4            33:7 36:7 47:22  <b>hang</b> 55:5  <b>happen</b> 5:1 7:22            35:17 60:11  <b>happens</b> 35:21            38:12</p>	<p><b>happy</b> 3:9,22            24:22 25:2 37:17            54:2 57:3,21  <b>hard</b> 5:22 7:3 8:6            21:16 38:21  <b>haven't</b> 18:14  <b>having</b> 5:22 7:2            19:11 33:11,17            42:15 43:8  <b>Heald</b> 48:3  <b>hear</b> 29:1 44:6  <b>heard</b> 7:21 8:1,12            33:22 49:18  <b>hearing</b> 1:7,12            2:4,9,19 4:8            60:16 61:4  <b>hell-bent</b> 55:21  <b>help</b> 23:16 33:12  <b>helpful</b> 48:5  <b>helping</b> 55:20  <b>hereby</b> 61:4 62:3  <b>hereto</b> 61:12  <b>HERMAN</b> 1:16  <b>he's</b> 36:1 58:18  <b>Hey</b> 55:8  <b>hiccups</b> 8:18  <b>high</b> 40:22  <b>higher</b> 21:10 55:15  <b>highly</b> 23:18,19  <b>hire</b> 28:9  <b>hit</b> 16:15  <b>holding</b> 49:13  <b>home</b> 6:2 16:15            20:1 27:9 45:9            46:17 47:2            48:6,8</p>	<p><b>hope</b> 3:8 11:10            31:17 43:22 44:1            56:20 59:11 60:7  <b>hoped</b> 10:4  <b>hopefully</b> 60:10  <b>hoping</b> 55:14 58:9  <b>hours</b> 5:6,12 15:2            20:4 32:6 59:13  <b>house</b> 23:15 29:10            40:16  <b>Howard</b> 38:13  <b>Hudson</b> 58:16  <b>huge</b> 48:16 53:16  <b>Humvee</b> 22:7</p> <hr/> <p style="text-align: center;">I</p> <hr/> <p><b>I'd</b> 3:9 9:16 10:4            15:19,20 21:5            28:11 36:8,18            39:10 42:10,11            54:2,17            56:6,8,10 57:21            60:11  <b>ID</b> 27:22 28:19            29:10 34:13  <b>idea</b> 4:13 8:17            9:16 24:9 57:4  <b>ideas</b> 56:6 57:3  <b>identification</b>            14:16 21:4 27:21            29:20 33:5 36:1  <b>identify</b> 13:2  <b>IDs</b> 30:22  <b>I'll</b> 3:20,22            11:11,15 15:6            22:8,14 23:4,8            27:8 29:5 32:12            38:22</p>	<p><b>illegal</b> 58:13  <b>I'm</b> 2:6,16 8:20            10:6 11:16 12:7            17:8            19:2,8,10,21            20:8 21:13            23:10,11,22            24:6,11,14,22            25:2,3,9,13,14            28:12 29:2,20            31:19 34:5,6            35:16,21 37:14            38:20 39:14,17            41:16 45:14            50:14 51:10,13            53:15,20 55:5            57:3 59:8  <b>imagine</b> 15:17            32:12 35:19 36:5            59:11  <b>Imperial</b> 10:11  <b>import</b> 12:21 13:5            15:22 55:10  <b>important</b> 57:12  <b>Importers</b> 18:13  <b>improve</b> 41:18  <b>inaudible</b> 3:12 5:5            9:11 11:4            12:8,20 13:7            14:8 21:8,11            23:3,5 28:18            34:19 35:6 37:17            44:2 46:14 48:14            56:3 58:6            59:8,17  <b>includes</b> 20:21  <b>incorporated</b> 3:7  <b>indefensible</b> 46:8            58:15  <b>independent</b> 6:9</p>
---	--	---	--

Capital Reporting Company  
 In the Matter of: Federal Spirits, LLC 07-25-2012  
 Page 8

<p><b>indicative</b> 4:14  <b>individual</b> 28:3          29:8  <b>individual's</b> 30:1  <b>Individuals</b> 55:17  <b>industry</b> 34:2          48:16  <b>informally</b> 58:7,21  <b>information</b> 4:9          10:2 30:1 45:18          57:3  <b>inside</b> 8:5 9:10          20:13,14 43:15          50:2  <b>instance</b> 33:14  <b>in-state</b> 49:16 52:6  <b>instead</b> 17:22          33:17  <b>instructions</b> 20:17          23:7 26:12          27:3,5 39:1  <b>interest</b> 18:15  <b>interested</b> 28:11          61:13  <b>interesting</b> 9:4          16:20 49:8 58:10  <b>internet</b> 3:14          8:8,21 9:15,20          32:17 34:1          36:11,16 37:8,12          38:1 46:2,5          47:5,11 48:1          52:2 53:12 56:4          57:2  <b>interrupt</b> 46:20  <b>interstate</b> 42:16  <b>intoxicated</b> 21:2  <b>introduce</b> 2:14</p>	<p><b>inventory</b> 13:22          14:3 29:5 32:6          42:5  <b>involve</b> 3:7 15:14  <b>involving</b> 2:4  <b>Irish</b> 58:14  <b>isn't</b> 4:8 52:12  <b>issue</b> 10:16 11:2          36:14,18 56:22  <b>it'd</b> 7:3 15:22          60:10  <b>it'll</b> 20:13 21:17  <b>it's</b> 5:2 6:13,18,21          7:14,15,19 8:4,6          10:8,12,18          11:1,2 12:10,15          13:12,22          14:12,19 15:15          16:1,12,20 17:11          18:12 19:11          21:16 22:10,14          23:4,7,22          24:6,22 25:11          30:8 31:3 32:21          33:1,21 34:3,9          35:7,8 36:20          37:2 38:8,20          39:10          40:10,12,13          41:3,4,5,8,9,10          42:16,20          43:1,6,7          45:8,10,11,14,20          46:15 47:13 48:2          49:8 50:9,14,16          54:16,21 57:11          58:13  <b>I've</b> 8:11 17:8 18:6          19:16,17,18,19          24:1 32:16          33:16,22 34:6          49:18 54:7</p>	<p>58:7,21  <hr/>         J  <hr/> <b>jail</b> 43:6  <b>January</b> 6:21  <b>job</b> 23:9 31:11  <b>joined</b> 48:12,13  <b>Jones</b> 1:16 15:7          19:3,4,8          21:13,17,19,21          22:3,6,11,16,19          23:2,9 24:13,18          25:1,3,7,9,13,17,          20,22          26:2,5,7,14,16,1          9,21          27:4,7,9,13,15,1          8 28:1,16,19          29:1,7,9,11,14,1          8,22          30:4,14,17,19,22          31:3,8,11,14,19,          22 32:2,4,10          34:14  <b>judicial</b> 17:5  <b>July</b> 1:10  <b>Justice</b> 48:10 49:1  <hr/>         K  <hr/> <b>Kennedy</b> 48:10          49:1  <b>knock</b> 23:7 26:11          27:1,14  <hr/>         L  <hr/> <b>label</b> 45:20  <b>Lakes</b> 48:20  <b>large</b> 16:10 40:9          55:19 57:7</p>	<p><b>Lasership</b> 33:21  <b>last</b> 23:14 54:8  <b>later</b> 5:4 33:8  <b>latitude</b> 49:3  <b>law</b> 8:19 10:5,20          17:6 18:22 20:1          28:7 34:17 35:9          39:7 44:13 45:10          48:22 56:2 58:10  <b>laws</b> 6:3 8:22 9:14          37:1 42:16 44:11          47:21  <b>law's</b> 20:2  <b>lawyer</b> 23:11  <b>lease</b> 7:3,5  <b>least</b> 40:3 43:20  <b>leave</b> 27:22  <b>led</b> 46:10  <b>legal</b> 5:20,21 9:12          17:6 60:2  <b>lend</b> 46:1  <b>less</b> 7:14 44:16          55:2  <b>let's</b> 38:12 42:2  <b>level</b> 10:22 11:1          18:8  <b>liability</b> 3:6  <b>library</b> 10:9  <b>license</b> 1:7 2:18          3:9,12,15 4:13          9:10,18,20 11:5          12:13 13:4 28:14          29:15 30:1 51:16          55:2,3  <b>licensed</b> 6:21          46:11 51:17          52:17,20</p>
--	---	--	--

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

Page 9

<p><b>life</b> 31:15</p> <p><b>limitations</b> 57:17</p> <p><b>limited</b> 3:6 6:22 8:6</p> <p><b>limits</b> 41:5 53:10</p> <p><b>liquor</b> 4:15 10:11 11:3 60:8</p> <p><b>list</b> 9:12</p> <p><b>literally</b> 33:2 50:22</p> <p><b>litigation</b> 46:11 49:21</p> <p><b>little</b> 10:6 19:5 34:4</p> <p><b>live</b> 32:7</p> <p><b>living</b> 54:17</p> <p><b>LLC</b> 1:5 2:19 4:21</p> <p><b>load</b> 23:6</p> <p><b>loaded</b> 21:14</p> <p><b>lobby</b> 56:19 57:5</p> <p><b>local</b> 16:8,13 17:9 18:7 40:14</p> <p><b>located</b> 19:10</p> <p><b>locating</b> 54:18</p> <p><b>location</b> 3:17 4:16 6:11 10:8 11:8 14:18 19:11 26:10 27:8</p> <p><b>locations</b> 24:20 26:8 34:12</p> <p><b>locked</b> 5:8 12:11</p> <p><b>locker</b> 22:10</p> <p><b>log</b> 28:20,22</p> <p><b>logging</b> 14:4</p> <p><b>logistic</b> 19:19 42:20</p>	<p><b>logistics</b> 19:17</p> <p><b>long</b> 19:15 36:15</p> <p><b>long-term</b> 24:6</p> <p><b>loss</b> 50:1</p> <p><b>lost</b> 50:6</p> <p><b>lot</b> 19:20 32:16 34:3 39:14 46:10 55:2</p> <p><b>love</b> 56:6,8,10</p> <p><b>low</b> 40:1 41:2</p> <hr/> <p style="text-align: center;">M</p> <hr/> <p><b>Madam</b> 19:4 34:14 38:8 41:12 44:3</p> <p><b>main</b> 57:18</p> <p><b>mainly</b> 2:22</p> <p><b>major</b> 16:16</p> <p><b>majority</b> 12:9,18 48:11</p> <p><b>malt</b> 17:14 41:3</p> <p><b>managed</b> 46:10</p> <p><b>manager</b> 5:3,6 22:13 28:8</p> <p><b>mandated</b> 5:11 59:14</p> <p><b>manifest</b> 9:2</p> <p><b>market</b> 3:13 6:2,8 9:22 16:13,22</p> <p><b>markets</b> 55:20</p> <p><b>Maryland</b> 43:2,5</p> <p><b>Maryland's</b> 43:2,3</p> <p><b>matter</b> 1:4 11:8 16:12</p> <p><b>matters</b> 3:5</p> <p><b>maximum</b> 5:5</p>	<p><b>may</b> 2:18 3:20</p> <p><b>maybe</b> 7:7 21:14 36:1 50:17 52:16 57:1</p> <p><b>mean</b> 15:16 18:6 19:14,21 20:16 24:13 27:3 28:12 30:9 31:14,15 33:10,11 35:5,17 36:4,18 39:4 40:12,21,22 41:1,9 45:1,6 46:1 48:1 49:5 58:11 59:5 60:6</p> <p><b>means</b> 59:10</p> <p><b>meant</b> 22:22</p> <p><b>measure</b> 10:10,14</p> <p><b>MEETING</b> 1:3</p> <p><b>Member</b> 1:15,16,17</p> <p><b>members</b> 38:10</p> <p><b>memo</b> 5:16 20:21</p> <p><b>mention</b> 20:21</p> <p><b>met</b> 1:12 7:17 8:2</p> <p><b>metrics</b> 16:9</p> <p><b>Michigan</b> 48:17,18</p> <p><b>microbrewers</b> 5:18</p> <p><b>microbrews</b> 7:9</p> <p><b>microdistilleries</b> 6:19</p> <p><b>microdistillery</b> 6:17</p> <p><b>MIKE</b> 1:17</p> <p><b>Miller</b> 1:13,15 2:3,7,12 4:2,6,11 11:12,15,19,22 12:4,14,22</p>	<p>13:12,16,18 15:3,6,12 17:20 18:4,11 19:3 34:15 38:5,7 41:13 44:4,10,19 46:20 47:1,4,8,10 50:12,18 51:4,7 53:22 54:4 57:13,19,22 58:3 59:1,9,15,18 60:1,12</p> <p><b>milliliter</b> 58:14</p> <p><b>mind</b> 8:21 44:12</p> <p><b>minor</b> 24:2 36:7,10</p> <p><b>minors</b> 34:18 37:22</p> <p><b>minutes</b> 7:19 14:18 27:16</p> <p><b>MIRANDA</b> 62:3,15</p> <p><b>model</b> 21:8,17 45:10 46:18 51:16,17,21 52:6,18 53:6,12,20</p> <p><b>moment</b> 14:3</p> <p><b>Monday</b> 32:3,5</p> <p><b>money</b> 27:19</p> <p><b>month</b> 43:21</p> <p><b>mortar</b> 4:15 6:13 7:3 8:5 9:1,19 34:20 35:20</p> <p><b>mostly</b> 7:14</p> <p><b>motivation</b> 8:17</p> <p><b>move</b> 7:4 10:6 44:1</p> <p><b>movement</b> 6:17</p>
--	--	--	--

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Capital Reporting Company  
 In the Matter of: Federal Spirits, LLC 07-25-2012  
 Page 10

<p><b>moving</b> 23:18  <b>myself</b> 19:14 24:11                  32:11</p> <hr/> <p style="text-align: center;">N</p> <hr/> <p><b>N.W</b> 1:12  <b>Napa</b> 48:16  <b>narrowly</b> 49:13  <b>national</b> 16:22                  56:14  <b>nationally</b> 7:1  <b>nearby</b> 7:18  <b>Nebraska</b> 17:14                  40:4,6  <b>necessarily</b> 47:5  <b>neighbors</b> 9:8  <b>neither</b> 61:9  <b>network</b> 8:11                  33:19  <b>neutral</b> 40:2  <b>newest</b> 5:15  <b>newspaper</b> 9:17                  57:1  <b>nice</b> 42:17  <b>NICK</b> 1:15  <b>night</b> 23:5 31:5,7  <b>nobody</b> 12:19                  14:15 35:18  <b>non-DC</b> 38:2  <b>Nophlin</b> 1:17                  41:14,15 44:3  <b>Nophlin's</b> 44:5  <b>nor</b> 61:9,13  <b>norm</b> 40:16  <b>Northern</b> 7:18</p>	<p><b>Notary</b> 61:1,20  <b>note</b> 26:12 32:15                  53:16  <b>notes</b> 62:6  <b>nothing</b> 4:14 10:20                  55:16 56:9 59:7  <b>nowhere</b> 16:21  <b>NW</b> 1:6</p> <hr/> <p style="text-align: center;">O</p> <hr/> <p><b>oath</b> 4:7  <b>obtain</b> 14:2  <b>obvious</b> 4:19  <b>obviously</b> 11:10                  35:5 45:4 46:1                  47:5  <b>offer</b> 12:2 19:20                  44:16  <b>offering</b> 12:8                  17:18 33:14                  56:13  <b>offerings</b> 12:17  <b>office</b> 3:2 4:20 9:7                  10:15,18 32:22                  57:7,10  <b>officer</b> 61:3  <b>off-site</b> 3:16,19  <b>oh</b> 4:10 11:15                  12:10 24:17                  28:22 30:18                  40:19 52:8,14                  53:2,8 55:22                  60:4  <b>oil</b> 54:10  <b>old</b> 35:12 41:9  <b>olds</b> 35:13  <b>ones</b> 52:17</p>	<p><b>one's</b> 27:17  <b>online</b> 3:13 6:12                  7:6  <b>onsite</b> 22:13  <b>open</b> 24:22 37:2,8                  50:11 55:9  <b>opening</b> 59:11  <b>operations</b> 15:17  <b>opinion</b> 48:11  <b>opportunity</b> 6:2,8                  41:17 56:12  <b>order</b> 6:4 14:7                  17:22 18:10                  19:1,9 20:7,18                  22:13 26:13 42:6  <b>ordered</b> 12:21                  22:9  <b>ordering</b> 15:18  <b>orders</b> 5:10 13:11                  14:6,10,12 22:22                  32:7  <b>organic</b> 40:15  <b>original</b> 54:21  <b>otherwise</b> 61:13  <b>outcome</b> 61:13  <b>out-of</b> 18:19                  49:11,14  <b>out-of-state</b> 6:5                  13:5 36:19                  49:15,20  <b>outrageous</b> 40:18  <b>outside</b> 6:1                  14:10,11 20:15                  31:16 42:12,22                  43:15 48:7  <b>overseeing</b> 47:19  <b>overstate</b> 15:16</p>	<hr/> <p style="text-align: center;">P</p> <hr/> <p><b>p.m</b> 2:2 5:4 60:16  <b>packages</b> 5:7  <b>page</b> 45:18  <b>pages</b> 8:11  <b>paid</b> 13:8 14:21  <b>pardon</b> 48:4 51:11  <b>participate</b> 2:9  <b>parties</b> 61:8,10,12  <b>partner</b> 18:3  <b>password</b> 12:11  <b>past</b> 11:11  <b>patience</b> 51:6  <b>pattern</b> 48:15  <b>pause</b> 3:20  <b>pay</b> 7:5 13:1 14:20                  19:9 40:20  <b>paying</b> 24:3  <b>pending</b> 56:8 58:1  <b>PENNACHI</b>                  62:3,15  <b>people</b> 7:15,22                  10:5 17:12,17                  30:22 32:20                  33:21 34:21                  40:20  <b>per</b> 15:22  <b>percent</b> 16:5  <b>perform</b> 23:20,21  <b>permanent</b> 27:22  <b>permit</b> 3:17,19                  13:5  <b>permits</b> 52:4  <b>person</b> 20:19                  24:20 25:18</p>
---	--	--	--

Capital Reporting Company  
In the Matter of: Federal Spirits, LLC 07-25-2012

<p>29:10,20 33:6,7 34:22 36:13 38:14 39:4</p> <p><b>personal</b> 21:7 22:2 39:12</p> <p><b>persons</b> 34:18 38:11</p> <p><b>perspective</b> 24:16</p> <p><b>PhD</b> 39:4</p> <p><b>phenomenal</b> 54:11</p> <p><b>phenomenon</b> 6:22 40:13</p> <p><b>phone</b> 20:17 23:8 58:5</p> <p><b>pick</b> 7:21 18:19 34:13</p> <p><b>picked</b> 26:9</p> <p><b>Picking</b> 44:4</p> <p><b>picks</b> 33:7,15</p> <p><b>pitch</b> 55:4</p> <p><b>placard</b> 9:8 56:22 57:6,9,13</p> <p><b>placarding</b> 9:5</p> <p><b>placed</b> 32:8</p> <p><b>places</b> 12:6 41:20</p> <p><b>plan</b> 3:22 4:3 8:16 20:12 23:4 24:5,7 25:5,9 28:13,20 34:5</p> <p><b>planning</b> 25:7</p> <p><b>platform</b> 14:1</p> <p><b>plays</b> 30:19</p> <p><b>please</b> 2:15 20:17 51:5,14</p> <p><b>pleasure</b> 59:22</p> <p><b>point</b> 13:8 16:18 20:11 35:7</p>	<p>39:2,17,21 42:13 49:9</p> <p><b>policies</b> 46:7</p> <p><b>policy</b> 14:8 30:10 34:11 45:3 50:11</p> <p><b>pose</b> 9:4 59:7</p> <p><b>possible</b> 34:9</p> <p><b>possibly</b> 49:13 54:12 59:13</p> <p><b>potentially</b> 44:21</p> <p><b>practically</b> 46:2</p> <p><b>practice</b> 30:8 41:21 42:1,11 43:8,17 44:15 45:1,7</p> <p><b>practices</b> 21:6 34:6 37:17 41:18 45:9</p> <p><b>practice's</b> 45:16</p> <p><b>precedent</b> 44:7</p> <p><b>preference</b> 39:12</p> <p><b>premise</b> 2:18 3:4,15 10:17 11:6 33:15</p> <p><b>premises</b> 9:6</p> <p><b>PRESENT</b> 1:14,18</p> <p><b>presented</b> 39:1</p> <p><b>presenting</b> 5:22 17:19</p> <p><b>presiding</b> 1:13</p> <p><b>presumably</b> 36:5</p> <p><b>prevent</b> 38:1</p> <p><b>previous</b> 38:10</p> <p><b>price</b> 39:20 40:21 41:1</p>	<p><b>prices</b> 40:17</p> <p><b>proactive</b> 56:9</p> <p><b>probably</b> 41:1 54:17 55:7 58:11</p> <p><b>problem</b> 17:7 43:4 46:9 48:19 59:7</p> <p><b>procedure</b> 30:12</p> <p><b>proceeding</b> 62:5,6,9</p> <p><b>process</b> 20:14 29:2 41:19</p> <p><b>processed</b> 3:5</p> <p><b>produce</b> 47:14</p> <p><b>produced</b> 6:9 46:6</p> <p><b>producer</b> 8:3 13:2,5 17:8 37:3,5</p> <p><b>producers</b> 6:5 15:11 16:2,10 17:22 18:20 48:7 49:7,12</p> <p><b>producer-to</b> 47:17</p> <p><b>product</b> 4:22 5:9,19 6:1,6,22 7:5 8:1,11 12:17 14:1,5 15:11 18:22 19:9 22:1,6,9,19,20 24:19,21 25:6,22 27:22 28:3 29:9,21 36:6 37:6 38:12 40:3 41:2,8 43:4,5 46:19 47:18 55:10</p> <p><b>products</b> 12:9,20 23:19 34:18 37:21 39:21 58:17</p>	<p><b>progressive</b> 6:3</p> <p><b>prohibition</b> 16:21</p> <p><b>project</b> 9:4 55:13</p> <p><b>promise</b> 14:13,18 43:19 47:15,16</p> <p><b>pronounce</b> 50:15</p> <p><b>proper</b> 21:3 28:5 35:22 42:4,19</p> <p><b>property</b> 4:19 9:10</p> <p><b>proposing</b> 51:18 52:18 53:20</p> <p><b>protect</b> 44:18</p> <p><b>protection</b> 44:13</p> <p><b>proud</b> 56:17</p> <p><b>provide</b> 27:2,4</p> <p><b>provision</b> 36:12</p> <p><b>public</b> 12:16 61:1,20</p> <p><b>purchase</b> 7:13 17:7 36:2,6,10 39:2</p> <p><b>purchased</b> 29:9</p> <p><b>purchasing</b> 13:3 37:12</p> <p><b>purport</b> 9:7,16</p> <hr/> <p style="text-align: center;">Q</p> <hr/> <p><b>qualifier</b> 53:16</p> <p><b>qualify</b> 53:3</p> <p><b>question</b> 9:4 38:20 39:22 44:5 51:10,12 53:3 54:8</p> <p><b>questioned</b> 20:5</p> <p><b>questions</b> 3:20 10:3 11:11,13 17:21 28:12</p>
--	---	---	--

Capital Reporting Company  
 In the Matter of: Federal Spirits, LLC 07-25-2012  
 Page 12

<p>34:4,5 38:4,9,10          54:1,8 60:2  <b>quick</b> 38:9 51:9          58:3  <b>quickly</b> 34:8 46:4  <b>quite</b> 6:3 19:2          32:19 33:9,11          43:22  <b>quote</b> 17:9</p> <hr/> <p style="text-align: center;">R</p> <hr/> <p><b>raised</b> 38:20  <b>raising</b> 59:12  <b>Ramon</b> 58:8,18  <b>ready</b> 2:10  <b>real</b> 13:22  <b>really</b> 15:16 16:3          18:14,18 44:8          47:2 50:10,15          54:5,7  <b>reason</b> 2:19 3:3          5:14,15 7:5          42:10 56:18  <b>reasons</b> 6:12 39:14  <b>receipts</b> 33:5  <b>receive</b> 28:5,13          33:3  <b>receives</b> 28:3  <b>receiving</b> 5:1,6          38:11  <b>recent</b> 50:1  <b>record</b> 2:15 4:7          30:1 61:8  <b>recorded</b> 61:6  <b>recordings</b> 62:7  <b>redirect</b> 9:20 57:2  <b>reduced</b> 61:6</p>	<p><b>Reeves</b> 1:12  <b>regulate</b> 49:4  <b>regulated</b> 23:19  <b>regulation</b> 24:15          49:7,10  <b>regulatory</b> 24:16  <b>related</b> 61:9  <b>relation</b> 42:20  <b>relationship</b> 42:21          43:10  <b>relationships</b>          18:16  <b>relative</b> 61:11  <b>remarkable</b> 54:16          55:18  <b>rent</b> 24:3  <b>rephrase</b> 51:13  <b>replicate</b> 8:4  <b>report</b> 29:4  <b>reported</b> 62:4  <b>Reporter</b> 62:4  <b>Reporter's</b> 62:6  <b>Republic</b> 49:6  <b>request</b> 18:7  <b>requirement</b>          9:5,9,11 10:7          16:1 29:4  <b>requirements</b> 7:2          31:12 59:6  <b>requires</b> 28:7  <b>research</b> 42:18  <b>residence</b> 39:16  <b>resident</b> 2:17          17:22 18:5 19:10  <b>residents</b> 6:10</p>	<p>10:3 11:22          17:1,11 30:12          38:3 57:2  <b>response</b> 11:14  <b>responsibility</b>          35:16,17,18 36:8          37:19,20  <b>responsible</b> 28:2  <b>restraints</b> 17:5  <b>restrictions</b> 9:3  <b>retail</b> 2:18 3:8,15          11:5  <b>retailer</b> 1:7 8:22          10:1,22 17:6          18:7 21:9 35:20          37:3,6,16 43:5          49:15,20 52:5          55:2,4  <b>retailers</b> 5:13 6:4          18:2 19:19,22          21:6 29:4 36:19          38:1,2 43:3          45:22 49:16,20          50:2,4 53:9,10          54:12  <b>retailer's</b> 18:8  <b>Retailers</b> 13:10  <b>returned</b> 14:19  <b>rights</b> 57:5  <b>room</b> 1:12 38:15  <b>route</b> 7:6 23:4  <b>rum</b> 40:22  <b>run</b> 15:15 16:3,5          47:15,16  <b>Ruthanne</b> 1:13,15</p> <hr/> <p style="text-align: center;">S</p> <hr/> <p><b>sale</b> 20:2</p>	<p><b>sales</b> 3:8 7:15 9:22          11:7 12:13 14:3          29:5 44:22          46:2,4 47:11  <b>San</b> 41:4  <b>Saturday</b> 32:5  <b>saw</b> 5:20 6:2 23:12  <b>scale</b> 42:3 43:22          55:6  <b>Scalia</b> 48:12  <b>scenario</b> 26:9  <b>scheduled</b> 2:4  <b>school</b> 10:9  <b>scotch</b> 40:21 58:14  <b>seat</b> 2:13  <b>second</b> 46:21          50:15  <b>Section</b> 49:2  <b>secured</b> 3:17  <b>security</b> 5:7  <b>seemed</b> 6:7  <b>seems</b> 40:15 41:16          57:9,11  <b>seen</b> 34:6  <b>sees</b> 3:11 57:20  <b>selection</b> 17:1 45:5  <b>sell</b> 3:13 37:6          58:13  <b>selling</b> 35:12 54:15  <b>send</b> 13:4 34:20,22          35:22 38:17  <b>sense</b> 46:8  <b>separate</b> 3:16  <b>seriously</b> 55:8  <b>settlement</b> 46:11</p>
---	---	--	---

Capital Reporting Company  
 In the Matter of: Federal Spirits, LLC 07-25-2012  
 Page 13

<p><b>seven</b> 41:9  <b>seven-year-aged</b> 41:3  <b>several</b> 18:6  <b>shelf</b> 7:16,21 8:6  <b>shelves</b> 6:1  <b>she's</b> 60:6  <b>ship</b> 36:19 37:4,7 42:12,18,22 43:2,4 45:19,22 49:14,16,20,21 50:2,8 53:4  <b>ShipCompliant</b> 47:14  <b>shipment</b> 24:5  <b>shipments</b> 15:21 33:3  <b>shipped</b> 13:12 32:8 46:6  <b>shipping</b> 14:7,13 19:10 36:21 38:22 42:16 43:14 45:16,17 47:18,21 48:16,20 50:4,22 51:22 55:6,11,17  <b>ships</b> 13:6 43:5  <b>showed</b> 21:4  <b>showing</b> 33:5  <b>shown</b> 18:14  <b>sign</b> 2:13 9:9 14:17  <b>signage</b> 4:16 56:22  <b>signing</b> 33:4  <b>signs</b> 14:19  <b>silly</b> 57:9  <b>Silverstein</b> 1:17 34:15,16</p>	<p>35:5,8,11 36:9 38:4  <b>similar</b> 5:12 22:19 51:17 52:18  <b>simplest</b> 21:7  <b>simply</b> 20:12 34:20 36:11  <b>single</b> 15:14 24:19 25:17 41:3 46:14  <b>single-family</b> 27:9  <b>site</b> 5:3 57:2  <b>situation</b> 35:2 54:22  <b>situations</b> 10:21  <b>six</b> 15:1  <b>small</b> 6:9 15:16,17 16:3 55:6,14  <b>snuck</b> 46:4  <b>social</b> 8:10  <b>software</b> 42:8 47:14,16  <b>sold</b> 14:5 17:8 34:18  <b>solely</b> 28:1  <b>solicit</b> 3:13 9:22  <b>soliciting</b> 12:13  <b>solo</b> 31:4  <b>somebody</b> 28:9 35:22  <b>someone</b> 34:20  <b>someone's</b> 7:20  <b>somewhere</b> 24:10  <b>sorry</b> 17:8 19:2  <b>sort</b> 6:17 23:20  <b>sorts</b> 45:5 49:3</p>	<p><b>source</b> 54:13  <b>space</b> 8:6,9 9:1 37:15  <b>speak</b> 43:11  <b>speaking</b> 4:12 20:19 24:7 41:16 45:14  <b>special</b> 20:17 26:12 27:2,5  <b>specialty</b> 19:18  <b>specific</b> 9:3 20:3 59:6  <b>spelling</b> 2:14  <b>spirit</b> 10:5  <b>spirits</b> 1:5,6 2:5,19 3:13 4:21 5:18 6:9,17 7:8,11,15 12:2,4,5 16:10,17 17:2 18:18,19 21:10 36:12 40:2,21,22 46:3 56:15 58:16 60:8  <b>split</b> 49:22  <b>spoke</b> 19:15 60:5  <b>spoken</b> 19:16,17,18,19  <b>squarely</b> 8:21  <b>staff</b> 60:3  <b>stamp</b> 20:22 45:19  <b>standard</b> 9:17 12:21  <b>start</b> 2:10 11:16 19:13 20:11 22:8 24:10 30:14 49:5 55:14  <b>started</b> 38:21 45:13 52:5</p>	<p><b>starting</b> 18:19 24:11  <b>starts</b> 49:11  <b>state</b> 8:20 13:2 16:15 17:1,15 18:20 42:1,3,18 44:13,14,16,17,2 2 46:13 48:7 49:12,14,18,19 50:4,5 51:16,22 52:11,12,13,16 53:4,6,7,9,10,15 54:18,20 55:5,21 56:16  <b>states</b> 37:10 43:3 44:7,8 46:7 47:10,11 48:3,5,6 49:3,12 51:2 52:3,16 53:3,4 56:18  <b>state's</b> 17:10 55:20  <b>States</b> 16:20 17:3  <b>stay</b> 13:20  <b>step</b> 56:11  <b>stipulation</b> 3:10 11:6  <b>stocked</b> 7:4,10  <b>stop</b> 24:11 44:18  <b>stopping</b> 36:10,12 55:16  <b>stops</b> 14:2  <b>storage</b> 3:16,19 5:2 13:13,21 14:19 15:7,21 22:10  <b>store</b> 4:15 7:4,10,16,21 8:5,7 10:11,16 33:4 34:9 36:2</p>
--	---	---	---

Capital Reporting Company  
 In the Matter of: Federal Spirits, LLC 07-25-2012  
 Page 14

<p>60:8  <b>stored</b> 5:9  <b>stores</b> 11:3 16:8              42:5 47:6  <b>story</b> 8:2  <b>straight</b> 5:21  <b>street</b> 1:6,12              3:1,18 5:2              10:8,15,22 11:1              21:9 22:12 57:6  <b>street-level</b> 39:18  <b>streetscape</b> 4:18  <b>stress</b> 56:5  <b>strictest</b> 43:3  <b>strictly</b> 10:18  <b>strikes</b> 58:15  <b>student</b> 39:5,7  <b>stuff</b> 58:11  <b>submit</b> 4:5  <b>submitted</b> 3:21 4:4  <b>substantial</b> 34:2  <b>successful</b> 34:9              44:1  <b>sufficiently</b> 7:4  <b>suggest</b> 9:13  <b>suggested</b> 57:1  <b>Suite</b> 3:1  <b>Sunday</b> 5:12  <b>Sundays</b> 15:2 23:5  <b>supply</b> 16:7  <b>supporting</b> 40:14  <b>suppose</b> 44:20  <b>Supreme</b> 48:2,10              49:1 50:12 51:2  <b>sure</b> 2:11 4:10</p>	<p>11:18 15:5,20          19:7 22:4,5,18          24:11 28:11          31:21,22          35:11,13 39:15          41:21 46:22          47:12 48:19          50:15 51:10,13          52:14  <b>surveillance</b> 5:8  <b>system</b> 5:7 17:5              35:14  <hr style="width: 20%; margin: 10px auto;"/> <p style="text-align: center;">T</p> <hr style="width: 20%; margin: 10px auto;"/> <b>t/a</b> 1:6  <b>taking</b> 3:8 6:18              28:12  <b>talk</b> 24:8  <b>talked</b> 32:16              58:7,18,21  <b>talking</b> 49:9,11              53:5  <b>talks</b> 49:10  <b>tapering</b> 31:14,15  <b>Tax</b> 47:20 50:20  <b>taxes</b> 13:7  <b>tempo</b> 24:1  <b>ten</b> 7:7  <b>ten-page</b> 3:21 4:3  <b>tentative</b> 56:7  <b>term</b> 40:11  <b>terms</b> 4:22 6:11              8:9 23:18 37:14              42:15 45:2,8  <b>territory</b> 37:2  <b>testimony</b> 61:5,8  <b>Texas</b> 46:9,11,13              50:1,2,8 53:10</p>	<p>55:19  <b>text</b> 8:9  <b>thank</b> 2:7 11:12              19:4 34:14 38:8              41:12,13 44:3              51:7 53:21              59:19,21              60:12,14  <b>that's</b> 2:4 5:7 7:5              8:13,16 10:11,16              12:3 13:9,14              15:19 16:6 17:4              21:8 22:11              24:4,5,10              25:5,19              26:4,6,18              29:6,19              30:6,7,16 32:19              33:4,9 34:3,4              38:19 39:2,8,17              40:7 41:8,10              42:10,16              45:1,2,3 47:4              48:4 49:21 50:6              53:14,15,16              54:14 56:16 58:2              59:17  <b>themselves</b> 50:7  <b>theory</b> 9:15  <b>thereabouts</b> 40:5  <b>thereafter</b> 61:6  <b>there'd</b> 6:14 9:3  <b>there'll</b> 32:12,13  <b>there's</b> 2:8,13 3:17              5:7 6:12,16,22              8:2 9:2,17              10:6,10,20 12:17              14:15 19:20              20:3,16 21:3,6,9              22:12 27:3,19              28:17 29:3 30:13</p>	<p>34:3 37:2,5,15          40:1 42:7          44:16,17          45:10,11          46:16,17 47:13          49:21,22          53:14,15 55:16          56:18,21 58:16          59:6  <b>they'd</b> 5:10 16:6  <b>they'll</b> 12:1 32:15              34:22 42:19  <b>they're</b> 2:21 5:22              7:12              18:13,16,17,18              30:10 31:14 33:1              40:14,15,17              42:14 54:21  <b>they've</b> 7:20 8:1              18:15 21:10              37:11 41:8 60:5  <b>third</b> 9:6 10:18  <b>thirties</b> 41:2  <b>three-tiered</b> 17:4  <b>thrilled</b> 60:11  <b>throw</b> 47:21 50:22  <b>Tobacco</b> 47:20  <b>tolerate</b> 44:22  <b>top</b> 21:14  <b>totally</b> 31:16  <b>tower</b> 4:20 10:18  <b>track</b> 47:16  <b>tracked</b> 16:9  <b>tracks</b> 13:21  <b>trade</b> 36:15 47:20              49:5 50:20  <b>traditional</b>              19:16,17 34:19</p>
--	---	--	---

Capital Reporting Company  
 In the Matter of: Federal Spirits, LLC 07-25-2012  
 Page 15

<p><b>traditionally</b> 45:7</p> <p><b>training</b> 28:8</p> <p><b>transactions</b> 3:4</p> <p><b>transcript</b> 61:5 62:5,7</p> <p><b>transcription</b> 61:7 62:1,8</p> <p><b>Transcriptionist</b> 62:16</p> <p><b>transport</b> 9:14</p> <p><b>tried</b> 43:11</p> <p><b>true</b> 61:7 62:8</p> <p><b>truly</b> 36:9</p> <p><b>trust</b> 3:21 35:6</p> <p><b>trusts</b> 35:9</p> <p><b>try</b> 6:8 8:1 17:9,13</p> <p><b>trying</b> 11:16 24:14 25:4,10,13,14 29:2 32:16 34:6</p> <p><b>TTB</b> 47:20</p> <p><b>turn</b> 15:6</p> <p><b>twenties</b> 41:1</p> <p><b>twice</b> 29:4 52:20</p> <p><b>type</b> 47:18</p> <p><b>typed</b> 14:10 62:5</p> <p><b>typewriting</b> 61:6</p> <p><b>typical</b> 4:15</p> <hr/> <p style="text-align: center;">U</p> <hr/> <p><b>Uh-huh</b> 11:21 12:22 13:17 18:11 26:18 31:18 35:10 40:7 44:19 47:9 57:19</p> <p><b>ultimate</b> 43:17</p> <p><b>unclear</b> 10:7</p>	<p><b>underage</b> 36:13</p> <p><b>underneath</b> 10:12</p> <p><b>understand</b> 2:21 8:22 10:5 11:16 23:12 24:14 25:14 28:6 29:2 56:2</p> <p><b>understanding</b> 32:17 52:19</p> <p><b>understood</b> 45:6</p> <p><b>unique</b> 8:19 54:14</p> <p><b>United</b> 16:20 17:3</p> <p><b>University</b> 38:13</p> <p><b>unless</b> 21:3</p> <p><b>unlikely</b> 7:20</p> <p><b>unorthodox</b> 56:2</p> <p><b>unprecedented</b> 2:22</p> <p><b>unquestioned</b> 54:19</p> <p><b>unusual</b> 2:20</p> <p><b>UPS</b> 33:5</p> <p><b>upstream</b> 54:10</p> <p><b>uranium</b> 23:16</p> <p><b>urge</b> 37:22</p> <p><b>USDA</b> 40:15</p> <p><b>Utah</b> 37:13 44:21 49:19</p> <p><b>Utah's</b> 45:7</p> <hr/> <p style="text-align: center;">V</p> <hr/> <p><b>valid</b> 21:3 27:21</p> <p><b>Valley</b> 48:16</p> <p><b>values</b> 4:19</p> <p><b>van</b> 21:11</p> <p><b>varies</b> 5:4 40:1</p>	<p><b>variety</b> 46:1</p> <p><b>various</b> 24:20</p> <p><b>vast</b> 12:18</p> <p><b>vehicle</b> 21:7 22:2 23:6 24:19</p> <p><b>vehicles</b> 21:22</p> <p><b>venture</b> 8:17 55:13 58:9</p> <p><b>via</b> 5:10 8:8 12:21</p> <p><b>video</b> 8:10</p> <p><b>viewed</b> 56:7</p> <p><b>violation</b> 36:7</p> <p><b>Virginia</b> 7:18</p> <p><b>visitors</b> 9:21</p> <p><b>vodka</b> 17:13 40:2,4,6</p> <p><b>volume</b> 7:2 20:9 43:13,18</p> <p><b>voluntary</b> 3:10</p> <hr/> <p style="text-align: center;">W</p> <hr/> <p><b>wait</b> 14:18 27:16</p> <p><b>walk</b> 3:22 4:20 7:11,15 39:11,13</p> <p><b>Walker</b> 4:4 60:5</p> <p><b>walk-in</b> 11:6</p> <p><b>Ward</b> 2:17 4:17 59:6</p> <p><b>wars</b> 49:5</p> <p><b>Washington</b> 1:13 17:15</p> <p><b>wasn't</b> 36:18</p> <p><b>wasting</b> 57:11</p> <p><b>watching</b> 34:22</p> <p><b>web</b> 8:15</p> <p><b>website</b> 5:10 11:20</p>	<p>12:16 13:21 14:5 19:9 20:14 21:11 33:1,12 41:2,11 42:7 48:1 57:18</p> <p><b>we'd</b> 4:13</p> <p><b>week</b> 5:5 15:2</p> <p><b>weird</b> 33:22 34:4 48:12</p> <p><b>welcome</b> 59:4</p> <p><b>We'll</b> 34:21</p> <p><b>we're</b> 21:14 34:17,19 53:5 59:12</p> <p><b>west</b> 7:19 36:20 46:15</p> <p><b>whatever</b> 3:11 11:20 31:5,6 37:16 57:20</p> <p><b>whatsoever</b> 4:16 43:4 56:4 57:5</p> <p><b>Whereas</b> 8:8 35:20 55:19</p> <p><b>WHEREUPON</b> 60:16</p> <p><b>wherever</b> 54:13</p> <p><b>whether</b> 30:8 32:21 47:17</p> <p><b>whiskey</b> 17:14 41:1,4 58:14</p> <p><b>whole</b> 8:6,17 10:17 47:13 54:19</p> <p><b>wholesaler</b> 6:6 13:2 17:10 18:9,13,17,18,22 37:3 55:11</p> <p><b>wholesalers</b> 6:5 15:9 18:14 44:14 46:10 55:21</p>
--	--	--	---

Capital Reporting Company  
 In the Matter of: Federal Spirits, LLC 07-25-2012  
 Page 16

<p>56:19  <b>whom</b> 61:3  <b>who's</b> 33:4 55:22  <b>wide</b> 37:8  <b>Wild</b> 36:20 46:15  <b>wildly</b> 34:9  <b>willing</b> 15:19,20  <b>winding</b> 24:1  <b>window</b> 32:11              57:10  <b>windows</b> 30:15              31:20  <b>wine</b> 5:14 18:17              19:18 20:20              21:10 33:3,7              45:16,17,19              46:4,5 48:17  <b>wine.com</b> 37:15              46:9,12 50:7              51:20 52:3  <b>wineries</b> 46:5              48:15,20,21              49:14  <b>winery</b> 46:12 50:8  <b>wines</b> 46:3  <b>won</b> 50:5  <b>wonderful</b> 18:20              40:12 41:10 60:5  <b>work</b> 6:15 22:3              23:16,22 56:6              60:10  <b>worked</b> 33:13  <b>working</b> 5:17  <b>worries</b> 43:1  <b>worry</b> 16:3  <b>worth</b> 15:15</p>	<p><b>worthwhile</b> 6:8  <b>write</b> 13:3 29:16  <b>written</b> 8:20 56:3  <b>wrong</b> 8:13  <b>wrote</b> 48:10,11</p> <hr/> <p style="text-align: center;">Y</p> <hr/> <p><b>yet</b> 33:10,13  <b>York</b> 48:17,19              54:18,20              55:5,10,19  <b>York's</b> 55:6  <b>you'll</b> 14:5 20:10              24:19 29:14 31:6              34:13  <b>yours</b> 35:2  <b>yourself</b> 2:14              20:11 28:1 31:5  <b>you've</b> 4:3 8:5,8              24:10 54:10</p> <hr/> <p style="text-align: center;">Z</p> <hr/> <p><b>zero</b> 19:5  <b>Zone</b> 3:2</p>		
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