

JEREMY GRENIER, CALMONT BEVERAGE, APRIL 5, 2018

Hello everyone. Thank you for your time this morning. My name is Jeremy Grenier. I am one of the partners at Calmont Beverage located in Berlin Vermont. We are a 4th generation business. Calmont has been in business since 1941 employing 70 people. My testimony is from the heart with facts, not a play book from some national organization with its own agenda.

History of VT Beer distributors

I started in this business when I was 6 years old helping my father load trucks by keeping the beer from falling off the tracks. It happens to be the same year the VT franchise law was enacted. By age 10 I was making .25 cents per hour. Oh those were the days! Calmont has been in business since 1941. I mention this because I want to give a very brief history lesson based on facts. I have literally worked in this business as long as franchise has been in existence. You have heard a lot of testimony straight out of the national Brewers Association hand book. H710 is about the National agenda and not about what is good for Vermonters. You have heard a lot about how there are less beer distributor choices today then there was 40 years ago. Yes there are fewer distributors but there are not less choices. Please see exhibit A. From the 1960's to the early 80's wholesale dealers stayed in their assigned counties/territories. A brewer needed to assign 3 different wholesale dealers to have coverage throughout the whole state. There was an average of 4 different choices for each of the 3 territories in Vermont. Farrell was the only fully statewide company at the time. Around the early to mid-1980's a change started to happen that was being driven by both brewers and wineries. That change was that suppliers only wanted to deal with one Distributor for the whole state. Interstates 89 and 91 also raised the speed limit to 65 mph making the whole state much easier to access. The other major factor was the incredible spike in costs to be a wholesale dealer. Retailers were demanding weekend service. Large chain stores were demanding twice per week delivery. Suppliers were also demanding in house print shops, temperature controlled warehousing, draft technicians, chain store specific staff, sophisticated computer data tracking systems etc...Health insurance and payroll was increasing rapidly. Vermont is only

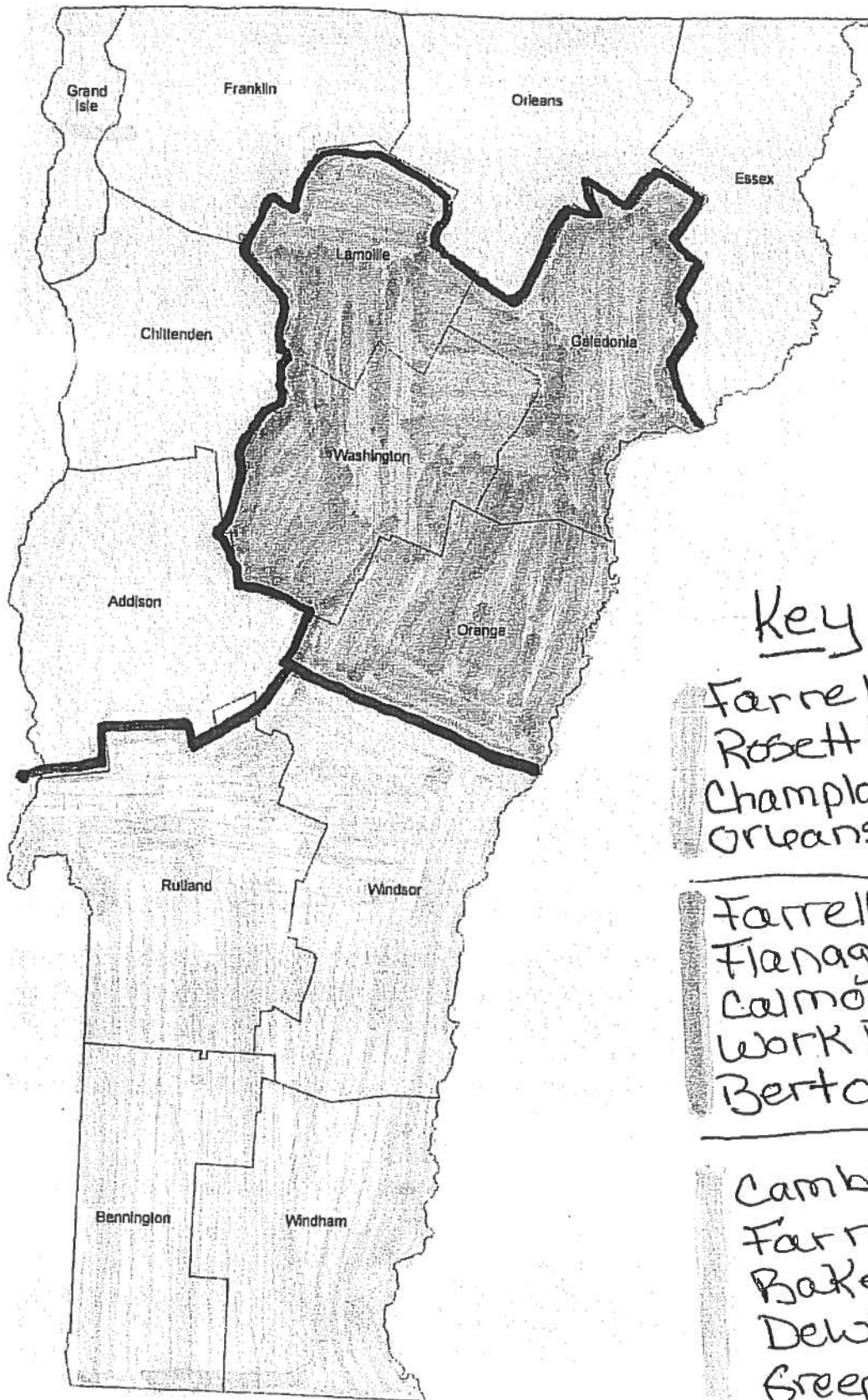
½ percent of the alcohol consumed in the Country. Vermont is also one of the smallest states in the country that was not growing in population and that made it very hard for us to grow by staying in our “traditional” territories or counties. Wholesalers are locked into margins that can’t be increased to create more revenue. If we were to increase margins new suppliers would not work with us. Our only way to stay in business was to expand our territories. It has been necessary for us to take out significant loans to make these changes. Our supplier partners grew as we grew. It allowed us to keep up with the demands. By 1990 the amount of distributors had changed and the state now looked like this. See exhibit B. The brewers and wineries still had 4 different choices to cover them for the state. They now can do it more efficiently as they do not need 2 or 3 wholesalers to get to market throughout the whole state. This is what all suppliers wanted. Even the Vermont Brewers! Now the year is 2018 and the wholesale landscape looks like this. See exhibit C. There are now 7 or more Beer wholesale dealers in Vermont, 5 of which are taking on new brands every day. There are more choices today than ever before for brewers. Under the current law they can try anyone one of us for 364 days before entering into franchise. The brewers can also choose to distribute themselves! Once in franchise if troubled times hit there is a correction period. Doesn’t everyone deserve a second chance? Then if still not resolved court comes into play. Isn’t that only fair? Is our court system not a fair just place? As distributors and brewers do not want to go to court due to the expense we resolve the matters by trading, selling, or just releasing. The other factor is no one wants to be in a partnership with someone who does not want them. Life is too short to be in a miserable partnership. Please see exhibit D. In the 12 years my brothers and I have been running Calmont this is how many times we have bought, sold, traded or released brands without ever going to court. The current system works 99% of the time. Why are we changing something that has worked? Does the last 40 years not speak for itself? Has there ever been a law that made everyone happy?? Why change a law just because in principle you do not agree with it? Three generations from three different family wholesalers have proven franchise does work. A booming beer industry proves it works. The brewers did not get where they are on their own. Again H710 is a proposed change on principle only not due to a problem that needs to be resolved.

The new world with H710

If H710 is passed as is this is what Calmont's new world looks like. 50,000 barrels and 3% of portfolio means 4 of the brewers I represent that would still be subject to the franchise law. I can only sell them in Central Vermont or 18% of the state. Of the brewers I represent for the whole state only 3 of them would now be subject to franchise. This puts us in a perfect position for an out of state or in state distributor to just come in and buy up our suppliers. There are several Brewers under the 3% rule that our competitors would love to have. A brewer representing 3% of my business is very critical to my daily delivery infrastructure. We maintain our statewide presence due to the many small suppliers we have. Not the big brewers. Small brewers are what we specialize in. Being a distributor is lived by the phrase "Together we are strong". As Calmont does not have major national brands for 82% of the state we rely on our small suppliers partners. All the small parts make the whole. Losing even a few of these 3% brewers would cause a rapid downward spiral in service to consumers. The amount of people I would have to lay off could easily be 15% or greater. I would have to streamline my delivery to not service stores, bars and restaurants with products on the frequency they are accustomed. This would put me in a very difficult position to remain competitive in the market place. These are not exaggerations. Is the goal to have fewer distributors? A onetime pay out does not keep products on the trucks. Beer on the trucks is what creates efficiency. How can you say this is better for Vermont? Remember you are talking about changing a law on principle, not one that has harmed anyone. You would literally be putting a 4th generation family business in harm's way. We employ 70 people with an average of \$61,000 in wages and benefits to the Central Vermont community. If the 3% of portfolio was to change to 1% of portfolio this would be a more fair and just figure. If I were to lose, for no fault of my own, a Brewer that is 1% or less of my business, this would reduce the threat to the livelihood of my employees. It would reduce the amount of cut backs that would be necessary. This would allow a truly small

brewer to exit with no cause. 81% of the Brewers Calmont represents would be free to leave without cause under the 1% of portfolio change, 81%!! The average number for all distributors is over 70%. Does this not accomplish what the brewers want? In all the years Calmont has been in business we have not put any supplier's future in a position of uncertainty. We have always respected our supplier partnerships. I ask you now to also extend the Vermont wholesalers that same respect and courtesy. 1% of portfolio and 25,000 barrels to allow over 70% of all brewer partners to be free of franchise while protecting our core business is a change that is more balanced for all parties. Thank you for your time this morning.

Exhibit A



- Key
- Farrell
 - Rosetti
 - Champlain Dist.
 - Orleans Candy
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- Farrell
 - Flanagan
 - Calmont
 - Work Bros.
 - Bertolini
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- Cambell
 - Farrell
 - Baker
 - Dewitt
 - Green Mt Dist

Exhibit B

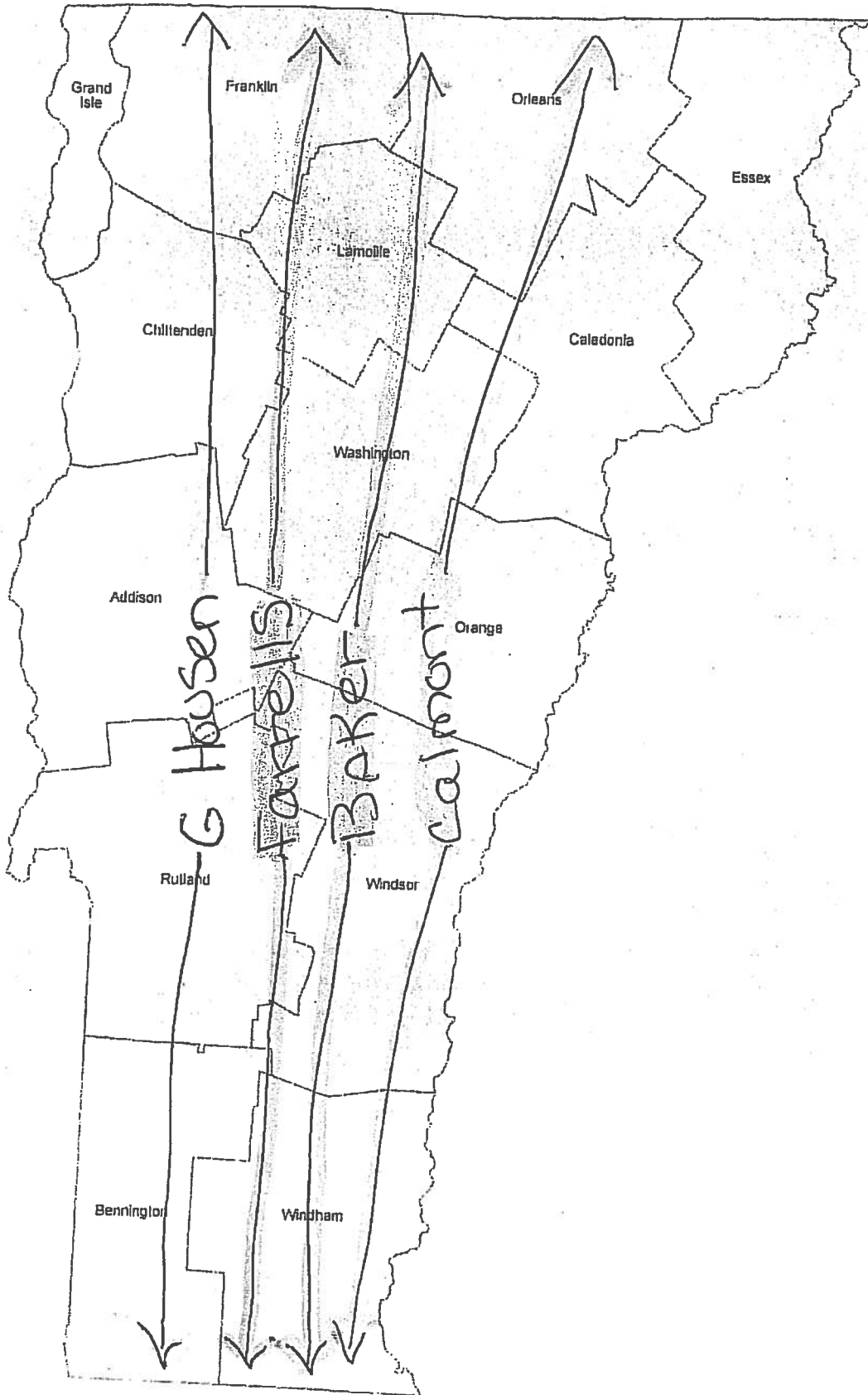
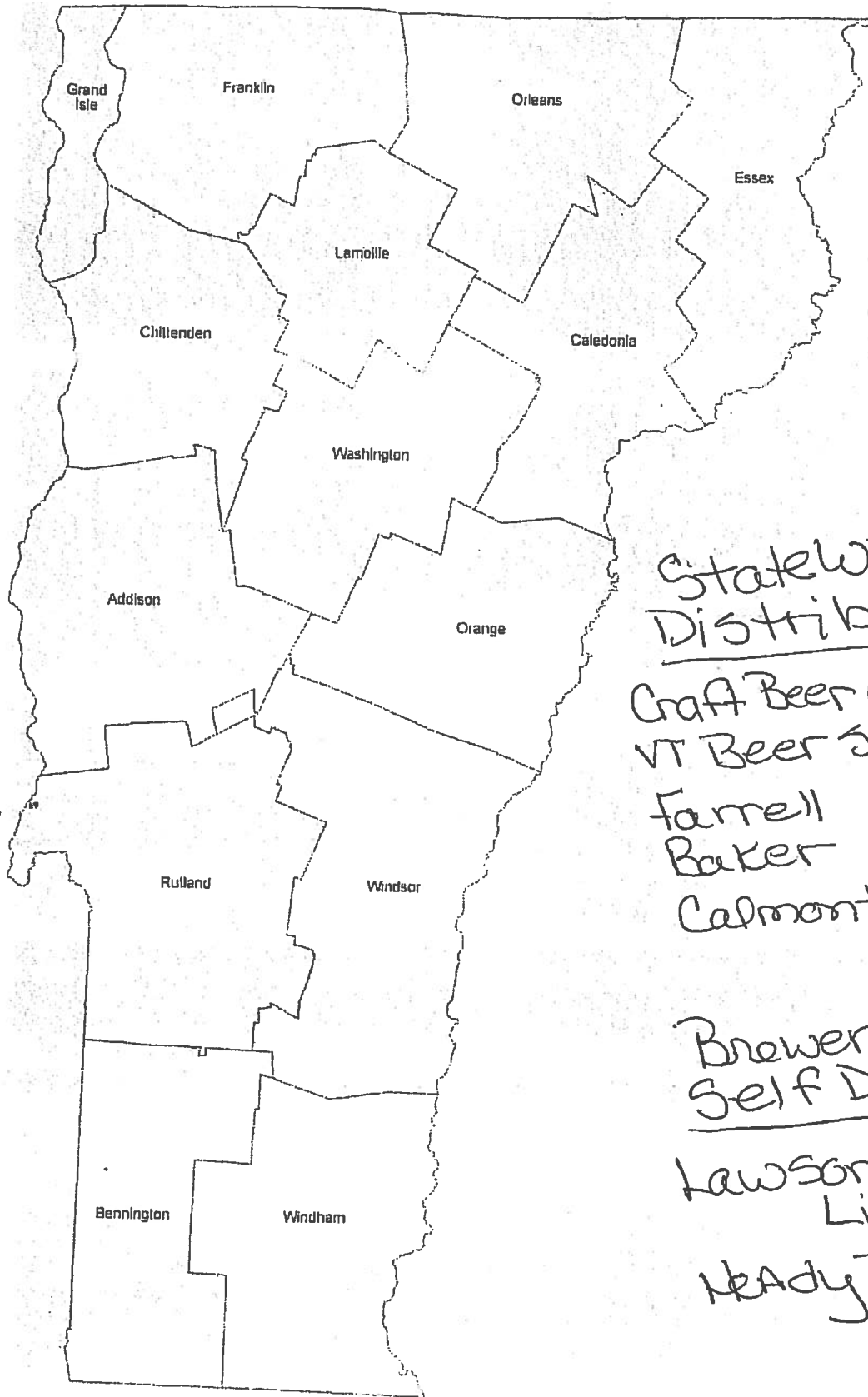


Exhibit C



Statewide Distributors

- Craft Beer Guild
- VT Beer Shepherd
- Farrell Baker
- Calmont

Brewer Self Distribute

- Lawson's Liquids
- Neady Topper