

Delaney, Patrick

From: Humbert, Jacob
Sent: Tuesday, August 14, 2018 5:10 PM
To: Delaney, Patrick
Cc: Prevost, Martin
Subject: FW: Stonecutter Spirits - Alternative Structures

Commissioner:

As we discussed, below please find Stonecutter's various proposed options.

Jacob A. Humbert, Assistant Attorney General
Director, Administrative Law Unit
Vermont Attorney General's Office
109 State Street
Montpelier, Vermont 05609
(802) 828-3689
jacob.humbert@vermont.gov

From: Humbert, Jacob
Sent: Thursday, August 09, 2018 3:33 PM
To: 'Ethan B. McLaughlin' <emclaughlin@gravelshea.com>
Subject: RE: Stonecutter Spirits - Alternative Structures

Ethan:

Thanks for offering a variety of proposals. I'll connect with the Department to discuss.

Jacob A. Humbert, Assistant Attorney General
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From: Ethan B. McLaughlin <emclaughlin@gravelshea.com>
Sent: Thursday, August 09, 2018 9:53 AM
To: Humbert, Jacob <jacob.humbert@vermont.gov>
Subject: Stonecutter Spirits - Alternative Structures

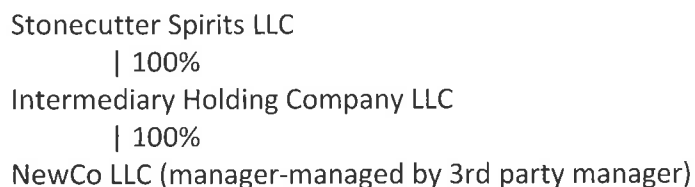
Jacob,

Thanks for taking the time to speak with me yesterday. This e-mail summarizes the structure that I understand the Liquor Control Board has blessed regarding Stonecutter Spirits LLC and its new cocktail lounge in Burlington. It also lays out a handful of alternative proposals that would be less disruptive to Stonecutter Spirits.

Current Proposal:

Stonecutter Spirits LLC would form a new manager-managed limited liability company (“NewCo”) to hold the first-class and third-class liquor license for its new cocktail bar in Burlington. The manager of the new LLC would be an individual who is not an equity holder of Stonecutter Spirits. We understand that this structure will be acceptable, as long as Stonecutter Spirits LLC is not the sole member of NewCo. We understand that it would be acceptable if the members of Stonecutter are also the members of NewCo.

The way we would prefer to enact this would be as follows: 100% of the membership interests of NewCo are owned by a newly formed LLC (“Intermediate Holding Company”), and 100% of the membership interests of Intermediate Holding Company are held by Stonecutter Spirits. This structure is illustrated below. Under this structure, Stonecutter Spirits LLC will not hold a direct financial interest in NewCo.



Would that work?

Alternatives:

Please confirm whether the following alternative ownership structures would also be acceptable.

- Alternative 1: No intermediate entity is used. 99% of the membership interests of NewCo are owned by Stonecutter Spirits LLC and 1% is owned by an existing equity holder of Stonecutter Spirits.
- Alternative 2: 99% of the membership interested of NewCo are owned by Stonecutter Spirits LLC and 1% is owned by a newly formed LLC (Intermediate Holding Company). 100% of Intermediate Holding Company is owned by Stonecutter Spirits LLC.

Another alternative, perhaps least disruptive for my client and my client’s investors and lenders, would be for Stonecutter Spirits LLC to obtain federal and state licenses to conduct manufacturing operations on the premises of its new cocktail lounge in Burlington (for instance, also using the space to barrel-age some of its inventory). We believe that as a manufacturer, Stonecutter Spirits LLC would then be eligible to directly hold all licenses for the cocktail lounge without creating any new entities [insert statute provision number here]. This would be the least disruptive alternative for Stonecutter Spirits LLC. The primary disadvantage is that the application process for a new manufacturing facility can take several months. Given that the cocktail lounge is ready to open next week, my client would need licenses issued to Stonecutter Spirits for the operation of the cocktail lounge now, with the understanding that it would then immediately submit applications to conduct manufacturing operations on the Premises of the cocktail lounge to follow.

Please confirm whether any of the alternatives outlined above would be acceptable.

Please feel free to contact me by phone or e-mail if you have any questions.

Ethan B. McLaughlin | *Shareholder*
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Patrick Delaney, Commissioner

Agenda Business Meeting
Liquor and Lottery Board
Division of Liquor Board Room
13 Green Mountain Drive
Montpelier

September 12, 2018

9:30 a.m. Meeting Starts

- Additions/Deletions from the Agenda - Any addition to or deletion from the agenda shall be made as the first act of business at the meeting.
 - Consent Agenda Draft minutes, Licenses, Contract Renewals and Decisions:
 - Meeting held August 8, 2018 and September 5, 2018
 - New licenses/renewals August 1, 2018 through August 31, 2018.
 - Board Decisions – Quirky Kingdom, dba East Burke Market, Bourne Food Mart Inc., dba Notchbrook General Store and MCC Entertainment, dba Social.
 - Awarding of Commendation
- 1) Public Comment: Scott Mears, Mingle Nightclub
 - 2) Licensing
 - Kiss My Glass VT LLC, 37 Depot St, Unit C, Lyndonville. Re: new tobacco application. Docket number 2018-030
 - Stone Cutters Highball Social, 71 South Union Street, Burlington. Re: Board interpretation of 7 V.S.A. section 271(d)(1) and 1st and 3rd class licenses.
 - 3) Enforcement
 - Searles Village Store, 3109 Main Street, Cabot. Re: violation of Education regulation 3b. Docket number 2018-029
 - 4) Proposed Lottery procedures public comment.
 - 5) Seasonal Sunday store closure request
 - 6) Problem gambling grant approval from Board.
 - 7) Commissioner Comments



DRAFT MINUTES

Record of the Meeting of the Liquor and Lottery Control Board held September 13, 2018
At the Division of Liquor Control, 13 Green Mountain Drive, Montpelier, Vermont

LCB Members present:

Martin Manahan Chair, Ed Flanagan and Sabina Haskell
Members

Others Present:

Patrick Delaney, Commissioner, Gary Kessler, Deputy
Commissioner, Wesley Lawrence, Board Counsel, Jacob
Humbert, Assistant Attorney General and Ashley Griffin,
Program Tech.

9:30 a.m. Meeting begins.

- Additions/Deletions to agenda: None
 - Board action on draft minutes and meeting held on August 8, 2018 – Tabled
 - Board action on draft minutes and meeting held on September 5, 2018 - Tabled
 - Board action on new licenses and permits issued August 1 through August 31, 2018 – Approved.
 - Board decisions –
 - a. Quirky Kingdom, dba East Burke Market is fined \$1.00 for violation of general regulation number – Approved.
 - b. MCC Entertainment, dba Social is issued a warning for violation of general regulation 21(a) – Approved.
 - c. Bourne Food Mart Inc, dba Notchbrook Store is fined \$100.00 for violation of general regulation number 13 – Approved.
1. Public Comment – Scott Mears owner and licensee from Mingle Nightclub 214 North Main St, Barre.
 2. Licensing
 - a. Kiss My Glass VT LLC – 37 Depot St. Lyndonville. Re: Tobacco application. Docket number 2018-030. Application is granted.
 - b. Stone Cutters Highball Social, 71 South Union St, Burlington. Re: Board interpretation of Title 7 V.S.A. §271(d)(1) and 1st and 3rd class licenses. Board approves applications for this one facility. And to also work with legislature to clarify this language in statute.

Document: 7 V.S.A. § 271[◀ Previous](#)[Next ▶](#)**7 V.S.A. § 271****Copy Citation**

Statutes current through the 2017 Session

[Vermont Statutes Annotated](#) [TITLE SEVEN. ALCOHOLIC BEVERAGES](#) [CHAPTER 9. LICENSING](#) [SUBCHAPTER 5. MANUFACTURING AND DISTRIBUTION OF ALCOHOL](#)

§ 271. Manufacturer's or rectifier's license

(a) The Liquor Control Board may grant a manufacturer's or rectifier's license upon application and payment of the fee provided in section 204 of this title that permits the license holder to manufacture or rectify:

- (1) malt beverages;
- (2) vinous beverages and fortified wines; or
- (3) spirits and fortified wines.

(b) Except as otherwise provided in section 224 of this title and subsections (d)-(f) of this section:

- (1) spirits and fortified wine may be manufactured for sale to the Liquor Control Board or for export, or both; and
- (2) malt beverages and vinous beverages may be manufactured or rectified for sale to packagers or wholesale dealers, or for export, or both.

(c) A licensed manufacturer of vinous beverages or fortified wines may receive from another manufacturer licensed in or outside this State bulk shipments of vinous beverages to rectify with the licensee's own product, provided that the vinous beverages or fortified wines produced by the licensed manufacturer may contain no more than 25 percent imported vinous beverages.

(d)

(1) The Liquor Control Board may grant to a licensed manufacturer or rectifier a first-class license or a first- and a third-class license permitting the licensee to sell alcoholic beverages to the public at an establishment located at the manufacturer's premises, provided the manufacturer or rectifier owns or has direct control over that establishment.

(2) For a manufacturer of malt beverages, the premises of the manufacturer may include up to two licensed establishments that are located on the contiguous real estate of the license holder, provided the manufacturer owns or has direct control over both establishments.

(e) The Liquor Control Board may grant a licensed manufacturer of malt beverages a second-class license permitting the licensee to sell alcoholic beverages to the public anywhere on the manufacturer's premises.

(f)

(1) A licensed manufacturer or rectifier may serve alcoholic beverages with or without charge at an event held on the premises of the licensee or at a location on the contiguous real estate of the licensee provided the licensee at least five days before the event gives the Department written notice of the event, including details required by the Department.

(2) Any beverages not manufactured by the licensee and served at the event shall be purchased on invoice from a licensed manufacturer or wholesale dealer or the Liquor Control Board.

History

Added 2017, No. 83, § 56.

VERMONT STATUTES ANNOTATED
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