



BEER WORTH FINDING  
**VERMONT BREWERS  
ASSOCIATION**

**Annual Meeting 2024**  
**Vermont Department of Liquor & Lottery**  
**Membership Questions/Feedback**

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**Annual Meeting Agenda | December 16th | von Trapp**

**2:00-3:00 - VBA Business**

Presidential Welcome - Kara Pawlusiak, VBA President  
Lobbyist Updates & Debrief - Jessica Oski  
VBA 2024 Highlights & Updates - Emma Arian, Executive Director  
Financial Overview - Nina Hurley, VBA Treasurer  
Candidates for Board of Directors Introductions & Voting

**3:00-4:00 - Department of Liquor & Lottery Q&A**

**4:00-4:45 - Break Out Groups: Discussion around Tied House**

**4:45 - Announcement of Voting Results & Committee Recruitment**

**4:50 - Honoring Bill Mares**

**5:00-8:00 - VBA Annual Holiday Party (+1s allowed and encouraged!)**



## Licensing

### Can you explain more in-depth Title 7 Chapter 9, 224 (Fourth Class Licenses)?



*"(a) The Board of Liquor and Lottery may grant up to a combined total of 20 fourth-class licenses to a manufacturer or rectifier that submits an application, and the fee provided in section 204 of this title."*

**Q: Why would there be a need for a manufacturer to have up to 20 Fourth Class locations if they can only have two manufacturing locations and the Fourth Class has to be on the manufacturers licensed premises? Does that not fall under tied house?**

**A:** This question contemplates a fundamental misunderstanding of a 4<sup>th</sup> class license. A **4th Class License**, as outlined in [7 V.S.A. § 224](#), is specifically designed to allow Vermont manufacturers of alcoholic beverages to operate a **tasting room and retail shop (see subsection (f) as evidence)**. This license enables manufacturers to showcase their products directly to consumers, fostering an environment where customers can sample and purchase beverages for off-premises consumption. It is an essential tool for manufacturers to market their brands and engage with the public in a controlled and limited capacity.

The **4th Class License** is distinct from a **1st Class License**, which is governed by [7 V.S.A. § 221](#). A **1st Class License** permits the holder to operate a full-service establishment, such as a bar or restaurant, where alcoholic beverages are sold **by the drink for on-premises consumption**. This type of license supports a more comprehensive service model, allowing licensees to function as primary drinking establishments with broader operations and extended service hours.

The key differences between the two licenses highlight the legislative intent: **4th Class Licenses** focus on direct sales and sampling as a marketing strategy for manufacturers, not as a substitute for traditional bar or restaurant operations. The intent is to provide a limited and specific venue for engaging customers in a retail or tasting room context. **1st Class Licenses** establish locations that are primarily dedicated to the service and consumption of alcohol on the premises, catering to the hospitality and entertainment sectors. By maintaining this separation, Vermont law ensures that **tasting rooms and retail shops** do not compete with or supplant traditional bars and restaurants. Instead, they complement the broader alcohol market by supporting manufacturers while preserving the regulatory framework that governs full-service establishments.



**Key Takeaway: All 4<sup>th</sup> class licenses are Tasting Rooms and Retail Shops that exist as an exemption to the three-tier system afforded to VT Manufacturers. Licensed Manufacturers are currently entitled to up to 20 of these locations.**



*Section 2 states "(2) At a fourth-class license location at the licensee's manufacturing premises, the licensee may distribute by the glass up to four mixed drinks containing a combined total of no more than one ounce of spirits or fortified wine to each retail customer for consumption only on the licensed premises"*

**Q: Does Fourth Class need to be on the licensed manufacturers premises if section A states a manufacturer can be granted up to 20 fourth class licenses? Where are the other locations if not on the manufacturing premises?**

**A:** Subsection (b)(2) of [7 V.S.A. § 224](#) specifically provides that **only at a 4th Class location situated at the manufacturer's licensed manufacturing facility may the license holder serve mixed drinks (cocktails) and only in limited size (four mixed drinks containing a combined total of no more than one ounce of spirits or fortified wine)**. This provision acknowledges the unique nature of a manufacturing facility as a location where a more comprehensive sampling experience, including mixed drinks, can be offered to visitors. This allowance serves as an extension of the facility's role in showcasing its products and providing an immersive experience for consumers.

In contrast, subsection **(b)(1)** governs the rules for all other 4th Class locations not at the manufacturing facility. At these locations, the license holder is limited to providing tastings of **malt beverages, vinous beverages, or spirituous liquors**. These tastings are restricted in volume and scope, designed to offer a controlled sampling experience rather than a broader service of alcoholic beverages like mixed drinks.

## Key Points of Differentiation:

- (b)(2):
  - **Applies exclusively to 4th Class locations at the manufacturing facility.**
  - Allows the service of **mixed drinks**, leveraging the facility's resources and expertise to craft cocktails that highlight their products.
- (b)(1)(A) and (b)(1)(B):
  - **Applies to all other 4th Class locations**, which are often remote tasting or retail outlets.
  - Restricts service to limited tastings of specific product categories: malt, vinous, and spirituous beverages.



**Key Takeaway:** The distinction in subsection (b)(2) ensures that the more expansive privileges of serving mixed drinks are confined to the manufacturer's primary site of operations. It allows for the service of by the glass up to four mixed drinks containing a combined total of no more than one ounce of spirits or fortified wine to each retail customer for consumption only on the licensed premises. Any 4<sup>th</sup> class licenses issued to locations that are not directly contiguous with the Manufacturing location are limited to provisions in (1)(A) and 1(B): not more than two ounces of malt beverages, vinous beverages, or ready-to-drink spirits beverages with a total of eight ounces; and no more than one-quarter ounce of spirits or fortified wine with a total of one ounce.



*“(c)(1) At only one fourth-class license location, a licensed manufacturer or rectifier may sell by the unopened container or distribute by the glass, with or without charge, alcoholic beverages produced by no more than five additional manufacturers or rectifiers, provided these beverages are purchased on invoice from the manufacturer or rectifier.”*

**Q: Why can you only do this at one location but could be granted up to 20 Fourth Class locations?**

**A:** Subsection (c)(1) of 7 V.S.A. § 224 represents a targeted exception to Vermont's traditional **three-tier system** of alcohol regulation, which separates manufacturers, wholesalers, and retailers. This exception allows licensed manufacturers to operate **4th Class Licenses** for direct sales to consumers, effectively enabling limited vertical integration. Through this provision, manufacturers can establish retail and tasting operations to sell their products directly to the public, bypassing the wholesale and

retail tiers in these specific circumstances. This exception is not intended to dismantle or undermine the three-tier system. Rather, it provides manufacturers with a controlled mechanism to promote their products while still respecting the broader regulatory structure that ensures fair market practices, product accountability, and public safety.

The three-tier system is central to Vermont's alcohol regulation, maintaining checks and balances between production, distribution, and retail to prevent monopolistic practices and over-consolidation. Subsection (c)(1) offers manufacturers a valuable opportunity to engage consumers directly, but only within the scope of the **4th Class License**. This privilege is limited to a specific number of locations and subject to strict regulatory oversight. The Vermont Department of Liquor and Lottery (DLL) supports some **measured expansion** of this exception to provide manufacturers greater opportunities for consumer engagement and business growth. DLL is supportive of increasing the number of tasting rooms where manufacturers can sell other Vermont products from one to up to three and eliminating the cap of five on the number of other Vermont products that can be sold in 4th class tasting rooms. However, the Department remains committed to preserving the foundational principles of the three-tier system to ensure a level playing field for all tiers of the industry.



**Key Takeaway: Subsection (c)(1) of 7 V.S.A. § 224 is a balanced approach protecting the integrity of Vermont's alcohol regulatory framework while fostering innovation and competitiveness in the manufacturing sector. By carefully expanding direct sales privileges without eradicating the three-tier system, Vermont ensures that the needs of manufacturers, distributors, retailers, and consumers are all fairly addressed.**



*“(2) A manufacturer or rectifier may sell its product to no more than five additional manufacturers or rectifiers.”*

**Q: Can you explain how to document the manufacturer-to-manufacturer process from above? Can this be done if a manufacturer has multiple locations?**

**A:** Under **subsection (c)(2) of 7 V.S.A. § 224**, a licensed manufacturer in Vermont can sell its products to another licensed manufacturer. Here's how this process works and its constraints:

## Documentation Through Invoicing:

- **Sale Between Manufacturers:**
  - When one manufacturer sells its products to another, the transaction must be documented via an **invoice**.
  - The invoice serves as an official record of the sale, detailing information such as the type and quantity of product, price, date of transaction, and identifying information for both the selling and purchasing manufacturers.
- **Record-Keeping:**
  - The invoice should be retained as part of the manufacturer's business records (Required to be retained for a period of 2 years under [General Regulation 7](#)) to ensure transparency and compliance during inspections or audits by the Vermont Department of Liquor and Lottery (DLL).
  - Proper documentation helps verify that these transactions comply with state laws and regulations.
- **Multiple Manufacturing Locations**
  - If a manufacturer operates multiple licensed manufacturing locations, the provision under **subsection (c)(2)** still applies. Each location is treated as part of the same licensed manufacturer, and the sales between locations must also be documented through an invoice. However, the following statutory limitations remain in effect:



**Key Takeaway:** Manufacturers (regardless of how many Manufacturing locations they may have) can sell their products to other manufacturers who hold 4<sup>th</sup> class licenses, provided proper invoicing is maintained. However, when selling directly to 4<sup>th</sup> Class License holders, the statutory cap of five license holders remains, ensuring adherence to the regulatory framework.

**Q: If a brewery that exists in name only (has an LLC) but does not have a physical location and has their beer brewed at another location via contract brewing, what state and federal permits are required of this business? Do they need a TTB Brewers notice? Do they have to have a Vermont License to Manufacture Malt Beverages issued by the Vermont Department of Liquor Control?**

**A:** Under **7 V.S.A. § 27**, Vermont law requires that any entity seeking a brewery license must have a **physical location** where the licensed activity will take place. A brewery that exists "in name only"—meaning it is an LLC or other business entity without a physical premises—would **never be eligible** for a state manufacturing license. This is because Vermont's licensing framework is tied to the operation of an actual manufacturing facility where alcohol production, storage, and other regulated activities occur. The Vermont Department of Liquor and Lottery (DLL) believes that this principle also applies at the federal level under the Alcohol and Tobacco Tax and Trade Bureau (TTB). The TTB requires a physical

premises for federal permits related to alcohol production. However, DLL would defer specific determinations on federal eligibility to the TTB.

- In cases where an entity without a physical location uses its name to market products, it would be considered a **brand** rather than a brewery. Any products made under that brand would legally and operationally be accountable to the licensed manufacturer that produces them. The brand might develop recipes or participate in marketing efforts, but the **state-licensed manufacturer** producing the beverages would be responsible for compliance, taxes, and all other regulatory requirements.
- Hypothetical scenario as proposed by the question:
  - Imagine a Vermont-based LLC, "Green Mountain Hops," that promotes itself as a brewery but lacks a physical facility. Green Mountain Hops partners with an established, state-licensed brewery, "Champlain Brewing Co.," to produce its beer.
  - **Ownership of the Product:** The beer brewed under the "Green Mountain Hops" label would legally be the product of Champlain Brewing Co.
    - **Licensing and Compliance:** Champlain Brewing Co., as the manufacturer, would be responsible for obtaining and maintaining the necessary state and federal licenses, paying applicable taxes, and adhering to Vermont and federal alcohol regulations.
    - **Green Mountain Hops' Role:** Green Mountain Hops would function solely as a brand, engaging in marketing and branding efforts but not manufacturing the product or holding a brewery license.
- Adjacent or alternative hypothetical scenario:
  - Imagine two licensed manufacturers, "Green Mountain Brewery" and "Champlain Craft Co.," both have physical manufacturing facilities and hold valid state and federal licenses. They enter into an alternating proprietorship agreement, approved by the TTB, to share production space and equipment at Green Mountain Brewery's facility.
    - Alternating Use of Facility:
      - On specified days, Green Mountain Brewery operates the facility as the primary proprietor, producing its own beer.
      - On alternating days, Champlain Craft Co. uses the same facility as a tenant proprietor, taking full control of the licensed premises and producing its beer under its own licenses.
    - Product Control:
      - Each company is responsible for the products they produce during their designated time of operation. The TTB-approved agreement clearly delineates when the facility is under Green Mountain Brewery's control versus Champlain Craft Co.'s control.
    - Co-Produced Product:
      - The two manufacturers decide to collaborate on a limited-edition beer called "Vermont Unity Ale."
      - Recipe Development:
        - The recipe is jointly developed by the brewmasters from both companies.
        - Production Process:

- During Green Mountain Brewery's operational time, they produce the first half of the batch, handling the initial brewing and fermentation.
- During Champlain Craft Co.'s operational time, they oversee the second half of the process, such as dry-hopping and packaging.
- Ownership and Labeling:
  - DLL understands that the TTB requires that the beer be labeled with the name of the company that holds operational control at the time of final production and packaging.
  - If Green Mountain Brewery packages the beer, the label would state: "Produced and Packaged by Green Mountain Brewery for Vermont Unity Ale."
- Alternating Proprietorship Framework:
  - The TTB-approved alternating proprietorship ensures clear delineation of control and responsibility, avoiding regulatory overlap or confusion.
  - Each manufacturer files production reports and pays taxes for the beer produced under their supervision.
- State-Level Compliance:
  - Each company must maintain separate records of production, sales, and distribution for their periods of operation



**Key Takeaway: Under Vermont law (7 V.S.A. § 27), brewery licenses require a physical location for production. Entities without premises, such as LLCs acting as brands, cannot hold a manufacturing license. Products marketed under such brands must be manufactured by licensed producers responsible for compliance and taxes. In partnerships like alternating proprietorships, each party must adhere to strict operational and licensing protocols during their designated production time. This framework ensures regulatory clarity, accountability, and compliance with state and federal alcohol laws.**

**Q: Does the DLL have any plans in the future to recognize Vermont Breweries if national awards are won?**

**A:** Yes! We are already doing this on LinkedIn. For example, we posted the von Trapp GABA award to spread the good news. We encourage brewers and the VBA to continue to send us updates for the DLL to share.





## **Compliance**

**Q: Is there any specific guidance regarding the donation of beer to nonprofit organizations in Vermont. Are there regulations or other documentation to help us ensure we are doing this as intended?**

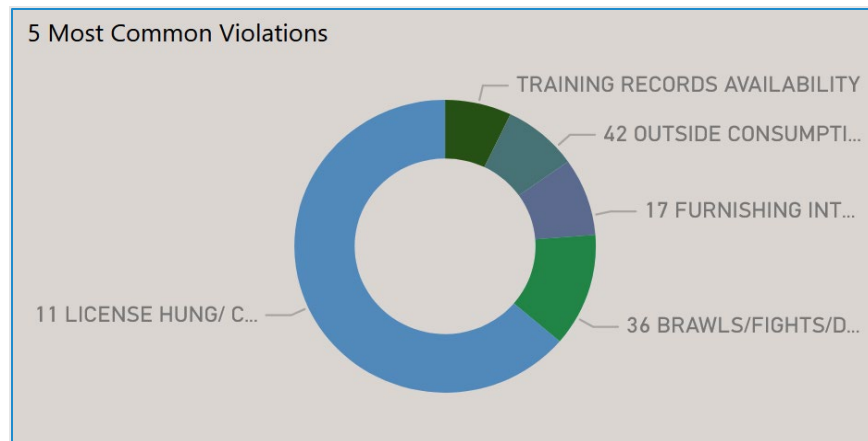
**A:** See [7 V.S.A. § 4](#) Donations are allowable to a non-profit as long as the provisions of this statute are followed, in particular section (C) which states: “A licensee under this title may donate alcoholic beverages to a nonprofit organization pursuant to this section, provided the licensee pays to the State all the taxes that would be due if the alcoholic beverages had been sold in the course of the licensee’s business.” Invoices should be kept as if it were any other sale.

**Q: Why can’t we sample our products for quality control only prior to serving our products to people at an event/festival? It is my understanding that we can sample our products for quality control while working in our brewery or our taprooms, so why does that not carry over to a festival? QA is necessary before serving collaboration & new beers to thousands of festival participants.**

**A:** See [7 V.S.A. § 257](#). The departments interpretation of this statute is that quality assurance is only allowable at the primary manufacturing location. Furthermore, DLL General Regulation #15 advises no seller / server shall consume beverage alcohol in the course of their duties. Should the industry want the ability to QA their products at off-site events, they should seek statutory language allowing such.

**Q: What are the most common reasons breweries receive inspections and/or are fined, and how can we avoid these issues? What are the most common compliance issues for breweries?**

**A:** Inspections are conducted for our compliance and enforcement staff at all licensed locations on a routine basis. Our data on enforcement actions is publicly viewable here: <https://liquorcontrol.vermont.gov/enforcement/compliance>. “Common” reasons for compliance issues across all licensees are 1. Display of license, 2. Training records availability for staff, 3. Illegal activity, 4. Furnishing intoxicated patrons.

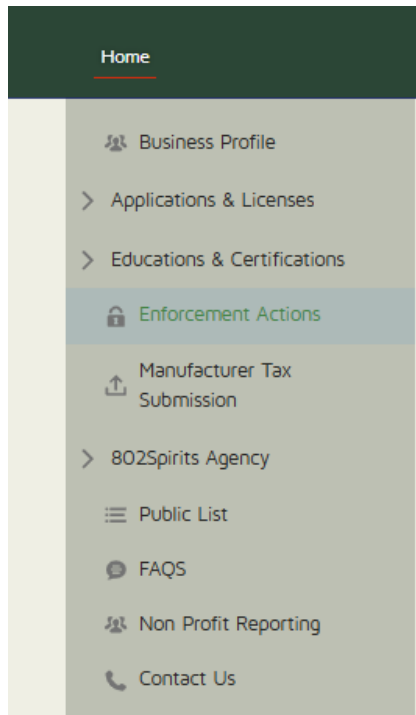


**Q: What resources does the Department offer for new brewery owners or employees to understand Vermont’s liquor laws and best practices?**

**A:** DLL training is comprehensive, and required of all business principles, and employees, per [7 V.S.A. § 213](#). Additionally, a licensing technician, and a DLL Investigator meet with all newly issued license holders to discuss any questions a new licensee may have about VT laws and DLL regulations.

**Q: What steps can a brewery take if they disagree with the outcome of an inspection or penalty?**

**A:** Written warnings and administrative violations are contestable to the Board of Liquor and Lottery as informal proceedings under [CVR 26-020-001](#) Vermont’s administrative rules section 1(3) - 1(6). The Board reviews contested violations during its regularly scheduled monthly meetings and provides a written decision. If the brewery is dissatisfied with the Board's ruling, the decision can be further appealed to the Vermont Supreme Court for judicial review. Written warnings and administrative penalties can either be paid or contested utilizing the DLL portal and going to “Enforcement Actions” in the left-hand menu.



**Violations** Suspensions

My Violations ▾

3 items • Sorted by Violation • Filtered by All violations - Enforcement Action Type



	Violati... ↑ ▾	License ▾	Enforcement Action Type ▾	Description ▾	Penalty ▾	Licen... ▾	Paym... ▾	Case ▾	Created By ▾
1	V-000391	LP-026439	Written Warning	FIRST OFFENSE	Letter of Warning			02346276	DLL Integrations ▾
2	V-000393	LP-026439	Admin Ticket (Waiver Fine)	12 FAILURE TO IDENTIFY PERSON OF QUESTIONABLE_AGE	\$260.00			02346276	Kevin Grealis ▾
3	V-000394	LP-026439	Admin Ticket (Waiver Fine)	SECOND OFFENSE	\$100.00			02346276	Kevin Grealis ▾

**Home**

Violations  
V-000393

Accept / Reject

**DETAILS** RELATED

Violation  
V-000393

Enforcement Action Type  
Admin Ticket (Waiver Fine)

Type  
GENERAL

Description  
12 FAILURE TO IDENTIFY PERSON OF QUESTIONABLE\_AGE

Penalty  
\$260.00

Board Hearing Type

Referral to Board

Board Meeting Decision

Comments  
Employee failed to check identification of minor during compliance check and sold tobacco to the minor.

Contest Board Decision

Post Question Poll

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Kevin Grealis (State of Vermont (Org Main)) created this violations.  
November 22, 2023 at 8:44 AM ▾

V-000393

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**Q: How are manufacturers and licensees made aware of department personnel changes? E.g. - when a new investigator joins the team and takes on a new territory - what is the protocol to introduce new investigators to the businesses they are overseeing enforcement on?**

**A:** Updates are provided in our quarterly stakeholder meetings for brewers, and will be included in the new on-premise licensee newsletter. Additionally, we introduce new staff members via our LinkedIn page.

**Q: Can you clarify mug club rules? I have heard multiple answers on what we can or can't do for a mug club - they seem all over the place, but they are incredibly beneficial for breweries.**

**A:** DLL does not have specific guidance on mug clubs however, operation of a mug club is permissible but must comply with Vermont Title 7 and applicable rules from the Vermont Department of Liquor and Lottery (DLL).

Here are some key guidelines for mug clubs:

- Mug clubs can offer benefits to members, such as discounts on food and beverage alcohol, provided these discounts comply with pricing regulations (e.g., no beverage alcohol can be sold below the wholesale purchase price, they are offered all day, and they are offered to anyone that wants to join the club.
- Breweries can promote their mug club membership and benefits but cannot advertise free alcoholic beverages or lead consumers to believe they can receive alcohol free of charge.
- Breweries must adhere to serving size regulations. For example, beer must not be served in containers exceeding 32 ounces.

We have included some commonly asked questions regarding mug clubs below:

***Q: Can we have a Mug club where a yearly fee provides for a stein consisting of 20oz pours that are only offered to the members of the mug club?***

***A: "Mug Clubs" as permissible business models so long as access to the mug club is available to all patrons (understanding that at any given time availability of mugs may take time). Charging a yearly fee is permissible and 20oz pours of malt is permissible. It is also permissible that you only offer 20 oz pours to mug club members/participants and not to non-members.***

***Q: Can we set a price for the 20 oz pours (again, only available to mug club members) that might be at a per ounce prize lower than our other pours?***

***A: So long as the above holds true, and that access to the mug club is open to all patrons, you are free to set pricing for your 20 oz pours; however you see fit, so long as the price remains in***

*effect for the entire day and available to all patrons (in this case, all mug club members).*

**Q: Can we allow a customer to take two 20 oz Steins to the bar, to fill theirs and another mug club member's stein, if that other mug club member is sitting at a table and the intended consumer of the second mug?**

*A: While we acknowledge that there is a total quantity cap of an aggregate amount of 32oz served to any one patron, we do understand that often bartenders/servers may temporarily allow a patron to possess a quantity higher, so long as the server has taken proactive steps to ensure that the final consumer of that product is not the sole patron obtaining the beverage. In this example, if a bartender made direct observations of the other patron sitting at a table and filled both mugs knowing that both weren't being consumed by the patron standing before them at the bar but were being carried back to their table, then we would likely not consider this a violation. But if that patron standing before the bartender did later consume both beverages, we would address this as a violation. The onus is on your staff to ensure that the spirit of the regulation is abided.*

**Q: Can we offer as part of the program 1 "comped" drink, where the establishment buys them a drink and tax is collected on the sale?**

*A: So long as the above holds true, and that access to the mug club is open to all patrons, you are free to comp beverages for these members and any patrons under the following conditions:*

The "Comp'd" drink is accounted for as a sale and tax is paid on the product. We would require this to be processed through the point-of-sale system just as if the consumer had rendered payment. In this case, there simply would be no exchange of payment, and instead the business would cover all costs associated with the transaction to include applicable tax.

This is never advertised as "Free beer". Other wording such as "Comped", "On the house", or "We will buy you a drink" would be permissible.

**Q: How does Vermont plan to regulate D9 beverages? Do you anticipate this falling under the DLLs control in the future? How do you work with the CCB now?**

**A:** DLL does not regulate these beverages as they fall under the scope and authority of CCB. DLL does not see this changing as the board of liquor and lottery would not have authority to regulate non-beverage alcohol products. DLL does have a working relationship with CCB as both agencies are responsible for regulated product markets. Our enforcement team meets with CCB regularly and provides law enforcement assistance to CCB's enforcement team, when necessary, under an MOU.