

# FAQ'S

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## 1. What is the purpose of the Club?

The key object for which The Ladybank Company of Distillers Club Limited is established is to carry on for the benefit of its members a club for the running of a distillery.

The Club, on behalf of its members, will hold the lease on the building and will own barley malting and distilling production equipment for the new distillery.

## 2. What are the benefits of joining the club early?

Members started joining in early December 2002 and memberships are being offered during 2003 until the first release of 750 memberships is allocated. (the club is restricted by its articles to 1250 members but the remaining 500 will not become available until after the distillery has opened and will only be available at a premium to the current price)

The first 250 members will, on occasion, have priority over later members when demand for a certain cask or event is over subscribed. In fact the lower your membership number the higher your priority. The first 250 members are also being awarded an additional 9 litres so they can reserve 99 litres.

The second 250 members will be guaranteed the current membership cost. The last 250 members may see a price increase.

## 3. Can I pay by instalments?

Yes, to help those that wish to spread their payments the club's officers have authorised a part payment system. An additional £ 100 is added to the total cost after 10 monthly payments (£185/£250/£350 as applicable). Membership numbers are allocated after the 5<sup>th</sup> instalment has been received.

## 4. What are the risks involved for the 'owning' members?

The Club has been structured under UK law as a company limited by guarantee and not having a share capital with each member's liability limited to £ 1.

To further protect the club and its members The Club will not directly undertake the business of distilling within the premises. It will instead contract with a fully commercial company set up to act as the Clubs "Commercial Agent", Ladybank Distillers & Maltsters Limited (company number SC231056), who will be contracted to carry out the following activity at the distillery.

- (i) Supply members whisky stocks, at no cost to the club, as directed by the clubs governing body.
- (ii) Supply catering, tasting and whisky school services within the clubs hospitality and tasting facilities for club members at special club rates
- (iii) Operate The Whisky School ([www.whiskyschool.com](http://www.whiskyschool.com)) at Ladybank to allow other VIP groups to hire the facilities at Ladybank as a key commercial and brand building activity during the first 10 years of production. Visitors to these events will have the option of 9 litres of the spirit/whisky distilled on the day/s they attended.
- (iv) Undertake to employ or hire the necessary skilled permanent staff and whisky event experts to carry out the above duties to the clubs satisfaction
- (v) Undertake to pay the annual lease to the club so that the club can pay the superior landlord (The Rankeilour Trust) the same.
- (vi) Undertake to work with the club to maintain the distillery's fabric and facilities and to develop new or improved facilities as agreed between the club and the commercial operating company.
- (vii) Ladybank Distillers & Maltsters Limited may also, with agreement with the club, develop a boutique speciality malting business to supply UK and overseas microbreweries with small-batch traceable Ladybank Malted Barley.

## 5. Is membership an 'investment' in the distillery?

The articles of association of The Ladybank Company of Distillers Club Limited state that membership will be limited to 1250 people. Membership is also a heritable asset in so far that a deceased Member can nominate a Privileged Relation as successor to his interest as a Member. Those without issue (deemed as Privileged Relations i.e. spouse, children or grandchildren) can transfer membership to the club's waiting list within a 25 year period and be given fair value, as determined by the clubs board of directors, for their membership.

As the distillery develops its services, matures its spirit and becomes better known to both local people, in the affluent surrounding areas of Fife and Edinburgh, and to overseas visitors to Scotland - especially those visiting St Andrews and Edinburgh – the demand for joining the club will increase, and a waiting list for membership will be created. Because of the strictly limited membership it is likely that the transfer price of membership will increase.

## **6. What happens if I want more than a case of whisky every year?**

This will be possible but there will be a limit on how much whisky members can request at preferential rates.

## **7. How does the booking system work if I want to bring a private party to the distillery?**

The facilities being created within the distillery buildings are very much geared for small visiting groups and members will always have the priority of selecting dates before these are made available for non-member groups or whisky school events that are open for non-members. Members will always receive a special membership rate of between 10-20% of published prices.

## **8. What sort of discounts will members actually get?**

It will be a priority of the club to ensure preferential rates and special extra spirit allocation for its members. The governing body of the club will meet with the commercial agent (see 4. Line 4) to make sure that these benefits are realistic and not excessive.

## **9. Can a husband & wife join with a family or joint membership?**

A single membership will allow partners to bring guests and family members to the distillery although at busy times there will be a charge for larger groups or regular visitors who bring guests. If a member also buys a membership for another family member they will have double the spirit allocation and double the voting rights of single members and a more favourable membership cost will be offered for a limited time.

## **10. What will the club facilities comprise and say as a member I just want to drop by from time to time to see how things are going – i.e. in a less than official, pre-booked way?**

Initially the distillery will have a tasting room and bar area with comfortable seating. There will also be a fully equipped kitchen and dining room. For casual visiting, yes this is possible and will be encouraged as long as regular visitors do not interfere with the smooth running of day to day duties of staff or other special events.

### **11. Can I see the full rules other than the existing memorandum and articles governing membership transfer and voting in club affairs and appointing club officers (directors)?**

Additional rules (Bye-Laws or Membership Rules) for the fair running and administration of the club and membership benefits will be outlined by a set of Bye-Laws which are currently being finalised. These will include key details that allow each member, once his membership application has been received and accepted, to be allocated a membership number. The early membership numbers will have certain priorities over later members when a particular product or service is limited and over subscribed (for example such as a single cask limited to a syndicated ownership maximum of 20 members or a dinner or event where space restraints limit attendance numbers).

### **12. Do I have to pay extra for bottling, duty, taxes and delivery and what about the loss of whisky I have selected to evaporation while still in cask?**

The free allocation does not cover final duties, taxes, bottling costs or delivery. If a member had remaining allocation once casks that were not 100% allocated were bottled, he/she could reserve cased goods (i.e. bottled stock) which would negate any loss to evaporation - but this stock may not be the best-of-the-best as that is more likely to be selected ahead of bottling. However natural cask strength spirit or whisky bulk does not often reduce by 2% every year. Commonly a maximum of 2% of the spirit strength can be lost in the early years. As each cask is re-gauged (measured to check its fill level) a members share of that cask will be reduced pro rata to the fill level.

### **13. How will I choose what type of whisky I can have?**

Each year members have the rights to reserve 9 litres of natural/cask strength spirit (it will be 'spirit' if it is less than 3 years old) or natural/cask strength Ladybank single malt whisky (if it is more than 3 years old) from a numbered cask of their choice.

Members do not have to make their selection each year but cannot make more than one selection per year (for a maximum of 10 years unless this initial 90 litre allocation is extended after 10 years).

As spirit will be filled into a variety of cask types (they may be new oak, fresh sherry of various sherry types, fresh wine – sauternes or port for example – fresh rum, fresh bourbon or re-fill of these type which means they have already held whisky before). There will be a variety of spirit types (varying from the initial grist recipe which will include the influence of how the barley has been kilned i.e. with a heavy peat influence, or less peat influence) to also consider.

The club will appoint a committee to study the casks deemed most suited to be put forward for members to consider. There may also be casks that members have played an assistance role in the actual production process that they wish to reserve spirit or whisky from.

### **14. When will I get my whisky allocation and how will this be delivered if I reside, for example, in the USA?**

Ladybank will have a very strict approach to releasing whisky for bottling. Again a members committee will consider how casks are developing before they are chosen for bottling. Its is not likely that any cask would be bottled before its is at least 6-7 years old, and these casks

will be very limited. More likely will be whiskies of between 8-15 years old with certain casks being kept back for further ageing.

Delivery. The product could be shipped under bond via appointed agents and passed via a distributor and retailer to pay all US taxes OR could be UK duty paid (not 17.5 % VAT Taxed though) and mailed via a UK retailer. Depending on the delivery state and the prevailing US Federal and State laws at the time of shipment, one or other of the above options would be used. It should be noted that Inter-state shipment is currently being challenged in the US and rulings by judges are beginning to re-align the archaic post-prohibition US alcohol shipment laws. This could create a third option whereby all shipment within the US would be from a central location by a liquor retailer after Federal and State taxes had been met. In any case the most efficient and economical option would be used.

Delivery in Europe is currently not dissimilar. With knowledge of the end recipients the most efficient and economical option can be chosen that takes into account both local duties and shipment costs.

### **15. Why locate a distillery in Fife?**

Fife is the area to the north of Edinburgh and it enjoys both excellent growing conditions for malting barley and also easy access from the major towns of both Edinburgh & Glasgow. The nearby town of St Andrews is the largest golfing centre in Europe, another of Scotland's famous exports, and the 4 Malt Distilleries, and several Maltings, that did exist in Fife have all closed so Ladybank will become the only malt distillery in the area.

### **16. Why locate a distillery close to areas of population and tourism?**

For the first 8-10 years of production at Ladybank the final bottled product will remain in cask and to pay for the cost of production the distillery will offer very high quality whisky making events and courses that are educational and entertaining. To bring together experts and guests from around the world it is more convenient to be close to major airports. It is also important that local business people will support the distillery events by taking VIP clients to the private facilities to study whisky making in a relaxed and exclusive environment. For this the ease of travelling for a one-day event are important.

### **17. Why fund a distillery with a club of enthusiasts rather than with private investors?**

Private investors are more concerned with making good money that waiting for good whisky to mature. The majority of malt distilleries are now very big operations filling 200 casks per week. Most of this whisky goes into blends that are between 3 and 8 years old and the price of these blends is very competitive. These operations require a commercial approach that does not always sit comfortably with producing the finest spirit from the finest ingredients. By focusing on small volumes (200 to 300 casks per year) we believe the provenance, the methods and the ingredients for our production at Ladybank will be both responsible and produce a much better malt whisky. Whisky that enthusiasts will be very proud of and that does not need to fight alongside the 'big boys' on the supermarket shelf.

### **18. How does the club work and what is my membership worth?**

The club, as owners of the distillery, will control the assets and allow its members to benefit, as a priority, from the different rare whiskies that are produced. Members are first in line to book the facility for private parties and distilling events. The distillery will include a private members tasting room and members dining room. Each membership can also be transferred

if a member decides to sell or gift his membership. After the first 750 of 1250 memberships have been allocated a waitlist will be created and it is likely that the final memberships will cost much more than the original price as they will be released in limited numbers.

## **19. Why does Ladybank make a special thing about farmers, local barley and being small?**

Over the last 20 to 40 years a lot has changed at single malt distilleries, sometimes for the better, but the biggest change has been the almost universal closing of the distillery floor maltings. This means that distilleries now buy barley that has been malted at very big commercial maltings and in very big batches. It is not unusual for barley to be handled in 250 tonne batches and this leads to barley from many locations and farms being blended and mixed together. The barley delivered now shows less homogeneous (unvarying or consistent) characteristics within batches and cannot be controlled to minimise variations in its exact DNA (trace elements, chemical composition etc). At Ladybank we not only want to be able to vary the way we malt our barley but we also want to be able to repeat the recipes that we like and that means real accuracy from the beginning of the process. When we come up with a successful grist recipe that produces excellent new make spirit we want to be able to trace what has produced this to the very highest standards. Without total control and in-depth understanding of the nature of all our initial ingredients we would be starting with a disadvantage. At Ladybank we don't want any disadvantages that can be reflected in quality. Every stage must show no compromise on quality. Ladybank will therefore easily demonstrate a higher level of traceability than any other single malt distillery.

## **20. What else is going to make Ladybank a special single malt?**

Rarity. Our overall quantities will be small and from our 200 odd casks we will create perhaps 4 core styles. Unpeated and unsherryed will give us a true "unmasked" Single Malt. Heavy peating will give us a style better associated with the increasingly popular island malts (Talisker, Highland Park, Laphroaig, Lagavulin or Ardbeg are examples). Fresh wine or sherry cask matured will give us a third style. Unique malting techniques (certain woods being used instead of peat for example) will provide a further style. We will also work on variations of how we run not only the maltings but how we control fermentation and distillation to introduce variety while concentrating always on quality. Thus certain vintages will reflect a whole range of methods used to bring imaginative single malt styles to the consumer.

## **21. What happens after 10 years?**

Each year members decide on what style of Ladybank single malt will be reserved in their name (at no cost until bottling, taxes and shipping is due). If they have visited the maltings and distillery that can even ask for a unique style to be created using special grist recipes (malting recipes), and particular cask type of a certain cask to finish their whisky. When bottled their whisky can be personally and uniquely labeled based around a range of Ladybank branded styles. It is expected that members can increase their allocation during the 10 year period and that spirit can be laid down for them after the 10 year period. The exact details of how this is done will be decided by the clubs governing body who are voted to represent the club by the members each year.

## **22. What happens after 25 years?**

The lease on the buildings is being set up for a 25 year period. After this period it is expected that the club will vote to extend the lease for a further period.