

Our Town

Drink

Spirits on the Rise

A determined couple with no experience have launched Illinois' first small-batch distillery.

By Peter Margasak

Derek Kassebaum used to help people get new businesses off the ground; nowadays he's finding his way through his own start-up. He still sits at a desk, but the onetime consultant is less likely to be typing out a business plan than using the surface to peel lemons.

The lemon peels are among the ten botanicals Kassebaum uses to make his Distiller's Gin No. 6, one of the two products he's created thus far for North Shore Distillery, the company he and his wife, Sonja, started in Lake Bluff in October 2004. It's the first small-batch distillery in Illinois. (The majority of small distilleries in the U.S. are in California and Oregon, states with strong wine industries; there are about ten distilleries in Michigan.)

The centerpiece of the couple's mostly empty 5,000-square-foot warehouse space is the custom-made 250-liter brass still they purchased from Arnold Holstein, a high-end German manufacturer. After nearly two years of research, planning, and waiting for a federal license, the Kassebaums began making their premium gin and vodka in November. They're already in a dozen liquor stores (including Sam's Wines and Spirits) and nearly two dozen bars and restaurants, among them Blackbird, Extra Virgin, and Saltaus.

"It's doing great," says Phillip Patti, manager and liquor buyer for Wine Discount Center, on Elston. "When we've had a tasting we've been able to sell a case." Their gin and vodka both retail at around \$30 a bottle.

To make North Shore's gin Derek combines grain-neutral spirits—also known as ethanol—in the still with



The still, Derek and Sonja Kassebaum, North Shore vodka, juniper berries

the botanicals and water, then boils and condenses it, reducing the alcohol content from 95 percent to 65

percent and infusing it with oils from the flavorings. It's then combined with more water to bring the alcohol

level down to 45 percent, or 90 proof.

While North Shore's vodka has an exceptionally clean taste and smooth

finish, the real pride of the operation so far is No. 6. Lemon, coriander, lavender, cardamom, Ceylon cinnamon, and a strong dose of the most essential ingredient in all gin—juniper berries—give the spirit its flavor and depth. “It really stands out among other gins,” says Patti, “with a really distinctive taste loaded with good citrus flavor.”

Derek, who’s 36, had started other businesses before—the consulting company, a software firm—but he yearned to create something that he could put more of himself into. He and Sonja, who’s 34, had long been interested in spirits. “Whenever we’d go to a bar or a liquor store we’d always try a new brand rather than getting the same thing,” Derek says. They experimented with making wine and beer at home, but they didn’t like the results enough to stick with that for long. Distilling seemed like a good match for Derek’s ambitions and background—he has a degree in chemical engineering. Two years ago he and Sonja began researching other small U.S. distilleries figuring out what kind of equipment the process required. On paper the business seemed feasible—the real challenges were acquiring the proper licenses on the federal and state levels and finding a community

willing to host a distillery.

They ruled out Chicago, in part due to its distance from their home in Gurnee but also because of Cook County’s more stringent regulations. As they searched the suburbs they found that “some towns have ordinances that stipulate no distilleries,” Sonja says. Another problem was real estate. “There aren’t many spaces that are in the right zoning designation, and even then lots of them are 100,000 square feet.”

After they found the space in Lake Bluff the Kassebaums faced another challenge: they needed to set up their whole distilling operation before they knew if their application for a federal license from the Alcohol and Tobacco Tax and Trade Bureau (TTB) would be approved.

“It’s a big hill to climb,” says Sonja. “They need the serial numbers of every piece of equipment, you have to give a detailed map of your process, you have to describe everything you’re going to do in your application. You have to be really committed to it; it’s not something you can get into quickly.” Among other administrative tasks was securing bond insurance—which covers tax payments should a business fail or its proprietors fall behind—but since they’re the first small distillery in the state, insurers weren’t sure how

to handle them. After Derek spent a month futilely trying to find an insurer in the state, he turned to a rum distiller in Hawaii, who connected him with a broker in California, and they were finally covered.

The Kassebaums financed the operation with their own money, using no outside investors. Sonja, who previously worked as an attorney, kept her job as head of human resources for eLoyalty, a customer relations management company, up until October; Derek devoted himself full-time to dealing with the start-up process. They laid out approximately \$75,000 to cover the price of the still, nearly a year’s worth of rent, and costs related to various electrical and plumbing renovations (all done by Derek) long before they could distill their first drop of booze. “For months we thought, ‘Gosh, I hope they don’t reject us. What are we going to do with that still?’” Sonja says. With everything in place the couple submitted their application last March.

“There’s a paperwork person who goes through everything and asks lots of questions, and then they send it off for inspection,” says Sonja. A TTB inspector from Indianapolis drove up to Lake Bluff in August to look over the facilities, and approval was granted in September. Derek spent the next

two months experimenting with the still and perfecting the formulas; Sonja drummed up business and handled the books and paperwork. They started selling their vodka and gin on November 1, hoping to tap into the lucrative holiday season. So far sales have exceeded their expectations.

The Kassebaums hope to begin producing a series of infused gins and vodkas, and Derek’s also trying out different gin formulas. Eventually they’d also like to produce whiskeys and brandies, but that would require a change in their business status. Since they function as North Shore’s distributor in Illinois, they aren’t permitted to manufacture alcohol—they’re currently considered a processor, buying their neutral spirits from a giant producer near Peoria and transforming it with Derek’s formulas.

They’re now producing about 50 cases of booze a month; their capacity is 1,000 cases. “Derek’s business plan was conservative, and sales are going better than we planned, but the profitability point is about four years out,” says Sonja. But “we don’t have kids, so it was never going to be any easier to take this risk,” she says. “We’d always regret it if we didn’t do it. We’re having so much fun working together—even if we are scared most of the time.” **Q**