AGENDA

IOWA ALCOHOLIC BEVERAGES COMMISSION MEETING

Hotel Winneshiek
Steyer Opera House Room
104 E Water St
Decorah, Iowa 52101
November 8, 2017
1:00-4:00 PM

Call to Order...Chairperson Nystrom

I. Introductions/Opening Remarks

II. Approval of Agenda – **ACTION ITEM**

III. Approval of September 7, 2017, Minutes – **ACTION ITEM**

IV. Licensing Reform Overview ....Administrator Larson

V. Business Operations Overview ....Administrator Larson

Public Comment...Chairperson Nystrom

Adjournment ....Chairperson Nystrom

NOTE: Committee and Board agendas may be amended any time up to 24 hours before the meetings. Agenda items may be considered out of order at the discretion of the chair. Meetings will not convene earlier than stated above. If you require accommodations to participate in this public meeting, call 515.281.7407 or TTY at (toll-free) 866.IowaABD to make your request. Please notify ABD at least 48 hours in advance.

A STUDY

OF IOWA'S

LIQUOR WHOLESALE SYSTEM

FISCAL YEAR 2003

ALCOHOLIC
BEVERAGES
DIVISION
State of Iowa

PREPARED BY

THE IOWA ALCOHOLIC BEVERAGES DIVISION
AUGUST 2002

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EXECUTIVE SUMMARY

The Iowa Alcoholic Beverages Division (ABD) is frequently questioned regarding the financial and regulatory effects of the state being involved in the business of wholesaling liquor. Usually the question centers on the state's continued involvement in the liquor wholesaling business and whether "Iowa would be better off financially to "sell off" the liquor business and turn the system over to privately-owned liquor wholesalers."

The following study and statistics prove the following:

- Iowa makes a *net* profit of over $39 million annually from wholesale liquor operations. By being directly involved in liquor wholesaling, Iowa keeps the profit that would otherwise go to private sector wholesalers.

  The annual profit generated from wholesale liquor operations is used for substance abuse treatment efforts; distributed to cities and counties for local use; and deposited in the state general fund to fund important state projects and programs.

- By being directly involved in the wholesaling of liquor, Iowa saves the cost associated with auditing private sector wholesalers to ensure tax compliance.

- By law, the ABD treats all retailers equally in regards to product pricing, regardless of quantity purchased. This "level playing field" practice has enabled over 200 smaller independent retailers to successfully compete with over 200 chain operations in Iowa. This is particularly important to retailers / consumers located in smaller cities and in rural areas.

- Proponents of liquor privatization propose that the state could apply a low rate "flat" tax per gallon on liquor that would generate the same revenue by increasing the number of gallons sold.

  Proponents of liquor privatization argue if the state placed a gallon tax that is more in line with the tax rates of the states bordering Iowa, that all Iowa consumers would "stay home" to make their liquor purchases and, in fact, some residents of bordering states would be enticed to Iowa by cheaper liquor prices. The tax rates of the states bordering Iowa range from $2.00 to $5.03 per 80 proof gallon.

  Obviously, to keep *all* Iowans at home to make liquor purchases and to attract out-of-state buyers, the tax would have to match the lowest regional competition: Missouri at $2.00 per 80 proof gallon. *At $2.00 per gallon, total raw gallon sales in Iowa would have to increase 661%, from 2,943,446 to 22,389,030 gallons, in order to maintain current annual revenue of $39.2 million. At that sale rate, Iowa's adult per capita sales would be 10.71 gallons, highest in the United States and over six times the national average of 1.76 gallons per adult.*

If Iowa decided to match the highest regional tax rate, Minnesota at $5.03 per 80 proof gallon, the argument of all Iowa consumers purchasing at home and attracting out-of-state buyers is lost. *Even so, at $5.00 per 80 proof gallon, total raw gallon sales in Iowa would have to increase 204%, from 2,943,446 to 8,955,613 gallons, in order to maintain current annual revenue of $39.2 million.* *At that sale rate, Iowa's adult per capita sales would be 4.28 gallons, second highest in the United States and nearly two and one-half times the national average of 1.76 gallons per adult.*

It is unrealistic to expect that liquor gallon sales could be increased sufficiently under a lower private wholesaling "flat" tax system to replace the current level of state revenue.

- If Iowa privatized wholesale liquor sales and set a "revenue neutral" tax rate ($13.31 per raw gallon) in an attempt to preserve current state revenue, liquor prices to the Iowa consumer would increase 15-20% due to the addition of the new wholesalers' profit markup. The price increase also would have an adverse affect on sales.

  If, on the other hand, Iowa attempted to privatize the wholesale liquor system under a "price neutral" scheme ($7.12 per raw gallon), the state would lose $18.2 million in FY03 and would still have the highest tax rate of any of the "License States" in the U.S.

- There would not be "price competition" but rather "brand competition" under a private wholesale system. The ABD projects that 2-3 wholesalers would initially take over the wholesaling function and the field would eventually be whittled to two wholesalers (The State of California has two major wholesalers serving a population of 35 million.)

  The projected wholesalers, who already serve as supplier brokers in Iowa, have business and financial ties with major liquor suppliers. Liquor suppliers do not offer their product lines to multiple wholesalers within a state unless forced to do so by law; the preferred method by suppliers is to franchise with one wholesaler to carry the supplier's entire product portfolio. Consequently, Iowa retailers will not be able to "shop" different wholesalers for the best price on any particular product. Retailers will be forced to purchase a particular brand from a particular wholesaler. In effect, Iowa would be trading a "public" monopoly for a "private" monopoly.

- It is questionable if the state would realize any privatization "windfall" from the sale of assets, particularly the sale of the Department of Commerce facility in Ankeny. The level of occupancy still remaining after privatization and the highly-publicized fact that the state needs additional office / storage space, indicate that the state would continue to utilize the facility as opposed to an outright sale. See Section 10 for additional detail.

In summary, all states exact revenue from the sale of liquor, either by applying a flat tax per gallon on sales made by private sector wholesalers or by directly wholesaling liquor to retailers.

Iowa, through the operations of the Alcoholic Beverages Division, has created an efficient wholesaling system that maximizes revenue for state and local government programs and substance abuse treatment efforts, minimizes the cost of industry regulation and creates a level competitive playing field for Iowa retailers.

Privatization of Iowa's liquor wholesale system would either result in the loss of millions of dollars annually or would result in significantly higher liquor prices to the Iowa consumer.

FOR ADDITIONAL INFORMATION REGARDING THIS STUDY, CONTACT LYNN WALDING AT 515-281-7402 *WALDING@IOWAABD.COM* OR JAMES KUHLMAN AT 515-281-7406 *KUHLMAN@IOWAABD.COM*

INTRODUCTION

Should the State of Iowa be directly involved in the sale and distribution of spirits? This question has been debated since the repeal of the 18th Amendment and the end of Prohibition.

Iowa's involvement in liquor sales began in 1934 as a complete monopolistic system of the wholesale and retail sale of wine and spirits through state-operated liquor stores. Today, the State wholesales and distributes spirits only to privately-owned retail stores through the Iowa Alcoholic Beverages Division (ABD). The ABD currently uses a private sector warehousing contractor to receive, store and deliver spirits on behalf of the State.

Iowa is directly involved in liquor sales for four primary reasons:

1. ***TO MAXIMIZE THE REVENUE RECEIVED FROM LIQUOR SALES.***

By being directly involved in the sale and distribution of spirits, Iowa keeps the profit that would otherwise go to private sector wholesalers (<u>See</u> flow chart below). All states collect tax from the sale of spirits. The main difference is the method used by each state to collect liquor revenue.

There are 18 states and one county in Maryland that are directly involved in the sale of spirits and are referred to as the "Control States". The control jurisdictions formed at the end of Prohibition and chose this method for distributing alcoholic beverages to control the trafficking within their respective borders and to maximize the profit from the sale of alcohol. Although changes and improvements have been made to operations in the various Control States, none of the original 19 jurisdictions has abandoned the Control State System.

The other 32 states are referred to as "License States" and alcoholic beverage products are trafficked by privately-owned wholesalers. The License States, through their respective Alcohol Beverage Commissions, usually apply a "flat tax" on each gallon sold by a wholesaler to a retailer.

The following depicts the "typical flow" of spirit products / tax collections in a Control State versus License State environment:

CONTROL STATE SYSTEM		LICENSE STATE SYSTEM
Tier 1	Liquor Supplier	Liquor Supplier
↓	↓	↓
Tier 2	State Wholesaler (tax markup)	Tax Paid to State Liquor Board
↓	↓	↓
Tier 3	Licensed Retailer	Private Wholesaler (profit markup¯
↓	↓	↓
Tier 4	---	Licensed Retailer

The Control State operations, in effect, act as "non-profit" entities in the respect that all profit made from liquor sales are turned over to state treasuries. The License States collect a flat tax on each gallon sold and the wholesale markup (profit) is maintained by the private sector wholesaler.

Iowa's 50% markup on wholesale sales generates over $39.2 million in net income as an annual source of revenue and is: used for substance abuse treatment programs; distributed to cities and counties for local use; and deposited in the state general fund to fund important state projects and programs.

2. TO HELP CONTROL THE TRAFFICKING, SALES AND CONSUMPTION OF SPIRITS IN IOWA.

The ABD does not promote the sale or use of spirits to Iowa consumers. The ABD provides a needed service by delivering liquor to retailers by use of a contract carrier and, at the same time, collecting the "tax" on behalf of the state. Private wholesalers conduct the sale and delivery functions for one primary reason: to make a profit. Under a private wholesale system, there would be pressure applied on wholesalers by liquor suppliers to "sell more product" without regard to the social consequences of increased liquor consumption in Iowa.

3. TO PROMOTE AND MAINTAIN A LEVEL PLAYING FIELD FOR THE IOWA RETAILER.

Under current law (Iowa Code § 123.24) the ABD charges the same price for liquor to all Iowa retailers "regardless of the quantity purchased or the distance for delivery." Such would not be the case under a private wholesale system. Private wholesalers would give price discounts to large volume and chain retailers at the expense of the individual business owner. Consequently, retailers and consumers in smaller market areas would pay more for liquor purchases. Also, retailers who purchase smaller quantities or, who are located in rural areas, would not receive as frequent service as the state currently provides.

4. TO FOREGO THE STATE EXPENSE ASSOCIATED WITH THE REGULATION AND AUDITING OF PRIVATE SECTOR WHOLESALERS.

If Iowa was not directly involved in the wholesaling of spirits, the ABD would have to regulate the business transactions between private sector wholesalers and retailers to ensure the accurate collection of a state-mandated gallonage tax. As a rural state, Iowa has elected to assure its citizens with comparable pricing on alcohol.

Iowa could get out of the liquor business but at an increased cost to regulate business transactions and collect tax from private sector wholesalers.

Iowa could tax sales made by new wholesalers to create a "revenue neutral" situation to the general fund, but at the cost of higher liquor prices to the Iowa consumer. Or, some will argue that the state could apply a tax rate that is "competitive" to Iowa's neighboring states and increase liquor sales to the point where no state money is lost. **However, statistics indicate that Iowa would have to have the highest per capita adult sales rate in the United States for this to happen.**

The bottom line is Iowa could privatize wholesale liquor sales but to do so would translate into either the loss of millions of dollars every year or the marked inflation of liquor prices to the consumer.

The following pages will address the financial aspects of Iowa's continued involvement in the wholesale liquor business.

SECTION 1

HISTORICAL OVERVIEW

HISTORICAL OVERVIEW

At the end of Prohibition in 1933, individual states gave great consideration as to the best method of making alcohol beverages available to its citizenry. Some states still did not agree that ending prohibition was a wise policy decision and most were frustrated that enforcement efforts during prohibition were only minimally successful.

After studying several systems of other countries and of those taking shape in the United States, Iowa along with seventeen other states and one county in Maryland, decided to be directly involved in the distribution of alcohol beverages to consumers. In most cases, these jurisdictions also were involved in the direct sale of alcohol to consumers through state-operated retail liquor stores. These jurisdictions soon became known as the "Control States."

Iowa policymakers decided that by placing state government in direct control of the distribution and sale of alcohol that three main goals would be realized:

- The criminal element that was prevalent in the business during prohibition would be effectively curtailed.
- Greater control over citizen consumption of this now legal drug would be better achieved by a state-run system as opposed to a profit-driven free market system that would inherently promote greater liquor consumption.
- Any revenue that was derived from the state-run system would be used to promote moderation in the consumption of alcohol, aid substance abuse treatment efforts and help fund other state and local programs.

With those goals in mind, the 1934 Iowa General Assembly created the Iowa Liquor Control Commission charged with the mission of "protecting the welfare, health, peace, morals and safety of the people of the state."

The commission opened its first five state-operated liquor stores on June 19, 1934 in Atlantic, Des Moines, Marshalltown, Mason City and Oelwein. They were known as "counter stores" in which customers would record their selection on a piece of paper and hand it to a clerk who would retrieve the selection from the back room of the store. The clerk would record the purchase in the customer's state-issued "individual liquor permit" booklet. State stores had limited shopping hours, were not open on Sundays or holidays, and did not take checks or credit cards. Effective in helping to control consumption, but not always well received by the Iowa consumer.

By the early 1970's, attitudes had changed. Consumers wanted the freedom to shop for their own purchases at their own convenience. Counter stores gave way to brightly lit self-serve stores. Due to this freedom, state revenue increased significantly under the self-serve system.

As the 1980's rolled around, consumer attitudes again changed. Society began to take a less tolerant view of the excessive use of alcohol. Consumers were becoming more health conscious and states began enacting tougher drinking and driving laws. The sale and use of alcohol in Iowa, and throughout the country, was in decline. Although Iowa's state-store system continued to serve consumers and continued to pour millions of dollars into state coffers, store expenses increased and profits began to decline.

After careful study, the 1986 Iowa General Assembly elected to preserve the State's role in the wholesaling of spirits in order to maintain revenue to the general fund but decided to allow private sector stores to sell bottles of spirits to consumers. So in 1987, 54 years after the end of Prohibition, the last bottle of liquor was sold from a state-operated liquor store. The last of the 220 state stores was closed on June 30, 1987.

Today, there are over 460 privately-owned outlets that sell liquor to consumers as well as to bars, restaurants and other on-premises locations. Stores are allowed to sell liquor seven days a week, including holidays. Most accept checks and major credit cards for consumer purchases... quite a change from 1934 operations!

The Iowa Alcoholic Beverages Division wholesales spirits to the over 460 privately owned liquor outlets at a 50% markup over the division's cost. The Division uses a private contractor to warehouse and deliver products to retailers on a weekly basis. The Division will deliver an order as small as 5 cases, while some large volume retailers receive deliveries twice weekly.

By law (Iowa Code § 123.24), the Division offers the same price on spirits to all retailers regardless of the quantity purchased. It also offers the same terms on delivery to all retailers regardless of their location in Iowa. These practices have enabled over 200 small independently-owned stores to coexist and compete with large volume chain stores.

ALCOHOLIC
BEVERAGES
DIVISION
State of Iowa

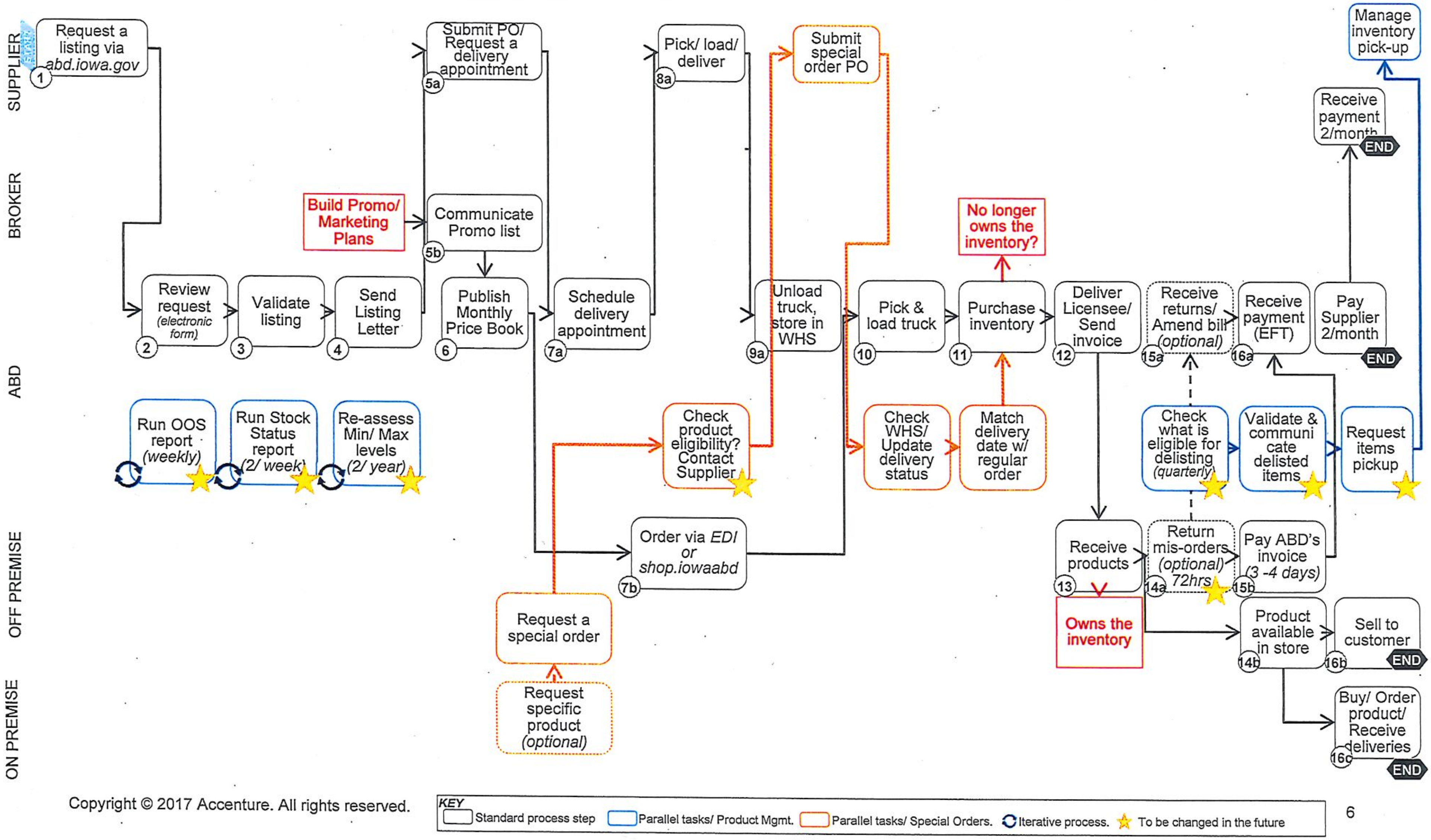
Iowa Alcohol Distribution Model
Discussion Questions

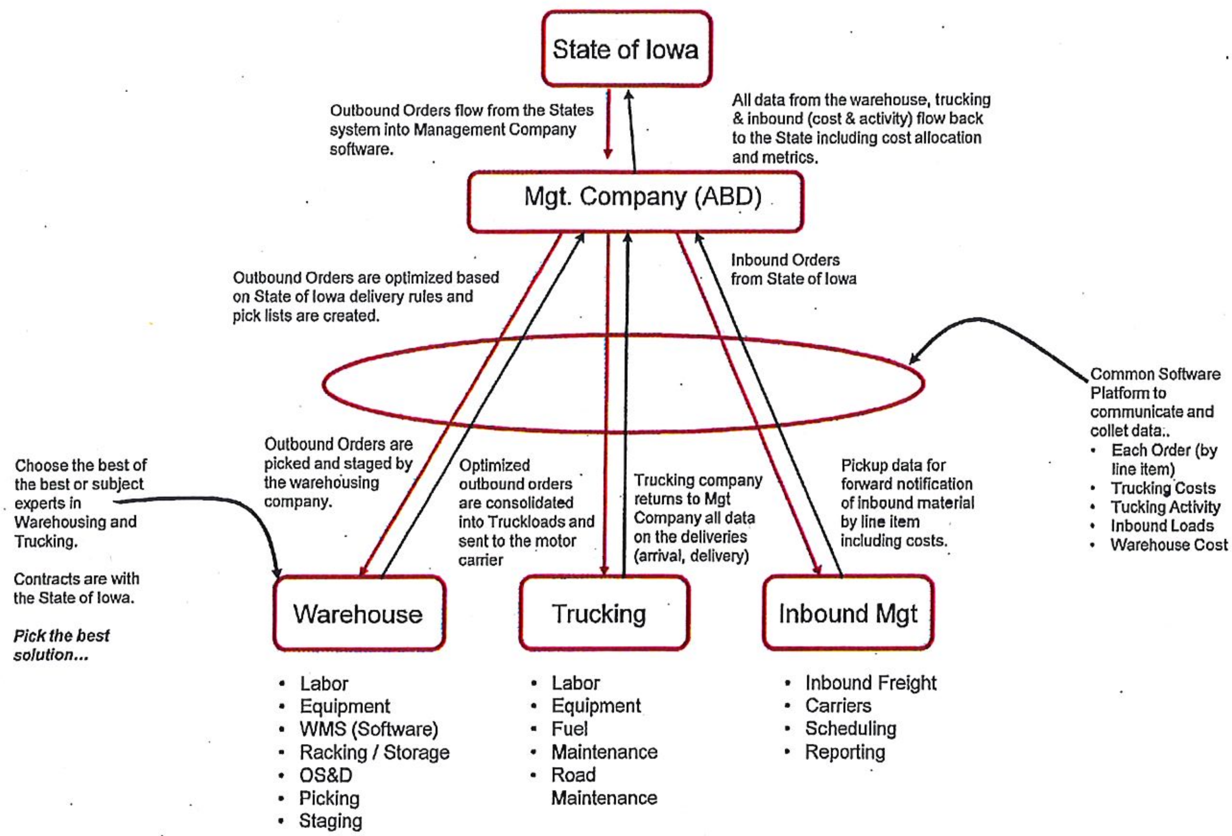
1. What is one successful aspect of Iowa's alcohol distribution model?
2. What is the biggest issue with Iowa's alcohol distribution model?
3. What should Iowa's alcohol distribution model seek to accomplish?
4. Does the Division's brand selection meet the needs of your business? Should more brands be offered?
5. What changes should be made to the Division's special order program?
6. What changes should be made to the Division's highly-allocated products program?
7. Should there be a quota on the number of class "E" licenses that can be issued?
8. Who provides spirits for your business? Does that provider meet your business needs?
9. What would you change about the alcohol distribution model to improve your access to spirits products?
10. Do you understand Iowa's pricing model?

Current State Process

Excluding Allocated/ Highly Allocated Products

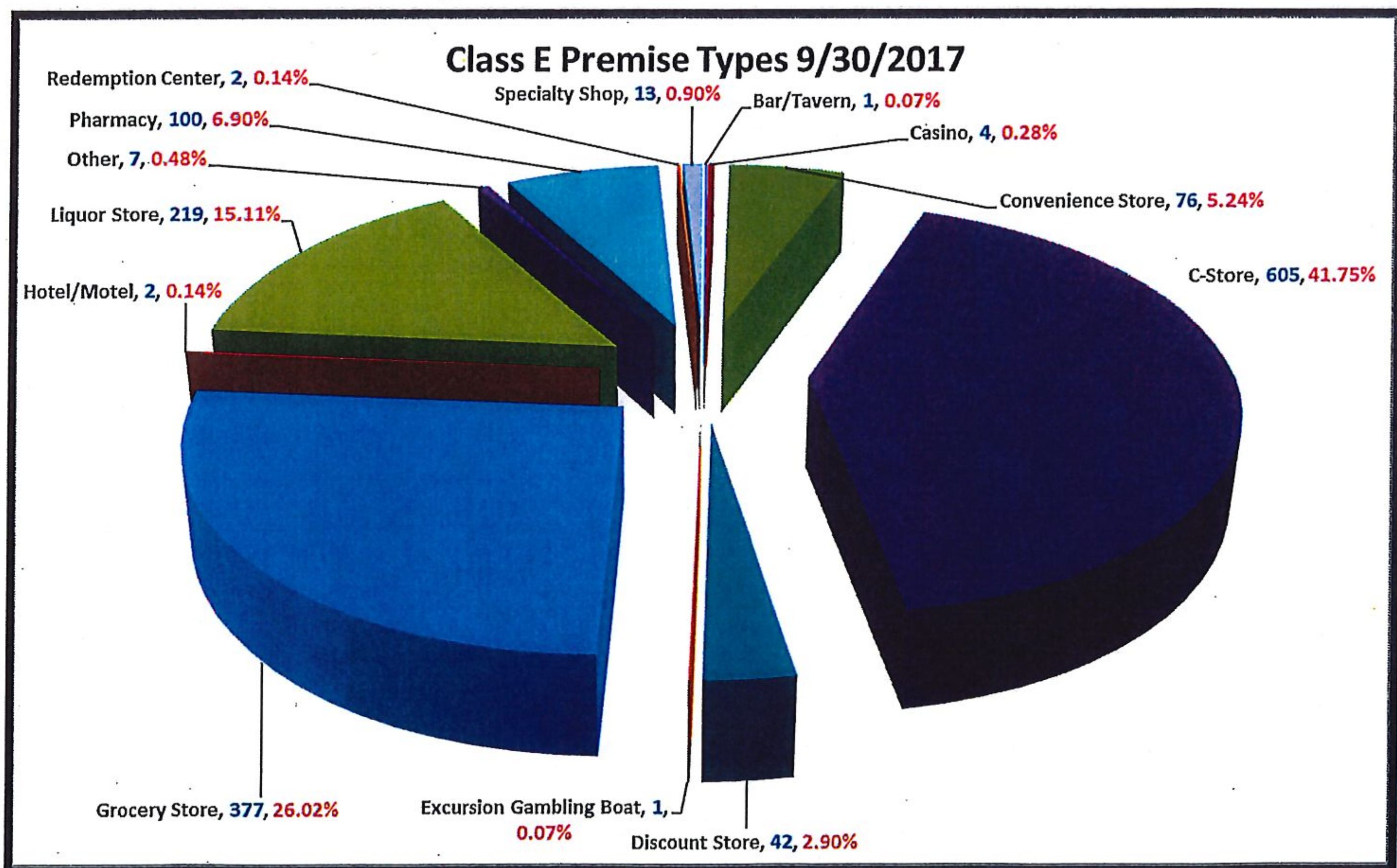
High performance. Delivered.



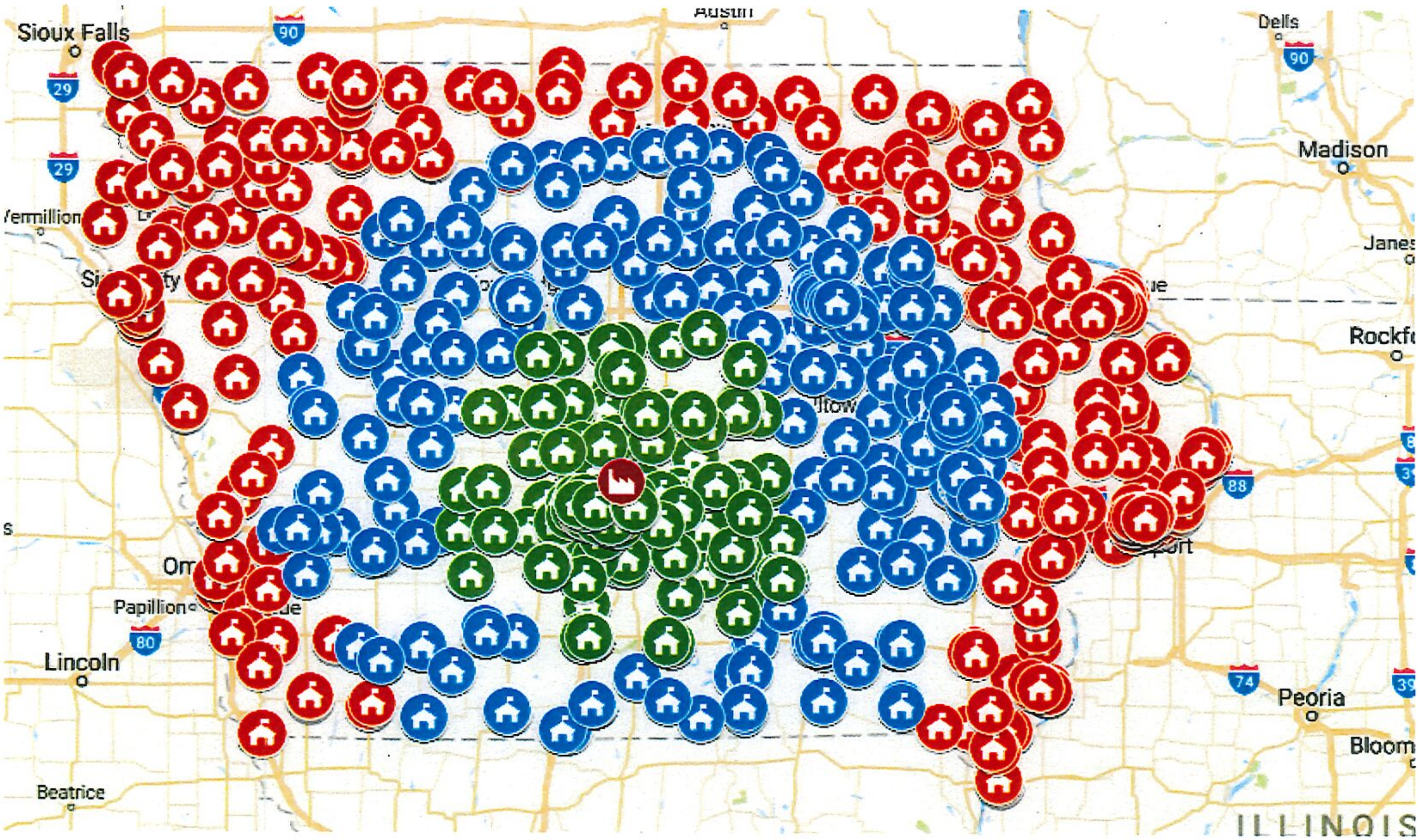

State of Iowa
Outbound Orders flow from the States system into Management Company software.
All data from the warehouse, trucking & inbound (cost & activity) flow back to the State including cost allocation and metrics.
Mgt. Company (ABD)
Outbound Orders are optimized based on State of Iowa delivery rules and pick lists are created.
Inbound Orders from State of Iowa
Common Software Platform to communicate and collet data:.
• Each Order (by line item)
• Trucking Costs
• Tucking Activity
• Inbound Loads
• Warehouse Cost
Choose the best of the best or subject experts in Warehousing and Trucking.
Contracts are with the State of Iowa.
Pick the best solution...
Outbound Orders are picked and staged by the warehousing company.
Optimized outbound orders are consolidated into Truckloads and sent to the motor carrier
Trucking company returns to Mgt Company all data on the deliveries (arrival, delivery)
Pickup data for forward notification of inbound material by line item including costs.
Warehouse
Trucking
Inbound Mgt
• Labor
• Equipment
• WMS (Software)
• Racking / Storage
• OS&D
• Picking
• Staging
• Labor
• Equipment
• Fuel
• Maintenance
• Road Maintenance
• Inbound Freight
• Carriers
• Scheduling
• Reporting

Class E Licensees as of September 30, 2017

- 1449 active class E licensees
- 605 are C-Stores that sell gas
- 957 class E licensees added since 7.1.11
- 747 active class E licensees as of 5.24.11
- 316 new class E's added since June 1, 2015. All were required to order electronically.



FY17' Iowa Class E Radius Analysis



The Iowa Alcohol Beverages division currently distributes to the state of Iowa through one central warehouse in Ankeny, IA.

27% (391 of 1423) Class E's 50 mile radius.

- 32% (FY17 $94,133,248.24)
- 31% (6,568,516 Bottles)
- 14% of Iowa

37% (524 of 1423) Class E's 50-100 mile radius

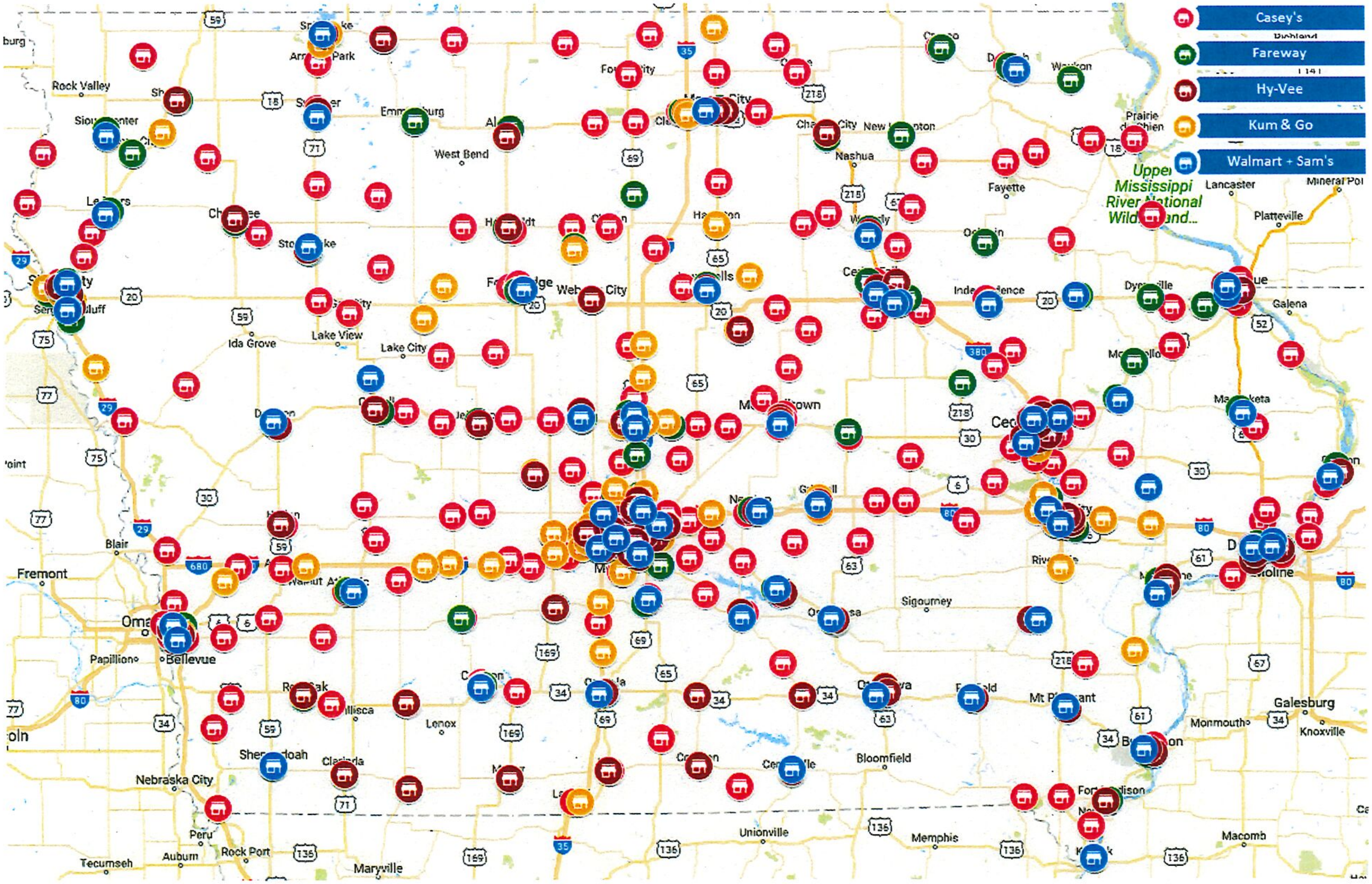
- 35% (FY17 $103,121,394.70)
- 36% (7,399,033 Bottles)
- 42% of Iowa

36% (508 of 1423) Class E's 100+ mile radius

- 33% (FY17 $96,614,646.95)
- 33% (6,900,569 Bottles)
- 44% of Iowa

*FY17 sales based off end of year existing LE's. Sales not included for LE's who were not captured as Active at year end.

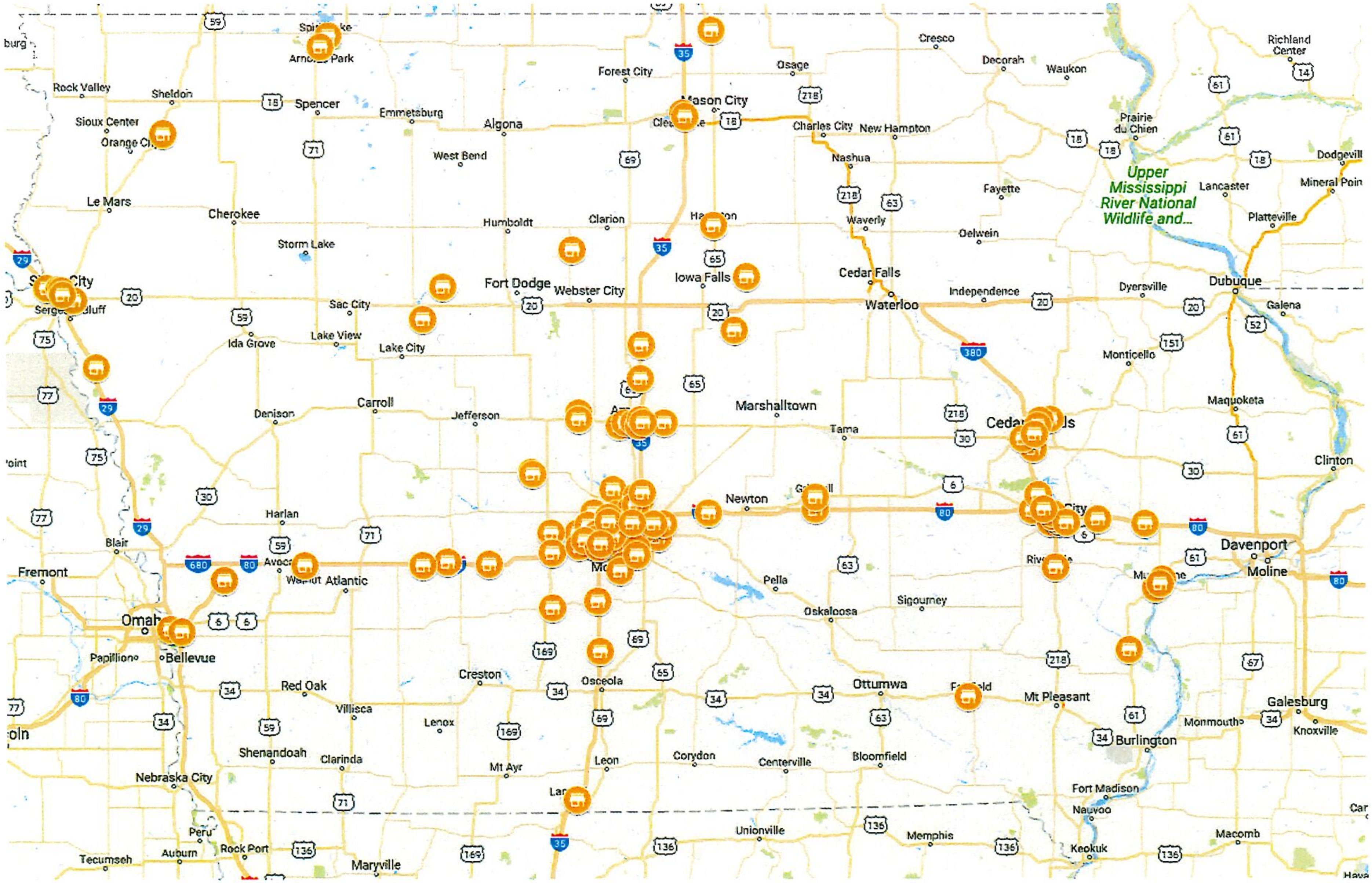
Major LE Chains All (Colored)



Iowa's major chains represent 640 of 1449 LE's (Casey's, Kum&Go, Fareway, Hy-Vee, and Walmart+Sams) with a total of $166,000,465.82 of $305.6 Million (54%) in FY17 Sales.

*Chain Sales Total does not include surcharges, split case fees, or bottle deposits.

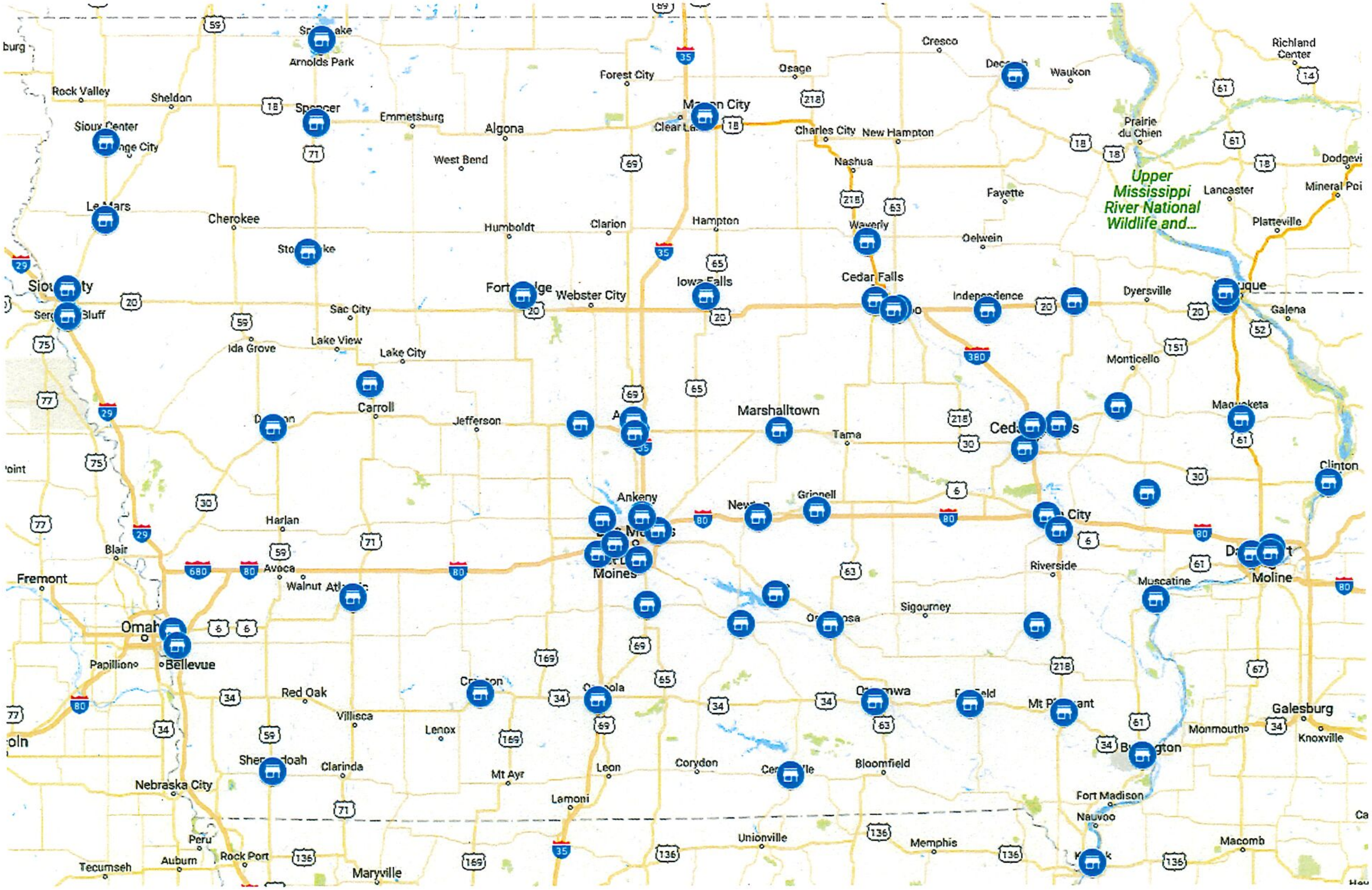
Kum & Go LE Licensees



112 of 1449 LE's and $5,618,492.87 of $305.6 Million in FY17 Sales.

*Chain Sales Total does not include surcharges, split case fees, or bottle deposits.

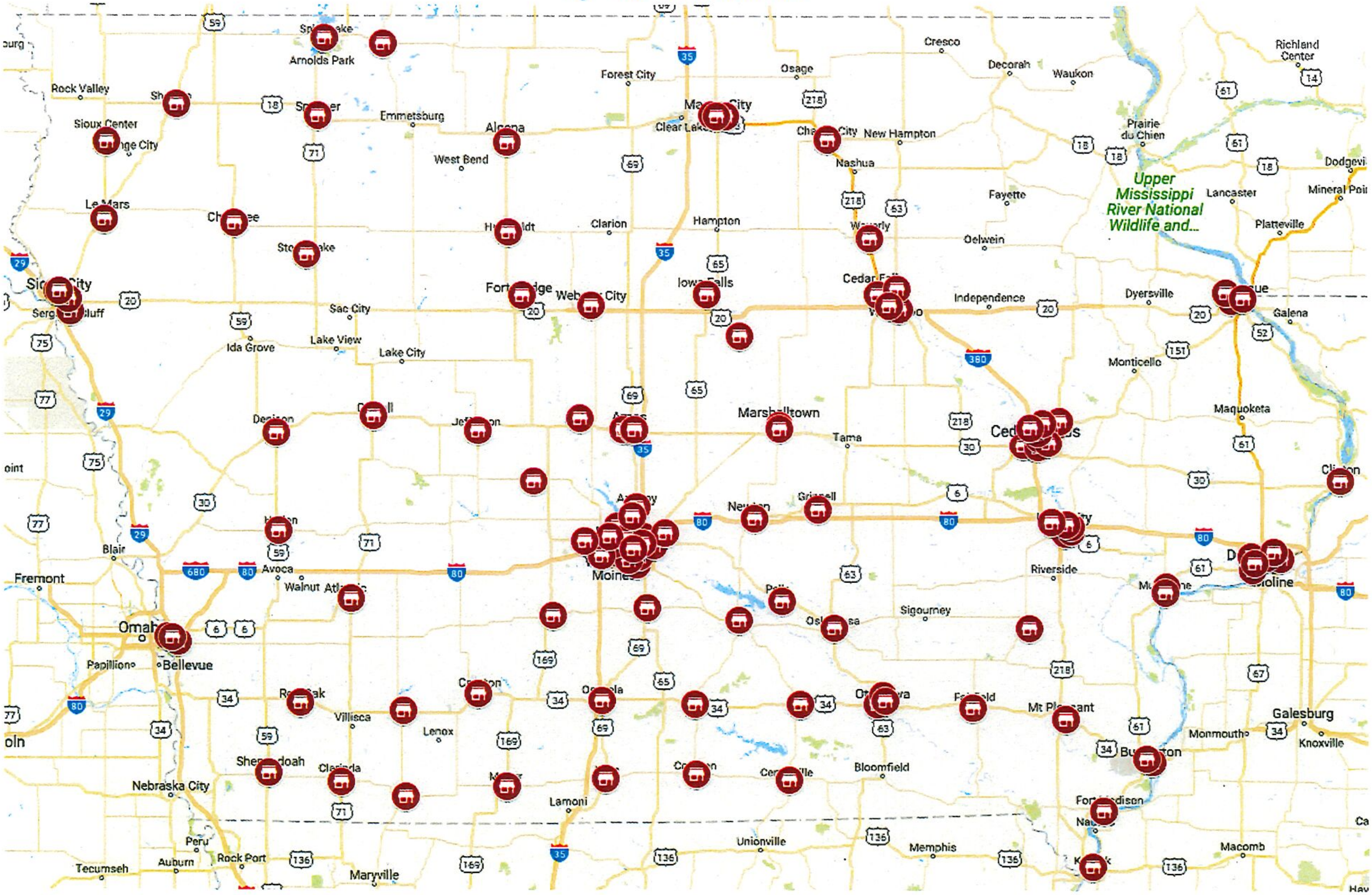
Walmart & Sam's Club LE Licensees



68 of 1449 LE's and $39,071,188.80 of $305.6 Million in FY17 Sales.

*Chain Sales Total does not include surcharges, split case fees, or bottle deposits.

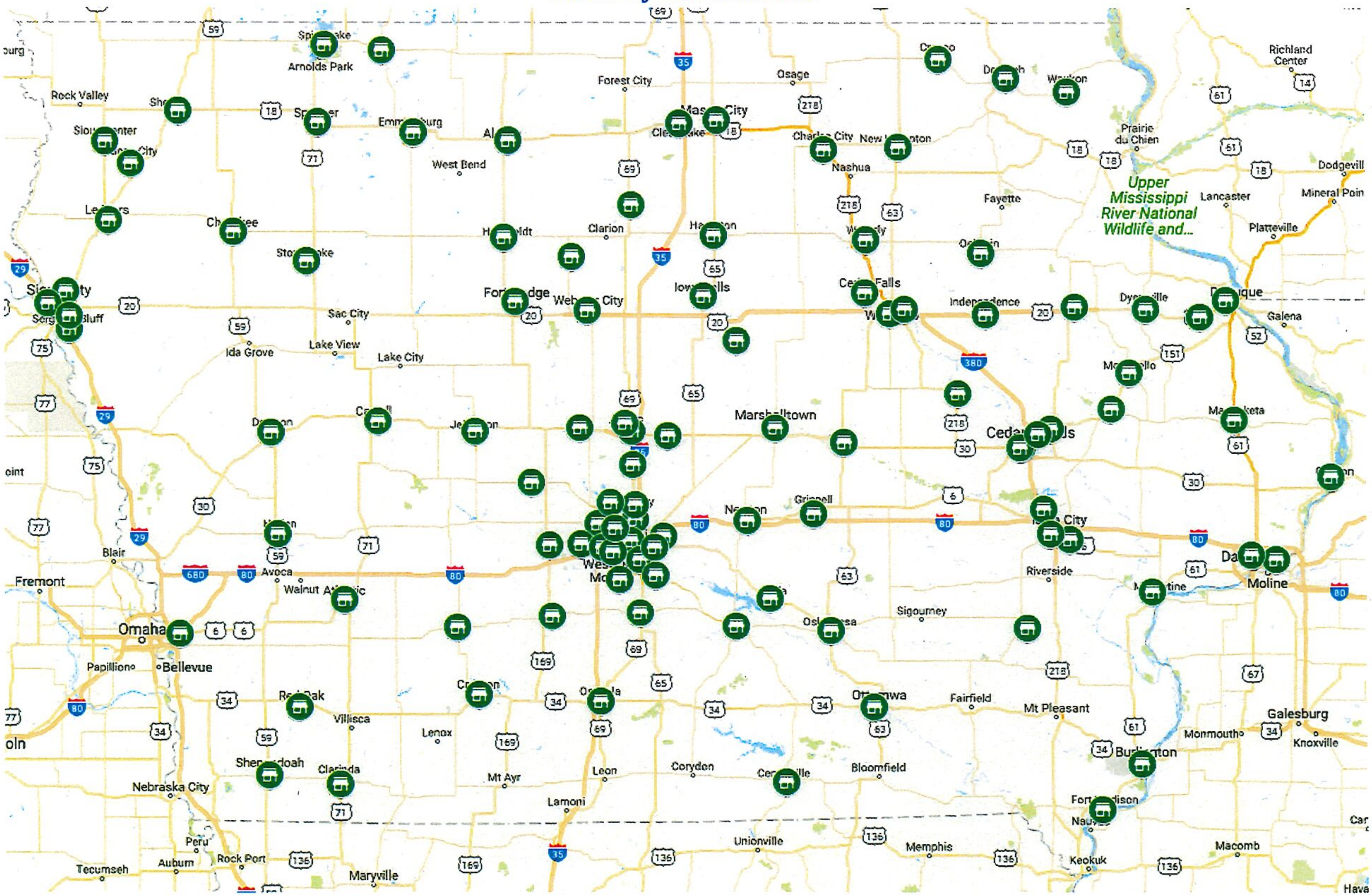
Hy-Vee LE Licensees



123 of 1449 LE's and $97,417,874.29 of $305.6 Million in FY17 Sales.

*Chain Sales Total does not include surcharges, split case fees, or bottle deposits.

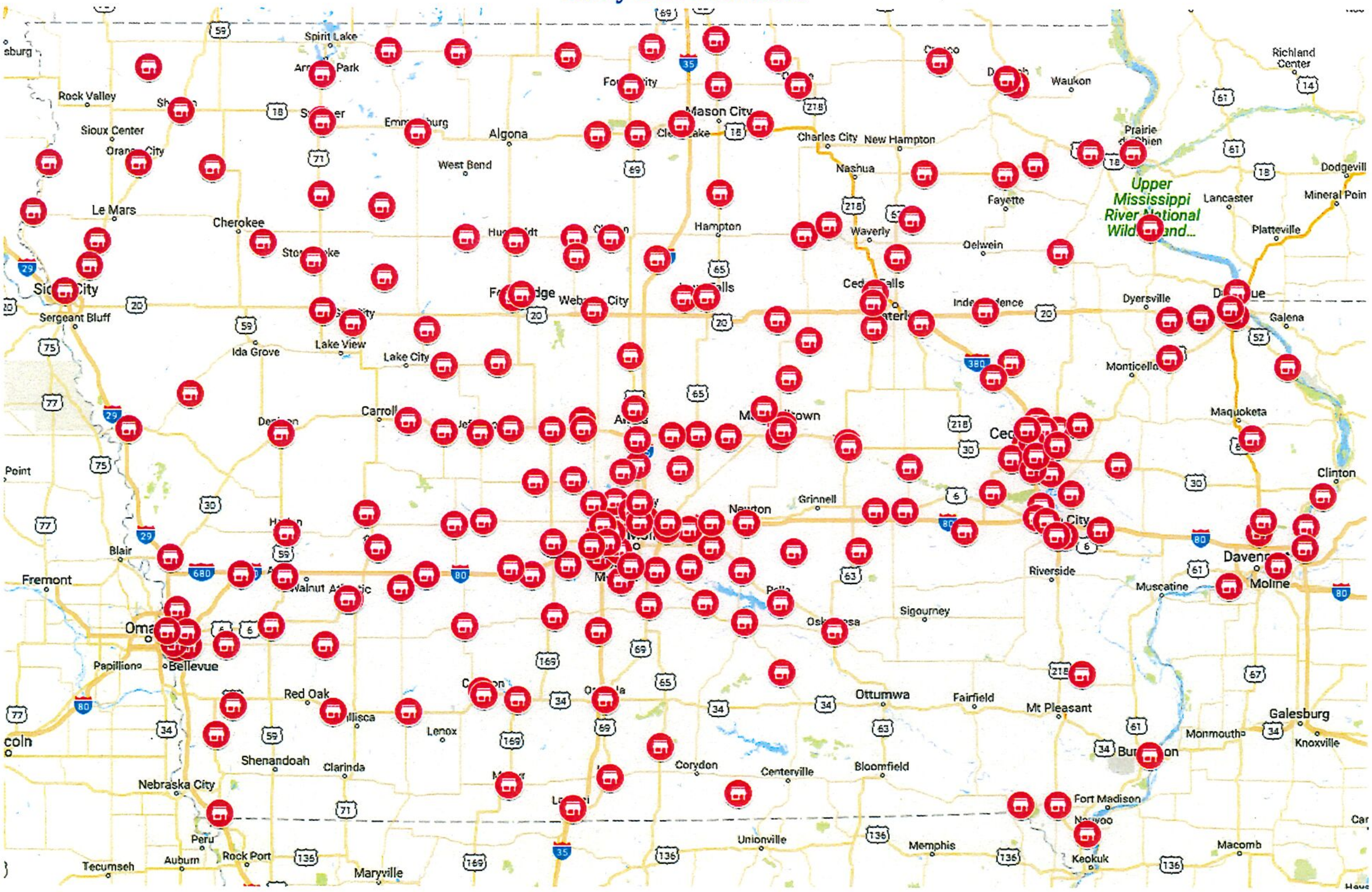
Fareway LE Licensees



102 of 1449 LE's and $18,085,231.04 of $305.6 Million in FY17 Sales.

*Chain Sales Total does not include surcharges, split case fees, or bottle deposits.

Casey's LE Licensees



231 of 1449 LE's and $5,807,678.82 of $305.6 Million in FY17 Sales.

*Chain Sales Total does not include surcharges, split case fees, or bottle deposits.

2014-2017 Corporate & Independent License Behavior (Detailed)

Analysis

Specifics on Data Dates and Definitions: Dataset snapshots where used from 2014-2017 to create this Analysis. These are used because the data is consistently gathered and presented for a historical comparison. Some large spikes are seen in 2015 & 2014 because of the months between snapshots, but 1/1/2015- 2/1/2015 are accurate. For example the month being the day of the data-pull so 12/1/2014 accounts for Novembers data up to the end of November (11/1/14 to 12/1/14). Losses are compared against the next month where gains are compared against the previous month for the total Licenses gained and lost. Corporate/Chain locations are businesses with multiple locations and Independents are businesses with only one location. This is more clearly defined below under definitions.

What the Data Means: Independent locations are more prone to lapse and cancel their licenses more so than corporate locations as shown in figures #3, #4 on page 4. Outside of a few months, independent locations have had vastly more cancelations and lapses between licenses as seen in figure 4 page 4. Though the total number of independent licensees has grown from 2014-2017 the total share of businesses that are considered independent has consistently fallen from 34% to 32.2% as seen in figure 1 page 2, while corporate locations have constantly risen at 65.99% to 67.74% over the same time period. In short, this means the corporate share of LE's show a trend to increase and independents decreasing in the future.

Between 2/1/14 to 8/1/17 only 197 Aggregate licenses (1232 in 2/1/14 to 1429 in 8/1/17) have been gained between independent (42 licensees) and corporate (155 licensees) accounts as seen on figure 1 page 2. The Arrows on figure 1 page 2 represent difference in growth/loss of their respective share of LE's compared to 2/1/2014 (e.g. Corporate on 6/1/2014= 66.82% share of LE's so 66.82% - 65.99% = 0.17% growth in the share of LE's from 2/1/2014).

As of 8/1/2017 the corporate and independent class E licensee's contain vastly different populations of premise types. The corporate LE's predominantly being made up of more C-Stores, Grocery Stores, and nearly all Pharmacy's with independent LE's having a more even distribution between C-Stores, Grocery Stores, Liquor Stores, and Convenience Stores as seen on page 5. In regards to premise comparisons 2014 vs 2017; my findings are below:

- Corporate
  - Corporate Grocery, Liquor, and Discount stores have remained constant from 2014-2017; the growth in Corporate locations primarily being in C-Stores & Pharmacy's. The Aggregate gain being 148 LE's in C-Stores & 9 in Pharmacy's with minor gains and losses in the other premise types.
- Independent
  - The only material growth in Independent premise types is in C-Stores (50 LE's); there is minor growth in all premise types except Liquor Stores.
  - Independent Liquor Stores have seen an aggregate loss of 16 LE's. The gain of C-Stores and loss of Liquor Stores is shown in figure 5 page 6.

Definitions

<u>Corporate</u>: A business with more than one location in Iowa or is part of a regional/national chain of stores as a corporate owned entity or franchise.

<u>Independent</u>: A business that has only one location in Iowa and is not part of a larger organizational business chain or franchise.

2014-2017 Corporate VS Independent License Growth

Share of LE's ompaired Against 2/1/2014	
ss Then 05% rowth	
ss Then 05% Loss	
reater en 0.05% ss	
reater an 0.05% rowth	

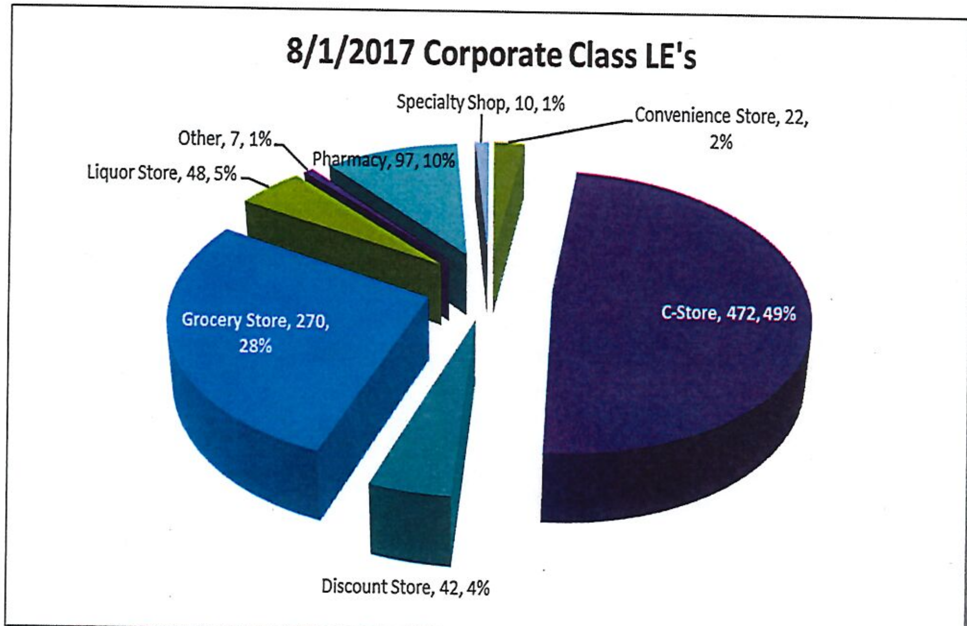
	Corporate/Chain	Corp. % of Total LE's	Independent	Ind. % of Total LE's	Total LE's
02/01/2014	813	65.99%	419	34.01%	1232
03/01/2014	811	66.42%	410	33.58%	1221
04/01/2014	813	66.21%	415	33.79%	1228
08/01/2014	822	65.71%	429	34.29%	1251
09/01/2014	817	66.21%	417	33.79%	1234
11/01/2014	824	65.87%	427	34.13%	1251
12/01/2014	829	65.90%	429	34.10%	1258
01/01/2015	874	66.26%	445	33.74%	1319
02/01/2015	844	66.14%	432	33.86%	1276
10/01/2015	861	65.98%	444	34.02%	1305
11/01/2015	868	66.21%	443	33.79%	1311
01/01/2016	875	66.34%	444	33.66%	1319
02/01/2016	882	66.42%	446	33.58%	1328
03/01/2016	886	66.47%	447	33.53%	1333
04/01/2016	891	66.49%	449	33.51%	1340
06/01/2016	896	66.82%	445	33.18%	1341
07/01/2016	901	66.94%	445	33.06%	1346
08/01/2016	902	67.06%	443	32.94%	1345
09/01/2016	905	67.14%	443	32.86%	1348
10/01/2016	913	67.03%	449	32.97%	1362
12/01/2016	913	67.18%	446	32.82%	1359
01/01/2017	926	67.25%	451	32.75%	1377
02/01/2017	924	67.20%	451	32.80%	1375
03/01/2017	929	67.22%	453	32.78%	1382
04/01/2017	951	67.69%	454	32.31%	1405
06/01/2017	961	67.72%	458	32.28%	1419
07/01/2017	962	67.60%	461	32.40%	1423
08/01/2017	968	67.74%	461	32.26%	1429

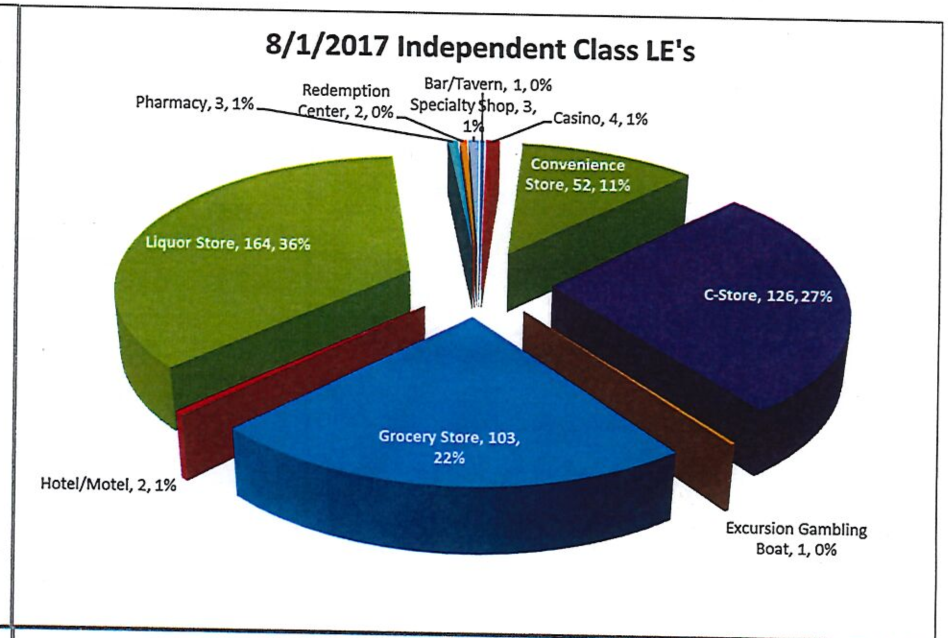
Figure 1

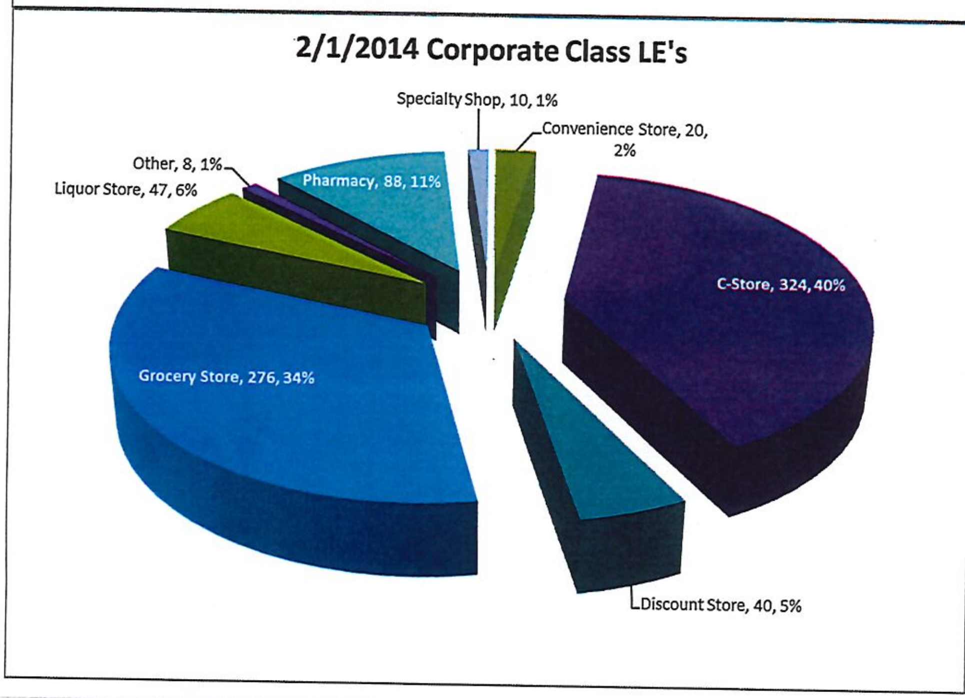
*The percentages represent the growth or loss of the share of LE's from the total LE's in each month. The Arrows represent the change of the percentage compared to 2/1/2017.

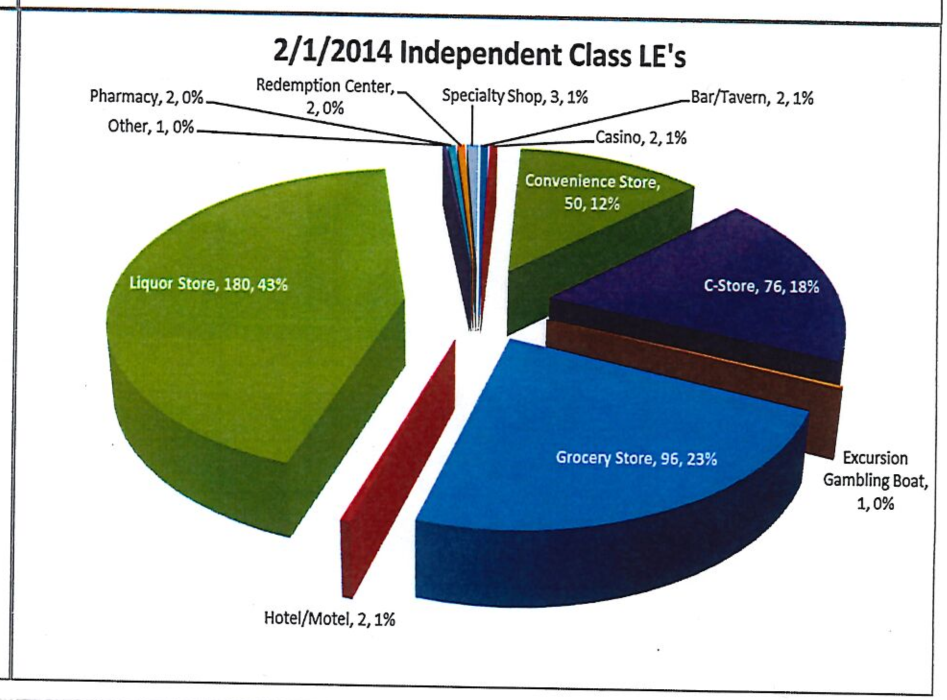
** The Corporate gain of aggregate LE's is 155 (968-813) LE's where Independent LE's are only 42 (461-419) from 2/1/2014 to 8/1/2017.

Corporate vs Independent Class LE's by Premise Type 2/1/2014 vs 8/1/2017





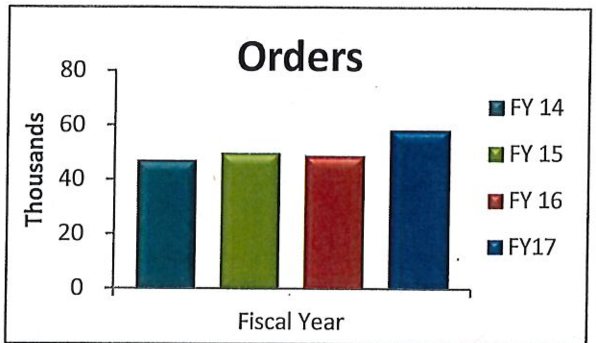


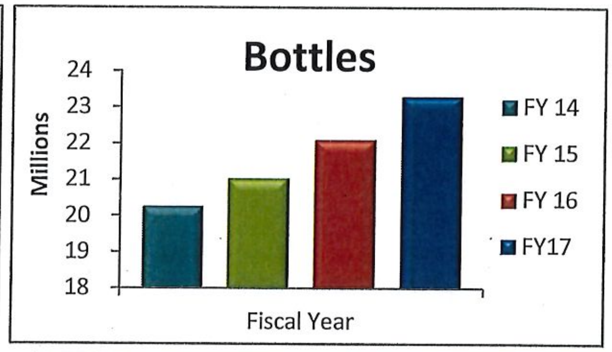


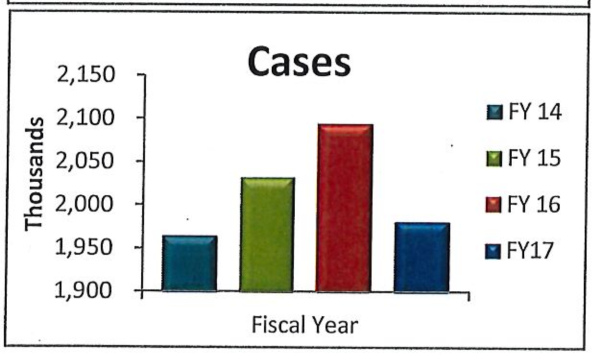
Iowa ABD
Monthly Financial Meeting

FY 2017 YEAR END- JULY - JUNE SALES COMPARISON - YEAR OVER YEAR- CASH BASIS

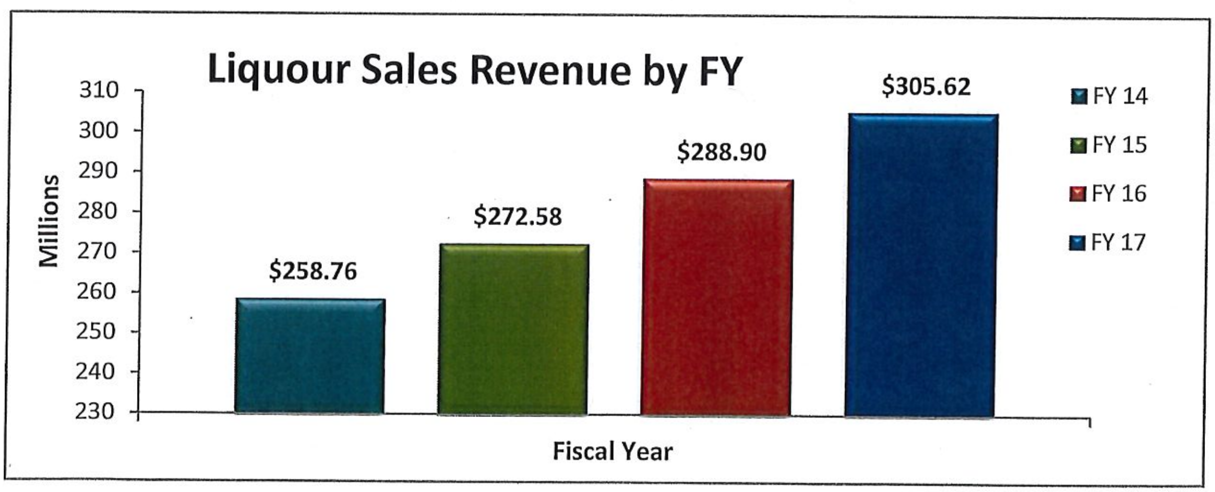
Category	FY 2017	FY 2016	% Change
Liquor Sales	305,619,127	288,908,790	5.78%
Split Case Fee	1,553,309	1,553,309	0.00%
Bottle Dep and Sur	2,834,706	2,834,706	0.00%
Total Revenue	310,007,142	293,296,805	5.70%
Orders	58,658	48,971	19.78%
Cases	1,981,682	2,094,891	-5.40%
Bottles	23,300,411	22,092,802	5.47%







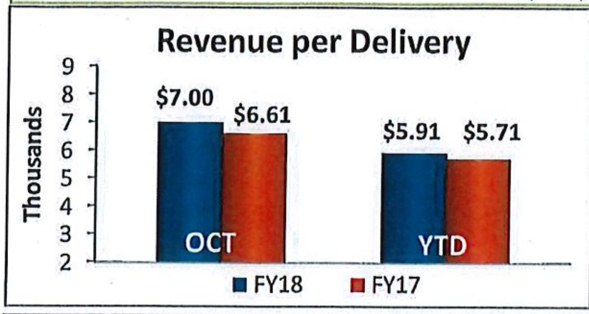
JUL-JUN Average Sale Days Comparison	
Month	YOY
JUL-SEP 1st QTR	0
OCT- DEC 2nd QTR	-1
JAN-MAR 3rd QTR	0
APRIL-JUNE- 4th QTR	0
Total For FY	-1

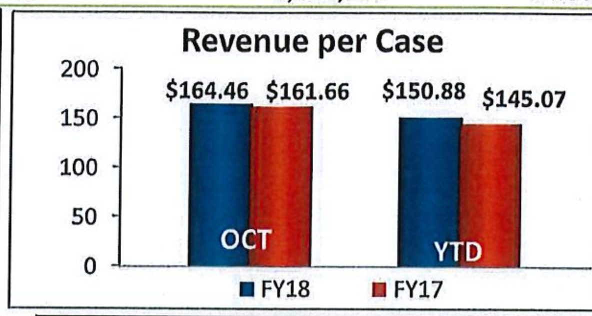


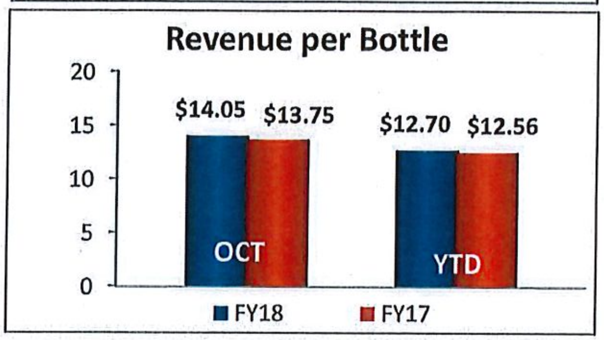
Iowa ABD
Monthly Financial Meeting

FY 2018 OCTOBER SALES COMPARISON - YEAR OVER YEAR- CASH BASIS

Category	FY 2018	FY 2017	% Change
Liquor Sales	31,832,047	27,172,377	17.15%
Split Case Fee	142,405	127,099	12.04%
Bottle Dep and Sur	289,602	242,063	19.64%
Total Revenue	32,264,053	27,541,539	17.15%
Deliveries	4,610	4,167	10.63%
Orders	7,460	5,493	35.81%
Cases	196,188	170,369	15.15%
Bottles	2,296,348	2,002,800	14.66%





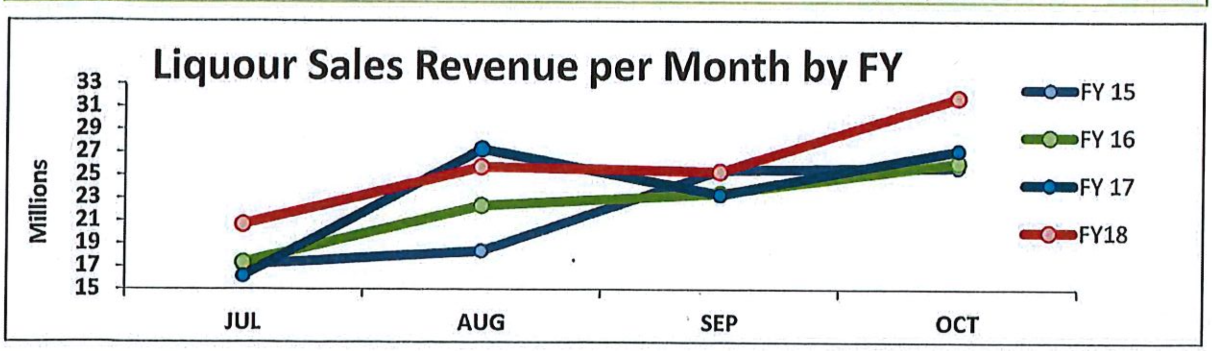


JUL-OCT Average Sale Days Comparison

Month	YOY
July	0
August	0
September	-1
October	1
Total For FY	0

JULY - OCTOBER SALES COMPARISON - YEAR TO DATE

Category	FY 2018	FY 2017	% Change
Liquor Sales	103,560,040	93,943,954	10.24%
Split Case Fee	497,582	478,612	3.96%
Bottle Dep and Sur	976,220	862,097	13.24%
Total Revenue	105,033,842	95,284,663	10.23%
Deliveries	17,762	16,675	6.52%
Orders	22,313	19,540	14.19%
Cases	696,125	656,823	5.98%
Bottles	8,269,138	7,587,603	8.98%



Initiative Overview

Impact and Prioritization

High performance. Delivered.

Key Theme	#	Initiative	Wave	Level of Benefit	Difficulty of Implementation	Support Recommended
Fees and Pricing Initiatives	A	**Fee Updates** ★ *New fee structure incl. increased split case fees*	Wave 1,2	●	◑	N
	B	**Promotional Program** ★ *New set-up, ABD either stops communicating promos or charges fees to communicate promos*	Wave 2	●	◑	Y
	C	**Variable Markup** *e.g., higher markups on Ultra price points, lower on minis*	Wave 3	◑	●	Y
Process Initiatives	D	**Retailer Information Share – Reports** *Standard xls reports shared w/ retailers & returns info w/ suppliers*	Wave 1	◔	◔	N
	E	**Temporary Listing Removal** *Stop temp. listing, reinstate standard 12-months listing timeline*	Wave 1	◔	◔	N
	F	**Assortment Improvement** ★ *Update product hierarchy, identify whitespace, complete assortment*	Wave 1	●	◑	N
	G	**Limited Listing Program** ★ *New listing option, for typical SO items/ higher end products*	Wave 1,2	◑	◑	Y
	H	**Web Portal Updates** *Update website to build automated notification/ limitations/ email*	Wave 2	◔	◑	Y
	I	**Special Order and Highly Allocated** ★ *Direct on-premise access, automated steps, new eligibility rules*	Wave 2, 3	◑	◑	N
	J	**Min and Max Inventory Levels** *Stricter process to manage max. storage (warehouse sustainability)*	Wave 2, 3	◔	◔	N
On-Premise	K	**Infusion Policy Change** *Extend infusion timeframe, give more flexibility to on-premise*	Wave 1	◑	◔	N
	L	**Catering Licenses** *Upgrade catering licenses to include liquor/ be valid across state*	Wave 2	◔	◔	N
	M	**Wholesale Licenses (Federal Permits)** *Get an up-to-date view on which retailers have the wholesale permit*	Wave 2	◔	◑	Y
	N	**4th Tier Legislation Change Discussion** *Facilitate discussion re: change in distribution to on-premise*	Wave 3	●	●	N
		Project Management *Coordinate the different streams and ensure deadlines are met*	Wave 1,2,3			Y

KEY

★ Top Priorities

Wave 1 = 2017
Wave 2 = 2018
Wave 3 = 2019-2021

◔ Low
◑ Medium
● High