

AGENDA

IOWA ALCOHOLIC BEVERAGES COMMISSION MEETING

**Golden Eagle Distributing
500 Golden Eagle Drive
Mount Pleasant, Iowa
April 4, 2018
10:00 A.M. – 1:00 P.M.**

Call to Order.....Chairperson Nystrom

- I. Introductions/Opening Remarks
- II. Approval of Agenda – **ACTION ITEM**
- III. Approval of January 16, 2018, Minutes – **ACTION ITEM**

Administrator’s Updates.....Administrator Larson

- IV. Warehousing & Transportation RFP Update
- V. 2018 Legislative Update
- VI. Product Management Update
- VII. Administrative Rules Update
 - a. House File 607 Timeline

Public Comment – Iowa Liquor Wholesale Model.....Administrator Larson

- a. Model Overview
- b. Public Comment

Next Meeting Dates.....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.

IOWA ALCOHOLIC BEVERAGES COMMISSION

MINUTES

**Iowa Alcoholic Beverages Division
1918 SE Hulsizer Road, Ankeny, IA
January 16, 2018 – 1:00 p.m.
Dial In Number: 1.866.685.1580
Conference Code Number: 0009991572**

Commission Members Present

Gary Nystrom: Chair
Rachel Eubank: Vice Chair
John Pauli: Secretary
Crissy Riesenbeck-Spratt: Member (via phone)
Jay Wilson: Member

Division Staff Present

Stephen Larson: Administrator
Erin Carpenter: Assistant to the Administrator
Tyler Ackerson: Education & Outreach Program Planner
Leisa Bertram: Accountant 2
Jodi Christensen: Purchasing Agent 3
Josh Happe: Bureau Chief, Regulatory Compliance Bureau
Todd Halbur: Comptroller
Jake Holmes: Education and Outreach Program Planner
Pam Koehn-Miller: Secretary
Lolani Lekkas: Compliance Officer 1
John Lundquist: Assistant Attorney General
Stephanie Strauss: Government Relations
Herb Sutton: Manager, Business Operations
Nicole Scebold: Management Analyst 3
Jason Hohn: Licensing Clerk Specialist

Guests Present

Mackenzie Nading: Iowa Wholesale Beer Distributors Association
Mike Brewington: Iowa Beverage Systems
Tim Byrne: Diageo
Jessica Dunker: Iowa Restaurant Association

Guests Present via Phone

Tod Wolter: 7G Distributing

Wendy Turk: Fintech

CALL TO ORDER

Chairperson Gary Nystrom called the meeting to order at 1:01 p.m. and roll was taken. There was a quorum.

APPROVAL OF AGENDA

MOTION: A motion was made by Commissioner Wilson and seconded by Commissioner Pauli to approve the agenda for the January 16, 2018, Commission meeting.

Motion approved.

APPROVAL OF MINUTES

MOTION: A motion was made by Commissioner Wilson and seconded by Commissioner Pauli to approve the minutes for the November 8, 2017, November 28, 2017, and December 19, 2017 meetings.

Motion approved.

Chairperson Nystrom recognized Administrator Stephen Larson for the Administrator's Report.

ADMINISTRATOR'S REPORT

Administrator Larson presented and reviewed trends and patterns comparing FY14 through FY17. Administrator Larson then recognized Comptroller Todd Halbur for a financial management report. Mr. Halbur reported that Year-to-Date through December FY18, the Division had \$158,681,840.00 in total liquor sales, which was a 4.79 percent growth in sales over December FY17. The average monthly order volume for FY18 was 5,371 compared to 4,913 in FY17, a 9.32 percent increase. Reversion to the General Fund increased 1.05 percent. Mr. Halbur reported that so far in FY18 we are showing a good growth pattern and are trending on track. Mr. Halbur then recognized Accountant 2 Leisa Bertram who presented the FY18 December Sales Comparison. Ms. Bertram stated that many of the categories are trending above FY17 with some slowing at the 6 month mark but is still showing growth into FY18.

Administrator Larson recognized Safety/Security and Brand Manager Jodi Christensen to give an update on workman's compensation. Ms. Christensen stated that FY17 ABD had 9 total injuries down from 19 in FY16. ABD's overall FY17 workman's compensation cost was \$400,980.76, however included in that is a \$100,000.00 litigation settled from 2012. Workman's compensation FY18 premiums have had a 17.80 percent increase over FY17. Commissioner Nystrom recognized Ms. Christensen for the persistence & hard work of handling workman's compensation and continually working to improve safety and security policies at ABD.

Administrator Larson commented that with the release of the Annual Report that the Division and the Iowa Liquor Wholesale Model is profitable and is creating a very valuable return on investment for Iowans which was outlined in the annual report over the last decade.

Administrator Larson gave an update to the RFP for a public/private partnership in the distribution of spirits. As Administrator Larson has reported out in other commission meetings we did receive some bids, there is an evaluation process that is ongoing under the leadership of Karl Wendt who is with the Department of Administrative Services. There is a comprehensive evaluation committee of 10-12 individuals that have begun that process. A report will be issued in the coming weeks and at that point there would be a recommendation made.

Commissioner Nystrom recognized Attorney General John Lundquist for an attorney general's report. Mr. Lundquist wanted to bring the commission up to date on some pending litigation that is ongoing concerning interpretation of section 123.45 which is the tied house statute that limits the ownership interest that certain manufactures and wholesalers can have in retail interest. Awhile back this agency denied a license to a series of convenience stores here in central Iowa because the owner of those 5 stores also held a 70% ownership interest in a California winery. This matter has made its way to the Iowa Court of Appeals and last week Mr. Lundquist had an opportunity to argue that case to the Court of Appeals' three judge panel. Mr. Lundquist anticipates a ruling on this in the next 30 days.

PUBLIC COMMENT

Mike Brewington: (Iowa Beverage Systems) Q. Wondered by changing the minimum order from \$600 to \$1,000 if that has impacted the number of weekly stops we are making. A. We are in the process of analyzing this over the next 2 to 3 months. Q. On the 50ml bottle of spirits, is the deposit charge on the single unit or sleeve of spirits? A. On the single unit.

Jessica Dunker: (Iowa Restaurant Association) Wanted to thank the Commission and the Division for taking the dramshop issue seriously to date.

OLD BUSINESS

Dramshop Insurance Update: Commissioner Nystrom reported to the commission that Administrator Larson, Director Debi Durham and Commissioner Nystrom met with Mr. Ommen, Commissioner of Insurance, on December 18, 2017, to discuss the issue regarding the availability of insurance for on-premises licensees. Commissioner Ommen agreed to review.

NEW BUSINESS

None

NEXT MEETING DATES

Wednesday, February 7, 2018 at 10:00 a.m. at Golden Eagle Distributing, Mount Pleasant. This will be a public forum on the Iowa Liquor Wholesale Model.

Wednesday, May 9, 2017 at 1:00 p.m. at Iowa Alcoholic Beverages Division, Ankeny

ADJOURNMENT

MOTION: A motion was made by Commissioner Eubank and seconded by Commissioner Riesenbeck - Spratt to adjourn the meeting.

Motion approved.

The meeting adjourned at 2:30 p.m.

Commissioner John Pauli, Secretary



RFP Time Table

Task	Dates	
	Start	End
Forming the RFP - (Completed)	12/01/2016	04/30/2017
Finalizing the RFP - (Completed)	05/01/2017	05/04/2017
Release Date - (Completed)	05/08/2017	05/08/2017
Solicitation of Proposals - (Completed)	05/09/2017	09/22/2017
Respondent Mandatory Site Visit - (Completed)	06/21/2017	06/21/2017
Final Due Date for RPF Questions - (Completed)	08/21/2017	08/21/2017
Evaluation of Proposals - (Completed)	09/25/2017	02/05/2018
Intent to Award - (Started)	02/13/2018	06/01/2018
Contract Development	06/15/2018	09/01/2018
Implementation/Transition	06/15/2018	01/01/2019



Kim Reynolds *Governor*
Adam Gregg *Lt. Governor*

Stephen Larson *Administrator*

Status Update
Request for Proposal – Transportation and Warehousing
Intent to Award – Ruan Transportation Corporation
April 4, 2018

- I. Division Key Strategic Principles
 - i. Demonstrate ongoing improvement in the distribution of spirits by integrating innovation and new processes for warehousing and transportation.
 - ii. Remain committed to meeting the needs of our customers and ensure our efforts facilitate a responsible and vibrant alcoholic beverages industry.
 - iii. Protect Iowa tied house laws.
 - iv. Maintain Iowa 3-tier system.
 - v. Protect the health, safety and the general welfare of Iowans.
- II. Purpose / Strategic Objective
 - a. The current and future model for the delivery/distribution of spirits attempts to achieve sustainable outcomes, within the Iowa marketplace that will maximize revenues for the state and stakeholders, minimize risk, be efficient and effective in meeting the service needs of retailers and provide Iowa consumers at the point of purchase brand selection.
- III. RFP Issued – Intent to Award Process
 - i. Goals and Objectives
 1. Further explore detailed comparison of the Division warehouse and transportation costs vs the awardee.
 - a. Hard Costs
 - b. Soft Costs
 2. Confirm assumptions
 3. Clarify any questions and information submitted by the awardee, and other information that was created on or before, or during the “Intent to Award” process.

4. Systems coordination and communications.
 - a. Hard Costs
 - b. Soft Costs
5. Introduction meeting between Alcoholic Beverages Division (ABD) leadership, Ruan Transportation leadership, and DAS-Central Procurement representative. **(March 5, 2018)**
6. Stakeholder meeting to provide a high level overview of the proposal, to discuss contracting items/schedule, and walk through tour of the division facility by Ruan officials. **(March 22, 2018)**
7. Site visits and other due diligence efforts by State officials and representatives to validate assumptions, and further explore the information contained within the bid document. **(In process)**
8. **Detail contract negotiations roles and responsibilities. (July 1, 2018)**
 - a. Initial draft of contract to be completed by DAS-Central Procurement.
 - b. Review of draft by ABD/ABD counsel/consultant.
 - c. Review of draft by DAS counsel/DAS-HRE (personnel) /DAS-GSE (facilities).
 - d. Update of initial draft by DAS-Central Procurement.
 - e. Review of updated draft by Ruan.
 - f. Redline review by ABD/DAS-Central Procurement.
 - g. Update draft with accepted items.
 - h. Negotiate outstanding items between ABD/Ruan.
 - i. Update draft accordingly.
 - j. Final draft to be signed by ABD.

(If at any time during the Intent to Award process and or contract negotiations, the Alcoholic Beverages Division and Ruan determine the goals and objectives for both parties are unobtainable, the Intent-to-Award could be postponed and or terminated.)
9. Final site visits and or other steps to finalize costs, benefits and ensure that the partnership between the state and the awardee is beneficial during the term of engagement.

10. Transition ---- Implementation ----- Coordination

11. Other

IV. Key Dates

a. March 5, 2018

i. Alcoholic Beverage Division and Ruan Leadership Team Meeting

b. March 22, 2018

i. Ruan Presents Proposal to the Division "Intent to Award Committee"

c. April 17, 2018

i. Ruan and ABD follow up meeting to the March 22, 2018 meeting.

d. Future meeting dates May through June

i. Yet to be determined

V. Intent to Award - Evaluation Committee

a. Attached



ALCOHOLIC
BEVERAGES
DIVISION
State of Iowa

Product Management Update

April 4, 2018

Agenda

- I. Educational Bulletin Update
- III. Depletion Allowance Proposal
- IV. Product Management Update
 - March 1, 2018
 - ABD Publication
 - Temporary Price Reductions
 - May 1, 2018
 - Delisting Policy
 - Maximum Inventory Levels
 - July 1, 2018
 - Listing Policy
 - Size Extensions
 - Highly Allocated
 - Special Order Program
 - Special Order On Hand
 - Pricing

Educational Bulletin Update



EDUCATIONAL BULLETIN

No. EB-2018-01 January X, 2018

Quantity Discounts on Alcoholic Liquor Purchases by Class "E" Liquor License Holders

INTRODUCTION

The purpose of this bulletin is to provide industry members with guidance on the practice of offering a quantity discount for alcoholic liquor purchases by class "E" liquor license holders. This bulletin replaces Regulatory Bulletin No. B-2014-01 L issued November 1, 2014.

For the purposes of this bulletin, industry members are liquor manufacturers, native distillers, distiller's certificate of compliance holders, and brokers.

DISCUSSION

What is a quantity discount?

A quantity discount is the practice by industry members of offering class "E" liquor license holders refunds, rebates, price reductions, or other instruments (i.e. promotional checks and/or merchandise) for designated quantity purchases of alcoholic liquor.

The practice of offering quantity discounts is not prohibited per se by state or federal law or regulation. The legality of a particular industry member's quantity discount program depends on the specific facts and circumstances under which it is being offered in the Iowa market area.

Best Practices

The Division recommends several best practices to industry members choosing to offer quantity discounts, including, but not limited to, the following:

1. A quantity discount must be uniformly offered to each individual class "E" liquor license holder in the market area.
 - An industry member is prohibited from offering discounts to retailers which are not uniformly offered to all retailers in the market area. (IIS Iowa Administrative Code § 16.20)
 - It is recommended that a quantity discount be proactively communicated by an industry member through a medium that ensures all retailers in the market area are aware of the quantity discount before the promotional period ends. An example of this type of medium is a website.
 - Because the Division delivers alcoholic liquor statewide, the "market area" is viewed as the entire state of Iowa for liquor manufacturers, native distillers, distiller's certificate of compliance holders, and brokers.

Educational Bulletin No. EB-2018-01

2. An industry member may not place conditions or restrictions on a class "E" liquor license holder who participates in a quantity discount offer, including, but not limited to, the following (Iowa Code § 123.45):
 - Store placement of the alcoholic liquor;
 - Pricing of the alcoholic liquor;
 - Advertising of the alcoholic liquor;
 - Store placement of the merchandise;
 - Use of the merchandise as part of a product display, product demonstration, promotional giveaway, raffle, or contest.
3. Have a strategy for the overall management of the quantity discount program.
 - It is recommended that industry members be able to articulate the specifics of their quantity discount programs.
 - Industry members have the burden to demonstrate that the quantity discount programs are conducted in a manner that is in compliance with all applicable state and federal laws, rules, and regulations.
 - Industry members are reminded that records associated with a quantity discount program are required to be maintained and accessible for inspection by the Division. (IC § 123.33)
4. Consider alternative methods for promotional offers on alcoholic liquor purchases. One alternative is a temporary price reduction (TPR). A TPR is a temporary reduction in the per-case price of a particular product. By offering a TPR, an industry member can ensure that a particular promotional offer is uniformly offered to each individual class "E" liquor license holder in the market area through the Division's online purchasing portal.

VIOLATIONS

An industry member or a retailer who commits, permits, or assents to a quantity discount program that is found to be in violation of Iowa laws or rules may be subject to administrative sanctions, including, but not limited to, civil penalty, license/permit/certificate suspension, or license/permit/certificate revocation. (IIS IAC § 16.205)

The Alcoholic Beverages Division was created to administer and enforce the laws of Iowa concerning beer, wine, and alcoholic liquor.
This bulletin does not replace statute, rule, or court decisions.
This bulletin should not be considered legal advice or a substitute for legal counsel.

Depletion Allowance Proposal

- ❖ NABCA Industry Advisory Committee Proposal

- Reviewing Legality

- Best Practices

- ABD will not buy in on TPR's

Depletion Allowance Update

- Division will pass through TPR's that are not tied to quantity discounts
 - ❖ The Division will no longer buy-in on TPR's
 - ❖ The Division reserves the right to buy in on permanent price changes

Product Management Update

- March 1, 2018
 - ABD Publication
 - Temporary Price Reductions
- May 1, 2018
 - Delisting Policy
 - Maximum Levels

Product Management Update

- July 1, 2018 Listing Manual
 - Listing Policy
 - Size Extensions
 - Highly Allocated Program
 - Special Order Program
 - Fee Schedule
 - Pricing
 - Variable Mark-Up

Special Order On Hand

- ABD will House Limited Inventory
- Developing Category Criteria
- 10 - 15 Case Maximum Storage Space Allowed
 - Specialty / Unique Items
 - High Volume Special Order Items
 - National Accounts

The

Messenger

at

ABDO



ALCOHOLIC
BEVERAGES
DIVISION
State of Iowa

April 2018



WHAT'S INSIDE

Holiday Schedule

Will-Call Hours

Updates

Comments/Complaints

Return Policy

Pricing Links

Administrator Larson

Message from the Administrator

For a number of years now, I have been committed to the Division demonstrating ongoing improvement in the distribution of spirits. In fact, this is such a high priority that it is the number one goal in the Division's strategic plan for fiscal years 2018-2022.

As a part of achieving that goal, the Division began working with the Iowa Department of Administrative Services in December 2016 to form a Request for Proposal (RFP) for a possible public-private partnership for the warehousing and/or transportation of spirits.

The RFP, which was released on May 8, 2017, received three qualifying bids. From those bids, an evaluation committee, consisting of 12 individuals with legal, technological, accounting, transportation, distribution, and other relevant skill sets, evaluated and scored the bids, and presented a final recommendation.

The bidder who was chosen to potentially provide both warehousing and distribution services is the Ruan Transport Corporation. For those not familiar with Ruan, they are an Iowa-based transportation company. Originally founded in 1932, Ruan has an extensive and impressive history in transportation, with over 300 operations nationwide, 4,200 professional drivers, and a 99.8 percent on-time delivery record. Basically, when it comes to transportation, they know what they're doing.

While I'm excited at the prospects of this partnership, it's important that we do our due diligence before a contract is signed. We want to ensure that once we enter into a partnership that it will be long-term, stable, and will continue providing our customers with the highest levels of service.

From now through June, I, along with a second highly-skilled evaluation committee, will be performing a detailed, in-depth review of all of the hard and soft costs associated with entering into a contract agreement with Ruan. Overall, we want to make sure that entering into a partnership is beneficial for the State, Ruan, and our customers.

As I have said and demonstrated throughout this entire process, I am committed to transparency. As updates become available, I will be sharing those. And if you have any questions, please do not hesitate to contact us.

At the end of the day, my focus is on creating a model for the distribution of spirits in Iowa that is sustainable, maximizes revenues, minimizes risk, is efficient and effective in meeting the service needs of our class "E" licensees, and provides Iowa consumers with brand selection and choice. I am optimistic that a partnership with Ruan can result in this model.

Sincerely,



Stephen Larson

Operations

Message from the Bureau Chief - Operations

Do you know your ABD assigned order day and cut off time?

This is a question that ABD receives on a regular basis. Every store has a specific day and time that their order must be placed each week to receive a delivery, however, a class "E" may place their order before the assigned day if they choose.

Knowing your ABD assigned order day/time, is not only important for sending us your weekly order, but is a critical part of understanding our revised holiday schedules.

Memorial Day will soon be upon us and the revised order/delivery schedule will be published in the next issue of the Messenger.

If you are unsure of your ABD assigned order day/time or if you want to confirm with ABD, please don't hesitate to email or call.

Thank you and have a great day!!



Herbert H. Sutton Jr.

Bureau Chief, Operations

sutton@iowaabd.com

Holiday Schedule



Memorial Day
May 28

ABD is closed. Orders and deliveries will be adjusted. Adjusted schedule will be communicated at least 30 days prior to the holiday.



Fourth of July
July 4

ABD is closed. Orders and deliveries will be adjusted. Adjusted schedule will be communicated at least 30 days prior to the holiday.



Labor Day
September 3

ABD is closed. Orders and deliveries will be adjusted. Adjusted schedule will be communicated at least 30 days prior to the holiday.



Veteran's Day
November 12
*Observed

ABD is closed. Orders and deliveries will be adjusted. Adjusted schedule will be communicated at least 30 days prior to the holiday.



Thanksgiving
November 22-23

ABD is closed. No orders received will be processed.



Christmas
December 25

ABD is closed. Orders and deliveries will be adjusted. Adjusted schedule will be communicated at least 30 days prior to the holiday.



New Years
January 1

ABD is closed. Orders and deliveries will be adjusted. Adjusted schedule will be communicated at least 30 days prior to the holiday.

Please refer to this publication for updates regarding our holiday adjusted schedules to ensure your order is processed accordingly. Holiday adjusted schedules are based on your **ABD assigned order day**. If you are not sure of your assigned day, please feel free to call us for clarification.

Will-Call Hours

Will-Call Order

Monday -	Before 12:00pm
Tuesday -	Before 12:00pm
Wednesday -	Before 12:00pm
Thursday -	Before 12:00pm
Friday -	Before 9:30am

Warehouse Pickup

Monday -	8:00am - 3:00pm
Tuesday -	8:00am - 3:00pm
Wednesday -	8:00am - 3:00pm
Thursday -	8:00am - 3:00pm
Friday -	8:00am - 1:00pm

Special Orders

Place special order requests 24/7 [here](#).





Compliance Update

If you need a refresher about the licensing process, update on laws & requirements, or are seeking educational material please visit our website.

<https://abd.iowa.gov/>

On the [Licensing Page](#) you can find:

[eLicensing](#)

[eLicensing User Guide](#)

[Laws and Requirements](#)

[License Classifications](#)

[Fee Schedule](#)

On the [Education Page](#) you can find:

[Bulletins](#)

[Downloadable Materials](#)

[I-PACT & I-PLEDGE](#)

[Legally Speaking Articles](#)

You can also find information on [Tobacco](#) and [Regulation](#).



Compliance Update



EDUCATIONAL BULLETIN

No. EB-2018-01

March 1, 2018

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Compliance Update

Educational Bulletin No. EB-2018-01

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Comments/Complaints

If you wish to contact ABD with a comment or question, please use the link below and complete the form.

[Contact Form](#)

If you wish to file a complaint **for review by the Regulatory Compliance Bureau**, please use the link below and complete the form. Please be as detailed as possible. You may remain anonymous, but a contact phone number or email is suggested in the event that the ABD needs further information to conduct an investigation.

[Complaint Form](#)

Return Policy

RETURN POLICY

It is the policy of the Iowa Alcoholic Beverages Division (ABD) to ensure consistency with all products and how they are returned. Products included in the returns process are: broken items, defective items, misorders, shortages, and overages. Return of products must follow the steps and guidelines listed in the returns procedure below to ensure a fair and level playing field among Class "E" licensees. Any exceptions to the returns policy must be approved by the Operations Manager, Administrator, or Comptroller.

PROCEDURE

If found upon delivery, Division drivers can accept returns due to breakage, defective items, misorders, shortages and overages. If case/bottle counts do not match the invoice, the customers and drivers must note the adjustments and sign the final page of the invoice when making returns. As soon as the customer has identified the item(s) that are short/long, it is their responsibility to contact ABD by utilizing the online return form or by calling ABD directly.

Return requests made after the conclusion of a delivery **must be submitted electronically within three business days from delivery**. Drivers cannot accept returns for products from prior deliveries without pre-authorization of an electronically submitted customer return request.

- When making returns due to missing or broken bottles or for misorderd product, **the product must be returned with its original packaging along with the case box**; this includes boxes used to transport split cases.
- No special order or highly allocated products are to be returned without the approval of Division management.
- No returns of product broken or damaged on the licensed premises if damaged by store employees.
- Unsalable products, along with merchandise transfers, must be ready for return prior to the Division driver's arrival for delivery.
- All minis (50ml bottles) including pouches must be returned as an entire sleeve to receive credit. Single bottles will not be accepted.
- Spoiled products need to be returned to ABD.
- Once an item is placed on a shelf in a retail location, or marked for sale, the product is then ineligible for return.
- Requests to return single bottles purchased as a case will not be approved for return.

For breakage and damaged products, the Division follows federal [Alcohol and Tobacco Tax and Trade Bureau](#) regulations. TTB Regulations 27 CFR 11.32 clearly defines breakage and damaged products. If the damage is caused by the product itself, such as product deterioration which results in leaking containers or damaged labels, the product will be considered a defective product under 27 CFR 11.32, and credit will be issued against outstanding indebtedness.

The Division will not allow returned products that do not meet the TTB definition of breakage and/or damaged products. For more information on TTB regulations, visit the [Alcohol and Tobacco Tax and Trade Bureau](#) website.



Products Update

Highly Allocated

Highly Allocated - Important Note for Participants

To keep the distribution list current with active licensees, a new sign up will be available. Class E licensees who are interested in participating in the highly allocated program must re-sign up.

During the month of April, highly allocated notifications will be sent out to the current distribution list. Effective May 1, 2018, highly allocated notifications will be sent out to the new distribution list.

If you would like to continue receiving highly allocated notifications, please re-sign up at the below link prior to May 1, 2018.

[Sign Up Form](#)

Please stay tuned for future updates to the highly allocated program to be announced over the next coming months.



Products Update

New Codes

CODE	DESCRIPTION	SIZE	PACK
693	Jack Daniels TN Honey w/Flask (TEMP)	0.750	6
22199	Wild Turkey Rare Breed	0.750	6
22219	Woodford Reserve Kentucky Derby 2018 (TEMP)	1.000	6
37332	UV Vodka	0.200	48
39648	Western Son Lime Vodka	0.750	12
39650	Western Son Lime Vodka Mini (TEMP)	0.500	6
41602	UV Blue Vodka	0.200	48
58845	Jose Cuervo Authentic Berry Punch	1.750	6
59163	1800 Ultimate Watermelon Margarita	1.750	6
62809	Old Forester Mint Julep (TEMP)	1.000	12
100137	Jack Daniels TN Fire w/Shot Glass Mold (TEMP)	0.750	6

Pack Size Changes

CODE	DESCRIPTION	SIZE	OLD PACK	NEW PACK
37203	Outerspace Mini	1.000	1	3



Pricing Links

Mark Up/Down

[Multiple Tab Excel Worksheet](#)

[PDF](#)

Price Book

[CSV \(Comma Separated Values, Excel Worksheet\)](#)

[Single Pages](#)

[Booklet](#)

The Division will no longer be involved in the publishing of monthly promo deals. It is the responsibility of the brokers and suppliers who offer the deals to communicate their promos to class "E" licensees each month. On the following page, you will find the brokers and suppliers who offer monthly deals, their contact information and how they plan to communicate these deals each month.

Broker/Supplier Contact Info

Company name: American Liberty
Contact name: Tim Secory
Contact email: SGWSIAINVOICE@SGWS.COM
Contact phone: 515-986-7241
How promos will be communicated: Emailed to licensees

Company name: Cedar Ridge Distillery
Contact name: Brandon Parizek
Contact email: brandon@cedarridgewhiskey.com
Contact phone: 319-857-4300
How promos will be communicated:
www.cedarridgewhiskey.com/iowa-retailer-portal

Company name: Coastal Pacific
Contact name: Greg King
Contact email: SGWSIAINVOICE@SGWS.COM
Contact phone: 515-986-7241
How promos will be communicated: Emailed to licensees

Company name: Dehner Distillery
Contact name: Joseph Dehner
Contact email: rebates@dehnerdistillery.com
Contact phone: 515-559-4879
How promos will be communicated:
<http://www.dehnerdistillery.com/rebates.html>

Company name: Iowa Distilling Company
Contact name: Kyle Doyle
Contact email: iowadistilling@gmail.com
Contact phone: 515-981-4216

Company Name: JBW Group of Iowa
Contact Name: Debi Kemp
Contact Email: Dkemp@johnsonbrothers.com
Contact Phone: 515-280-4866
How promos will be communicated: Emailed to licensees

Company name: Mississippi River Distilling Company
Contact name: Sean McQueen
Contact email: sean@mrdistilling.com
Contact phone: 563-320-2131
How promos will be communicated:
<http://www.mrdistilling.com/iowapromos>

Company name: Southern Glazer's Wine and Spirits
Contact name: Sam Crowder
Contact email: SGWSIAINVOICE@SGWS.COM
Contact phone: 515-986-7241
How promos will be communicated: Emailed to licensees

Liquor Model History

March 6, 1934 – The Iowa Liquor Control Act is enacted.
Iowa assumes direct 'control' over the wholesale and retail sale of all alcoholic liquors except beer.
The Iowa Liquor Control Commission is established.

1934

The Iowa Beer and Liquor Control Department is renamed the Iowa Alcoholic Beverages Division.

1986

1985

Iowa's monopoly of the wholesale and retail sale of wine is ended.

There were 71 different brands available in 1934. Today there are over 2,100.
Seagram's 7 Bourbon cost \$2.95 for one quart. One quart today would cost around \$10.

Iowa reorganizes its liquor control system.
Over 400 licensed private outlets take the place of the 219 state-owned liquor stores.
The Division wholesales liquor to the private outlets.

1987

A study is completed to review if the state should be involved in the sale of liquor.

2003

There are 540 class "E" licenses.
The Division sells 3.4 million gallons of spirits.

2005

Liquor is now allowed to be sold in convenience stores.
The number of class "E" licenses jumps to over 1,000.

2011

There are 861 class "E" licenses.

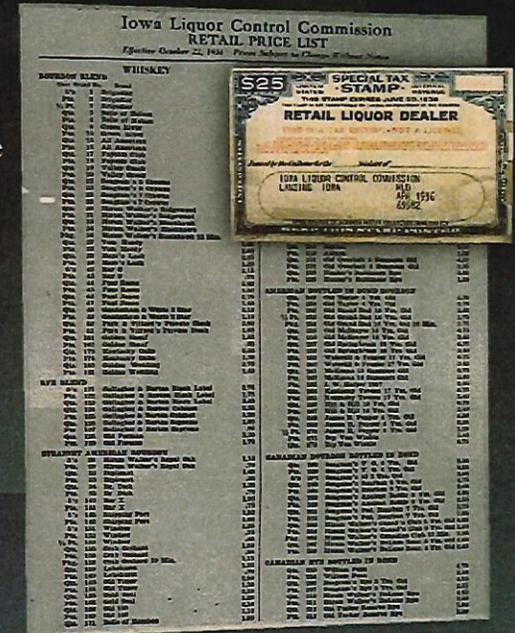
2009

A study is completed to review if the state should be involved in the sale of liquor.

2010

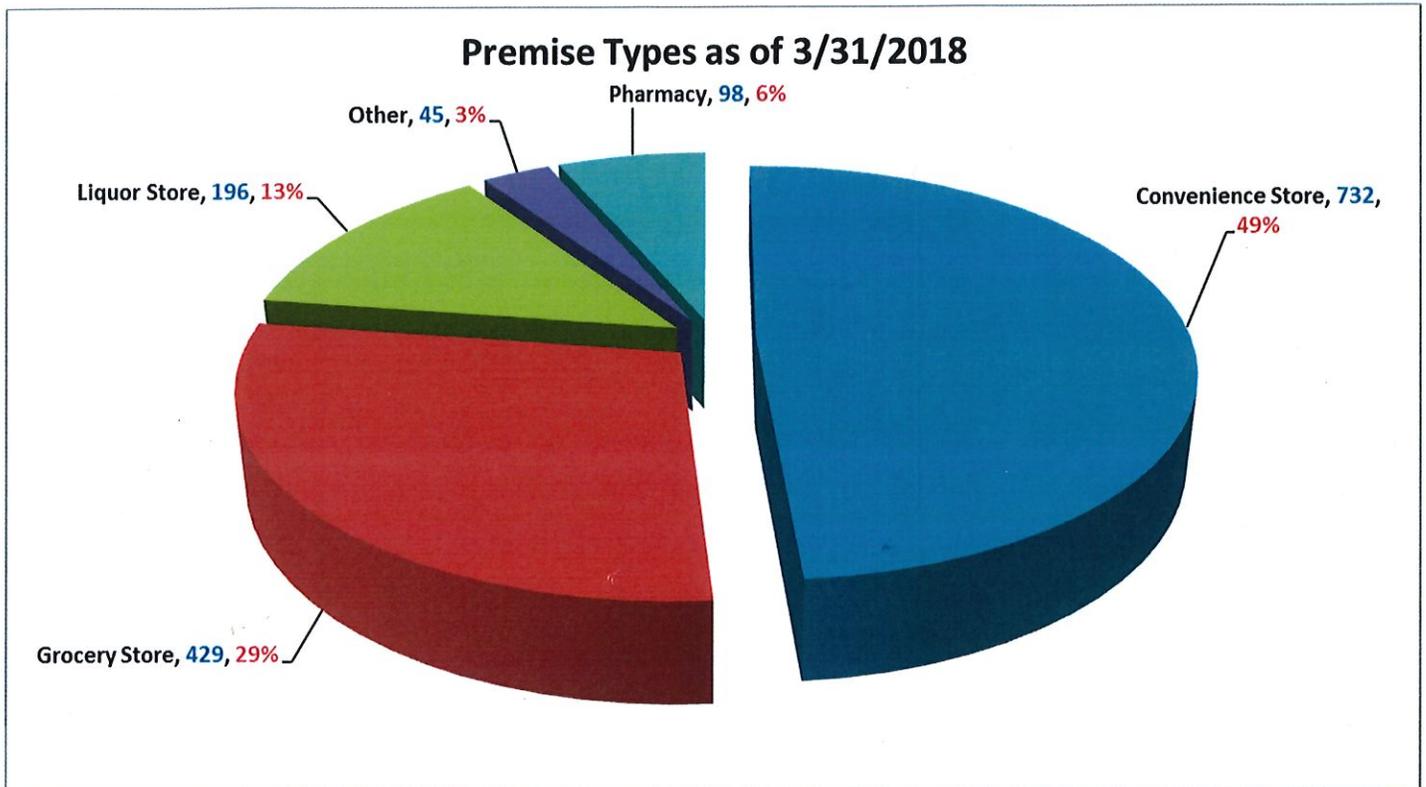
2017

There are 1,455 class "E" licenses.
The Division sells 5.2 million gallons of spirits.



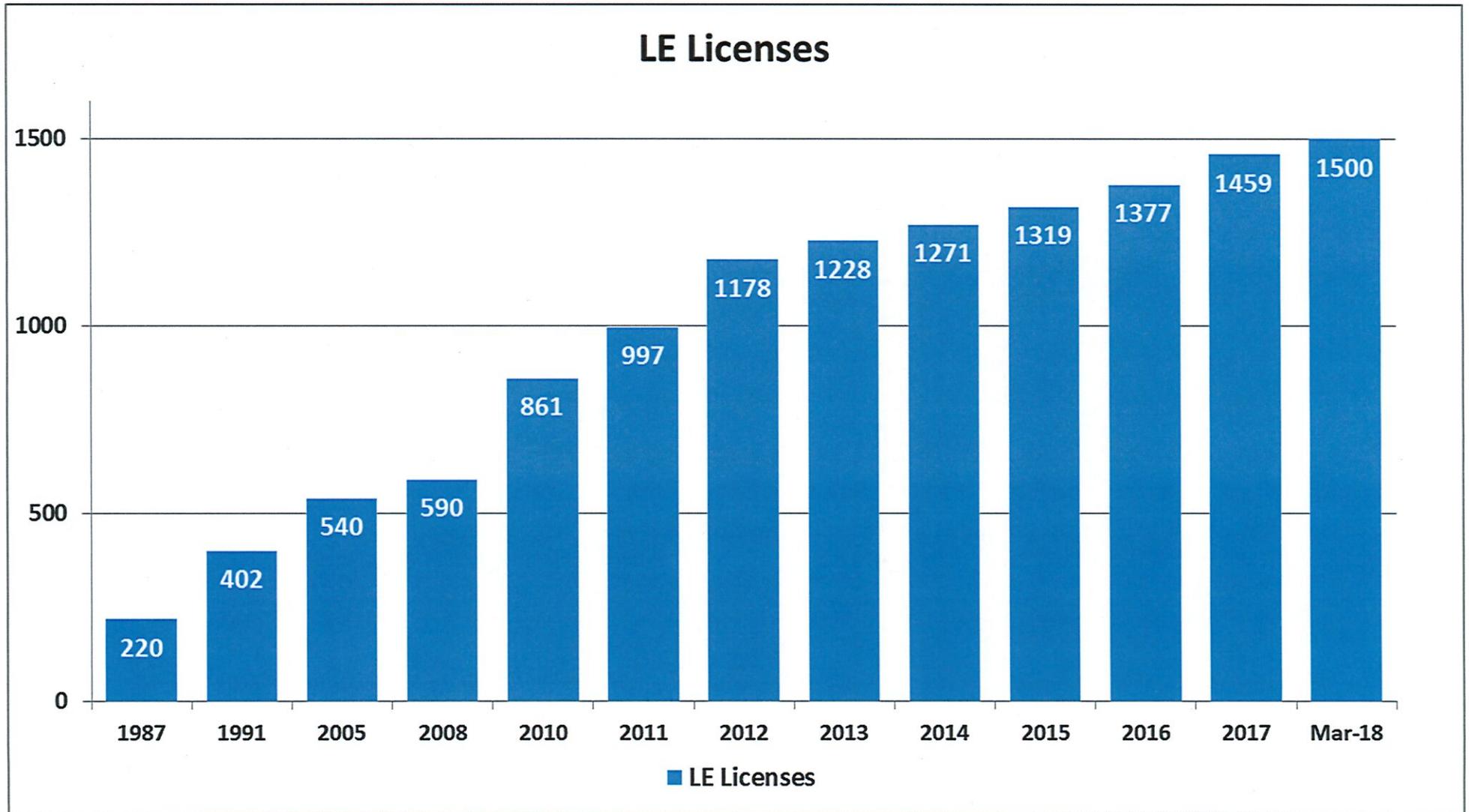
Class E Licensees as of March 31, 2018

➤ 1500 active class E licensees



Other	
Bar/Tavern	Hotel/Motel
Casino	Redemption Center
Discount Store	Specialty Shop
Excursion Gambling Boat	

- **Grocery Stores** (e.g. Hy-Vee, Walmart, Fareway, Costco)
- **Liquor Store**(e.g. Brothers Market, Smokin' Joe's Tobacco & Liquor Outlet, Central City)
- **Pharmacy** (e.g. CVS & Walgreens)
- **Discount Store** (e.g. Sam's Club)
- **Convenience Store** (e.g. Quik Trip, Casey's, Kum & Go)



*LE Licenses data based off of for the period ending on a calendar year (e.g. December 31st).

**A STUDY
OF IOWA'S
LIQUOR WHOLESALE SYSTEM**

FISCAL YEAR 2003



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 (See 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.

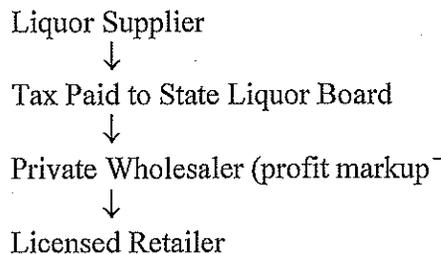
The other 32 states are referred to as "License States" and alcoholic beverage products are trafficked by privately-owned wholesalers. The License States, through their respective Alcohol Beverage Commissions, usually apply a "flat tax" on each gallon sold by a wholesaler to a retailer.

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



**A STUDY
OF IOWA'S
LIQUOR WHOLESALE SYSTEM**

FISCAL YEAR 2009



PREPARED BY

**THE IOWA ALCOHOLIC BEVERAGES DIVISION
DECEMBER 2008**

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EXECUTIVE SUMMARY

Stakeholders and policy makers periodically question the Iowa Alcoholic Beverages Division (ABD) regarding the financial and regulatory effects of the state being involved in the liquor wholesale business. The primary question generally centers on whether Iowa would be better off financially to "sell off" the liquor business and turn the system over to privately-owned liquor wholesalers.

The attached study and statistics regarding Iowa's direct role in liquor wholesaling prove the following:

- Iowa makes a *net* profit of nearly \$65 million annually from wholesale liquor operations. Iowa keeps profit that would otherwise channel to private sector wholesalers.

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

- 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. The "level playing field" practice enabled over 310 smaller independent retailers to successfully compete with over 280 chain operations in Iowa. The level playing field is particularly important to retailers and 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, 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 4,196,218 to 37,447,094 gallons, in order to maintain current annual revenue of \$65 million. At that sale rate, Iowa's adult per capita sales would be 18.26 gallons, highest in the United States and over nine times the national average of 2.00 gallons per adult.

If Iowa elected 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 257%, from 4,196,218 to 14,978,837 gallons, in order to maintain current annual revenue of \$65 million. At that sales rate, Iowa's adult per capita sales would be 7.30 gallons; highest in the United States and over three-and-a-half times the national average of 2.00 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 (\$15.61 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 (\$8.62 per raw gallon), the state would lose \$29,361,015 million in FY09 and would still have the highest tax rate of any of the "License States" in the U.S.

- Privatization of the state liquor wholesale distribution system would result not in "price competition" but rather "brand competition." 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 likely wholesalers already serve as supplier brokers in Iowa and have business and financial ties with major liquor suppliers. Liquor suppliers do not offer 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.

- The state may not realize any privatization "windfall" from the sale of assets, particularly the sale of the liquor warehouse 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.

The, through the operations of the Iowa 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.

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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).

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

1. TO MAXIMIZE THE REVENUE RECEIVED FROM LIQUOR SALES.

All states tax from the sale of spirits. The main difference is the method used by each state to collect revenue. Direct involvement in the sale and distribution of spirits allows Iowa to retain profit that would otherwise go to private sector wholesalers (See flow chart below).

Currently, 18 states and one county in Maryland are directly involved in the sale of spirits and are referred to as "Control States." The Control States were formed at the end of Prohibition and chose direct state involvement as the 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 have abandoned the Control State System.

The other 32 states are referred to as "License States" where alcoholic beverage products are trafficked by privately-owned wholesalers. The License States, through 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:

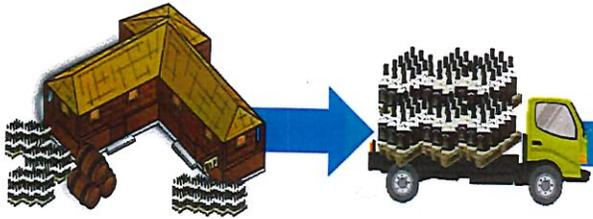
CONTROL STATE SYSTEM	LICENSE STATE SYSTEM
Tier 1 Liquor Supplier	Tier 1 Liquor Supplier
Tier 2 State Wholesaler (tax markup)	Tier 2 Tax Paid to State Liquor Board
Tier 3 Licensed Retailer	Tier 3 Private Wholesaler (profit markup)
Tier 4 —	Tier 4 Licensed Retailer

Privitization of State Stores/Distribution Ops- 1987-2006

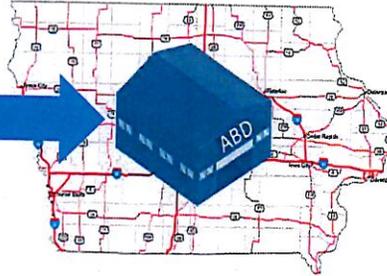
Task	Dates	
	Start	Notes
State stores privitized- Approx 1100 employees affected- 220 state store locations	1987	After privatization less than 100 ABD employees remain
After privatization number of stores grew to approx 400+	1991	
RFP issued for Whse and Transportation	10/01/1991	Proposal for both segments only
Bids due- no notes on number of bids received	11/12/1991	Several bidders attend bidders conference on 10/11/1991
Contract signed for services with J. A. Jones	11/22/1991	5 year term w/ possible two 5 year exstensions
Services begin	01/01/1992	ABD down to approx, 24 employees
*Commision meeting note	02/01/1995	Commision rep along w/ rep from Jones visited southern tier of stores, no concerns for any services provided by Jones
Contract renewed for additional 5 year term	04/25/1996	Effective 6/30/96- 6/30/2001
Contract renewed for additional 5 year term	07/01/2001	End date 6/30/2006
J. A. Jones declares bankruptcy. *Commision note; Jones losing money due to parent company constuction business	2004	ABD resumes services approx. May 2004 after 12 years by Jones
RFP for Whse and Transportation services re-issued	No specific date in 2005 found	3 components- A-whse and delivery. B-whse only. C- delivery only
Bidders conference held	09/07/2005	Many bidders attend and submit intent to bid letters
Bids due	10/17/2005	Received 4 bids- different components
ABD bid each component (3) seperatly, Bidder #2 only for component A- whse and delivery, Bidder #3 component B-whse only, Bidder #4-whse only	10/24/2005	Bid awarded to ABD for transportation and Crystal for whse. Note; these were the lowest bids
Crystal begins whse operations w/out contract due to insurance issues- Noted at commision meeting on 4/11/2006	02/01/2006	Crysal allowed to operate without the required bonds for liquor inventory and physical whse
Contract mutually terminated May 1st 2006	05/01/2006	ABD resumes full operation
Settlement and Mutual Release Agreement signed	07/17/2006	Final payment issued to Crystal

Tier 1

Manufacturer makes the product.



ABD receives product from the supplier.

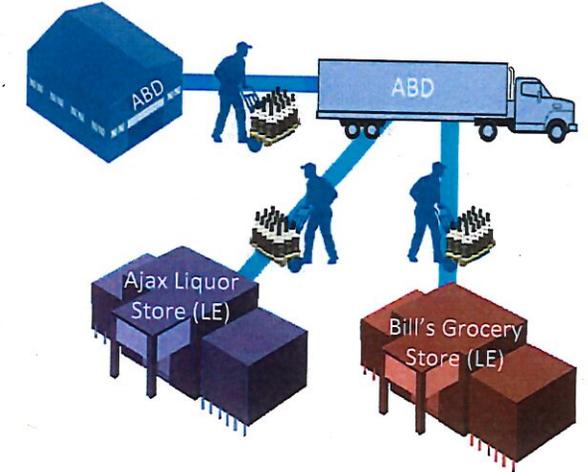


Tier 2

ABD marks up the price by 50%.

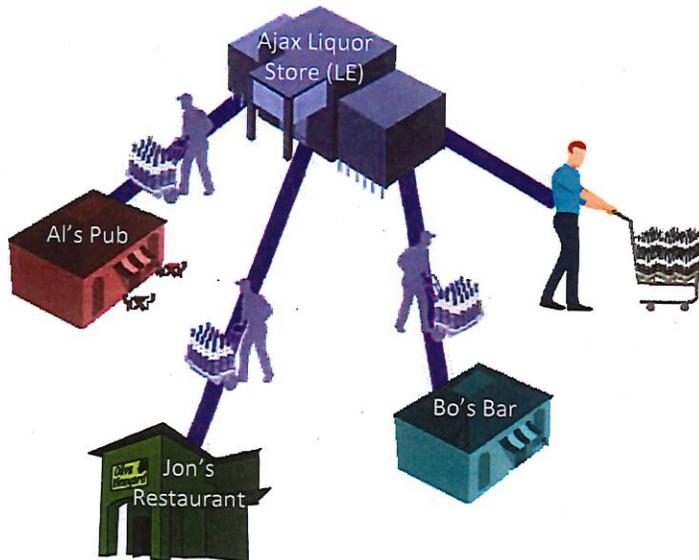
+50%

ABD sells the product to class "E" liquor license holders (LE).



Tier 3

Class "E" liquor license holders sell product to consumers for off-premises consumption and to on-premises license holders (bars, restaurants, etc.) with an unknown markup.



Tier 4

Class "A", "B", "C", and "D" license holders sell product to consumers at a price they determine.





ALCOHOLIC
BEVERAGES
DIVISION
State of Iowa

Commission Meeting Upcoming Meeting Dates

May 9, 2018

1:00 – 4:00 p.m.

Iowa Alcoholic Beverages Division (Boardroom), Ankeny

June 13, 2018

Sioux City, Iowa

(Meeting location & time TBD)

Future meeting location announcements will be made via Basecamp. To be added to Basecamp, please contact Tyler Ackerson (Ackerson@iowaabd.com).