



April 2009

Perseverance

IBG does not usually send out announcements when we close transactions. However, we felt that the recent closing of Alaska Distributors (ADCo) highlighted some points about the current consolidation environment distributors should consider.

In May of 2007, 22 months ago, we were hired by ADCo to assist them in selling their 75 year old family business. ADCo was a beverage company that sold beer (Coors, Heineken, etc.), wine, spirits, and non-alcoholic products in Alaska, Washington and Northern Idaho. They also sold liquor in Alaska. Total sales were over \$350 million with about 50% beer, 5% Non-Alcoholic and the balance in wine and spirits. They were also in the liquor and wine brokerage business across the six Pacific Northwest states.

We knew it would be difficult because of all the moving parts. Certain events had to be managed carefully and occur in the right order for us to maintain our leverage and consequently maximize the business's value. During the process the credit markets would freeze up and A-B would sell to InBev. Columbia, our primary buyer, in Seattle merged with Mt. Hood in Oregon. The Odom Corporation, our primary Alaska buyer, formed a joint venture with Southern Wine and Spirits for the wine and spirits products they purchased but kept the beer for themselves.

Other details:

- Sold 30 beer brands to 2 primary buyers and 5 other beer distributors.
- Sold 122 wine and spirits brands to 7 distributors.
- Sold 45 non-alcoholic brands to 4 different buyers.
- Dealt with the equipment, conveyor system and other assets previously required to operate ADCo.
- Leased or sub-leased over 500,000 square feet of warehousing space.

Our point is that today's consolidation environment is more complex and time consuming than ever. Do yourself a favor and work with people with a proven track record of success.

We will close with an email from ADCo's CFO, "Congratulations, with all that has been happening I almost forgot to tell you how much I enjoyed working with you. You definitely earned your fee, most of all for me. I loved your smart, creative and often times entertaining approach to the incredible amount of problems we had. I know your bio and industry experience keep you well employed, but if you ever need a reference your mother would give you, just have them call me. Hope you make it to our celebration dinner, whenever that is. All the best."

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