



ABILITY TO COMPETE

March 2006

The 1st quarter is always a good time for wholesalers to review events that will impact your ability to compete. With few exceptions, the world of beer wholesaling, as we have known it, will never be the same. Whether it is the Wine and Spirits era causing consumers to switch, or Costco causing laws to be evaluated, one thing for certain is change. Change has been occurring forever but never in my 30 years is so much happening so fast. Change will be sudden, unexpected and surprising. It can be positive or negative.

A good way to start your review might be by asking yourself these questions, “Is my business more profitable?”, “Am I growing value or do I simply have a job?”, “Can I go toe to toe with my competitor or at least can I expect to soon?”. At IBG we believe your ability to take business from your competitor will determine your future value. When we say value we are not only talking about equity (money). I am talking about your value to the brands you represent, your employees, your retailers, your consumers and yourself. If you can honestly say that you are getting bigger, better and more competitive in these areas then selling/buying/merging is probably not for you. If you aren’t, then you should determine whether likely changes will create a realistic environment for growth. An honest self-appraisal could prove critical if you want to avoid a big surprise in the not to distant future.

We have seen firsthand the repercussions of doing nothing as well as the benefits of acting in a positive way.

For the past 18 years, Independent Beverage Group has been the acknowledged leader in assisting our clients through the maze and pitfalls of wholesaler consolidation. With over 60 years of industry experience, both at the wholesale and supplier levels, IBG professionals are uniquely qualified to help you as you contemplate next steps.

Why we are the leaders in buy/sell/merge transactions:

* Experience:

o Negotiating the sale, purchase or merger of a distributorship is a complicated and tedious process. Most wholesalers dramatically underestimate the difficulty of completing the task and many get so frustrated they give up. With IBG, you benefit from all the experience we have gained throughout the years. We are well known for the consistent, professional and satisfactory service we give our customers. IBG has successfully completed over 80 buy/ sell/ merge transactions with values of over \$750,000,000. We have completed business transactions as large as 14,000,000 cases and brand transactions as small as 1,000 cases.

* Brokerage Services:

o With IBG you receive turnkey service beginning with the valuation process, negotiations, assistance with the preparation of the purchase and sale agreement, supplier approval, employee notifications and closing. Our fee is a small percentage of the “Blue Sky” price, paid only after closing.

* Legal assistance:

o We are not attorneys but we work closely with a law firm that has represented more than 20 of our clients in 11 different states. This experience is invaluable because the process is not constantly being reinvented by those with little or no industry experience at your expense. Experienced legal advice can drastically reduce the amount of time and money spent to complete the transaction. It also gives us a leg up with suppliers. This legal firm is acquainted with the legal staff of all suppliers. This familiarity helps to avoid any misunderstandings, which frequently occur when the parties do not understand supplier requirements. They help you avoid trouble while allowing you to accomplish your objective. If you want to use your own legal council IBG will work closely with them.

* Price:

o If you are unsure whether you are a buyer or a seller, IBG will work with you to develop different scenarios to help you decide which course to choose.

If you decide to sell, we will develop a strategy to obtain the maximum price for your business. Most of our competitors are staffed exclusively with accountants who use only mathematical models to determine the value of your business. They have very little, if any, background in selling. We sell your business – we do not simply present the numbers. There can be great differences between the mathematical value of a business and the amount someone is willing to pay. IBG is experienced at determining the best way to position your company so you receive maximum value. We have earned a reputation for getting top dollar and completing tough deals. As an alternative to buying or selling we are seeing increasing activity in mergers. Due to the complexity involved, third party mediation is critical. We have successfully completed several merger transactions.

* Suppliers:

o IBG works with all suppliers. We are intimately familiar with supplier expectations and contractual requirements. This helps facilitate the process. This can be extremely difficult to work through as all suppliers have their own agendas. IBG’s experience at solving problems and our ability to determine what is best for the market helps everyone. Our working relationships with suppliers unfamiliar to you can be extremely beneficial.

* Success Rate:

- o We have the ultimate incentive to succeed. If the transaction does not close, we do not get paid. The more we get for your business, the more we get paid. This may sound very basic, but it works very well. We pay all our expenses so we have an investment in time and money along with you.

- * Emotions/Egos:

- o Regardless of what you are trying to accomplish, the magnitude of selling a family business can cause emotions to overwhelm good business people. We have seen many cases where reasonable people have tried for years to strike a deal that needs to happen but cannot overcome the emotional hurdles. As an independent third party, IBG removes the emotional pitfalls inherent in our industry. We bring a sense of calm to a highly charged process. We navigate the egos.

- * Finding buyers:

- o For those who have made a decision to sell but may have been unable to locate a purchaser, IBG's considerable contacts allow us to identify purchasers likely to be approved by your suppliers. We bring to the table successful candidates from inside and outside the industry.

- * Timing:

- o Knowing when and how to consolidate can be critical to protecting and growing family wealth. IBG will give you our honest assessment of your situation. We are keenly aware of both short and long-term industry trends that are likely to have an impact on values as stated earlier. Due to the complicated legal process and ever changing supplier requirements the average time to complete a transaction is now over 6 months. It can be done faster but only under unusual circumstances.

- * Confidentiality:

- o It is critical that confidentiality be maintained. Lose lips will sink good transactions faster than anything. IBG knows how to maintain confidentiality. We know when and how suppliers must legally be notified. This is the key to keeping everything quiet because our experience tells us that the biggest source of information leaks come from suppliers and not potential buyers.

If you would like to discuss how IBG may be of service to your organization, please contact us. Several references are available upon request.