MAINE STATE LEGISLATURE

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DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
Bureau of Alcoholic Beverages & Lottery Operations
STATE OF MAINE

State of Maine
Liquor Business Analysis & Valuation
Final Report

Deloitte & Touche LLP

March 11, 2009

Version 1.0 DRAFT

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Project Overview

The Bureau of Alcoholic Beverages and Lottery Operations (BABLO) has begun planning for possible changes to the liquor business

As the State's 10-year contract with Maine Beverage Company (MBC) finishes its fifth year, BABLO has begun planning for potential options, including re-negotiating the contract early, re-negotiating the contract at its conclusion in 2014, or pursuing other business models at the contract's conclusion. To facilitate this process, Deloitte & Touche LLP was engaged to determine the current value of the liquor business contract to the state and the value of the liquor business itself. Deloitte also reviewed current business procedures, stakeholder interactions, and leading practices in other control states to identify opportunities for realizing efficiencies and growth, and develop potential options for the liquor business going forward.

Summary of Project Scope

Determine the Current Value of the Business	• Review financial statements and statistical data • Develop business valuations using the cost, sales comparison, and income approaches • Calculate both the current value of existing contract for the state and the value of the business as a standalone entity
Identify Potential Opportunities for Realizing Efficiencies and Growth	• Compare processes and statistical data against leading practices and benchmarks • Identify policies or procedures that will improve business efficiencies • Determine opportunities for achieving revenue growth within the liquor business
Identify and Value Potential Future Contract Options	• Use state data and control state/industry trends to identify potential options for future liquor business contracts • Calculate the high-level valuation of those options, using financial data and accepted benchmarks

Executive Summary

An analysis of the current liquor business highlighted stakeholder relationships, identified areas for enhancement, and provided values for the contract and business

Current Business Overview

In 2004, the State of Maine entered into an agreement with MBC to manage the state liquor business. Under that agreement, BABLO retains authority over product listing, pricing, and promotions. To date, MBC has paid the state $125 million in licensing fees and $19 million as part of the revenue sharing agreement outlined in the contract.

Stakeholder analysis highlighted the existing relationships between the various state, contractor, and third-party entities that play a role in the liquor business. In addition, stakeholders identified several opportunities for enhancing the existing business:

- Aligning business incentives by providing more opportunities for agents to increase their return on investment and more information for vendors on business performance
- Offering more visibility into the sales and operations processes by providing additional sales and performance data
- Enhancing pricing and promotions by adjusting pricing policies
- Enhancing product management by improving category management procedures

Current Contract & Business Value

By analyzing financial data using standard valuation methods, both the remaining value of the contract for the state and the current fair market value of the business (i.e. the payment expected if the business were sold in the current market) were determined.

The present value of the estimated additional revenue Maine can expect to receive from the contract is **$39 million**.

The expected fair market value of the business, as of January 1, 2009, is **$378 million**.

Comparable State Analysis

Using data and analysis from the National Alcoholic Beverage Control Association (NABCA), leading control states were identified and interviewed. The following are key findings from the control state analysis:

- Policies and procedures vary greatly across states and are often driven by policy goals rather than business needs
- Control states are moving toward using performance metrics and other data-driven approaches to improve sales
- Some control states with privately-owned liquor stores give retailers leeway in setting final consumer prices
- To cut costs, state liquor authorities are looking to automate and streamline processes where appropriate.

The current state analysis, combined with a review of leading control state practices and industry data enabled the development of potential options for the future

Potential Future Options

Current state analysis and comparable state findings were combined to develop 4 potential options, in addition to the current business approach, for the state to consider (see chart below).

- Option 1 highlights the impact of a return to state management
- Option 2 represents the current business approach
- Options 3, 4, & 5 are cumulative options – that is they build on one another to add incremental value to the state liquor business
- Options 3, 4, & 5 provide a roadmap for Maine to follow to incorporate leading practices into the liquor business approach

	Option 1	Option 2	Option 3	Option 4	Option 5
Name	**State-Controlled Management**	**Base Case (Status Quo)**	**Aligning Business Incentives**	**Moving Closer to the Customer**	**Streamlining Distribution**
Overview	• State management & oversight • Contracted warehousing & logistics	• Private management • State oversight • Current business model	• Pricing formula • Tiered mark-ups • Strategic promotions • Performance metrics to drive sales	• Product optimization • Data-driven product assortments • Targeted marketing to increase sales	• Strategic agent recruitment • Direct ordering for on-premises • Online special order system
State Revenue	n/a	$39 million	$55 million	$61 million	$64 million
Business Value	$380 million	$378 million	$411 million	$445 million	$453 million

Note: "State Revenue" refers to the present value of the expected revenue, in addition to the $19 million already received, that the State of Maine would expect to receive under the current contract terms, as impacted by each option.

Current Maine Liquor Business Analysis

Under the current contract, MBC manages liquor distribution under BABLO's oversight

In 2004, the State of Maine entered into an agreement with MBC to carry-out the liquor distribution functions that had previously been managed by BABLO.

General Contract Terms

- MBC holds the exclusive license to distribute and sell spirits at the wholesale level in the State of Maine
- In return for this license, MBC paid an initial license fee of $125 million and agrees to share 50% of all profits above a guaranteed 36.8% margin
- Pine State Trading Company has subcontracted with MBC to warehouse the liquor and manage the logistics of order processing
- Suppliers retain ownership of all product stored in the warehouse until it is shipped to agency stores; the state retains ownership of the product between the time it leaves the warehouse through receipt of delivery at agency stores
- BABLO maintains control over product pricing and approves all promotions and new product introductions

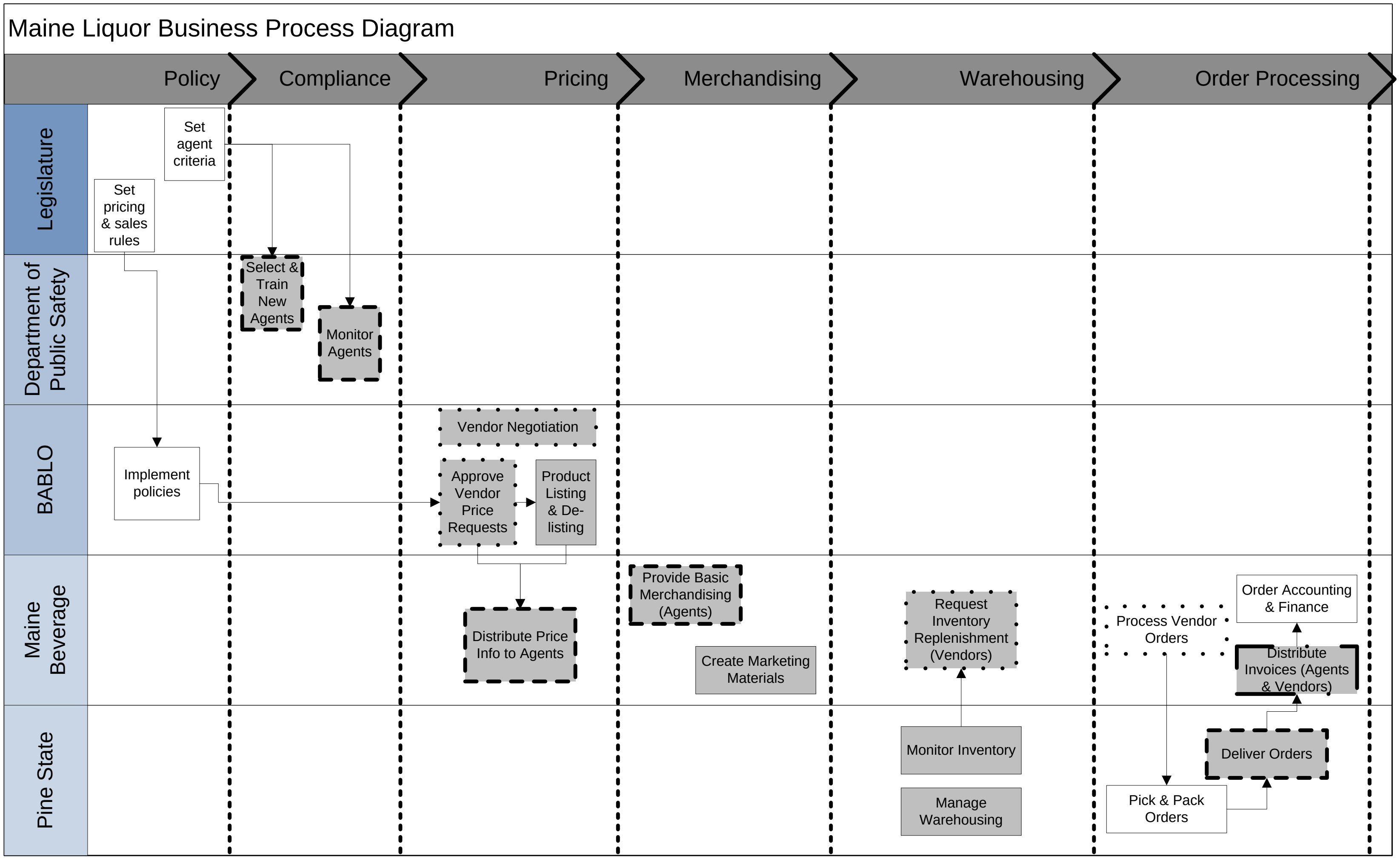
Roles & Responsibilities

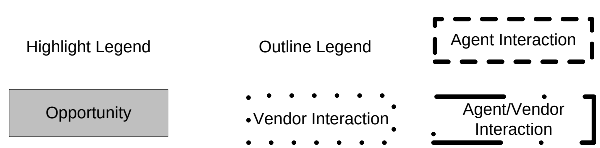
BABLO	Dept. of Public Safety	MBC	Pine State
• Pricing & Promotions* Approval • New Product Approval	• Issuing & renewing agency store licenses • Monitoring agency store compliance	• Facilitating sales / orders • Merchandising & marketing	• Warehousing • Logistics • Inventory management

* Promotions include monthly vendor-requested discounts and state-matching discounts.

As a first step in the business analysis, a high-level internal process flow was developed and reviewed to identify potential areas for process improvement

The chart below depicts a high-level process flow for essential management functions carried out in the Maine liquor business. Highlighted processes were identified as potential opportunities for improvement.





Note: There is one exception to the purchase processing represented in this diagram. Purchases of industrial strength (i.e. 190 proof) alcohol requires direct permission from BABLO. Approximately 5-6 requests for these types of purchases are received each year from purchasers who use the product for cleaning and sanitation purposes.

Stakeholder reviews were conducted and feedback was synthesized to highlight areas of opportunity

- **Stakeholders noted that since the privatization, there have been noticeable operational improvements**
  - Orders are processed more quickly
  - Delivery options have improved – in particular, agents appreciate the option of 2 deliveries per week
  - MBC provides a consistent and comprehensive product selection

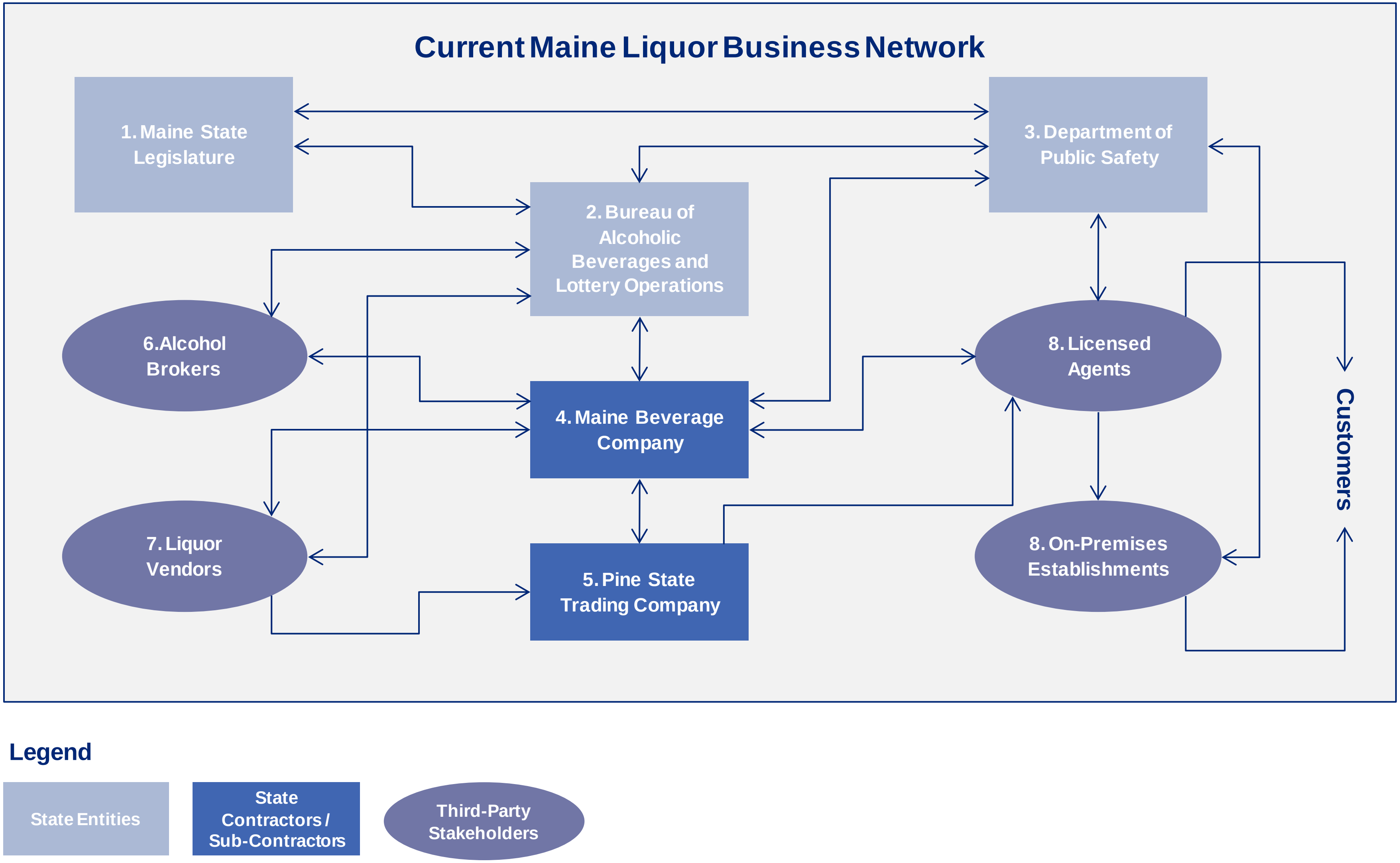
- **However, stakeholder discussions also emphasized areas of focus for enhancing the business**
  - ***Changes are needed to align the incentives of various stakeholders***
    - Currently, various stakeholders face conflicting business incentives. For example:
      - Pine State's overhead costs increase if agents are added; therefore there is some ambivalence over increasing the number of licensed agents.
      - Compared to other products (e.g. wine), liquor presents limited opportunity for agents to earn a return on their investment. Consequently, there may be more focus on selling products with a higher return.
      - Vendors are aware that the market conditions (e.g. marketing & merchandising regulations; perceived profit limitations for agents) in Maine may prevent optimal marketing. Consequently, vendors may be more likely to focus efforts on other state markets.

  - ***There is opportunity to increase visibility into sales and operations processes***
    - Inadequate restaurant sales data makes it difficult for brokers and vendors to develop sales strategies
    - Existing regulations can be confusing and the compliance monitoring process is not always transparent
    - More up-to-date and accessible information on agent and on-premises license status would help some procedures (e.g. product order processing and deliveries) to run more smoothly
    - There is a widespread perception that Maine's liquor prices are not competitive, particularly with liquor prices in neighboring New Hampshire

  - ***Pricing and promotions should be revised to realize efficiencies and promote sales growth***
    - The current one-size fits all approach to pricing prevents sales gains through strategic product pricing
    - Offering volume discounts or providing disincentives to single-bottle purchasing could increase case sales
    - Considering zone pricing or discount store strategies near state borders could increase sales for the state

  - ***Product management should be revised to improve product flow and promote strategic merchandising***
    - Because agents aren't allowed to reduce prices on overstocked items, some face "dead inventory" problems

Stakeholder analysis provided an outline of the network of interaction between the various state, contractor, and third-party entities that make up the liquor business



State entities currently develop policies and provide oversight, but there is opportunity for them to play a more strategic role in the liquor business

Stakeholder	Current Role	Opportunities	Constraints
1. Maine State Legislature	• Proposes and approves legislation regarding liquor sales	• Enable legislation to promote growth in the liquor business (e.g. allow merchandising parity with beer & wine) • Streamline & refresh liquor regulations • Consider competitive pricing	• Political pressures
2. Bureau of Alcoholic Beverages and Lottery Operations (BABLO)	• Implements state policies • Develops pricing & promotions procedures • Approves pricing, promotions, and new product introductions • Oversees wholesale contract	• Develop pricing and promotions strategies to increase revenue growth (e.g. deeper discounts; revised margins for agents) • Develop long-term liquor sales strategy with input from other stakeholders • Revise product listing / de-listing procedures to reduce inventory costs for slow-moving products • Provide compliance support and/or guidance to the Department of Public Safety	• Laws and regulations • Contract terms • Guaranteed 36.8% margin
3. Maine Department of Public Safety	• Approves license requests for agents, on-premises establishments, manufacturers, and vendors • Monitors licensee compliance • Processes violations	• Streamline licensing process (i.e. same renewal date for all of an agent's licenses) • Collect on-premises liquor sales data • Develop more stringent criteria for agency license approval (e.g. financial stability; sales turnover) • Provide more information on compliance regulations (e.g. develop clear guidance; target key regulations; identify regulations that may need revision)	• Resource levels • Multiple license types • Title 28A (alcohol regulations) is a "bit of a patchwork"

There is opportunity for state contractors & sub-contractors to work with state entities and stakeholders to make their business model more customer-driven

Stakeholder	Current Role	Opportunities	Constraints
4.Maine Beverage Company (MBC)	• Processes agent orders • Processes agent and vendor invoices • Provides financial data and other reports to BABLO • Provides merchandising assistance when requested • Develops marketing materials • Processes merchandise returns	• Work with state on pricing and promotions strategy • Develop and facilitate merchandising strategy for agents (i.e. offer services targeted at agent needs based on size or sophistication) • Develop allocation and distribution plan for limited-supply items (i.e. gift packs) • Clarify and/or revise returns & breakage policy (e.g. allow longer return time for larger agents)	• Legislative restrictions • Dependent on price data from BABLO • Different business model and approach than Pine State • Varying levels of agent sophistication
5.Pine State Trading Company	• Provides bailment services for vendors • Manages logistics • Monitors inventory	• Consider offering different delivery options based on agent size or needs (e.g. weekend deliveries for high turnover customers or during busy seasons) • Consider offering just-in-time special deliveries to meet unexpected needs (this option could also be fulfilled by agents if cash-only purchases direct from vendors were allowed)	• Contract terms • Increasing agent numbers from those assumed in the original contract

Third-party entities provide valuable insight into improvement opportunities; they will also be instrumental to the success of any implemented changes

Stakeholder	Current Role	Opportunities	Constraints
6.Brokers	• Serves as a liaison between liquor vendors and BABLO • Provides market information to vendors • Offers product support to agents and on-premises establishments	• Work with BABLO and MBC on pricing and promotions strategy • Develop suggestions for revised regulations (e.g. incorporate a marketing perspective into the existing regulations)	• Lack of on-premises sales data • Lack of a pricing formula • Lack of transparency with compliance monitoring process
7.Vendors	• Develops Maine sales strategy • Works with brokers to target products and markets	• Develop product management policies to reduce inventory costs on low or non-moving products (e.g. remove “dead inventory” from the warehouse) • Provide direct delivery service to large agents	• State prices • Market size
8.Agents / On-Premises Establishments	• Purchases liquor from MBC or re-selling agent • Final point of sale with consumers	• Work with MBC and brokers to improve merchandising & increase sales	• Perceived low profit margins • Dead inventory

Current Business Valuation – Approach, Assumptions, & Calculations

Under the existing contract, the State of Maine can expect to receive an additional $39 million* in payments under the revenue sharing agreement

We estimated the investment value associated with the remaining term of the State's Contract with MBC by valuing the cash flows associated with the State's share of the gross profit overage, as determined in accordance with the terms of the Contract. The following assumptions were used in our analysis:

- Revenues are assumed to grow at a constant rate of 3% over the remaining term of the Contract.
- Gross margin percentage is based on 2008 gross margin and remains constant over the remaining life of the Contract.
- 36.8% gross profit guaranteed to MBC.
- State receives 50% of gross profit overage.
- Cash flows are discounted at a rate of 3.2%. This discount rate represents the yield on Maine state municipal bonds as of January 1, 2009.
- **Estimated remaining investment value of the Contract: $39 million (Appendix A - Exhibit 1a)**

The State has received approximately $19 million to date from the Contract's profit sharing agreement with MBC.

Note: We also calculated the value of the Contract using the revenue growth projections provided by MBC on February 4, 2009, which resulted in an investment value of $17 million. (Exhibit 1b)

* This number represents the present value of payments Maine would receive through the term of the contract.

The fair market value of the business, that is the value expected to be received if the business were sold on January 1, 2009, was calculated using two methods

- Estimating the fair market value of a business enterprise may involve the application of several methods within the three generally accepted approaches to value (cost approach, income approach, and market approach). After considering certain factors and the nature of the available data, we determined that the following approaches and methods are most appropriate for valuing the State Liquor Business. We did not use the cost approach as this methodology is typically only used to value holding companies, asset intensive businesses, and in the case of liquidation. This cost approach is usually not used for valuing going concern businesses. This valuation assumes that the business continues to operate into the future as a going concern.

- **Income Approach – Discounted Cash Flow Methodology**
  - To determine the fair market value of the business enterprise of the State Liquor Business, we valued the annual cash flows expected to be generated by the business over a discrete period. We also estimated a terminal value as of the end of that period, which captures the value of the business into perpetuity. We discounted these cash flows at a risk adjusted rate of return to determine the business enterprise value as of the Valuation Date.

- **Market Approach – Guideline Public Company Methodology**
  - We also estimated the fair market value of the business enterprise of the State Liquor Business under the guideline public company method. We developed value measures based on prices at which stocks of companies similar enough to be used for comparative purposes are trading in the public market. The value measures developed have been applied to the business’ financial fundamentals to determine the business enterprise value as of the Valuation Date.

Valuation of State Liquor Business – Income Approach

- General Assumptions
  - Revenues are assumed to grow at 3% annually. We considered the projected revenue growth rates of the guideline public companies, future revenue growth expectations for the Wine and Spirits Wholesaling industry, as well as the expected future rate of inflation in estimating the 3% growth rate. See below.

	Forward Estimates					
	2009	**2010**	**2011**	**2012**	**2013**	**5 Year Average**
Median Guideline Public Company Revenue Growth Estimates (1)	**2%**	**4%**	**5%**	**4%**	**9%**	**5%**
US Wine & Spirits Wholesaling Industry Revenue Growth Estimates (2)	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**
Inflation Estimates (3)	**1%**	**1%**	**2%**	**2%**	**-2%**	**1%**

Notes:

(1) Based on projected growth rates for Diageo Plc, Brown Foreman Corporation, Central European Distribution Group, Molson Coors Brewing Co., Coremark Holding Company, Constellation Brands, Inc., Amcon Distributing Co., and Sysco Corp. Source: Capital IQ

(2) Source: IBIS World Industry Report, "Wine & Spirits Wholesaling in the US," report date October 2, 2008.

(3) Source: Economist Intelligence Unit "Country Forecast, United States," report dated December, 2008

Valuation of State Liquor Business – Income Approach Cont.’

- All margins and expenses are estimated to remain constant as a percent of revenue at their 2008 levels.

- Taxes are estimated at a market participant marginal tax rate of 40.8%, assuming a 35% Federal tax rate and a State income tax rate of 8.93%

- Cash flow adjustments
  – Adjustments to earnings before interest and taxes (“EBIT”) are made to estimate available cash flow to the business. These adjustments include depreciation expense, forecasted capital expenditures, and changes in working capital. Working capital requirements are estimated to be 2.5% of revenue based on consideration given to the business’ actual working capital requirement and industry norms.

- Discount Rate
  – We discounted the cash flows using a rate of 10%, as shown in our discount rate analysis (Appendix A - Exhibit 6). The discount rate represents the return required by an investor in the business. It considers the time value of money, inflation, and the risk inherent in the business.

Valuation of State Liquor Business – Income Approach Cont.’

- **The estimated fair market value of the State Liquor Business under the discounted cash flow method is $359 million.**

- This represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller as of January 1, 2009. (Appendix A - Exhibit 3) This value is based on the aforementioned assumptions used under the income approach and is irrespective of the terms of current Contract.

Valuation of State Liquor Business – Guideline Public Company Method

- There are relatively few publicly traded companies that are directly comparable to the State Liquor Business. As such, we identified the following two sets of guideline companies that we considered to be similar enough to be used for comparative purposes.
  - Alcohol Manufacturers/Distributors
    - Brown-Foreman Corporation, Central European Distribution Corp., Constellation Brands, Inc., Molson Coors Brewing Company, and Diageo Plc
  - Distributors
    - Core-Mark Holding Company, Inc., Amcon Distributing Co., and Sysco Corp.
- We selected multiples of business enterprise value ("BEV") to revenue and BEV to earnings before interest, taxes, depreciation, and amortization ("EBITDA") as appropriate measures of value. We selected a revenue multiple of 3.0x consistent with the high multiple, as shown in Exhibit 5, as the State Liquor Business was more profitable than all of the guideline companies. We selected an EBITDA multiple of 9.0x based on consideration given to the weighted average median EBITDA multiple of the two sets of guideline companies. We also gave additional consideration to the EBITDA multiple of Central European Distribution Corp. as we have identified this company as being the most comparable to the State Liquor Business. Refer to Appendix A -Exhibit 5 for the guideline company multiples.

Valuation of State Liquor Business – Guideline Public Company Method cont.'

- As the BEV values for the guideline companies are based on a per-share price, they are indicative of the value on a non-controlling basis. A control premium of 20.0% was added to the equity value to reflect the additional value of control not included in these multiples. The control premium was based on the Mergerstat 2008 3rd Quarter Control Premium study for the Wholesale Trade industry. The Mergerstat Control Premium study analyzes the additional consideration paid over a marketable minority equity value in order to own a controlling interest in the common stock of a company. The study analyzes premiums paid in transactions that occurred between September 30, 2007 and September 30, 2008 in the Wholesale industry.

- **The estimated fair market value under the guideline public company method is $397 million.**

- This represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller as of the January 1, 2009. (Appendix A - Exhibits 4 & 5) This value is based on the aforementioned assumptions used under the market approach and is irrespective of the terms of the current Contract.

The final market value of the business was determined based on a weighted average of the two calculation methods

- In order to determine the overall fair market value of the State Liquor Business, we assigned equal weighting to the values indicated by the discounted cash flow and the guideline public company method.
- **The concluded fair market value of the State Liquor Business is $378 million. (Appendix A - Exhibit 2)**
- This represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller as of January 1, 2009, irrespective of the terms of the current Contract. This value is based on the assumptions discussed under the income approach and market approach.

Comparable Control State Analysis

Data analysis revealed that in most cases, Maine's average prices for the state's ten most popular products are higher than those in other control states.*

The table below provides a comparison between Maine's retail liquor prices and those in selected control states. This comparison shows that the state's prices for 8 of the top 10 products exceeds the average control state price, indicating that the current contract terms may impede Maine's ability to implement more competitive pricing.

Maine's Top 10 Products	ME Avg Price	Control States Avg Price**	NH Avg Price	VT Avg Price	MT Avg Price	ID Avg Price	OR Avg Price	PA Avg Price
Domestic Vodka	12.00	10.14	**9.73**	**10.87**	**8.74**	**10.03**	**10.24**	**10.33**
Coffee Brandy	13.30	7.30	12.05	10.68	7.67	10.49	9.63	7.99
Rum - Light	14.93	11.98	**12.67**	**8.44**	**11.66**	**11.49**	**11.42**	**12.77**
Rum - Flavored	17.75	14.36	**13.84**	**13.03**	**14.13**	**12.89**	**14.98**	**15.97**
Canadian Whiskey (US Blend)	12.09	11.62	**10.61**	**11.23**	**10.90**	**11.98**	**14.04**	**11.36**
Imported Vodka	22.93	21.32	**19.88**	**18.70**	**22.42**	19.40	**20.55**	**21.62**
US Whiskey - Bourbon	15.99	*16.71*	***17.11***	**15.91**	***17.08***	***16.14***	***17.33***	***18.09***
Cordials - Liqueurs & Specialities	17.27	*18.18*	**13.42**	**13.17**	***20.50***	***17.66***	*20.02*	**17.07**
US Whiskey - Blend	11.75	10.94	10.47	*11.82*	11.23	11.05	**8.94**	11.55
Canadian Whiskey (Foreign Blend)	19.86	19.57	**14.89**	**12.62**	***22.68***	***19.95***	**18.95**	19.06

*The products in this table represent the top products by sales volume. The data, supplied by NABCA, included sales data for 9 liter cases and average retail prices by category for the 2008 calendar year.

**The Control States Avg Price does not include the wholesale-only states - IA, MI, MS, WV, WY – as only wholesale prices were available and therefore no direct comparison could be made. Prices in bold represent products that are also among the top 10 sellers, based on the number of cases sold, in their respective markets. Prices in italics represent average prices that exceed Maine's average price in that category. NH and VT were chosen as comparison states due to their proximity; MT and ID were chosen due to their similar total population; OR was chosen due to its similar population density; PA was chosen to highlight potential pricing trends in a large market. It should be noted that coffee brandy was a very low-selling product in all states except NH where it was ranked 19 by volume and VT where it was ranked 26 by volume.

Source: NABCA data, Deloitte analysis

Leading control states were identified and interviewed to determine key practices and trends in state liquor businesses

- **Policies and procedures vary by state and in many cases are determined by historical and political factors rather than business needs**
    - Three of the five states interviewed used price mark-ups that had been determined by statute; the other two states based their mark-up percentage on desired revenue goals
    - Michigan chooses not to compete with neighboring states on prices, but rather relies on using enforcement to deter state residents from purchasing liquor in states with lower prices

- **States are adopting criteria-based policies and performance measures to guide liquor policies**
    - Agency stores in Vermont earn a commission based on sales; the commission rate is determined based on performance measures such as store cleanliness
    - Mississippi and Pennsylvania have comprehensive data-driven policies for product listing /de-listing
    - Pennsylvania and New Hampshire use demographic, price, and category data to place stores into distinct clusters; each cluster receives a product selection based on the data analysis

- **Some states with privately-run stores give retailers leeway in price-setting, allowing for increased profit margins at the retail level**
    - Mississippi sets the wholesale price; allowing package stores to determine the retail price based on market conditions in their region
    - Michigan sets a retail price floor, but allows retailers to increase prices above the minimum

- **States are looking to automate and streamline processes in order to cut operating costs**
    - Vermont is automating warehouse processing
    - Michigan is increasing computer-assistance where applicable to reduce staff costs
    - Pennsylvania is working with a company to develop kiosks that can be placed at local supermarkets to facilitate wine sales without requiring additional stores or staff
    - New Hampshire is exploring the possibility of implementing an ERP system to facilitate marketing and product management

Vermont has successfully implemented performance measures to improve sales and operates a leading practice special order program

Vermont Liquor Business Facts

Management Approach	Store Type	Number of Stores	FY08 Cases Sold*	FY08 Cases Sold Per Capita**	Number of Listed Liquor Products***
• State-run management including warehousing • Sets retail prices	• Agency stores • State-owned inventory	75	382,775	0.62	2500

Other notable practices and trends in Vermont include:

- To develop their case mark-up, Vermont conducted a review of their operational costs and business needs. That analysis was used to develop the current mark-up and is repeated as necessary to ensure operational funding is adequate.
- The State of Vermont owns the liquor inventory at agency stores until it is sold to the ultimate consumer. Under this management system, stores receive a commission for each sale made. Recently, Vermont instituted performance measures to determine the sales commission for stores. These metrics included things such as sales targets and store cleanliness. Since the program has been instituted, performance has improved dramatically and agents report being extremely satisfied with their commission rates.
- Vermont is currently working to automate warehouse processing to reduce costs and improve service.
- Vermont currently operates a leading practice special orders system. In 2000, the process was entirely automated allowing agents to place special orders directly through their cash registers. Within one year of implementation, the number of specially-ordered cases doubled and has been steadily increasing since then. In 2005, the state added a website allowing customers to place special orders directly.
- The state is considering a return to the gallonage tax system, as opposed to the current retail tax approach.

Source: Interview with Mike Hogan and Tonia Price, Vermont Department of Liquor Control; NABCA, Deloitte Analysis
*Cases sold are listed as reported by the state liquor authority
** For comparability, cases sold per capita were determined using NABCA data of 9 liter cases sold in 2008. Using this method, Maine sold 0.70 cases per capita in 2008.
***This number includes the total liquor stock-keeping units (SKUs) that are currently listed for sale in the state. Each individual product could have multiple SKUs, as each size of a product is given an individual SKU. Maine currently lists approximately 2500 SKUs.

Michigan allows retailers to raise prices as long as the state-determined price floor is maintained; the state also conducts a thorough product listing review semi-annually

Michigan Liquor Business Facts

Management Approach	Store Type	Number of Stores	FY08 Cases Sold*	FY08 Cases Sold Per Capita**	Number of Listed Liquor Products*
• State-run management • Outsourced warehousing • Sets retail price floor	• Wholesale-only state • All stores are privately-owned and operated	4000	6,600,000	0.65	5500

Other notable practices and trends in Michigan include:

- Periodically, Michigan sets a range for the case cost mark-up (e.g. the current range is 51% - 65%). Over the subsequent years, the Liquor Control Commission raises the mark-up used, within the specified range, to meet revenue goals. When the maximum for the range has been reached, the state reviews sales and revenue targets to create a new mark-up range.
- Michigan currently sets a retail price floor, but allows retailers to raise the price as they see fit to accommodate their individual markets.
- If a product does not sell at least 3 cases in 6 months (6 cases in 12 months for seasonal products), it will no longer be listed in the state. Currently, the state de-lists approximately 300-400 products every month.
- Michigan's retail prices typically exceed those of neighboring states. Instead of trying to make state prices more competitive, liquor authorities prefer to take an enforcement approach (i.e. penalizing residents crossing the border with out of state liquor purchases).
- The state is currently reviewing licenses and license fees to determine which fees can be increased and what, if any, new types of licenses can be created.

Source: Interview with Steve Robinson, Michigan Liquor Control Commission; NABCA, Deloitte Analysis
*Cases sold are listed as reported by the state liquor authority
** For comparability, cases sold per capita were determined using NABCA data of 9 liter cases sold in 2008. Using this method, Maine sold 0.70 cases per capita in 2008.
***This number includes the total liquor stock-keeping units (SKUs) that are currently listed for sale in the state. Each individual product could have multiple SKU, as each size of a product is given an individual SKU. Maine currently lists approximately 2500 SKUs.

Mississippi runs an exemplary order processing operation – fulfilling and shipping all orders within 24 hours; the state also runs a comprehensive product listing program

Mississippi Liquor Business Facts

Management Approach	Store Type	Number of Stores	FY08 Cases Sold*	FY08 Cases Sold Per Capita**	Number of Listed Liquor Products***
• State-run management • Outsourced warehousing • Sets wholesale prices	• Wholesale-only state • All stores are privately-owned and operated	565	1,600,000	0.56	1538

Other notable practices and trends in Mississippi include:

- The state processes and ships all orders within 24 hours of receipt. Orders received by 11am are shipped the same day for delivery on the following day. In addition, each package-store can receive a delivery daily, as long as the order meets the minimum 5 case requirement.
- Package stores in Mississippi have complete control over setting retail prices (i.e. the state currently sets wholesale prices only). This has allowed Mississippi to maintain retail prices that are lower than those of neighboring states making Mississippi retailers more competitive in border areas.
- The state passes all vendor discounts directly to package stores.
- Mississippi has a comprehensive product listing procedure that stipulates the minimum sales for each product type during a calendar year. If a product doesn't meet that target it will no longer be listed for sale in Mississippi. However, if the product meets those sales targets through the special order process in a subsequent year, it will be added to the product list after attaining the specified sales goal.
- Mississippi charges $0.30 per bottle in every split case (i.e. $3.60 for a 6-bottle case).

Source: Interview with Patsy Holeman and Jamie Eubanks, Mississippi Office of Alcoholic Beverage Control; NABCA, Deloitte Analysis
*Cases sold are listed as reported by the state liquor authority
** For comparability, cases sold per capita were determined using NABCA data of 9 liter cases sold in 2008. Using this method, Maine sold 0.70 cases per capita in 2008.
***This number includes the total liquor stock-keeping units (SKUs) that are currently listed for sale in the state. Each individual product could have multiple SKUs, as each size of a product is given an individual SKU. Maine currently lists approximately 2500 SKUs.

Pennsylvania has implemented data-driven policies to target customer needs and identify optimal category management practices

Pennsylvania Liquor Business Facts

Management Approach	Store Type	Number of Stores	FY08 Cases Sold*	FY08 Cases Sold Per Capita**	Number of Listed Liquor Products***
• State-run management • 2 of the 3 state warehouse facilities are operated by state contractors • Sets retail prices	• State-owned and operated stores	620	13,070,372	0.51	1929

Other notable practices and trends in Pennsylvania include:

- The state offers a 10% volume discount to customers (i.e. on-premises establishments) purchasing a minimum amount of product.
- Pennsylvania's large liquor market attracts considerable vendor promotion dollars annually (approximately $55-60 million).
- Where possible the state has created data-driven policies to guide business operations:
  - Products are removed from the state listing if they don't meet certain profitability, sales, and growth metrics.
  - The state recently conducted a comprehensive analysis of demographic, price, and product category data to categorize stores into customer clusters; each store receives a product assortment targeted at its designated customer cluster.
- Pennsylvania is currently exploring several business improvement options including re-branding its stores; streamlining its warehousing and distribution system; and using new technology to improve business processes.

Source: Interview with Faith Diehl and others, Pennsylvania Liquor Control Board; NABCA, Deloitte Analysis
*Cases sold are listed as reported by the state liquor authority
** For comparability, cases sold per capita were determined using NABCA data of 9 liter cases sold in 2008. Using this method, Maine sold 0.70 cases per capita in 2008.
***This number includes the total liquor stock-keeping units (SKUs) that are currently listed for sale in the state. Each individual product could have multiple SKUs, as each size of a product is given an individual SKU. Maine currently lists approximately 2500 SKUs.

New Hampshire has used data analysis, performance metrics, and aggressive pricing to improve store performance throughout the state

New Hampshire Liquor Business Facts

Management Approach	Store Type	Number of Stores	FY08 Cases Sold*	FY08 Cases Sold Per Capita**	Number of Listed Liquor Products***
• State-run management • 80% of warehousing operations are contracted • Sets retail prices	• State-owned and operated stores • Three stores in rural areas of the state are privately owned and operated	77	1,986,811	1.51	1478

Other notable practices and trends in New Hampshire include:

- The case cost mark-up is determined using a structured formula that is tailored for each product type.
- The state often matches vendor price discounts. The level of state matching is determined based on product type. Typically, the entire vendor discount is passed on to the ultimate consumer.
- The state uses demographic and sales analysis to cluster state stores by customer type. Each store receives a customized product assortment based on their cluster designation.
- New Hampshire revises merchandising plans monthly based on product prioritization. The compliance with merchandising plans is measured at each state store and used with other performance metrics to determine store and employee performance ratings.
- On-premises establishments receive a volume discount; this discount is tiered based on annual purchase amounts.
- To build brand loyalty, New Hampshire recently implemented a gift card program that provides discounts based on usage (i.e. $X off each gift card purchase).
- The state is currently exploring several options for using technology to streamline processes such as licensing and product management.

Source: Interview with George Tsiopras and Peter Engell, New Hampshire Liquor Commission; NABCA, Deloitte Analysis
*Cases sold are listed as reported by the state liquor authority
** For comparability, cases sold per capita were determined using NABCA data of 9 liter cases sold in 2008. Using this method, Maine sold 0.70 cases per capita in 2008.
***This number includes the total liquor stock-keeping units (SKUs) that are currently listed for sale in the state. Each individual product could have multiple SKUs, as each size of a product is given an individual SKU. Maine currently lists approximately 2500 SKUs.

Potential Business Options - Approach, Assumptions, & Calculations

Four guiding principles were used as criteria for developing potential business options

1. Each selected option should provide an opportunity for comparability with the current manner in which business is conducted
2. Each selected option should incorporates stakeholder needs, concerns, and feedback
3. Each selected option should be informed by business models in other control states and businesses in comparable industries
4. The combined options should provides a roadmap for the Maine Liquor Business to incorporate leading practices

Data analysis was combined with the options criteria to identify areas of the business that could be modified to achieve efficiencies or growth

Data Analysis

- **Stakeholder Review**
  - Maine Beverage Company
  - Pine State Trading Company
  - Dept. of Public Safety
  - Liquor Brokers
  - Agency Stores
- **Leading Practices Analysis**
  - NABCA Data / Reports
  - Control State Interviews
    - Vermont
    - New Hampshire
    - Michigan
    - Mississippi
    - Pennsylvania
- **Comparable Industry Analysis**
  - Retail Trends
  - Supply Chain Trends

Options Criteria

Each Business Option Must Satisfy the Following Criteria:

- Provides an opportunity for comparability with the current manner in which business is conducted
- Incorporates stakeholder needs, concerns, and feedback
- Is informed by business models in other control states and comparable industries
- Provides a roadmap for the Maine Liquor Business to incorporate leading practices

Business Option Components

Strategic Pricing & Promotions

- Tiered pricing
- Selective promotions

Product Management

- Product optimization
- Product clustering
- Targeted marketing

Agent Management

- Sales tracking
- Performance metrics
- Sales incentives

Vendor Negotiations

- Product-specific terms
- Promotions incentives

Compliance & Regulation

- Compliance metrics
- Merchandising parity with beer & wine

Management

- State-run operations
- Outsourced warehousing & logistics

The components identified in the analysis phase were combined to create a series of possible options to transform Maine's liquor business into a leading practice organization

The selected options are organized on a spectrum from state-managed operations - Option 1 – through customer-driven operations, as represented by the strategies included in Options 3 through 5. Making decisions based on business drivers and stakeholder needs is a leading practice among control states and will allow Maine to increase efficiencies and revenue growth in its liquor business.

Customer-Driven →

	Option 1	Option 2	Option 3*	Option 4*	Option 5*
Name	**State-Controlled Management**	**Base Case (Status Quo)**	**Aligning Business Incentives**	**Moving Closer to the Customer**	**Streamlining Distribution**
Overview	• State management & oversight • Contracted warehousing & logistics	• Private management • State oversight • Current business model	• Pricing formula • Tiered mark-ups • Strategic promotions • Performance metrics to drive sales	• Product optimization • Data-driven product assortments • Targeted marketing to increase sales	• Strategic agent recruitment • Direct ordering for on-premises • Online special order system
State Revenue**	n/a	$39 million	$55 million	$61 million	$64 million
Business Value***	$380 million	$378 million	$411 million	$445 million	$453 million
Changes Required	None if implemented in 2014	None	Contract Re-negotiations	Legislative Changes	Legislative changes & Contract Re-negotiations

*Options 3, 4, & 5 are cumulative options, that is, the valuation for Option 4 builds on the valuation for Option 3 and the valuation for Option 5 builds on those for Options 3 & 4. These options are also calculated based on the Base Case Business Model (i.e. privatized management).

** State revenue numbers represent the present value of additional revenues expected under the current contract, as calculated based on the impact of each option.

*** Business value numbers represent the current fair market value of the business, as of January 1, 2009, as calculated based on the impact of each option.

See Appendix B for more detailed information on the calculations for each of the options.

Option 1 State-Controlled Management

Option 1 represents a return to the state-management with outsourced warehousing

Description	• The Bureau of Alcoholic Beverages and Lottery Operations (BABLO) will resume control of liquor wholesaling • A private contractor would provide warehousing and logistics services for state liquor operations
Considerations	• BABLO divested itself of the capital and operational resources necessary to manage wholesaling operations internally when the contract was signed in 2004 • Policies, procedures, and capacity would have to be re-created to resume control of these operations

Costs/Benefits	• The state would have to assume the following costs under this option
	    • Capital costs associated with the wholesaling operations (e.g. appropriate technology)
	    • Operational costs associated with running the business (e.g. additional staff)
	• The following benefits could be realized under this option
	    • The state would retain a larger percentage of the liquor wholesaling profits generated
	    • Retaining control of operations would allow for more flexibility in management

A return to state management of the liquor business would reduce staff costs overall, increasing the value of the business by $2 million. However, this option would increase current costs to the state and may present additional risks.

Option 1 State Revenue*	Option 1 Business Value
N/A	***$380M***

* State revenue calculations represent the present value of additional revenue the state would expect to receive under the existing contract throughout its term, based on the situation of the option described.

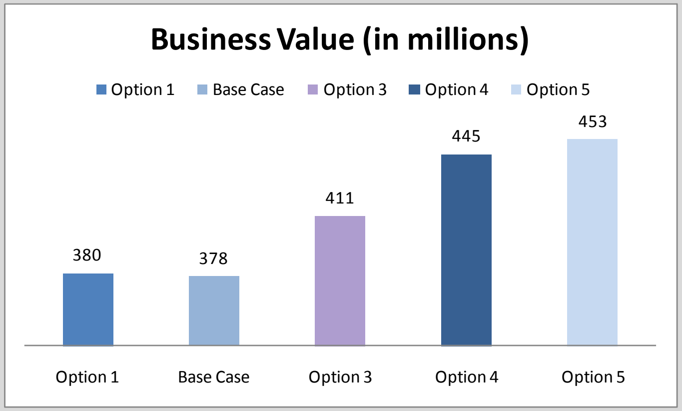
High-Level Valuation
Option 1 State-Controlled Management

Identified Option: ***BABLO assumes management of Maine's liquor business***

Summary Description

BABLO would resume control of liquor business management. Warehousing & logistics would be outsourced to a private contractor.

Business Value by Option



Estimated Financial Impact*

- **Estimated Revenue Impact:** State revenues of ~ 45-50M annually
- **Estimated Cost Impact:** Total operating cost of ~ $6M annually, although the state could offset some of those costs by utilizing existing BABLO staff and resources

Expected Benefits

- The state of Maine would retain a greater percentage of the revenues generated through state liquor sales
- If Maine retained full control of the liquor business, the state would have flexibility to implement new management programs or try different approaches; as compared to the current situation where changes need to be negotiated with state contractors

Level of Effort ○ Low ● Moderate ○ High

Implementation Timeline ○ Immediate start ○ 1-2 yrs ● >3 yrs

Risk ○ Low ● Moderate ○ High

Key Assumptions

- Sales levels will grow at the rate expected under privatization
- State management of the liquor business would reduce staff costs by approximately 10-15% (1)
- The number of agency stores is expected to grow at a constant rate (approx. 15-20 stores annually) (2)

Key Implementation Considerations

- Would require significant planning (e.g. pre-implementation, transition, post-implementation) for successful transition
- Would require additional resources to manage the business
- BABLO could leverage the existing contract with Pine State

Immediate Next Steps for Implementation

- Develop a pre-implementation plan (e.g. determine necessary resources, identify available resources, create policies and procedures etc)
- Develop an implementation roadmap to guide all portions of the transition

* See Appendix B, pages 62 through 67 for detailed calculations for Option 1.

Option 2 Business as Usual: The Base Case

Option 2 represents the current business model, used as the base for Options 3 – 5.

Description	• MBC retains control of liquor business management • Pine State continues to provide warehousing and logistics support
Considerations	• This option would not require BABLO to implement any new policies or procedures
Costs/Benefits	• The state's cost structure would remain the same, as this option does not change operations • The state's expected benefit would not change and revenues would remain relatively constant

As discussed in the current state valuation, under this option the state could expect to receive $39 million in additional revenue over the life of the contract and the business value is estimated to be $378 million.

Option 2 State Revenue*	Option 2 Business Value
$39M	***$378M***

* State revenue calculations represent the present value of additional revenue the state would expect to receive under the existing contract throughout its term, based on the situation of the option described.

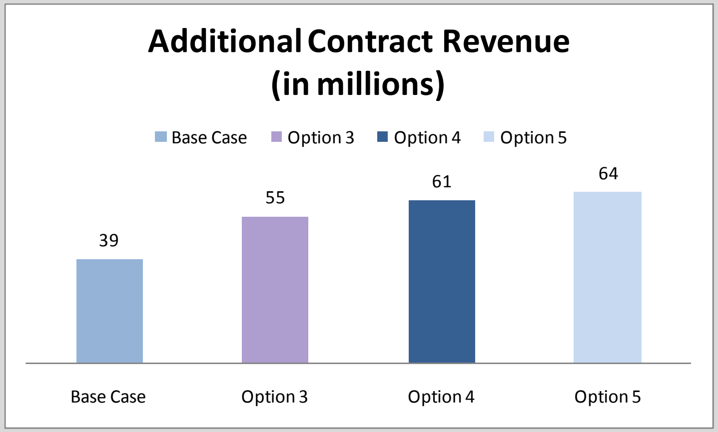
High-Level Valuation
Option 2 Business as Usual: The Base Case

Identified Option: ***A valuation of the current business model***

Summary Description

MBC would continue to provide wholesaling services and Pine State would continue to provide warehousing & logistics

Expected Additional Contract Revenue by Option



Estimated Financial Impact

- **Estimated Revenue Impact:** no impact on current expected revenue levels
- **Estimated Cost Impact:** no additional state costs

Expected Benefits

- The State of Maine would not expect to realize any additional benefits from staying with the Base Case

Level of Effort ● Low ○ Moderate ○ High

Implementation Timeline ● Immediate start ○ 1-2 yrs ○ >3 yrs

Risk ● Low ○ Moderate ○ High

Key Assumptions

- Revenue projections are constant throughout the life of the contract
- The number of agency stores is expected to grow at a constant rate (approx. 15-20 stores annually) (2)

Key Implementation Considerations

- This option would not require the state or Maine Beverage to make any adjustments to the current business model

Immediate Next Steps for Implementation

- Since this option does not require any changes to the current manner in which business is done, no steps will be required for implementation

Option 3 Aligning Business Incentives: Revising Pricing & Promotions

Option 3 includes the use of strategic pricing and performance metrics

Description	• Individual product margins would be determined based on product category and market demand
	• BABLO would develop performance metrics to promote increased sales and effective promotions, including
	    • Wholesale pricing discounts for agents who meet certain sales goals
	    • Incentives for passing full promotional discount on to customers
	• Compliance requirements would be updated to reflect market conditions and streamlined to promote transparency

Considerations	• To ensure pricing transparency, this option would require the development of a pricing formula • Performance metrics and the appropriate discount structures would need to be developed • Stakeholder considerations will need to be incorporated into the programs developed under this option • Vendor negotiation will be required to improve profit margins, particularly on high-volume / fast-moving projects
Costs/Benefits	• By creating incentives for agents to increase sales, this option will result in increased revenue, improving the state's bottom-line • This option could also improve vendor cooperation by generating additional sales data that could be used to inform vendor negotiations and encourage vendors to invest additional funding into promotions in the state • Developing and implementing a performance measurement system will require state resources

Incorporating strategic pricing techniques and implementing performance measures could increase state revenue from the liquor business by $16 million and increase the value of the business by $33 million, as compared to the current business model.

Option 3 State Revenue*	Option 3 Business Value
$55M	***$411M***

* State revenue calculations represent the present value of additional revenue the state would expect to receive under the existing contract throughout its term, based on the situation of the option described.

Performance metrics can be used to drive business behaviors toward strategic goals; Other control states have used metrics to improve efficiencies and increase sales

Performance Management Methodology

- Performance metrics provide the basis for a comprehensive performance management system that can be used to align key facets of performance (i.e. financial & operational) at all levels of an organization.
- Performance results are compiled, analyzed, and communicated to provide timely information for management and decision-making purposes.
- Results are integrated into core processes such as budgeting, planning, reporting, and rewards.

Metric Type	Business Performance	Compliance
Sample Metrics	▪ Offer higher discounts to agency stores meeting specified sales targets ▪ Provide promotional matching to agency stores that pass vendor discounts on to consumers ▪ Increase the discount rate for agency stores that purchase suggested product assortments	▪ Tie license renewals to business performance targets (i.e. total sales) ▪ Link price discounts to store appearance criteria (e.g. cleanliness, well-stocked shelves, properly-priced items ▪ Penalize re-sellers who do not provide adequate on-premises sales information
Examples	▪ Mississippi offers higher price discounts based to stores meeting sales volume targets	▪ Vermont links state agent compensation to compliance criteria (e.g. store cleanliness)

High-Level Valuation

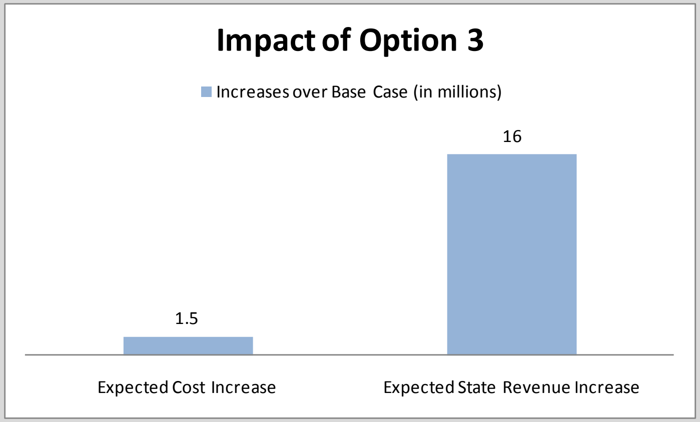
Option 3 Aligning Business Incentives: Revising Pricing and Promotions

Identified Option: ***BABLO would institute revised pricing and promotions policies to improve business incentives***

Summary Description

BABLO would develop and implement revised pricing and promotional policies, including developing a pricing model with profit margins tied to product categories and demand; and implement performance metrics to drive product sales

Cost/Benefit Analysis



Estimated Financial Impact*

- **Estimated Revenue Impact:** $16M over the base case
- **Estimated Cost Impact:** $1.5M

Expected Benefits

- Additional revenue resulting from targeted profit margins
- Increased transparency will reduce vendor pricing confusion and allow for improved cooperation
- Providing pricing discounts and other incentives based on performance will encourage agents to promote product sales
- Will create financial incentives for agents who pass vendor promotions on to the final consumer

Level of Effort			Implementation Timeline			Risk		
○ Low	● Moderate	○ High	○ Immediate start	● 1-2 yrs	○ >3 yrs	○ Low	● Moderate	○ High

Key Assumptions

- The number of agency stores is expected to grow at a constant rate (approx. 15-20 stores annually) (2)
- Strategic pricing would increase sales and gross profit by 2-3% (3)
- Cost of performance metric implementation would be $1.5M (4)
- Metric implementation will increase revenue by 1% (5)

Key Implementation Considerations

- Resources would be required to develop and implement the performance metrics system
- May require that the guaranteed profit margin portion of the existing contract be re-negotiated
- System-development cost-sharing would need to be determined

Immediate Next Steps for Implementation

- Analysis of leading practices in pricing, category review, and product sales to determine the appropriate pricing model
- Development of simulation model to determine optimal pricing structure
- Analysis of existing business incentives and desired business behavior to determine appropriate performance metrics
- Creation of plan for developing, implementing, and monitoring a performance metric system

* See Appendix B, pages 68 through 74 for detailed calculations for Option 3.

Option 4 Bringing the Business Closer to the Customer: Adjusting Merchandising Policies

Option 4 creates merchandising and category management strategies to increase sales

Description	• BABLO creates a comprehensive data-driven de-listing procedure to encourage product (SKU) optimization • All stakeholders encourage more targeted marketing and merchandising (e.g. displays at strategic locations throughout the store) • Agency stores receive customized assortment suggestions based on sales histories
Considerations	• This option would require legislative approval for marketing liquor in the same manner as beer and wine • BABLO should leverage MBC's merchandising capabilities and vendor's sales forecasting techniques to guide merchandising policies
Costs/Benefits	• A more targeted approach to merchandising could increase sales, promoting revenue growth overall • Providing vendors with an avenue for targeting particular products could increase vendor focus on the state, including an increase in the promotional money directed at the Maine market • Additional compliance resources may be needed to ensure responsible sales practices are not impacted by the revised merchandising strategy

By adjusting merchandising and marketing practices, BABLO could increase the state's liquor revenue by $22 million over the current contract, an incremental increase of $6 million over Option 3. In addition, the business value would increase by approximately $67 million over the current contract (an incremental increase of $34 million over Option 3).

Option 4 State Revenue*	Option 4 Business Value
$61M	***$445M***

* State revenue calculations represent the present value of additional revenue the state would expect to receive under the existing contract throughout its term, based on the situation of the option described.

High-Level Valuation

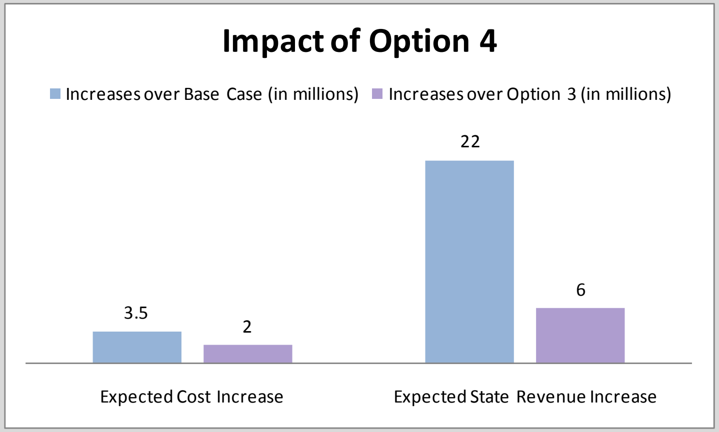
Option 4 Bringing the Business Closer to the Customer: Adjusting Merchandising

Identified Option: ***BABLO would adjust various merchandising policies to target customers more effectively***

Summary Description

BABLO would develop a comprehensive de-listing procedure and work with MBC and vendors to develop targeted merchandising and marketing approaches

Cost/Benefit Analysis



Estimated Financial Impact*

- **Estimated Revenue Impact:** $22M over base case; $6M over Option 3
- **Estimated Cost Impact:** $2M

Expected Benefits

- More targeted marketing campaigns could increase sales, resulting in revenue growth
- Product optimization will reduce the cost associated with listing slow-moving products
- A focus on increasing sales, particularly for competitive / fast-moving products could encourage vendors to increase investment in the region

Level of Effort ○ Low ● Moderate ○ High

Implementation Timeline ○ Immediate start ● 1-2 yrs ○ >3 yrs

Risk ○ Low ● Moderate ○ High

Key Assumptions

- The number of agency stores is expected to grow at a constant rate (approx. 15-20 stores annually) (2)
- Changes to marketing and merchandising will increase sales 3-5% (6)
- De-listing procedure development would cost $1M (7)
- Assortment development & implementation would cost $1M (8)

Key Implementation Considerations

- Would require legislative changes to allow targeted merchandising / marketing (i.e. marketing parity with beer & wine)
- Complexity of data analysis to determine appropriate assortment
- Stakeholder analysis and participation will need to be incorporated
- Incentives/metrics should be used to encourage participation

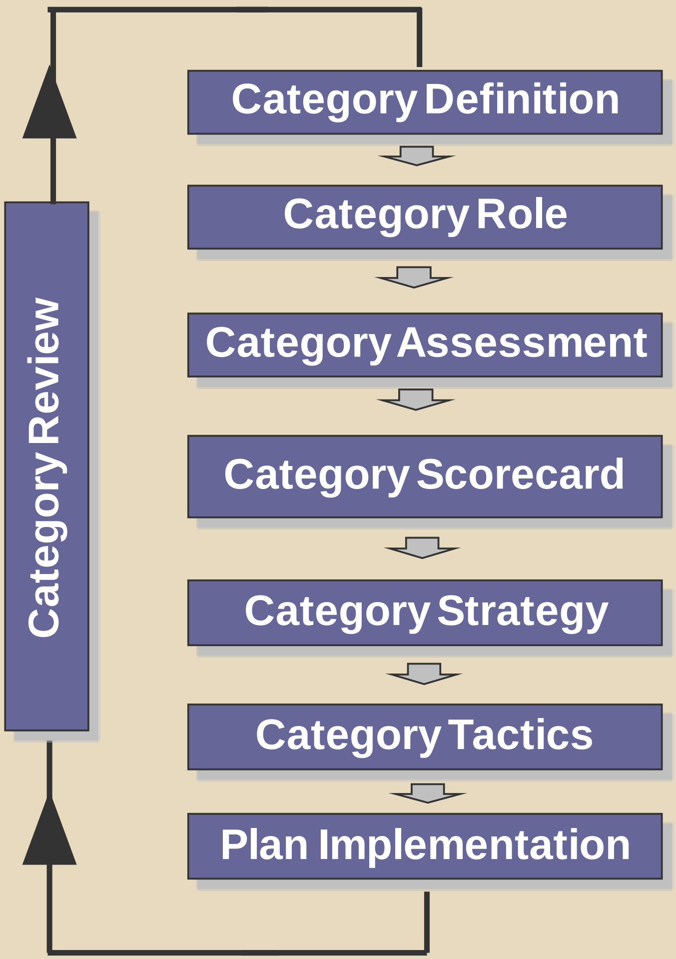
Immediate Next Steps for Implementation

- Develop a de-listing procedure and other procedures necessary to optimize SKUs (products) listed in Maine
- Conduct analysis, in cooperation with MBC and vendors, to develop marketing strategy
- Conduct sales and demographic analysis, in conjunction with MBC, to determine appropriate product assortment for agency stores

* See Appendix B, pages 75 through 81 for detailed calculations for Option 4.

Category management provides an opportunity to develop customer-driven strategies based on product data analysis

Category Management Process



Category Review Steps

- **Category Definition** – which products should be included?
- **Category Role** - what is the strategic positioning of the category?
- **Category Assessment** – conducting a competitive review > who, why, when, where and how often?
- **Category Scorecard** – developing performance goals and a review system
- **Category Strategy** – what items will be included in a sales strategy and how will they be positioned?
- **Category Tactics** – determining merchandising approach > assortment, presentation, pricing and promotions.
- **Plan Implementation** – developing and implementing an execution plan

Option 5 Streamlining Distribution: Channel Enhancements

Option 5 focuses on strategic agent addition and increasing order options

Description	• On-premises establishments would have the option of placing orders directly with MBC and receiving deliveries directly from Pine State • The number of licenses for agency stores would increase at a slightly faster rate, due to the incentives created in Options 3 & 4; the additional data will allow for strategic agent addition in competitive regions • An online system will be created to streamline the special product order process
Considerations	• An increased number of licensees and the addition of on-premises order processing and deliveries may require contract re-negotiations • If state population guidelines restricting the number of agents in certain regions were revised, agency stores could be added in competitive areas (e.g. border regions) • This option could raise opposition from certain stakeholders
Costs/Benefits	• Providing direct order and delivery services to on-premises establishments would make it easier to track purchases and sales allowing for more accurate forecasting • Increasing the number of agents could increase sales and revenues • Streamlining the special order process will improve customer service and support product optimization attempts (see Option 4)

By streamlining distribution and strategically targeting areas for additional agency stores, BABLO could increase state revenue to $64 million, an increase of $25 million over the base case and $3 million over Option 4. In addition, the value of the business would increase to $453 million, $75 million over the current value ($8 million more than Option 4).

Option 5 State Revenue*	Option 5 Business Value
$64M	***$453M***

* State revenue calculations represent the present value of additional revenue the state would expect to receive under the existing contract throughout its term, based on the situation of the option described.

High-Level Valuation

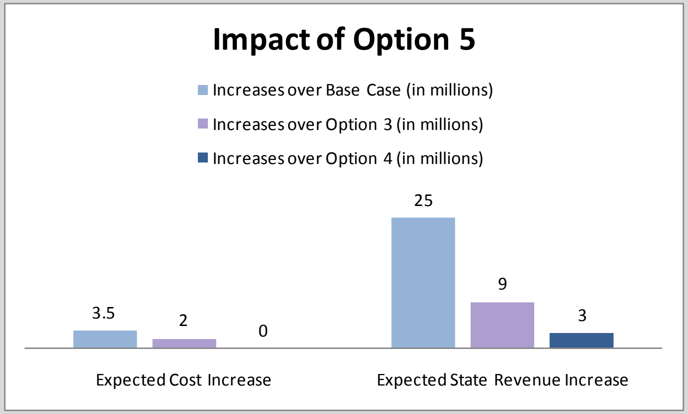
Option 5 Streamlining Distribution: Channel Enhancements

Identified Option: ***On-premises establishments could order directly from MBC; the number of agents will increase***

Summary Description

On-premises establishments would receive the option of direct orders and deliveries; the number of high-performing off-premises agents will increase in strategic areas; an online system will streamline the special orders process

Cost/Benefit Analysis



Estimated Financial Impact*

- **Estimated Revenue Impact:** $25M over base case; $3M over Option 4
- **Estimated Cost Impact:** only incremental costs would be expected

Expected Benefits

- Increasing the number of agents in competitive regions could increase sales and revenues
- Providing direct on-premises orders would allow for collection of sales data for this channel, improving sales forecasts
- This option would also allow for the development of specialized pricing for on-premises establishments (i.e. charging a volume discount or charging an on-premises premium)

Level of Effort ○ Low ● Moderate ○ High

Implementation Timeline ○ Immediate start ● 1-2 yrs ○ >3 yrs

Risk ○ Low ● Moderate ○ High

Key Assumptions

- The additional incentives created in Options 3 & 4 and more stringent licensing criteria could increase the number of high-performing new agency stores in strategic areas, increasing sales by 1% (9)
- Allowing for direct ordering, could increase on-premises sales by 10% (10)

Key Implementation Considerations

- May require contract re-negotiation to accommodate larger customer load
- Would require more stringent license requirements to ensure viability of off-premises agencies
- May raise concerns among certain stakeholders

Immediate Next Steps for Implementation

- Work with MBC and Pine State to assess the capacity for adding agents and providing direct on-premises ordering and deliveries
- Conduct leading practices analysis to determine appropriate on-premises pricing strategy
- Develop design and implementation plan for online special order system

* See Appendix B, pages 82 through 88 for detailed calculations for Option 4.

Potential Business Options Notes

Option 1

The calculations for Option 1 were based on the assumption that if it resumed control of the liquor business, BABLO would incur similar business costs to those of MBC. However, because the new management structure would reduce some of the overhead involved in private management with state oversight, it was assumed that total overhead costs would be reduced by 10-15%.

Option 2

As Option 2 represents the current business model, all information presented is based on the current state valuation.

Option 3

Option 3 calculations were based on internal Deloitte benchmarks, based on surveys, industry research, and previous engagements, that indicated the impact of tiering profit-margins and promotions; and instituting performance metrics. Price and promotional tiering are accepted industry practices that are used throughout retail and in several of the control states we spoke with. Performance metrics have successfully improved efficiency and increased revenues in several industries, including the public sector. In addition, many control states seem to be moving toward using metrics and data to drive business decisions and strategies. Option 3 also assumes that improved pricing data would provide Maine with the information necessary to negotiate better vendor prices, thereby reducing retail prices and making them more competitive without impacting profit margins.

Option 4

Category management has been used successfully by control states to increase sales. For example, after creating and implementing product assortments throughout their stores, the Commonwealth of Pennsylvania was able to increase liquor sales by over 4%. Because any assortment program instituted in Maine would be voluntary, we reduced expected sales increases to a more conservative 1% to account for the risks associated with a voluntary program. The additional expected 2-4% increase in sales is tied to other merchandising procedures including product de-listing, targeted marketing programs, and strategic category management. These practices are standard industry practices that control states have begun to adopt.

Option 5

Option 5 assumes some level of strategic targeting of new agency stores. With the increased competitiveness in pricing that Options 3 & 4 will bring about, there will be opportunity to increase stores in competitive regions (e.g. state borders). This option also assumes incremental increases due to increased opportunity for on-premises direct ordering and special ordering, however, those increases were not included in our calculations because relevant data was not available.

Potential Business Options Notes

Notes

(1) Deloitte internal benchmark, based on industry studies, surveys, and previous analysis
(2) Annual store growth rate provided by Dan Gwadosky, Bureau of Alcoholic Beverages and Lottery Operations
(3) Deloitte internal benchmark, based on industry studies, surveys, and previous analysis
(4) Based on the projected cost of determining metrics, developing and implementing a system; incremental staff costs for monitoring are also included; these costs are based on internal Deloitte benchmarks.
(5) Deloitte internal benchmark, based on industry studies, surveys, and previous analysis
(6) Expected merchandising costs are based on gains other control states have seen after implementing assortments (e.g. Pennsylvania grew revenue by 4% after implementing customized assortments in their stores; adjusted for the fact that Maine's assortment program would be voluntary because stores are not state owned (1% growth was assumed due to assortment changes). An additional growth of 2-4% was assumed due to marketing changes, this growth range is based on Deloitte internal benchmarks.
(7) Based on the projected cost of developing and implementing a de-listing procedures; incremental staff costs for monitoring are also included; these costs are based on internal Deloitte benchmarks.
(8) Based on the projected cost of developing and implementing customized assortments; incremental category management staff costs are also included; these costs are based on internal Deloitte benchmarks.
(9) This growth represents the incremental growth that would be expected from targeting new agency locations in strategic areas and focusing efforts on profitable agency stores. Although this option may lead to agency stores being added more quickly, much of the profitability growth is factored into Options 3 & 4, so the increase in contract value (state revenue) and business value is expected to be incremental for this option.
(10) While Deloitte internal benchmarks indicate that on-premises revenues could increase by 10% if direct ordering were permitting – allowing for alternate on-premises pricing policies – on-premises sales data was not available for this study. Consequently, this increase is not factored in to either the contract value (state revenue) or the business value represented in this option.

Glossary of Terms

Glossary of Terms

- ***Agency Stores*** *- For the purposes of our review, agency stores refers to licensed sellers and re-sellers of alcohol. In Maine's case, agency stores own store inventory.*
- ***Assortment*** *- The number and type of products that a store carries on its shelves. In the clustering technique, product assortments are created based on customer data analysis.*
- ***Business Enterprise Value*** *– Measures the value of the operating assets of the business.*
- ***Cash Consideration*** *– Cash payment or cash compensation*
- ***Category Management*** *- A process that involves managing product categories as business units and customizing them on a store by store basis to satisfy customer needs.*
- ***Channel*** *– Means used to transfer merchandise to the end user*
- ***Control State*** *– One of the eighteen states (and one county) that have complete authority over the wholesaling, and in some cases retailing of alcoholic beverages.*
- ***Clustering*** *– Grouping retail outlets based on customer demographic and sales information (e.g. urban, suburban, rural, etc). Clustering can be used to guide product assortment development.*
- ***Dead Inventory*** *– Non-moving inventory; that is, inventory that retailers are unable to sell*
- ***De-listing*** *– Removing a product SKU from the list of liquor products currently sold in a control state*
- ***Discounting*** *– Using the assumed rate of return (i.e. weighted average cost of capital) to determine the present value of a future expected cash flow*
- ***EBITDA*** *– Earnings before interest, taxes, depreciation, and amortization*
- ***ERP System*** *– Enterprise resource planning system; an enterprise-wide information system designed to coordinate all the resources, information, and activities needed to complete business processes such as order fulfillment or billing*
- ***Fair Market Value*** *– The price at which a buyer and seller are willing to do business; that is, the price a buyer would expect to receive for an asset, product, or service in the current market*
- ***Gross Margin*** *– Gross operating income as a percentage of net sales; that is, gross profit/revenue, when gross profit = revenue – cost of goods sold*
- ***Guideline Public Company*** *– A publicly-traded company that is comparable based on industry and/or operations to the business being valued. Financial information for these companies is used in the market valuation approach to determine the fair market value of the business being valued.*

Glossary of Terms, continued

- ***Investment Value** – The value to a particular investor based on individual investment requirements and expectations. In the case of the Maine Liquor Business, this refers to the value the State can expect to receive from the existing contract with MBC.*
- ***Logistics** – The management of the flow of goods, information, and other resources from the point of origin to the point of consumption (e.g. order processing, deliveries, etc).*
- ***Marketing** – For the purposes of this report, the term marketing is used to refer to promotional materials provided by liquor vendors, MBC, or others to encourage customers to purchase a particular product (e.g. vendors providing branded signs to be hung at an on-premises establishment would be classified as marketing).*
- ***Market Multiple** – The market value of a company's stock divided by another of the company's financial measures (i.e. EBITDA). Multiples are calculated as part of the market valuation approach to determine the fair market value of the business being valued.*
- ***Mark-up** – The percentage of a product's case cost that is added to the case cost to determine the retail price.*
- ***Merchandising** – For the purposes of this report, merchandising refers to product placement throughout a store.*
- ***On-Premises Establishment** - A restaurant, bar, or club that is licensed to serve liquor to customers on its premises.*
- ***Present Value** – The value, in today's dollars, of a business's or transaction's expected future cash flow (see Discounting)*
- ***Price Floor**- A minimum price for a product*
- ***Pricing Formula** – A formula by which various metrics, including the mark-up, delivery fees, taxes, and other charges, are added to the case cost to determine the final retail price of a product.*
- ***Product Optimization** – The practice of making changes or adjustments to a product or group of products to improve their performance. In the case of the Maine Liquor Business, product optimization would include things such as product de-listing, strategic pricing, and targeted promotions.*
- ***Promotions** – For the purposes of this report, promotions refers to price discounts offered by vendors on particular products.*
- ***SKU** – Stock-keeping unit; a unique identifier for each distinct product that can be ordered from a supplier; each size of a particular liquor product has a separate SKU*
- ***Special Orders** – Orders for liquor products not currently listed for sale in Maine*
- ***Stakeholder** – A person, group, or organization with a direct or indirect interest in a business or organization*
- ***Tiered Pricing** – The method of basing product pricing on individual market or customer characteristics*
- ***Willing Buyer/Seller** – From a market standpoint, willing buyers and sellers are making rational decisions in a transaction and have a reasonable knowledge of all relevant facts; that is both buyer and seller have the information necessary to ensure a fair price for the asset, product, or service changing hands.*

Appendix A: Current State Valuation Exhibits

Exhibit 1a, Page 1 of 1
Subject Entity: State Liquor Business
Valuation of Contract with Maine Beverage Company, LLC
Valuation as of January 01, 2009
US$ '000

Inputs	
Guaranteed Gross Profit	36.80%
State Sharing %	50.0%
Discount Rate (1)	3.2%

		Fiscal Year Ended December 31, (2)					
Fiscal Year		**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Forecast Period		*1*	*2*	*3*	*4*	*5*	*6*
Revenues		120,482	124,097	127,820	131,654	135,604	69,836
% Growth		*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	
Cost of Goods Sold		73,108	75,301	77,561	79,887	82,284	42,376
Gross Profit		47,374	48,795	50,259	51,767	53,320	27,460
% of Revenue		*39.3%*	*39.3%*	*39.3%*	*39.3%*	*39.3%*	*39.3%*
Gross Profit Guaranty		44,338	45,668	47,038	48,449	49,902	25,700
Gross Profit Guaranty Percentage		36.8%	36.8%	36.8%	36.8%	36.8%	36.8%
Less: Gross Profit Deficiency		N/A	N/A	N/A	N/A	N/A	N/A
Gross Profit Target (Baseline)		34,117	34,629	35,149	35,676	36,220	18,240
Gross Profit Overage		13,257	14,166	15,111	16,091	17,100	9,220
State Revenue Sharing Percentage		50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
State Share of Gross Profit Overage		6,628	7,083	7,555	8,046	8,550	4,610
Less: Gross Profit Guarantee Deficiency		N/A	N/A	N/A	N/A	N/A	N/A
Less: Prior Year Carry Over		N/A	N/A	N/A	N/A	N/A	N/A
Revenue Share Received by State		6,628	7,083	7,555	8,046	8,550	4,610
Partial Period		1.0	1.0	1.0	1.0	1.0	0.5
Periods Discounting		0.499	1.497	2.497	3.497	4.497	4.997
Present Value Factor	3.2%	0.985	0.954	0.925	0.897	0.869	0.856
Present Value of Cash Flow		6,526	6,760	6,990	7,215	7,432	3,945

Total Contract Received To Date (rounded) (3)	**19,000**
Present Value of Remaining Contract (rounded)	**39,000**

Notes
(1) Yield on Maine state municipal bonds maturing 11/1/2014 as of 1/1/2009.
(2) 2014 cash flow is based on half year to reflect June 30, 2014 contract end date.
(3) Represents the total cash flow received to date from the Contract with MBC.

Exhibit 1b, Page 1 of 1
Subject Entity: State Liquor Business
Valuation of Contract with Maine Beverage Company, LLC
Valuation as of January 01, 2009
US$ '000

Inputs	
Guaranteed Gross Profit	36.80%
State Sharing %	50.0%
Discount Rate (1)	3.2%

		Fiscal Year Ended December 31, (2)					
Fiscal Year		**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Forecast Period		*1*	*2*	*3*	*4*	*5*	*6*
Revenues (3)		114,000	108,300	105,600	106,656	109,856	56,576
% Growth		*-2.5%*	*-5.0%*	*-2.5%*	*1.0%*	*3.0%*	
Cost of Goods Sold		70,200	66,700	65,000	65,650	67,620	34,824
Gross Profit		43,800	41,600	40,600	41,006	42,236	21,752
% of Revenue		*38.4%*	*38.4%*	*38.4%*	*38.4%*	*38.4%*	*38.4%*
Gross Profit Guaranty		41,952	39,854	38,861	39,249	40,427	20,820
Gross Profit Guaranty Percentage		36.8%	36.8%	36.8%	36.8%	36.8%	36.8%
Less: Gross Profit Deficiency		N/A	N/A	N/A	N/A	N/A	N/A
Gross Profit Target (Baseline)		34,117	34,629	35,149	35,676	36,220	18,240
Gross Profit Overage		9,683	6,971	5,451	5,330	6,016	3,511
State Revenue Sharing Percentage		50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
State Share of Gross Profit Overage		4,841	3,485	2,726	2,665	3,008	1,756
Less: Gross Profit Guarantee Deficiency		N/A	N/A	N/A	N/A	N/A	N/A
Less: Prior Year Carry Over		N/A	N/A	N/A	N/A	N/A	N/A
Revenue Share Received by State		4,841	3,485	2,726	2,665	3,008	1,756
Partial Period		1.0	1.0	1.0	1.0	1.0	0.5
Periods Discounting		0.499	1.497	2.497	3.497	4.497	4.997
Present Value Factor	3.2%	0.985	0.954	0.925	0.897	0.869	0.856
Present Value of Cash Flow		4,767	3,327	2,522	2,390	2,615	1,503

Total Contract Received to Date (rounded) (4)	**19,000**
Present Value of Remaining Contract (rounded)	**17,000**

Notes
(1) Yield on Maine state municipal bonds maturing 11/1/2014 as of 1/1/2009.
(2) 2014 cash flow is based on half year to reflect June 30, 2014 contract end date.
(3) Based on revenue projections provided by MBC Management for 2009 - 2011.
(4) Represents the total cash flow received to date from the Contract with MBC.

Exhibit 2, Page 1 of 1

Subject Entity: State Liquor Business

Summary of Values
Valuation as of January 01, 2009
US$ '000

Valuation Method	Weighting	Value
Discounted Cash Flow	50%	359,000
Guideline Public Company	50%	397,000
Business Enterprise Value, Control Basis		378,000
Business Enterprise Value, Control Basis (rounded)		**378,000**

Exhibit 3, Page 1 of 1
Subject Entity: State Liquor Business

Discounted Cash Flow Method - State Liquor Business
Valuation as of January 01, 2009
US$ '000

				Fiscal Year Ended December 31,						
Fiscal Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**Normalized**
Forecast Period				*1*	*2*	*3*	*4*	*5*	*6*	
Revenues (1)	107,517	112,660	116,973	120,482	124,097	127,820	131,654	135,604	139,672	
% Growth		*4.8%*	*3.8%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	
Cost of Goods Sold	66,065	68,474	70,979	73,108	75,301	77,561	79,887	82,284	84,752	
Gross Profit	41,452	44,185	45,994	47,374	48,795	50,259	51,767	53,320	54,920	
Operating Expenses:										
Research & Development	-	-	-	-	-	-	-	-	-	
Sales & Marketing	-	-	-	-	-	-	-	-	-	
General & Administrative	1,999	2,098	2,452	2,526	2,601	2,679	2,760	2,843	2,928	
Other Operating Expenses	3,438	3,575	3,771	3,884	4,000	4,120	4,244	4,371	4,502	
Operating Expenses	5,436	5,673	6,223	6,409	6,602	6,800	7,004	7,214	7,430	
Other Recurring Income/Expenses (Management Fees)	-	-	-	-	-	-	-	-	-	
EBITDA	36,016	38,512	39,772	40,965	42,194	43,459	44,763	46,106	47,489	48,914
Depreciation	64	59	53	55	57	58	60	62	64	64
Amortization (2)	-	-	-	-	-	-	-	-	-	-
EBIT	35,952	38,453	39,718	40,910	42,137	43,401	44,703	46,044	47,425	48,850
Income Taxes (3)	14,668	15,689	16,205	16,691	17,192	17,708	18,239	18,786	19,350	19,931
Net Operating Profit After Tax	21,284	22,764	23,513	24,218	24,945	25,693	26,464	27,258	28,076	28,919
Plus: Depreciation				55	57	58	60	62	64	64
Plus: Amortization				-	-	-	-	-	-	-
Less: Capital Expenditures				98	101	104	107	110	113	64
Less: Incremental Debt-Free Excess Cash-Free Working Capital				3,012	90	93	96	99	102	105
Net Available Cash Flow				21,164	24,811	25,555	26,322	27,111	27,925	28,814
Partial Period				1.000						
Periods Discounting				0.499	1.497	2.497	3.497	4.497	5.497	
Present Value Factor (4) 10.0%				0.954	0.867	0.788	0.717	0.651	0.592	
Present Value of Cash Flow				20,182	21,511	20,142	18,861	17,660	16,536	

Present Value of Discrete Cash Flows	114,893
Present Value of Terminal Year Value	243,762
Present Value of Cash Flows	358,655
Business Enterprise Value, Control Basis (Rounded) (5)	**359,000**

Terminal Value Calculation	
Normalized Cash Flows	**28,814**
Capitalization Rate Calculation:	
Cost of Capital	10.0%
Terminal Cash Flow Growth Rate	3.0%
Capitalization Factor	14
Terminal Value	411,636
Present Value Factor	0.592
PV of Terminal Value	243,762

Sensitivity Analysis			Discount Rate	
		11%	10.0%	9%
Terminal Growth Rate	2%	291,000	326,000	372,000
	3%	315,000	359,000	417,000
	4%	346,000	402,000	480,000

Notes:

(1) Revenue growth projections based on analysis of future expected growth rates of guideline public companies, the Wine and Liquor Wholesale Industry, and the expected rate of inflation.
(2) Amortization expense related to contract excluded in forecast as it does not reflect a market participant view.
(3) Projected income taxes based on a market participant marginal tax rate of 40.8%.
(4) The present value factor is based on the 10% discount rate and factors in the time value of money in the valuation of future cash flows expected to be generated by the business.
(5) Business enterprise value represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller and is irrespective of the Contract.

Workpaper 1, Page 1 of 1
Subject Entity: State Liquor Business
Common Size, Cash Flow Forecast
Valuation as of January 01, 2009

Common Size

	Fiscal Year Ended December 31,								
Fiscal Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Forecast Period				*1*	*2*	*3*	*4*	*5*	*6*
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	61.4%	60.8%	60.7%	60.7%	60.7%	60.7%	60.7%	60.7%	60.7%
Gross Margin	38.6%	39.2%	39.3%	39.3%	39.3%	39.3%	39.3%	39.3%	39.3%
Operating Expenses:									
Research & Development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales & Marketing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
General & Administrative	1.9%	1.9%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Other Operating Expenses	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Operating Expenses	5.1%	5.0%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Other Recurring Income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	33.5%	34.2%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Depreciation	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	33.4%	34.1%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Income Taxes	13.6%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%
Net Operating Profit After Tax	19.8%	20.2%	20.1%	20.1%	20.1%	20.1%	20.1%	20.1%	20.1%

Exhibit 4, Page 1 of 1
Subject Entity: State Liquor Business
Guideline Public Company Method - State Liquor Business
Valuation as of January 01, 2009
US$ '000

		BEV / Revenue	BEV / EBITDA
LTM			
Financial Metric		116,973	39,772
Selected Multiple		3.0x	9.0x
Indicated Value		350,919	357,944
Indicated Business Enterprise Value - Marketable, Minority Basis		350,919	357,944
Weighting		50%	50%
Preliminary Indication of Business Enterprise Value - Marketable, Minority Basis	354,432		
Plus: Control Premium (1)	42,532		
Business Enterprise Value - Control Basis	396,963		
Business Enterprise Value, Control Basis (Rounded) (2)	**397,000**		

Notes:
(1) Control premium is calculated based on optimal capital structure of 60% Equity and 40% Debt. Source: Mergerstat's 2008 3rd Quarter Control Premium study for the Wholesale Industry.
(2) Business enterprise value represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller and is irrespective of the Contract.

Exhibit 5, Page 1 of 1

Subject Entity: State Liquor Business

Guideline Public Company Method-Multiple Analysis

Valuation as of January 01, 2009

	BEV / Revenue	BEV / EBITDA
	LTM	**LTM**
Brown-Forman Corporation	3.3	12.0
Central European Distribution Corp.	1.1	9.4
Constellation Brands Inc.	2.0	10.9
Molson Coors Brewing Company	1.9	10.5
Core-Mark Holding Company, Inc.	0.1	6.3
Diageo Plc	3.1	9.9
Amcon Distributing Co.	0.1	4.8
Sysco Corp.	0.4	6.8
High	3.3x	12.0x
Median	1.5x	9.6x
Average	1.5x	8.8x
Low	0.1x	4.8x
Selected Market Multiple	**3.0x**	**9.0x**

Exhibit 6, Page 1 of 1
Subject Entity: State Liquor Business
Weighted Average Cost of Capital Calculation
Valuation as of January 01, 2009
US$ Millions

Ticker	Guideline Companies	Total Book Value of Debt (1)	Total Book Value of Preferred (1)	Total Market Value of Equity (2)	Total Market Value of Capital	Debt to Capital	Equity to Capital	Marginal Tax Rate	Levered Equity Beta (3)	Unlevered Equity Beta (4)
BF.B	Brown-Forman Corporation	997	-	7,860	8,858	11.3%	88.7%	40.0%	0.88	0.82
CEDC	Central European Distribution Corp.	922	-	850	1,772	52.0%	48.0%	40.0%	1.41	0.86
STZ	Constellation Brands Inc.	4,838	-	3,047	7,885	61.4%	38.6%	40.0%	1.21	0.62
TAP	Molson Coors Brewing Company	1,995	-	9,048	11,043	18.1%	81.9%	40.0%	0.86	0.76
CORE	Core-Mark Holding Company, Inc.	73	-	238	310	23.4%	76.6%	40.0%	1.12	0.95
DGE	Diageo plc	14,397	-	36,265	50,662	28.4%	71.6%	40.0%	0.62	0.50
DIT	AMCON Distributing Co.	43	6	14	63	77.6%	22.4%	40.0%	0.89	0.29
SYY	Sysco Corp.	1,979	-	13,950	15,930	12.4%	87.6%	40.0%	0.97	0.89
					Average	35.6%	64.4%			0.71
					Median	25.9%	74.1%			0.79
					Selected	**40.0%**	**60.0%**			**0.85**

Unlevered Equity Beta	0.85	Unlevered Equity Beta = Levered Equity Beta / [1 + (1 - Tax Rate) x Debt-to-Equity]
Debt to Equity	66.7%	
Selected Subject Tax Rate	40.8%	
Relevered Equity Beta	**1.19**	Levered Equity Beta = Unlevered Equity Beta x [1 + (1 - Tax Rate) x Debt-to-Equity]
Risk-Free Rate	3.05%	20-Year U.S Treasury as of the Valuation Date. Source: Capital IQ
Equity Risk Premium	5.60%	Source: Deloitte FAS Research
Levered Equity Beta	1.19	
Cost of Equity Capital	**9.69%**	Cost of Equity Capital = Risk-Free Rate + (Equity Beta x Equity Risk Premium)
Unsystematic Risk Factors:		
Size Premium	3.65%	Micro-Cap, 9th-10th Decile
Company-Specific Risk	0.00%	Risk premium based on qualitative factors that reflect company-specific risks.
Cost of Equity Capital	**13.34%**	
Subject's Estimated Pre-Tax Cost of Debt Capital	7.97%	Based on Baa- Rated Corporate Bonds. Source: Federal Reserve
Tax Rate	40.80%	
After-Tax Cost of Debt	**4.72%**	
Debt to Capital	40.0%	
Equity to Capital	60.0%	
Conclusion	9.89%	WACC = [(Debt to Capital x Cost of Debt) x (1 - Tax Rate)] + (Equity to Capital x Cost of Equity)
Weighted Average Cost of Capital (Rounded)	**10%**	

Notes:

Source: Capital IQ for book value of debt, book value of preferred stock, stock prices and fully diluted weighted average common shares.

(1) Book value of debt used as an approximation of market value. For purposes of calculating capital structure, any preferred equity was added to debt at book value.

(2) Represents current stock price times fully diluted weighted common average shares.

(3) Adjusted with Marshall Blume formula (Ba = 0.371 + 0.635Bh).

(4) If marginal tax rate for the public guideline company is not available, beta is unlevered using the subject company's marginal tax rate.

Appendix B: Potential Options Valuation Exhibits

Exhibit 1, Page 1 of 1

Subject Entity: State Liquor Business

Summary of Values - Option 1 Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

Valuation Method	Weighting	Value
Discounted Cash Flow	50%	362,000
Guideline Public Company	50%	397,000
Business Enterprise Value, Control Basis		379,500
Business Enterprise Value, Control Basis (rounded)		**380,000**

Exhibit 2, Page 1 of 1
Subject Entity: State Liquor Business

Discounted Cash Flow Method - State Liquor Business - Option 1 Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	Normalized
				Fiscal Year Ended December 31,						
Forecast Period				1	2	3	4	5	6	
Revenues (1)	107,517	112,660	116,973	120,482	124,097	127,820	131,654	135,604	139,672	
% Growth		*4.8%*	*3.8%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	
Cost of Goods Sold	66,065	68,474	70,979	73,108	75,301	77,561	79,887	82,284	84,752	
Gross Profit	41,452	44,185	45,994	47,374	48,795	50,259	51,767	53,320	54,920	
Operating Expenses:										
Research & Development	-	-	-	-	-	-	-	-	-	
Sales & Marketing	-	-	-	-	-	-	-	-	-	
General & Administrative (6)	1,999	2,098	2,452	2,147	2,211	2,278	2,346	2,416	2,489	
Other Operating Expenses	3,438	3,575	3,771	3,884	4,000	4,120	4,244	4,371	4,502	
Operating Expenses	5,436	5,673	6,223	6,031	6,212	6,398	6,590	6,787	6,991	
Other Recurring Income/Expenses (Management Fees)	-	-	-	-	-	-	-	-	-	
EBITDA	36,016	38,512	39,772	41,344	42,584	43,861	45,177	46,533	47,928	49,366
Depreciation	64	59	53	55	57	58	60	62	64	64
Amortization (2)	-	-	-	-	-	-	-	-	-	-
EBIT	35,952	38,453	39,718	41,288	42,527	43,803	45,117	46,470	47,865	49,302
Income Taxes (3)	14,668	15,689	16,205	16,846	17,351	17,872	18,408	18,960	19,529	20,115
Net Operating Profit After Tax	21,284	22,764	23,513	24,443	25,176	25,931	26,709	27,511	28,336	29,187
Plus: Depreciation				55	57	58	60	62	64	64
Plus: Amortization				-	-	-	-	-	-	-
Less: Capital Expenditures				98	101	104	107	110	113	64
Less: Incremental Debt-Free Excess Cash-Free Working Capital				3,012	90	93	96	99	102	105
Net Available Cash Flow				21,388	25,042	25,793	26,567	27,364	28,185	29,082
Partial Period				1.000						
Periods Discounting				0.499	1.497	2.497	3.497	4.497	5.497	
Present Value Factor (4) 10.0%				0.954	0.867	0.788	0.717	0.651	0.592	
Present Value of Cash Flow				20,395	21,712	20,330	19,036	17,825	16,690	

Present Value of Discrete Cash Flows	115,988
Present Value of Terminal Year Value	246,028
Present Value of Cash Flows	362,016
Business Enterprise Value, Control Basis (Rounded) (5)	**362,000**

Terminal Value Calculation	
Normalized Cash Flows	**29,082**
Capitalization Rate Calculation:	
Cost of Capital	10.0%
Terminal Cash Flow Growth Rate	3.0%
Capitalization Factor	14
Terminal Value	415,461
Present Value Factor	0.592
PV of Terminal Value	246,028

Sensitivity Analysis

		Discount Rate		
		11%	10.0%	9%
Terminal Growth Rate	2%	294,000	329,000	376,000
	3%	318,000	362,000	421,000
	4%	349,000	405,000	484,000

Notes:

(1) Revenue growth projections based on analysis of growth expectations of guideline public companies, the Wine and Liquor Wholesale Industry, and the expected rate of inflation.
(2) Amortization expense related to the Contract excluded in forecast as it does not reflect a market participant view.
(3) Projected income taxes included in cash flow based on the assumption that a market participant would be subjected to a marginal tax rate of 40.8%. If the State were to operate the business, it would not incur taxes.
(4) The present value factor is based on the 10% discount rate and factors in the time value of money in the valuation of future cash flows expected to be generated by the business.
(5) Business enterprise value represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller
(6) SG&A expenses reduced by 15% to reflect reduction in labor costs in Option 1.

Workpaper 1, Page 1 of 1
Subject Entity: State Liquor Business
Common Size, Cash Flow Forecast
Valuation as of January 01, 2009

Common Size

	Fiscal Year Ended December 31,								
Fiscal Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Forecast Period				*1*	*2*	*3*	*4*	*5*	*6*
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	61.4%	60.8%	60.7%	60.7%	60.7%	60.7%	60.7%	60.7%	60.7%
Gross Margin	38.6%	39.2%	39.3%	39.3%	39.3%	39.3%	39.3%	39.3%	39.3%
Operating Expenses:									
Research & Development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales & Marketing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
General & Administrative	1.9%	1.9%	2.1%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Other Operating Expenses	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Operating Expenses	5.1%	5.0%	5.3%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Other Recurring Income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	33.5%	34.2%	34.0%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%
Depreciation	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	33.4%	34.1%	34.0%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%
Income Taxes	13.6%	13.9%	13.9%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Net Operating Profit After Tax	19.8%	20.2%	20.1%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%

Exhibit 3, Page 1 of 1
Subject Entity: State Liquor Business
Guideline Public Company Method - State Liquor Business - Option 1 Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

		BEV / Revenue	BEV / EBITDA
LTM			
Financial Metric		116,973	39,772
Selected Multiple		3.0x	9.0x
Indicated Value		350,919	357,944
Indicated Business Enterprise Value - Marketable, Minority Basis		350,919	357,944
Weighting		50%	50%
Preliminary Indication of Business Enterprise Value - Marketable, Minority Basis	354,432		
Plus: Control Premium (1)	42,532		
Business Enterprise Value - Control Basis	396,963		
Business Enterprise Value, Control Basis (Rounded) (2)	**397,000**		

Notes:

(1) Control premium is calculated based on optimal capital structure of 60% Equity and 40% Debt. Source: Mergerstat's 2008 3rd Quarter Control Premium study for the Wholesale Industry.

(2) Business enterprise value represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller.

Exhibit 4, Page 1 of 1

Subject Entity: State Liquor Business

Guideline Public Company Method-Multiple Analysis - Option 1 Sensitivity Analysis

Valuation as of January 01, 2009

	BEV / Revenue	BEV / EBITDA
	LTM	LTM
Brown-Forman Corporation	3.3	12.0
Central European Distribution Corp.	1.1	9.4
Constellation Brands Inc.	2.0	10.9
Molson Coors Brewing Company	1.9	10.5
Core-Mark Holding Company, Inc.	0.1	6.3
Diageo Plc	3.1	9.9
Amcon Distributing Co.	0.1	4.8
Sysco Corp.	0.4	6.8
High	3.3x	12.0x
Median	1.5x	9.6x
Average	1.5x	8.8x
Low	0.1x	4.8x
Selected Market Multiple	**3.0x**	**9.0x**

Exhibit 5, Page 1 of 1
Subject Entity: State Liquor Business
Weighted Average Cost of Capital Calculation - Option 1 Sensitivity Analysis
Valuation as of January 01, 2009
US$ Millions

Ticker	Guideline Companies	Total Book Value of Debt (1)	Total Book Value of Preferred (1)	Total Market Value of Equity (2)	Total Market Value of Capital	Debt to Capital	Equity to Capital	Marginal Tax Rate	Levered Equity Beta (3)	Unlevered Equity Beta (4)
BF.B	Brown-Forman Corporation	997	-	7,860	8,858	11.3%	88.7%	40.0%	0.88	0.82
CEDC	Central European Distribution Corp.	922	-	850	1,772	52.0%	48.0%	40.0%	1.41	0.86
STZ	Constellation Brands Inc.	4,838	-	3,047	7,885	61.4%	38.6%	40.0%	1.21	0.62
TAP	Molson Coors Brewing Company	1,995	-	9,048	11,043	18.1%	81.9%	40.0%	0.86	0.76
CORE	Core-Mark Holding Company, Inc.	73	-	238	310	23.4%	76.6%	40.0%	1.12	0.95
DGE	Diageo plc	14,397	-	36,265	50,662	28.4%	71.6%	40.0%	0.62	0.50
DIT	AMCON Distributing Co.	43	6	14	63	77.6%	22.4%	40.0%	0.89	0.29
SYY	Sysco Corp.	1,979	-	13,950	15,930	12.4%	87.6%	40.0%	0.97	0.89
					Average	35.6%	64.4%			0.71
					Median	25.9%	74.1%			0.79
					Selected	**40.0%**	**60.0%**			**0.85**

Unlevered Equity Beta	0.85	Unlevered Equity Beta = Levered Equity Beta / [1 + (1 - Tax Rate) x Debt-to-Equity]
Debt to Equity	66.7%	
Selected Subject Tax Rate	40.8%	
Relevered Equity Beta	**1.19**	Levered Equity Beta = Unlevered Equity Beta x [1 + (1 - Tax Rate) x Debt-to-Equity]
Risk-Free Rate	3.05%	20-Year U.S Treasury as of the Valuation Date. Source: Capital IQ
Equity Risk Premium	5.60%	Source: Deloitte FAS Research
Levered Equity Beta	1.19	
Cost of Equity Capital	**9.69%**	Cost of Equity Capital = Risk-Free Rate + (Equity Beta x Equity Risk Premium)
Unsystematic Risk Factors:		
Size Premium	3.65%	Micro-Cap, 9th-10th Decile
Company-Specific Risk	0.00%	Risk premium based on qualitative factors that reflect company-specific risks.
Cost of Equity Capital	**13.34%**	
Subject's Estimated Pre-Tax Cost of Debt Capital	7.97%	Based on Baa- Rated Corporate Bonds. Source: Federal Reserve
Tax Rate	40.80%	
After-Tax Cost of Debt	**4.72%**	
Debt to Capital	40.0%	
Equity to Capital	60.0%	
Conclusion	9.89%	WACC = [(Debt to Capital x Cost of Debt) x (1 - Tax Rate)] + (Equity to Capital x Cost of Equity)
Weighted Average Cost of Capital (Rounded)	**10%**	

Notes:

Source: Capital IQ for book value of debt, book value of preferred stock, stock prices and fully diluted weighted average common shares.
(1) Book value of debt used as an approximation of market value. For purposes of calculating capital structure, any preferred equity was added to debt at book value.
(2) Represents current stock price times fully diluted weighted common average shares.
(3) Adjusted with Marshall Blume formula (Ba = 0.371 + 0.635Bh).
(4) If marginal tax rate for the public guideline company is not available, beta is unlevered using the subject company's marginal tax rate.

Exhibit 1, Page 1 of 1

Subject Entity: State Liquor Business

Valuation of Contract with Maine Beverage Company, LLC - Option 3 Sensitivity Analysis

Valuation as of January 01, 2009

US$ '000

Inputs	
Guaranteed Gross Profit	36.80%
State Sharing %	50.0%
Discount Rate (1)	3.2%

		Fiscal Year Ended December 31, (2)					
Fiscal Year		**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Forecast Period		*1*	*2*	*3*	*4*	*5*	*6*
Revenues		121,652	127,735	135,399	143,523	152,134	80,631
% Growth		*4.0%*	*5.0%*	*6.0%*	*6.0%*	*6.0%*	
Cost of Goods Sold		72,991	75,363	78,531	83,243	88,238	46,766
Gross Profit		48,661	52,371	56,867	60,280	63,896	33,865
% of Revenue		*40.0%*	*41.0%*	*42.0%*	*42.0%*	*42.0%*	*42.0%*
Gross Profit Guaranty		44,768	47,006	49,827	52,816	55,985	29,672
Gross Profit Guaranty Percentage		36.8%	36.8%	36.8%	36.8%	36.8%	36.8%
Less: Gross Profit Deficiency		N/A	N/A	N/A	N/A	N/A	N/A
Gross Profit Target (Baseline)		34,117	34,629	35,149	35,676	36,220	18,240
Gross Profit Overage		14,543	17,742	21,719	24,604	27,676	15,625
State Revenue Sharing Percentage		50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
State Share of Gross Profit Overage		7,272	8,871	10,859	12,302	13,838	7,812
Less: Gross Profit Guarantee Deficiency		N/A	N/A	N/A	N/A	N/A	N/A
Less: Prior Year Carry Over		N/A	N/A	N/A	N/A	N/A	N/A
Revenue Share Received by State		7,272	8,871	10,859	12,302	13,838	7,812
Partial Period		1.0	1.0	1.0	1.0	1.0	0.5
Periods Discounting		0.499	1.497	2.497	3.497	4.497	4.997
Present Value Factor	3.2%	0.985	0.954	0.925	0.897	0.869	0.856
Present Value of Cash Flow		7,160	8,467	10,047	11,032	12,029	6,686

Total Contract Received To Date (rounded) (3)	**19,000**
Present Value of Remaining Contract (rounded)	**55,000**

Notes

(1) Yield on Maine state municipal bonds maturing 11/1/2014 as of 1/1/2009.
(2) 2014 cash flow is based on half year to reflect June 30, 2014 contract end date.
(3) Represents the total cash flow received to date from the Contract with MBC.

Exhibit 2, Page 1 of 1

Subject Entity: State Liquor Business

Summary of Values - Option 3 Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

Valuation Method	Weighting	Value
Discounted Cash Flow	50%	386,000
Guideline Public Company	50%	436,000
Business Enterprise Value, Control Basis		411,000
Business Enterprise Value, Control Basis (rounded)		**411,000**

Exhibit 3, Page 1 of 1
Subject Entity: State Liquor Business

Discounted Cash Flow Method - State Liquor Business - Option 3 Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

				Fiscal Year Ended December 31,									
Fiscal Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Normalized**
Forecast Period				*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	
Revenues (1)	107,517	112,660	116,973	121,652	127,735	135,399	143,523	152,134	161,262	169,325	176,098	181,381	
% Growth		*4.8%*	*3.8%*	*4.0%*	*5.0%*	*6.0%*	*6.0%*	*6.0%*	*6.0%*	*5.0%*	*4.0%*	*3.0%*	
Cost of Goods Sold	66,065	68,474	70,979	72,991	75,363	78,531	83,243	88,238	93,532	98,209	102,137	105,201	
Gross Profit	41,452	44,185	45,994	48,661	52,371	56,867	60,280	63,896	67,730	71,117	73,961	76,180	
Operating Expenses:													
Research & Development	-	-	-	-	-	-	-	-	-	-	-	-	
Sales & Marketing	-	-	-	-	-	-	-	-	-	-	-	-	
General & Administrative (2)	1,999	2,098	2,452	2,650	2,780	2,942	3,115	3,297	3,491	3,662	3,806	3,919	
Other Operating Expenses (2)	3,438	3,575	3,771	5,196	4,118	4,365	4,626	4,904	5,198	5,458	5,677	5,847	
Operating Expenses	5,436	5,673	6,223	7,847	6,897	7,307	7,741	8,201	8,689	9,120	9,483	9,766	
Other Recurring Income/Expenses (Management Fees)	-	-	-	-	-	-	-	-	-	-	-	-	
EBITDA	36,016	38,512	39,772	40,814	45,474	49,560	52,538	55,695	59,041	61,996	64,478	66,414	68,406
Depreciation	64	59	53	56	58	62	66	70	74	77	81	83	83
Amortization (3)	-	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	35,952	38,453	39,718	40,759	45,416	49,499	52,473	55,625	58,967	61,919	64,398	66,331	68,323
Income Taxes (4)	14,668	15,689	16,205	16,629	18,530	20,195	21,409	22,695	24,059	25,263	26,274	27,063	27,876
Net Operating Profit After Tax	21,284	22,764	23,513	24,129	26,886	29,303	31,064	32,930	34,909	36,656	38,123	39,268	40,447
Plus: Depreciation				56	58	62	66	70	74	77	81	83	83
Plus: Amortization				-	-	-	-	-	-	-	-	-	-
Less: Capital Expenditures				99	104	110	116	123	131	137	143	147	83
Less: Incremental Debt-Free Excess Cash-Free Working Capital				3,041	152	192	203	215	228	202	169	132	136
Net Available Cash Flow				21,045	26,689	29,064	30,810	32,661	34,623	36,394	37,892	39,072	40,311
Partial Period				1.000									
Periods Discounting				0.499	1.497	2.497	3.497	4.497	5.497	6.497	7.497	8.497	
Present Value Factor (5) 11.0%				0.949	0.855	0.771	0.694	0.625	0.563	0.508	0.457	0.412	
Present Value of Cash Flow				19,978	22,828	22,396	21,389	20,427	19,508	18,474	17,328	16,097	

Present Value of Discrete Cash Flows	178,424
Present Value of Terminal Year Value	207,595
Present Value of Cash Flows	386,019
Business Enterprise Value, Control Basis (Rounded) (6)	**386,000**

Terminal Value Calculation	
Normalized Cash Flows	**40,311**
Capitalization Rate Calculation:	
Cost of Capital	11.0%
Terminal Cash Flow Growth Rate	3.0%
Capitalization Factor	13
Terminal Value	503,892
Present Value Factor	0.412
PV of Terminal Value	207,595

Sensitivity Analysis

		Discount Rate		
	386,000	12%	11.0%	10%
Terminal Growth Rate	2%	324,000	361,000	408,000
	3%	343,000	386,000	442,000
	4%	366,000	418,000	487,000

Notes:

(1) Revenue growth rate based on 3% growth in Option 2, plus additional growth expected to be realized from the implementation of Option 3. Gross margins reflect expected increase over the base case from implementation of Option 3.
(2) G&A Expenses reflect additional annual labor expense required to implement Option 3. 2009 Other Operating Expenses include one time expenses required to implement Option 3.
(3) Amortization expense related to contract excluded in forecast as it does not reflect a market participant view.
(4) Projected income taxes based on a market participant marginal tax rate of 40.8%.
(5) The present value factor is based on the 11% discount rate and factors in the time value of money in the valuation of future cash flows expected to be generated by the business.
(6) Business enterprise value represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller and is irrespective of the Contract.

Workpaper 1, Page 1 of 1
Subject Entity: State Liquor Business
Common Size, Cash Flow Forecast
Valuation as of January 01, 2009

Common Size

	Fiscal Year Ended December 31,												
Fiscal Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Normalized**
Forecast Period				*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Cost of Goods Sold	61.4%	60.8%	60.7%	60.0%	59.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	
Gross Margin	38.6%	39.2%	39.3%	40.0%	41.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	
Operating Expenses:													
Research & Development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Sales & Marketing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
General & Administrative	1.9%	1.9%	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	
Other Operating Expenses	3.2%	3.2%	3.2%	4.3%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	
Operating Expenses	5.1%	5.0%	5.3%	6.5%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	
Other Recurring Income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
EBITDA	33.5%	34.2%	34.0%	33.5%	35.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	
Depreciation	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Amortization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
EBIT	33.4%	34.1%	34.0%	33.5%	35.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	
Income Taxes	13.6%	13.9%	13.9%	13.7%	14.5%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	
Net Operating Profit After Tax	19.8%	20.2%	20.1%	19.8%	21.0%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%	

Exhibit 5, Page 1 of 1

Subject Entity: State Liquor Business

Guideline Public Company Method-Multiple Analysis - Option 3 Sensitivity Analysis

Valuation as of January 01, 2009

	BEV / Revenue	BEV / EBITDA
	LTM	LTM
Brown-Forman Corporation	3.3	12.0
Central European Distribution Corp.	1.1	9.4
Constellation Brands Inc.	2.0	10.9
Molson Coors Brewing Company	1.9	10.5
Core-Mark Holding Company, Inc.	0.1	6.3
Diageo Plc	3.1	9.9
Amcon Distributing Co.	0.1	4.8
Sysco Corp.	0.4	6.8
High	3.3x	12.0x
Median	1.5x	9.6x
Average	1.5x	8.8x
Low	0.1x	4.8x
Selected Market Multiple	**3.25x**	**10.0x**

Exhibit 4, Page 1 of 1
Subject Entity: State Liquor Business
Guideline Public Company Method - State Liquor Business - Option 3 Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

		BEV / Revenue	BEV / EBITDA
LTM			
Financial Metric		116,973	39,772
Selected Multiple		3.25x	10.0x
Indicated Value		380,163	397,715
Indicated Business Enterprise Value - Marketable, Minority Basis		380,163	397,715
Weighting		50%	50%
Preliminary Indication of Business Enterprise Value - Marketable, Minority Basis	388,939		
Plus: Control Premium (1)	46,673		
Business Enterprise Value - Control Basis	435,612		
Business Enterprise Value, Control Basis (Rounded) (2)	**436,000**		

Notes:

(1) Control premium is calculated based on optimal capital structure of 60% Equity and 40% Debt. Source: Mergerstat's 2008 3rd Quarter Control Premium study for the Wholesale Industry.

(2) Business enterprise value represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller and is irrespective of the Contract.

Exhibit 6, Page 1 of 1
Subject Entity: State Liquor Business
Weighted Average Cost of Capital Calculation - Option 3 Sensitivity Analysis
Valuation as of January 01, 2009
US$ Millions

Ticker	Guideline Companies	Total Book Value of Debt (1)	Total Book Value of Preferred (1)	Total Market Value of Equity (2)	Total Market Value of Capital	Debt to Capital	Equity to Capital	Marginal Tax Rate	Levered Equity Beta (3)	Unlevered Equity Beta (4)
BF.B	Brown-Forman Corporation	997	-	7,860	8,858	11.3%	88.7%	40.0%	0.88	0.82
CEDC	Central European Distribution Corp.	922	-	850	1,772	52.0%	48.0%	40.0%	1.41	0.86
STZ	Constellation Brands Inc.	4,838	-	3,047	7,885	61.4%	38.6%	40.0%	1.21	0.62
TAP	Molson Coors Brewing Company	1,995	-	9,048	11,043	18.1%	81.9%	40.0%	0.86	0.76
CORE	Core-Mark Holding Company, Inc.	73	-	238	310	23.4%	76.6%	40.0%	1.12	0.95
DGE	Diageo plc	14,397	-	36,265	50,662	28.4%	71.6%	40.0%	0.62	0.50
DIT	AMCON Distributing Co.	43	6	14	63	77.6%	22.4%	40.0%	0.89	0.29
SYY	Sysco Corp.	1,979	-	13,950	15,930	12.4%	87.6%	40.0%	0.97	0.89
					Average	35.6%	64.4%			0.71
					Median	25.9%	74.1%			0.79
					Selected	**40.0%**	**60.0%**			**0.85**

Unlevered Equity Beta	0.85	Unlevered Equity Beta = Levered Equity Beta / [1 + (1 - Tax Rate) x Debt-to-Equity]
Debt to Equity	66.7%	
Selected Subject Tax Rate	40.8%	
Relevered Equity Beta	**1.19**	Levered Equity Beta = Unlevered Equity Beta x [1 + (1 - Tax Rate) x Debt-to-Equity]
Risk-Free Rate	3.05%	20-Year U.S Treasury as of the Valuation Date. Source: Capital IQ
Equity Risk Premium	5.60%	Source: Deloitte FAS Research
Levered Equity Beta	1.19	
Cost of Equity Capital	**9.69%**	Cost of Equity Capital = Risk-Free Rate + (Equity Beta x Equity Risk Premium)
Unsystematic Risk Factors:		
Size Premium	3.65%	Micro-Cap, 9th-10th Decile
Company-Specific Risk	1.50%	Risk premium based on additional risk inherent in implementing Option 3 and achieving the forecasted increase in growth and profitability.
Cost of Equity Capital	**14.84%**	
Subject's Estimated Pre-Tax Cost of Debt Capital	7.97%	Based on Baa- Rated Corporate Bonds. Source: Federal Reserve
Tax Rate	40.80%	
After-Tax Cost of Debt	**4.72%**	
Debt to Capital	40.0%	
Equity to Capital	60.0%	
Conclusion	10.79%	WACC = [(Debt to Capital x Cost of Debt) x (1 - Tax Rate)] + (Equity to Capital x Cost of Equity)
Weighted Average Cost of Capital (Rounded)	**11.00%**	

Notes:
Source: Capital IQ for book value of debt, book value of preferred stock, stock prices and fully diluted weighted average common shares.
(1) Book value of debt used as an approximation of market value. For purposes of calculating capital structure, any preferred equity was added to debt at book value.
(2) Represents current stock price times fully diluted weighted common average shares.
(3) Adjusted with Marshall Blume formula (Ba = 0.371 + 0.635Bh).
(4) If marginal tax rate for the public guideline company is not available, beta is unlevered using the subject company's marginal tax rate.

Exhibit 1, Page 1 of 1

Subject Entity: State Liquor Business

Valuation of Contract with Maine Beverage Company, LLC - Option 4 Sensitivity Analysis

Valuation as of January 01, 2009

US$ '000

Inputs	
Guaranteed Gross Profit	36.80%
State Sharing %	50.0%
Discount Rate (1)	3.2%

		Fiscal Year Ended December 31, (2)					
Fiscal Year		**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Forecast Period		*1*	*2*	*3*	*4*	*5*	*6*
Revenues		121,652	128,951	139,267	150,409	162,441	87,718
% Growth		*4.0%*	*6.0%*	*8.0%*	*8.0%*	*8.0%*	
Cost of Goods Sold		72,991	76,081	80,775	87,237	94,216	50,877
Gross Profit		48,661	52,870	58,492	63,172	68,225	36,842
% of Revenue		*40.0%*	*41.0%*	*42.0%*	*42.0%*	*42.0%*	*42.0%*
Gross Profit Guaranty		44,768	47,454	51,250	55,350	59,778	32,280
Gross Profit Guaranty Percentage		36.8%	36.8%	36.8%	36.8%	36.8%	36.8%
Less: Gross Profit Deficiency		N/A	N/A	N/A	N/A	N/A	N/A
Gross Profit Target (Baseline)		34,117	34,629	35,149	35,676	36,220	18,240
Gross Profit Overage		14,543	18,241	23,344	27,496	32,006	18,601
State Revenue Sharing Percentage		50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
State Share of Gross Profit Overage		7,272	9,120	11,672	13,748	16,003	9,301
Less: Gross Profit Guarantee Deficiency		N/A	N/A	N/A	N/A	N/A	N/A
Less: Prior Year Carry Over		N/A	N/A	N/A	N/A	N/A	N/A
Revenue Share Received by State		7,272	9,120	11,672	13,748	16,003	9,301
Partial Period		1.0	1.0	1.0	1.0	1.0	0.5
Periods Discounting		0.499	1.497	2.497	3.497	4.497	4.997
Present Value Factor	3.2%	0.985	0.954	0.925	0.897	0.869	0.856
Present Value of Cash Flow		7,160	8,705	10,798	12,329	13,911	7,960

Total Contract Received To Date (rounded) (3)	**19,000**
Present Value of Remaining Contract (rounded)	**61,000**

Notes

(1) Yield on Maine state municipal bonds maturing 11/1/2014 as of 1/1/2009.
(2) 2014 cash flow is based on half year to reflect June 30, 2014 contract end date.
(3) Represents the total cash flow received to date from the Contract with MBC.

Exhibit 2, Page 1 of 1

Subject Entity: State Liquor Business

Summary of Values - Option 4 Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

Valuation Method	Weighting	Value
Discounted Cash Flow	50%	415,000
Guideline Public Company	50%	474,000
Business Enterprise Value, Control Basis		444,500
Business Enterprise Value, Control Basis (rounded)		**445,000**

Exhibit 3, Page 1 of 1
Subject Entity: State Liquor Business

Discounted Cash Flow Method - State Liquor Business - Option 4 - Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

	Fiscal Year Ended December 31,												
Fiscal Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Normalized**
Forecast Period				*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	
Revenues (1)	107,517	112,660	116,973	121,652	128,951	139,267	150,409	162,441	175,437	185,963	193,401	199,203	
% Growth		*4.8%*	*3.8%*	*4.0%*	*6.0%*	*8.0%*	*8.0%*	*8.0%*	*8.0%*	*6.0%*	*4.0%*	*3.0%*	
Cost of Goods Sold	66,065	68,474	70,979	72,991	76,081	80,775	87,237	94,216	101,753	107,858	112,173	115,538	
Gross Profit (1)	41,452	44,185	45,994	48,661	52,870	58,492	63,172	68,225	73,683	78,104	81,229	83,665	
Operating Expenses:													
Research & Development	-	-	-	-	-	-	-	-	-	-	-	-	
Sales & Marketing	-	-	-	-	-	-	-	-	-	-	-	-	
General & Administrative (2)	1,999	2,098	2,452	2,700	2,856	3,076	3,312	3,568	3,843	4,067	4,227	4,352	
Other Operating Expenses (2)	3,438	3,575	3,771	7,196	4,157	4,489	4,848	5,236	5,655	5,995	6,234	6,421	
Operating Expenses	5,436	5,673	6,223	9,897	7,013	7,565	8,161	8,804	9,499	10,062	10,461	10,773	
Other Recurring Income/Expenses (Management Fees)	-	-	-	-	-	-	-	-	-	-	-	-	
EBITDA	36,016	38,512	39,772	38,764	45,857	50,927	55,011	59,421	64,185	68,043	70,768	72,892	75,079
Depreciation	64	59	53	56	59	64	69	74	80	85	88	91	91
Amortization (3)	-	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	35,952	38,453	39,718	38,709	45,798	50,864	54,942	59,347	64,105	67,958	70,679	72,801	74,988
Income Taxes (4)	14,668	15,689	16,205	15,793	18,686	20,752	22,416	24,214	26,155	27,727	28,837	29,703	30,595
Net Operating Profit After Tax	21,284	22,764	23,513	22,915	27,112	30,111	32,526	35,134	37,950	40,231	41,842	43,098	44,393
Plus: Depreciation				56	59	64	69	74	80	85	88	91	91
Plus: Amortization				-	-	-	-	-	-	-	-	-	-
Less: Capital Expenditures				99	105	113	122	132	142	151	157	161	91
Less: Incremental Debt-Free Excess Cash-Free Working Capital				3,041	182	258	279	301	325	263	186	145	149
Net Available Cash Flow				19,831	26,884	29,804	32,194	34,775	37,563	39,902	41,588	42,883	44,244
Partial Period				1.000									
Periods Discounting				0.499	1.497	2.497	3.497	4.497	5.497	6.497	7.497	8.497	
Present Value Factor (5) 11.0%				0.949	0.855	0.771	0.694	0.625	0.563	0.508	0.457	0.412	
Present Value of Cash Flow				18,826	22,995	22,966	22,350	21,749	21,165	20,254	19,018	17,667	

Present Value of Discrete Cash Flows	186,990
Present Value of Terminal Year Value	227,845
Present Value of Cash Flows	414,835
Business Enterprise Value, Control Basis (Rounded) (6)	**415,000**

Terminal Value Calculation	
Normalized Cash Flows	**44,244**
Capitalization Rate Calculation:	
Cost of Capital	11.0%
Terminal Cash Flow Growth Rate	3.0%
Capitalization Factor	13
Terminal Value	553,045
Present Value Factor	0.412
PV of Terminal Value	227,845

Sensitivity Analysis

		Discount Rate		
	415,000	12%	11.0%	10%
Terminal Growth Rate	2%	347,000	388,000	439,000
	3%	368,000	415,000	476,000
	4%	393,000	450,000	525,000

Notes:

(1) Revenue growth rate projections are based on base case growth of 3%, plus additional growth expected from implementing Options 3 and 4. Gross margins reflect expected increase over the base case from the implementation of Option 3.
(2) G&A Expenses reflect additional annual labor expense required to implement Options 3 and 4. 2009 Other Operating Expenses include one time expenses required to implement Options 3 and 4.
(3) Amortization expense related to contract excluded in forecast as it does not reflect a market participant view.
(4) Projected income taxes based on a market participant marginal tax rate of 40.8%.
(5) The present value factor is based on the 11% discount rate and factors in the time value of money in the valuation of future cash flows expected to be generated by the business.
(6) Business enterprise value represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller and is irrespective of the Contract.

Workpaper 1, Page 1 of 1
Subject Entity: State Liquor Business
Common Size, Cash Flow Forecast
Valuation as of January 01, 2009

Common Size

	Fiscal Year Ended December 31,											
Fiscal Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Forecast Period				*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	61.4%	60.8%	60.7%	60.0%	59.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%
Gross Margin	38.6%	39.2%	39.3%	40.0%	41.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%
Operating Expenses:												
Research & Development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales & Marketing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
General & Administrative	1.9%	1.9%	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Other Operating Expenses	3.2%	3.2%	3.2%	5.9%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Operating Expenses	5.1%	5.0%	5.3%	8.1%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Other Recurring Income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	33.5%	34.2%	34.0%	31.9%	35.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%	36.6%
Depreciation	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	33.4%	34.1%	34.0%	31.8%	35.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%
Income Taxes	13.6%	13.9%	13.9%	13.0%	14.5%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%
Net Operating Profit After Tax	19.8%	20.2%	20.1%	18.8%	21.0%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%

Exhibit 4, Page 1 of 1
Subject Entity: State Liquor Business

Guideline Public Company Method - State Liquor Business - Option 4 Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

		BEV / Revenue	BEV / EBITDA
LTM			
Financial Metric		116,973	39,772
Selected Multiple		3.5x	11.0x
Indicated Value		409,406	437,487
Indicated Business Enterprise Value - Marketable, Minority Basis		409,406	437,487
Weighting		50%	50%
Preliminary Indication of Business Enterprise Value - Marketable, Minority Basis	423,446		
Plus: Control Premium (1)	50,814		
Business Enterprise Value - Control Basis	474,260		
Business Enterprise Value, Control Basis (Rounded) (2)	**474,000**		

Notes:

(1) Control premium is calculated based on optimal capital structure of 60% Equity and 40% Debt. Source: Mergerstat's 2008 3rd Quarter Control Premium study for the Wholesale Industry.

(2) Business enterprise value represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller and is irrespective of the Contract.

Exhibit 5, Page 1 of 1
Subject Entity: State Liquor Business

Guideline Public Company Method-Multiple Analysis - Option 4 Sensitivity Analysis
Valuation as of January 01, 2009

	BEV / Revenue	BEV / EBITDA
	LTM	LTM
Brown-Forman Corporation	3.3	12.0
Central European Distribution Corp.	1.1	9.4
Constellation Brands Inc.	2.0	10.9
Molson Coors Brewing Company	1.9	10.5
Core-Mark Holding Company, Inc.	0.1	6.3
Diageo Plc	3.1	9.9
Amcon Distributing Co.	0.1	4.8
Sysco Corp.	0.4	6.8
High	3.3x	12.0x
Median	1.5x	9.6x
Average	1.5x	8.8x
Low	0.1x	4.8x
Selected Market Multiple	**3.5x**	**11.0x**

Exhibit 6, Page 1 of 1

Subject Entity: State Liquor Business

Weighted Average Cost of Capital Calculation - Option 4 Sensitivity Analysis
Valuation as of January 01, 2009
US$ Millions

Ticker	Guideline Companies	Total Book Value of Debt (1)	Total Book Value of Preferred (1)	Total Market Value of Equity (2)	Total Market Value of Capital	Debt to Capital	Equity to Capital	Marginal Tax Rate	Levered Equity Beta (3)	Unlevered Equity Beta (4)
BF.B	Brown-Forman Corporation	997	-	7,860	8,858	11.3%	88.7%	40.0%	0.88	0.82
CEDC	Central European Distribution Corp.	922	-	850	1,772	52.0%	48.0%	40.0%	1.41	0.86
STZ	Constellation Brands Inc.	4,838	-	3,047	7,885	61.4%	38.6%	40.0%	1.21	0.62
TAP	Molson Coors Brewing Company	1,995	-	9,048	11,043	18.1%	81.9%	40.0%	0.86	0.76
CORE	Core-Mark Holding Company, Inc.	73	-	238	310	23.4%	76.6%	40.0%	1.12	0.95
DGE	Diageo plc	14,397	-	36,265	50,662	28.4%	71.6%	40.0%	0.62	0.50
DIT	AMCON Distributing Co.	43	6	14	63	77.6%	22.4%	40.0%	0.89	0.29
SYY	Sysco Corp.	1,979	-	13,950	15,930	12.4%	87.6%	40.0%	0.97	0.89
					Average	35.6%	64.4%			0.71
					Median	25.9%	74.1%			0.79
					Selected	**40.0%**	**60.0%**			**0.85**

Unlevered Equity Beta	0.85	Unlevered Equity Beta = Levered Equity Beta / [1 + (1 - Tax Rate) x Debt-to-Equity]
Debt to Equity	66.7%	
Selected Subject Tax Rate	40.8%	
Relevered Equity Beta	**1.19**	Levered Equity Beta = Unlevered Equity Beta x [1 + (1 - Tax Rate) x Debt-to-Equity]
Risk-Free Rate	3.05%	20-Year U.S Treasury as of the Valuation Date. Source: Capital IQ
Equity Risk Premium	5.60%	Source: Deloitte FAS Research
Levered Equity Beta	1.19	
Cost of Equity Capital	**9.69%**	Cost of Equity Capital = Risk-Free Rate + (Equity Beta x Equity Risk Premium)
Unsystematic Risk Factors:		
Size Premium	3.65%	Micro-Cap, 9th-10th Decile
Company-Specific Risk	2.00%	Risk premium based on additional risk inherent in implementing Option 3 and Option 4 and achieving the forecasted increase in growth and profitability.
Cost of Equity Capital	**15.34%**	
Subject's Estimated Pre-Tax Cost of Debt Capital	7.97%	Based on Baa- Rated Corporate Bonds. Source: Federal Reserve
Tax Rate	40.80%	
After-Tax Cost of Debt	**4.72%**	
Debt to Capital	40.0%	
Equity to Capital	60.0%	
Conclusion	11.09%	WACC = [(Debt to Capital x Cost of Debt) x (1 - Tax Rate)] + (Equity to Capital x Cost of Equity)
Weighted Average Cost of Capital (Rounded)	**11.00%**	

Notes:

Source: Capital IQ for book value of debt, book value of preferred stock, stock prices and fully diluted weighted average common shares.
(1) Book value of debt used as an approximation of market value. For purposes of calculating capital structure, any preferred equity was added to debt at book value.
(2) Represents current stock price times fully diluted weighted common average shares.
(3) Adjusted with Marshall Blume formula (Ba = 0.371 + 0.635Bh).
(4) If marginal tax rate for the public guideline company is not available, beta is unlevered using the subject company's marginal tax rate.

Exhibit 1, Page 1 of 1
Subject Entity: State Liquor Business

Valuation of Contract with Maine Beverage Company, LLC - Option 5 Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

Inputs	
Guaranteed Gross Profit	36.80%
State Sharing %	50.0%
Discount Rate (1)	3.2%

		Fiscal Year Ended December 31, (2)					
Fiscal Year		**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Forecast Period		*1*	*2*	*3*	*4*	*5*	*6*
Revenues		121,652	130,168	141,883	154,652	168,571	91,871
% Growth		*4.0%*	*7.0%*	*9.0%*	*9.0%*	*9.0%*	
Cost of Goods Sold		72,991	76,799	82,292	89,698	97,771	53,285
Gross Profit		48,661	53,369	59,591	64,954	70,800	38,586
% of Revenue		*40.0%*	*41.0%*	*42.0%*	*42.0%*	*42.0%*	*42.0%*
Gross Profit Guaranty		44,768	47,902	52,213	56,912	62,034	33,809
Gross Profit Guaranty Percentage		36.8%	36.8%	36.8%	36.8%	36.8%	36.8%
Less: Gross Profit Deficiency		N/A	N/A	N/A	N/A	N/A	N/A
Gross Profit Target (Baseline)		34,117	34,629	35,149	35,676	36,220	18,240
Gross Profit Overage		14,543	18,740	24,442	29,278	34,580	20,346
State Revenue Sharing Percentage		50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
State Share of Gross Profit Overage		7,272	9,370	12,221	14,639	17,290	10,173
Less: Gross Profit Guarantee Deficiency		N/A	N/A	N/A	N/A	N/A	N/A
Less: Prior Year Carry Over		N/A	N/A	N/A	N/A	N/A	N/A
Revenue Share Received by State		7,272	9,370	12,221	14,639	17,290	10,173
Partial Period		1.0	1.0	1.0	1.0	1.0	0.5
Periods Discounting		0.499	1.497	2.497	3.497	4.497	4.997
Present Value Factor	3.2%	0.985	0.954	0.925	0.897	0.869	0.856
Present Value of Cash Flow		7,160	8,943	11,306	13,128	15,030	8,706

Total Contract Received To Date (rounded) (3)	**19,000**
Present Value of Remaining Contract (rounded)	**64,000**

Notes
(1) Yield on Maine state municipal bonds maturing 11/1/2014 as of 1/1/2009.
(2) 2014 cash flow is based on half year to reflect June 30, 2014 contract end date.
(3) Represents the total cash flow received to date from the Contract with MBC.

Exhibit 2, Page 1 of 1

Subject Entity: State Liquor Business

Summary of Values - Option 5 Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

Valuation Method	Weighting	Value
Discounted Cash Flow	50%	431,000
Guideline Public Company	50%	474,000
Business Enterprise Value, Control Basis		452,500
Business Enterprise Value, Control Basis (rounded)		**453,000**

Exhibit 3, Page 1 of 1
Subject Entity: State Liquor Business

Discounted Cash Flow Method - State Liquor Business - Option 5 Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

							Fiscal Year Ended December 31,						
Fiscal Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Normalized**
Forecast Period				*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	
Revenues (1)	107,517	112,660	116,973	121,652	130,168	141,883	154,652	168,571	183,742	194,767	202,558	208,634	
% Growth		*4.8%*	*3.8%*	*4.0%*	*7.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*6.0%*	*4.0%*	*3.0%*	
Cost of Goods Sold	66,065	68,474	70,979	72,991	76,799	82,292	89,698	97,771	106,571	112,965	117,483	121,008	
Gross Profit	41,452	44,185	45,994	48,661	53,369	59,591	64,954	70,800	77,172	81,802	85,074	87,626	
Operating Expenses:													
Research & Development	-	-	-	-	-	-	-	-	-	-	-	-	
Sales & Marketing	-	-	-	-	-	-	-	-	-	-	-	-	
General & Administrative	1,999	2,098	2,452	2,750	2,933	3,182	3,454	3,750	4,073	4,308	4,476	4,608	
Other Operating Expenses	3,438	3,575	3,771	7,596	4,196	4,574	4,985	5,434	5,923	6,278	6,529	6,725	
Operating Expenses	5,436	5,673	6,223	10,347	7,129	7,756	8,439	9,184	9,996	10,586	11,005	11,333	
Other Recurring Income/Expenses (Management Fees)	-	-	-	-	-	-	-	-	-	-	-	-	
EBITDA	36,016	38,512	39,772	38,314	46,240	51,835	56,515	61,616	67,176	71,216	74,069	76,293	78,582
Depreciation	64	59	53	56	60	65	71	77	84	89	93	95	95
Amortization (2)	-	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	35,952	38,453	39,718	38,259	46,181	51,770	56,444	61,539	67,092	71,127	73,976	76,198	78,487
Income Taxes (3)	14,668	15,689	16,205	15,609	18,842	21,122	23,029	25,108	27,374	29,020	30,182	31,089	32,022
Net Operating Profit After Tax	21,284	22,764	23,513	22,649	27,339	30,648	33,415	36,431	39,719	42,107	43,794	45,109	46,464
Plus: Depreciation				56	60	65	71	77	84	89	93	95	95
Plus: Amortization				-	-	-	-	-	-	-	-	-	-
Less: Capital Expenditures				99	106	115	125	137	149	158	164	169	95
Less: Incremental Debt-Free Excess Cash-Free Working Capital				3,041	213	293	319	348	379	276	195	152	156
Net Available Cash Flow				19,565	27,080	30,305	33,041	36,023	39,274	41,762	43,528	44,883	46,308
Partial Period				1.000									
Periods Discounting				0.499	1.497	2.497	3.497	4.497	5.497	6.497	7.497	8.497	
Present Value Factor (4)	11.0%			0.949	0.855	0.771	0.694	0.625	0.563	0.508	0.457	0.412	
Present Value of Cash Flow				18,573	23,163	23,352	22,937	22,530	22,129	21,199	19,905	18,491	

Present Value of Discrete Cash Flows	192,279
Present Value of Terminal Year Value	238,474
Present Value of Cash Flows	430,752
Business Enterprise Value, Control Basis (Rounded) (5)	**431,000**

Terminal Value Calculation	
Normalized Cash Flows	**46,308**
Capitalization Rate Calculation:	
Cost of Capital	11.0%
Terminal Cash Flow Growth Rate	3.0%
Capitalization Factor	13
Terminal Value	578,844
Present Value Factor	0.412
PV of Terminal Value	238,474

Sensitivity Analysis

		Discount Rate		
		12%	11.0%	10%
Terminal Growth Rate	2%	360,000	402,000	455,000
	3%	381,000	431,000	495,000
	4%	408,000	467,000	547,000

Notes:

(1) Revenue growth rate projections are based on base case growth of 3%, plus additional growth expected from implementing Options 3, 4, and 5. Gross margins reflect expected increase over the base case from the implementation of Option 3.
(2) G&A Expenses reflect additional annual labor expense required to implement Options 3, 4, and 5. 2009 Other Operating Expenses include one time expenses required to implement Options 3, 4, and 5.
(3) Amortization expense related to contract excluded in forecast as it does not reflect a market participant view.
(4) Projected income taxes based on a market participant marginal tax rate of 40.8%.
(5) The present value factor is based on the 11% discount rate and factors in the time value of money in the valuation of future cash flows expected to be generated by the business.
(6) Business enterprise value represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller and is irrespective of the Contract.

Workpaper 1, Page 1 of 1
Subject Entity: State Liquor Business
Common Size, Cash Flow Forecast
Valuation as of January 01, 2009

Common Size

Fiscal Year	Fiscal Year Ended December 31,											
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Forecast Period				*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	61.4%	60.8%	60.7%	60.0%	59.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%
Gross Margin	38.6%	39.2%	39.3%	40.0%	41.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%
Operating Expenses:												
Research & Development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales & Marketing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
General & Administrative	1.9%	1.9%	2.1%	2.3%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Other Operating Expenses	3.2%	3.2%	3.2%	6.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Operating Expenses	5.1%	5.0%	5.3%	8.5%	5.5%	5.5%	5.5%	5.4%	5.4%	5.4%	5.4%	5.4%
Other Recurring Income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	33.5%	34.2%	34.0%	31.5%	35.5%	36.5%	36.5%	36.6%	36.6%	36.6%	36.6%	36.6%
Depreciation	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	33.4%	34.1%	34.0%	31.4%	35.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%	36.5%
Income Taxes	13.6%	13.9%	13.9%	12.8%	14.5%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%
Net Operating Profit After Tax	19.8%	20.2%	20.1%	18.6%	21.0%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%

Exhibit 4, Page 1 of 1
Subject Entity: State Liquor Business

Guideline Public Company Method - State Liquor Business - Option 5 Sensitivity Analysis
Valuation as of January 01, 2009
US$ '000

		BEV / Revenue	BEV / EBITDA
LTM			
Financial Metric		116,973	39,772
Selected Multiple		3.50x	11.0x
Indicated Value		409,406	437,487
Indicated Business Enterprise Value - Marketable, Minority Basis		409,406	437,487
Weighting		50%	50%
Preliminary Indication of Business Enterprise Value - Marketable, Minority Basis	423,446		
Plus: Control Premium (1)	50,814		
Business Enterprise Value - Control Basis	474,260		
Business Enterprise Value, Control Basis (Rounded) (2)	**474,000**		

Notes:

(1) Control premium is calculated based on optimal capital structure of 60% Equity and 40% Debt. Source: Mergerstat's 2008 3rd Quarter Control Premium study for the Wholesale Industry.

(2) Business enterprise value represents the cash consideration that could be negotiated for a sale of the whole business between a willing buyer and willing seller and is irrespective of the Contract.

Exhibit 5, Page 1 of 1

Subject Entity: State Liquor Business

Guideline Public Company Method-Multiple Analysis - Option 5 Sensitivity Analysis

Valuation as of January 01, 2009

	BEV / Revenue	BEV / EBITDA
	LTM	**LTM**
Brown-Forman Corporation	3.3	12.0
Central European Distribution Corp.	1.1	9.4
Constellation Brands Inc.	2.0	10.9
Molson Coors Brewing Company	1.9	10.5
Core-Mark Holding Company, Inc.	0.1	6.3
Diageo Plc	3.1	9.9
Amcon Distributing Co.	0.1	4.8
Sysco Corp.	0.4	6.8
High	3.3x	12.0x
Median	1.5x	9.6x
Average	1.5x	8.8x
Low	0.1x	4.8x
Selected Market Multiple	**3.50x**	**11.0x**

Exhibit 6, Page 1 of 1
Subject Entity: State Liquor Business
Weighted Average Cost of Capital Calculation - Option 5 Sensitivity Analysis
Valuation as of January 01, 2009
US$ Millions

Ticker	Guideline Companies	Total Book Value of Debt (1)	Total Book Value of Preferred (1)	Total Market Value of Equity (2)	Total Market Value of Capital	Debt to Capital	Equity to Capital	Marginal Tax Rate	Levered Equity Beta (3)	Unlevered Equity Beta (4)
BF.B	Brown-Forman Corporation	997	-	7,860	8,858	11.3%	88.7%	40.0%	0.88	0.82
CEDC	Central European Distribution Corp.	922	-	850	1,772	52.0%	48.0%	40.0%	1.41	0.86
STZ	Constellation Brands Inc.	4,838	-	3,047	7,885	61.4%	38.6%	40.0%	1.21	0.62
TAP	Molson Coors Brewing Company	1,995	-	9,048	11,043	18.1%	81.9%	40.0%	0.86	0.76
CORE	Core-Mark Holding Company, Inc.	73	-	238	310	23.4%	76.6%	40.0%	1.12	0.95
DGE	Diageo plc	14,397	-	36,265	50,662	28.4%	71.6%	40.0%	0.62	0.50
DIT	AMCON Distributing Co.	43	6	14	63	77.6%	22.4%	40.0%	0.89	0.29
SYY	Sysco Corp.	1,979	-	13,950	15,930	12.4%	87.6%	40.0%	0.97	0.89
					Average	35.6%	64.4%			0.71
					Median	25.9%	74.1%			0.79
					Selected	**40.0%**	**60.0%**			**0.85**

Unlevered Equity Beta	0.85	Unlevered Equity Beta = Levered Equity Beta / [1 + (1 - Tax Rate) x Debt-to-Equity]
Debt to Equity	66.7%	
Selected Subject Tax Rate	40.8%	
Relevered Equity Beta	**1.19**	Levered Equity Beta = Unlevered Equity Beta x [1 + (1 - Tax Rate) x Debt-to-Equity]
Risk-Free Rate	3.05%	20-Year U.S Treasury as of the Valuation Date. Source: Capital IQ
Equity Risk Premium	5.60%	Source: Deloitte FAS Research
Levered Equity Beta	1.19	
Cost of Equity Capital	**9.69%**	Cost of Equity Capital = Risk-Free Rate + (Equity Beta x Equity Risk Premium)
Unsystematic Risk Factors:		
Size Premium	3.65%	Micro-Cap, 9th-10th Decile
Company-Specific Risk	2.50%	Risk premium based on additional risk inherent in implementing Options 3, 4, and 5 and achieving the forecasted increase in growth and profitability.
Cost of Equity Capital	**15.84%**	
Subject's Estimated Pre-Tax Cost of Debt Capital	7.97%	Based on Baa- Rated Corporate Bonds. Source: Federal Reserve
Tax Rate	40.80%	
After-Tax Cost of Debt	**4.72%**	
Debt to Capital	40.0%	
Equity to Capital	60.0%	
Conclusion	11.39%	WACC = [(Debt to Capital x Cost of Debt) x (1 - Tax Rate)] + (Equity to Capital x Cost of Equity)
Weighted Average Cost of Capital (Rounded)	**11.00%**	

Notes:
Source: Capital IQ for book value of debt, book value of preferred stock, stock prices and fully diluted weighted average common shares.
(1) Book value of debt used as an approximation of market value. For purposes of calculating capital structure, any preferred equity was added to debt at book value.
(2) Represents current stock price times fully diluted weighted common average shares.
(3) Adjusted with Marshall Blume formula (Ba = 0.371 + 0.635Bh).
(4) If marginal tax rate for the public guideline company is not available, beta is unlevered using the subject company's marginal tax rate.

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