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Interim Report of the Commission to Develop a Plan to Implement the Closure of the State Liquor Stores

Maine State Legislature

Office of Policy and Legal Analysis

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Interim Report
of the

COMMISSION TO DEVELOP A PLAN TO IMPLEMENT THE CLOSURE OF THE STATE LIQUOR STORES

February 2002

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Rep. John L. Tuttle, Jr., Chair
Sen. Mary E. Small
Rep. Arthur F. Mayo, III

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Executive Summary

The Commission to Develop a Plan to Implement the Closure of the State Liquor Stores held a total of six meetings from August 2001 to January 2002. The commission consisted of two senators, two members of the House of Representatives, two members representing licensed agents, one member representing state liquor store employees and representatives from the Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations and the Department of Public Safety, Bureau of Liquor Enforcement. The commission was charged with developing an effective state-wide spirits distribution system in the wake of the closure of 14 of the 27 state liquor stores and consider strategies for moving to a distribution system that includes no state liquor stores.

Over the course of its meetings, the commission considered how the distribution of spirits without state stores would impact existing liquor agents and licensees, general fund revenue, consumers of spirits in the state and state liquor store employees. The commission narrowed its focus to three spirits distribution model options.

Option 1:
- Close all 19 remaining state stores
- License private agents to replace closed state stores
- Expand warehouse operations to include “picking” – distribution of less than full cases
- Make necessary adjustments to trucking operation

Option 2:
- Close 6 more state stores between June 1, 2002 and December 31, 2002 pursuant to Public Law 2001, Chapter 358, Part V
- Maintain 13 stores as wholesale and retail establishments
- License private agents to replace closed state stores
- No expansion of operations at the warehouse

Option 3:
- Close no more state stores
- Maintain remaining 19 state stores
- License private agents to replace closed state stores
- No expansion of operations at the warehouse

After consideration of the feasibility and fiscal implications of each distribution model the commission makes the following recommendations:

1. The Bureau of Alcoholic Beverages and Lottery Operations shall continue to operate the remaining 19 state liquor stores.
2. The Bureau of Alcoholic Beverages and Lottery Operations shall report annually to the Joint Standing Committee having jurisdiction over alcoholic beverages regarding the effectiveness and administrative costs of the state’s spirits distribution system.

3. Amend current law to repeal the 3.5-mile radius requirement for the location of agency liquor stores.

4. Amend current law to require all private agents licensed to replace a closed state store to obtain a Federal Wholesale Stamp in order to sell spirits at the list price to licensees on behalf of the state.

5. Amend current law to require that all spirits be sold at the list price established by the Bureau of Alcoholic Beverages and Lottery Operations.

6. The Joint Standing Committee having jurisdiction over alcoholic beverages should address the issue of transferring agency licenses from one person to another and the time period within which agents must pay the Bureau of Alcoholic Beverages and Lottery Operations for the purchase of their spirits inventory.

7. Staffing levels within the Bureau of Liquor Enforcement should be addressed.
I. Introduction

The Commission to Develop a Plan to Implement the Closure of State Liquor Stores was created pursuant to Public Law 2001, Chapter 358, Part V, Section V-5 during the First Regular Session of the 120th Legislature. The Commission was charged with developing a plan to effectuate an appropriate statewide liquor distribution system. In developing this plan, the Commission was directed to consider the effects on wholesale distribution and sales of closing state liquor stores and consider strategies for moving to a system that relies on agency stores for all retail sales. The law required the Commission to report its findings and recommendations to the Second Regular Session of the 120th Legislature by January 31, 2002.

The Commission’s membership consisted of two Senators, two members of the House of Representatives, one representative of state liquor store employees, two owners of agency liquor stores, one representative of the Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations and one representative of the Department of Public Safety, Bureau of Liquor Enforcement.

The Commission held a total of six meetings. Steps the Commission took in order to gather the information necessary to report findings and make recommendations include: review of the state’s current spirits distribution system; solicitation of input from the warehouse and trucking company that are currently contracted to distribute spirits throughout the state; surveying agency liquor stores concerning changes to the current distribution system; receiving presentations from the state health benefits and retirement system administrators regarding displaced state liquor store employees; and studying fiscal projections for a variety of spirits distribution systems.

II. Current State Spirits Distribution System

Maine is a “control” state with regard to the sale of spirits, meaning that, Maine has a monopoly on the distribution and sale of spirits in the state. Spirits are warehoused by the manufacturers at a bailment warehouse contracted by the state and then sold wholesale by the Bureau of Alcoholic Beverages and Lottery Operations (BABLO) to private agents licensed by the Bureau of Liquor Enforcement. State-run liquor stores sell liquor as a wholesale outlet directly to agents and licensees and to the consumer as a retail outlet. Beer and wine is wholesaled and distributed by private companies who hold both state and federal licenses. These distributors wholesale those products to licensed establishments who sell beer and wine for off-premise or on-premise consumption. This report deals only with the distribution and sale of spirits and fortified wine distributed by the state.

Spirits are distributed to licensees (bars, hotels and restaurants), who sell spirits to be consumed on the premises and to agents (retail establishments), who sell spirits to be consumed off of the premises. Agents either get their supply of spirits (in full cases only) from the bailment warehouse in Portland via the state-contracted trucking company or from any of the state-run liquor stores (in full cases or by the bottle). An agent may have their shipment transported from the warehouse by the state contracted trucking company if they order 10 full cases or more. Some agents rely completely on regional state stores for their inventory of spirits. Other agents use both the warehouse/trucking option for whole cases and the state stores for brands of limited demand or
to replace depleted stock in between deliveries from the warehouse. Agents may purchase split cases from the regional state stores. The fact that only full cases may be purchased by agents from the warehouse is a central issue, as this report will indicate. Licensees get their supply of spirits from the state stores or from agents who have a federal wholesale stamp which permits them to sell spirits to on-premise licensees on behalf of the state. Licensed agency liquor stores are prohibited from selling spirits to other licensed agency liquor stores.

Agents buy spirits from the state at a discount of the retail price ranging from 9% to 12% based on the price of the bottle. Agents sell those spirits based on the list price set by the Bureau of Alcoholic Beverages and Lottery Operations. An outline of the current spirits distribution system is provided in the table on page 3.
### CURRENT SPIRITS DISTRIBUTION SYSTEM

<table>
<thead>
<tr>
<th>On-Premise Licensees (Bars and Restaurants)</th>
<th>Off-Premise Agents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>How they get their spirits product</strong></td>
<td></td>
</tr>
<tr>
<td>- Regional state store – pick-up</td>
<td>- Trucking delivery</td>
</tr>
<tr>
<td>- Agents with a Federal Wholesale Stamp – pick-up or delivery (depending on agent)</td>
<td>- Regional state Store – pick-up</td>
</tr>
<tr>
<td>- Fore River Warehouse – pick-up</td>
<td>- Fore River Warehouse – pick-up (currently, this option is rarely used)</td>
</tr>
<tr>
<td><strong>Costs/ Fees for delivery</strong></td>
<td></td>
</tr>
<tr>
<td>- No costs associated with other delivery mechanisms unless agent with a Federal wholesale stamp opts to charge a flat fee for delivery</td>
<td>- State absorbs costs for trucking delivery</td>
</tr>
<tr>
<td><strong>Order minimums and splits</strong></td>
<td></td>
</tr>
<tr>
<td>- Truck delivery from Fore River Warehouse 10 case minimum with no split cases permitted</td>
<td>- Truck delivery from Fore River Warehouse 10 case minimum with no split cases permitted</td>
</tr>
<tr>
<td>- State store pick-up: no minimum can purchase wholesale by the case or by the bottle</td>
<td>- State store pick-up: no minimum can purchase wholesale by the case or by the bottle</td>
</tr>
<tr>
<td>- Agent with a Federal Wholesale Stamp: order and split criteria determined agent by agent</td>
<td></td>
</tr>
<tr>
<td><strong>Trucking delivery schedule</strong></td>
<td></td>
</tr>
<tr>
<td>- Varies…mostly weekly, some bi-weekly</td>
<td>- Larger agents may receive twice weekly deliveries if convenient to I-95. Most deliveries are weekly, some bi-weekly</td>
</tr>
<tr>
<td><strong>Minimum number of labels required in stock</strong></td>
<td></td>
</tr>
<tr>
<td>- Licenses pay the same price as the retail consumer whether product comes from the state store/warehouse or from an agent with a Federal Wholesale Stamp</td>
<td>- Agents located in a town with less than 6,000 population must carry a minimum of 100 labels</td>
</tr>
<tr>
<td>- Agents located in a town with a population greater than 6,000 must maintain $10,000 in inventory</td>
<td></td>
</tr>
<tr>
<td><strong>Wholesale discount available</strong></td>
<td>Sliding scale based on bottle value when purchasing wholesale</td>
</tr>
<tr>
<td>- 9% discount for bottles $14.99 and under</td>
<td>- 9% discount for bottles $14.99 and under</td>
</tr>
<tr>
<td>- 10% discount for bottles $15.00 to 24.99</td>
<td>- 10% discount for bottles $15.00 to 24.99</td>
</tr>
<tr>
<td>- 12% discount for bottles $25.00 and above</td>
<td>- 12% discount for bottles $25.00 and above</td>
</tr>
<tr>
<td>(An agency liquor store may not sell spirits and fortified wine to on-premise licensees for less than 103% of the list price.)</td>
<td></td>
</tr>
</tbody>
</table>

### III. Closure of State Liquor Stores

After prohibition was repealed in 1934, spirits were sold in Maine for off-premise consumption only from state-run liquor stores. At one time the state operated as many as 70 liquor stores. By 1987, the liquor laws were amended to permit retail establishments to sell spirits...
on behalf of the state. Over time, the number of state stores began to decrease and the number of private licensed agents increased. Immediately prior to the enactment of PL 2001, Chapter 358, part V, which created this study commission and directed the Bureau of Alcoholic beverages to close 14 state liquor stores by the end of 2002, the state continued to operate 27 liquor stores. A copy of this law can be found in Appendix A of this report.

Chapter 358, part V mandated the closure of eight state stores by December 31st 2001 and six more stores between June 1st 2002 and December 31st 2002. Under this law, the Bureau of Liquor Enforcement is authorized to license up to six private agents in a municipality with a population over 20,000 and up to three in other municipalities where one state store was closed. Municipalities with a population over 20,000 would typically have two state liquor stores. Thus, the ratio for state store replacement would be three private agents for each state store closed. This provision was intended to provide for enough private retail outlets to compensate for the loss of sales made at the closed state Stores in order maintain the level of revenue to the General Fund from the sale of spirits. State stores recognize a greater profit from the sale of spirits than agents because they get their spirits inventory at the wholesale price. Agents get their spirits inventory from the state at a discount of the retail price. Thus, it will take, on average, three private licensed agents providing revenue to the General Fund to equal one state Store.

**Public Law 2001, Chapter 358, Part V mandates that the Department of Administrative and Financial Affairs, Bureau of Alcoholic Beverages and Lottery Operations:**

- Close 8 state stores by December 31, 2001
- Close 6 state stores not before June 1, 2002 but before December 31, 2002

**Public Law 2001, Chapter 358, Part V authorizes the Bureau of Liquor Enforcement to license agents to replace closed state stores as follows:**

- In municipalities with a population of 20,000 or more where a state store is closed, the bureau may license up to 6 replacement agency stores
- In other municipalities where 1 state store is closed, the bureau may license up to 3 replacement agency stores

**IV. Distribution Models Considered**

Recognizing that many licensed agents rely upon the regional state liquor stores for all or some of their spirits inventory, significant adjustments to the distribution system currently in place would be necessary in the wake of the closure of all state stores. Closing only some of the state stores, leaving the rest to serve as wholesale/retail outlets may only require minor adjustments to the state’s current spirits distribution system. The commission looked at many factors when considering models for a revised spirits distribution system, including: impact on General Fund revenue; increased capital and inventory requirements for agents; adequacy of distribution to agents (particularly rural agents); ability to license enough replacement agency stores;
displacement of state liquor store employees; availability of product and specialty items; and the cost of offering split cases from the warehouse.

Many agents are not able to purchase their inventory in full-cases because of the lack of storage space, capital or because the demand for a particular brand that they stock is limited. Thus, they must rely on the state stores where they can purchase a split case or an individual bottle of product. The requirement that an agent purchase a minimum of 10 full cases in order to receive delivery from the warehouse via the state contracted trucking company also proves to be problematic for many smaller agents primarily because of the up-front capital needed to make such a purchase and storage space requirements. In order for agents to operate in a system without state stores, the commission concluded that it would be necessary to alter the operation at the Fore River warehouse to allow for the purchase of split cases of spirits product. Thus, agents or licensees could purchase what they can stock and sell rather than a full case of product. No conclusion was reached with regard to the need to reduce the 10 case minimum required by the warehouse for shipping to agents.

Changes to the warehouse distribution system would greatly increase the cost of operation at Fore River. A significant investment would be necessary if the warehouse were to split cases of spirits for distribution – known as a “picking.” These costs would be passed on to the state through its contract with Fore River. The commission agreed that the additional costs incurred due to expanding warehouse operations to include picking should not be borne by the agents through fees or delivery charges but instead should be assumed by BABLO. Fore River’s representative also indicated to the commission that they would have to take into consideration the length of the contract offered by the state, which is currently three years. If the warehouse were to undertake a picking operation and distribute split cases of spirits, a change in the term of the contract with Fore River might also be necessary. The commission determined that going forward with a split case operation at the warehouse would not make good business sense if BABLO continued to operate state stores as wholesale outlets that provide split cases to agents. The expense of operating state stores while paying for a picking operation through the warehouse contract would be counterproductive. Also, the representative from Fore River stated to the commission that they would be hesitant to invest in a picking operation if they were not the exclusive distributor of split cases to agents.

Frequency of delivery also emerged as an issue as the commission looked at potential distribution models that were based on all of the state stores being closed. Commission members were unable to determine what a delivery schedule would look like if all of the state stores were closed. Trucking company representatives told the commission that it would be difficult to predict the frequency of delivery to agents because it is unknown how many replacement agents would ultimately be licensed, where those agents would be located and how much product new and existing agents would need to be transported. Those representing agents shared with the commission that many agents have limited inventory space and may not have enough up-front capital to satisfy the 10-case minimum. Thus, bi-weekly or even weekly deliveries might not be feasible for them. It was unclear from the information gathered, if agents that are located far from the major transportation route of Interstate 95 could sustain their spirits sales having only weekly deliveries from the warehouse under a system that included no state stores. Some commission members voiced their concerns about the effect a complete reliance on truck deliveries from the warehouse would have on agents’ business, particularly those agents located far from the Interstate
Based on anecdotal evidence and results from a survey sent to licensed agents by the commission, agents’ business would suffer if state stores were no longer available to them as wholesale outlets and they were forced to rely solely on receiving shipments from the warehouse by truck. Believing that a distribution system without state stores would negatively impact small businesses with agency licenses, some members expressed their concern about the subsequent impact on General Fund revenue.

All members agreed that, in order to make up for the sales lost by closing the state stores, existing privately-owned agency stores need to stay in business and available licenses for new agents must be filled by successful retailers of spirits. Licensing agents to replace closed stores will place a significant burden on the Bureau of Liquor Enforcement. In addition to its enforcement responsibilities, the bureau is responsible for licensing establishments to sell spirits, malt liquor, wine and fortified wine for on-premise or off-premise consumption as well as wholesale distributors of beer and wine, farm wineries and small-breweries in the state. In order to provide the administrative and enforcement services necessary to implement the closure of state liquor stores, the Bureau of Liquor Enforcement will require additional staff.

After identifying the primary factors necessary to consider the development of a new statewide spirits distribution system, the commission deliberated over the following three options:

**Option 1:**
- Close all 19 remaining state stores
- License private agents to replace closed state stores
- Expand warehouse operations to include “picking”
- Make necessary adjustments to trucking operation

**Option 2:**
- Close 6 more state stores between June 1, 2002 and December 31, 2002 pursuant to Public Law 2001, Chapter 358, Part V
- Maintain 13 stores as wholesale and retail establishments
- License private agents to replace closed state stores
- No expansion of operations at the warehouse*

**Option 3:**
- Close no more state stores
- Maintain remaining 19 state stores
- License private agents to replace closed state stores
- No expansion of operations at the warehouse
V. Fiscal Projections

During its December meeting the commission looked at fiscal projections for the three distribution models. The Legislature’s Office of Fiscal and Program Review presented a financial analysis that projected the impact that each distribution model would have on the General Fund. The projections extended to the 2005 fiscal year. Detailed information on these projections can be found in Appendix E of this report.

In summary, each of the three distributions models would have an impact on the General Fund as follows:

<table>
<thead>
<tr>
<th>Distribution Model</th>
<th>Fiscal Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPTION 1</strong></td>
<td>Close all state stores and replace with private agents</td>
</tr>
<tr>
<td></td>
<td>Splits at the warehouse</td>
</tr>
<tr>
<td></td>
<td>Increased trucking operations</td>
</tr>
<tr>
<td></td>
<td>Overall level of GF revenue will increase from 2002 levels.</td>
</tr>
<tr>
<td></td>
<td>Transfers to GF will steadily increase more than options 2 and 3. GF will see a</td>
</tr>
<tr>
<td></td>
<td>significant jump after FY 2003 when the separation from the state stores is complete.</td>
</tr>
<tr>
<td><strong>OPTION 2</strong></td>
<td>Close additional six stores leaving 13</td>
</tr>
<tr>
<td></td>
<td>No splits at the warehouse</td>
</tr>
<tr>
<td></td>
<td>Overall level of GF revenue will increase from 2002 levels.</td>
</tr>
<tr>
<td></td>
<td>Transfers to the GF will increase less than option 1 but more than option 3.</td>
</tr>
<tr>
<td></td>
<td>Transfers will flatten out after FY 2005 and then decrease as the cost of state store</td>
</tr>
<tr>
<td></td>
<td>operations goes up.</td>
</tr>
<tr>
<td><strong>OPTION 3</strong></td>
<td>Amend current law to stop closures now</td>
</tr>
<tr>
<td></td>
<td>Maintain remaining 19 stores</td>
</tr>
<tr>
<td></td>
<td>No splits at the warehouse</td>
</tr>
<tr>
<td></td>
<td>Overall level of General Fund revenue will increase from 2002 levels, but less than</td>
</tr>
<tr>
<td></td>
<td>options 1 and 2.</td>
</tr>
<tr>
<td></td>
<td>Transfers will continue to decrease as the cost of state store operation goes up.</td>
</tr>
<tr>
<td></td>
<td>Eventual loss to the General Fund will be greater than with Option 2 because of the</td>
</tr>
<tr>
<td></td>
<td>operation of additional 6 state stores.</td>
</tr>
</tbody>
</table>
VI. Recommendations

The Commission to Develop a Plan to Implement the Closure of State Liquor Stores makes the following recommendations:

1. The Bureau of Alcoholic Beverages and Lottery Operations shall continue to operate the remaining 19 state liquor stores. A majority of the commission support maintaining the 19 state stores currently in operation after the closures implemented in 2001. Because of current spirits sales trends, any option considered by the commission would result in an increase from 2002 General Fund transfers. Compared to the other options maintaining 19 stores is the most expensive, but it is unclear at this time whether or not a distribution system with fewer than 19 stores will satisfy the needs of agents and licensees in the state. As a control state, Maine is obligated to ensure that its residents from North to South have access to spirits. With 19 state stores as wholesale/retail outlets, the impact on existing agents should be minimal. Thus, the state’s obligation to ensure access to spirits will continue to be met. Instituting a distribution system without state stores too quickly could potentially result in a loss of agents that sell spirits. Investing in a “picking” operation at the Fore River warehouse is premature until there is a better understanding how the spirits distribution system will need to change factoring the increasing number of licensed private agents and the reduced number of state stores.

2. The Bureau of Alcoholic Beverages and Lottery Operations shall report annually to the Joint Standing Committee having jurisdiction over alcoholic beverages regarding the effectiveness and administrative costs of the state’s spirits distribution system. After one year with 19 state stores more information will be available to consider closing the remaining stores and revising the current spirits distribution system. BABLO will be able to report on warehouse and state store operations as wholesale outlets, current spirits sales, and the costs of running state stores. This information will be necessary if the next Legislature chooses to consider closing the remaining state stores.

3. Amend current law to repeal the 3.5-mile radius requirement for the location of agency liquor stores. In order to maintain the current level of General Fund revenue from the sale of spirits, enough private agents must be licensed to make up for the sales lost from the 8 closed state stores. The Bureau of Liquor Enforcement is unable to license the necessary amount of agents under the current 3.5-mile provision.

4. Amend current law to require all private agents licensed to replace a closed state store to obtain a Federal Wholesale Stamp in order to sell spirits at the list price to licensees on behalf of the state. With the closure of 8 state stores it is important to ensure that licensees (bars, restaurants, hotels) are able to easily access spirits to sell to their customers for on-premise consumption. Requiring agents that will be licensed to replace closed state stores be re-selling agents will ensure that licensees get the product they need and should be only a minor expense to the agent.

5. Amend current law to require that all spirits be sold at the list price. BABLO establishes the list price at which all spirits must be sold. Current law states that an agent
may not sell spirits for less than 103% of the price they paid for the spirits at wholesale and that they may not sell spirits for more than the list price set by BABLO except to on-premise licensees. Thus, an agent may sell to a license for a higher price than what regular customer of the agent would pay. The price of spirits is established to maintain a consistent revenue stream to the General Fund. In order for the system of spirits sales to be successful in maintaining that revenue, the price that BABLO sets should be the price that spirits are sold for without exception and regardless of to whom they are sold.

6. **The Joint Standing Committee having jurisdiction over alcoholic beverages should address the issue of transferring agency licenses from one person to another and the time period within which agents must pay the BABLO for the purchase of their spirits inventory.** Commission members representing private agents expressed their concerns about current law governing the transfer of agency licenses in the event of the death of an agent or when an agent wants to sell his or her business. In addition, those representing agents suggested that the law that requires agents to submit payment to BABLO within 3 days of receipt of their spirits inventory be amended to allow up to 10 days for payment. The commission supports a thorough review of these issues but agreed that these issues are beyond the scope of the commission’s current charge.

7. **Staffing levels within the Bureau of Liquor Enforcement should be addressed.** The commission agrees that the current level of staffing at the Bureau of Liquor Enforcement is inadequate to perform its administrative and enforcement duties in the wake of the closure of state liquor stores. The commission recognizes that the state’s current fiscal situation is not conducive to increasing the number of positions within a state agency. However, the commission recommends that the Joint Standing Committee having jurisdiction over Liquor Enforcement should address the issue of staffing recognizing the level of available state resources.

* Commission agreed that picking would be necessary to service new and existing private agents if only 13 state stores were open. However, warehouse representatives would be unlikely to expend operations if they were not exclusive distributor of split cases.
APPENDIX A

Public Law 2001, Chapter 358, Part V
PART V

Sec. V-1. 28-A MRSA §403, as amended by PL 1997, c. 755, §1, is repealed.

Sec. V-2. 28-A MRSA §453-B, as repealed and replaced by PL 1993, c. 509, §5, is repealed and the following enacted in its place:

§453-B. License fees
The initial license fee for an agency liquor store is $2,000 and the renewal fee for an annual license is $300.

Sec. V-3. Closure of 14 state liquor stores. notwithstanding any other provision of law, the Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations is directed to implement the closure of 8 state liquor stores by December 31, 2001. No sooner than June 1, 2002, but not later than December 31, 2002, the department is directed to close an additional 6 state liquor stores and to close additional stores based on the recommendations of the Commission to Develop a Plan to Implement the Closure of State Liquor Stores.

Sec. V-4. State liquor stores to be closed.

1. Replacement of state liquor stores. The Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations may license up to 6 agency stores in a municipality with a population over 20,000 where a state liquor store has been closed and up to 3 agency stores in a municipality where a state liquor store has been closed. The Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations shall establish monthly discounts for all agency stores. The issuance of an agency liquor store license and the operation of agency liquor stores licensed pursuant to this Part are governed by the Maine Revised Statutes, Title 28-A, chapter 19.

2. Requirement of at least one replacement agency liquor store before closing. A state liquor store may not be closed unless at least one replacement agency liquor store with a federal wholesale registration and licensed as a reselling agent has been licensed within 10 miles of the state store being closed or unless the Director of the Bureau of Alcoholic Beverages and Lottery Operations within the Department of Administrative and Financial Services determines that reasonable alternative access is available to persons who previously purchased spirits from the state liquor store being closed.

3. Assistance to employees. The State shall provide assistance within existing programs to employees who are laid off as a result of the closing of state liquor stores. This assistance may include, but is not limited to, retraining, career planning and assistance in obtaining other employment and may be provided before or after an employee leaves state employment.
4. **Funding employee assistance.** Notwithstanding any other provision of law, the State Budget Officer is authorized to transfer by financial order upon approval of the Governor amounts between line categories within the Alcoholic Beverages - General Operations program during fiscal year 2001-02 to provide up to $450,000 to fund employee assistance costs for full-time and part-time state liquor store employees for whom reasonable alternative state government employment is not available or can not be found, and the Department of Administrative and Financial Services, Bureau of Employee Relations shall negotiate with the applicable bargaining agent regarding the assistance provided as well as the eligibility criteria for assistance. The State Budget Officer shall provide quarterly status reports to the joint standing committees of the Legislature having jurisdiction over appropriations and financial affairs and legal and veterans affairs beginning April 30, 2001. The report must include an update on the implementation of this section and all transfers from the General Fund Salary Plan program.

Sec. V-5. **Commission to Develop a Plan to Implement the Closure of State Liquor Stores.** The Commission to Develop a Plan to Implement the Closure of State Liquor Stores is established in accordance with the following.

1. **Membership.** The commission consists of the following members:

   A. Two Senators, appointed by the President of the Senate;
   B. Two members of the House of Representatives, appointed by the Speaker of the House;
   C. One member representing the employees of state liquor stores, appointed jointly by the President of the Senate and the Speaker of the House;
   D. Two owners of agency liquor stores, appointed jointly by the President of the Senate and the Speaker of the House;
   E. One representative of the Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations, appointed by the Governor; and
   F. One representative of the Department of Public Safety, Bureau of Liquor Enforcement, appointed by the Governor.

2. **Appointments; meetings.** Appointments must be made no later than 30 days after the effective date of this Act. The first named Senate member is the Senate chair; the first named House member is the House chair. The appointing authorities shall notify the Executive Director of the Legislative Council once the appointments have been made. The Executive Director of the Legislative Council shall notify the chairs when all appointments have been made. The chairs of the commission shall call and convene the first meeting of the commission any time after the effective date of this Act.

3. **Duties.** The commission shall develop a plan to effectuate an appropriate statewide liquor distribution system. In developing its plan, the commission shall consider the effects on wholesale distribution and sales of closing state liquor stores and consider strategies for moving to a system that relies on agency stores for all retail sales to the extent that does not negatively affect state revenue.

4. **Report.** The commission shall submit its report, together with legislation necessitated by the closing of state liquor stores, to the Second Regular Session of the
120th Legislature no later than January 31, 2002. If the commission requires an extension of time to make its report, it may apply to the Legislative Council, which may grant the extension.

5. **Staff assistance.** Upon approval of the Legislative Council, the Office of Policy and Legal Analysis shall provide staffing assistance to the commission.

6. **Compensation.** The members of the commission who are Legislators are entitled to receive the legislative per diem, as defined in the Maine Revised Statutes, Title 3, section 2, and reimbursement for travel and other necessary expenses related to their attendance at authorized meetings of the commission. Other members of the commission who are not compensated by their employers or other entities that they represent are entitled to receive reimbursement for travel and other necessary expenses related to their attendance at authorized meetings.

7. **Budget.** The chairs of the commission, with assistance from the commission staff, shall administer the commission's budget. The commission may not incur expenses exceeding its approved budget. Upon request from the commission, the Executive Director of the Legislative Council shall promptly provide the commission and its staff with a status report on the commission's budget, expenditures incurred and remaining available funds.

**Sec. V-6. Appropriation.** The following funds are appropriated from the General Fund to carry out the purposes of this Part.

**2001-02**

**LEGISLATURE**

*Commission to Develop a Plan to Implement the Closure of State Liquor Stores*

- Personal Services $1,320
- All Other 2,600

Provides funds for the per diem and expenses of legislative members and other eligible members of the Commission to Develop a Plan to Implement the Closure of State Liquor Stores and to print the required report.

**LEGISLATURE** ____________

**TOTAL** $3,920

**Sec. V-7. Allocation.** The following funds are allocated from the Alcoholic Beverage Fund to carry out the purposes of this Part.

**2001-02 2002-03**

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

*Alcoholic Beverages - General Operation*

- Unallocated ($100,684) ($1,998,640)
Deallocates funds from savings that result from closing 8 state liquor stores by December 31, 2001, the elimination of discount store provisions and closing an additional 6 state liquor stores by December 31, 2002 but no earlier than June 1, 2002.

Sec. V-8. Calculation and transfer. Notwithstanding the Maine Revised Statutes, Title 5, section 1585, in fiscal year 2001-02 and 2002-03 the State Budget Officer shall calculate the amounts in section 7 of this Part that apply against each affected line category based on information submitted by the Department of Administrative and Financial Services, Bureau of Alcoholic Beverages and Lottery Operations and shall transfer the calculated amounts by financial order upon the approval of the Governor. These transfers must be considered adjustments to allocations in fiscal years 2001-02 and 2002-03. The State Budget Officer shall provide the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over legal and veterans affairs with a report of the transferred amounts no later than September 30, 2002.
APPENDIX B

Commission Membership
COMMISSION TO DEVELOP A PLAN TO IMPLEMENT THE CLOSURE OF
STATE LIQUOR STORES
PL 2001, Ch. 358, Part V
As Of Wednesday, February 06, 2002

Appointment(s) by the Governor
Lynn Cayford
87 State House Station
Bureau of Alcoholic Beverages & Lottery
Augusta, Maine 04333-0001
Representing the Bureau of Liquor Enforcement

Eben Marsh, Director
Bureau of Alcoholic Beverages & Lottery
6 State House Station
Augusta, Maine 04333-0001
Representing the Bureau of Alcoholic Beverages

Appointment(s) by the President
Sen. Beverly C. Daggett
16 Pine Street
Augusta, ME 04330
(207)-622-9053
Chair Senate Member

Sen. Mary E. Small
175 Oak Street
Bath, ME 04530
(207)-443-2220
Senate Member

Appointment(s) by the Speaker
175 Cottage Street
Sanford, ME 04073
(207)-324-5964
Chair House Member

Rep. Arthur Mayo
83 Green Street
Bath, ME 04530
(207)-442-8053
House Member

Joint Appointment(s)
Agent Paul Klotzle
Bayside Liquors
53 Main Street
Bar Harbor, ME 04609
Representing Owners of Agency Liquor Stores

Jack Weissman
Manager, No. Windham Store
9 East Chestnut Street
Mechanic Falls, ME 04669
Representing Employees of State Liquor Stores

Peter Welch
RSVP
887 Forest Avenue
Portland, ME 04103
Representing Owners of Agency Liquor Stores
APPENDIX C

Meeting Agendas
COMMISSION TO DEVELOP A PLAN TO IMPLEMENT THE CLOSURE OF THE
STATE LIQUOR STORES

FIRST MEETING – WEDNESDAY, AUGUST 15, 2001

AGENDA

I. Welcome and Introductions

II. Review of Public Law that Created the Study
   - Part I Budget with Amendments
   - Part II Budget minor changes
   - Study Committee’s Duties

III. For Discussion – Models for Spirits Distribution After Mandated Closure of
     14 Stores by June of 2002
     - See handout

IV. Planning for Future Meetings
    - Scheduling
    - Information Requests

V. Adjourn
AGENDA

I. Welcome and Introductions
   Review of Commission charge if necessary

II. Review of Current Spirits Distribution System
   On-Premise Licensees – Bars and Restaurants
   Off-Premise Agents

III. Potential Models for a New Spirits Distribution System
   Worksheet Provided
   Models, possible options and needs for each model and potential issues relative to each model
   Discussion of Models
   Representatives from Fore River Warehouse and SPC Trucking available for questions and comment (Fore River Warehouse – Dick McCallum, SPC Trucking – Bryant Zerbato)

IV. Additional Information from Commission Members
   BABLO – Eben Marsh
   Liquor Enforcement – Lynn Cayford

V. Discussion of Commission Progress to Date
   Planning for next meeting – Determining fiscal implications of potential distribution models

VI. Adjourn
I. Welcome and Introductions

II. Review of Potential Distribution Models

Commission to discuss potential distribution models and potential fiscal implication for each. Grant Pennoyer from OFPR to be available. Some data to be provided (as requested) by BABLO.

III. Review Draft Questions for Agent Survey

- See handout, discuss format of survey

IV. Planning for Future Meetings

- Scheduling

V. Adjourn
COMMISSION TO DEVELOP A PLAN TO IMPLEMENT THE CLOSURE OF THE STATE LIQUOR STORES

WEDNESDAY, DECEMBER 5, 2001

AGENDA

I. Welcome and Introductions

II. Employee Benefits

Tanya Dennis, Health Benefits Administrator - DAFS

III. Fiscal Implications of Potential Distribution Models

Spirits revenue projections (current law – 8 stores closed)
“Costing out” each model
Grant Pennoyer, Director – OFPR

IV. Agent Survey Results

V. Commission Recommendation for Spirits Distribution Plan

Discuss necessary amendments to the liquor statutes.

VI. Planning for Future Meetings

Next meeting: If final recommendation made, review draft report?

VII. Adjourn
I. Review fiscal implication of 3 distribution options (attached)
   A. 19 stores remaining – no splits at warehouse
   B. 13 stores remaining – splits at warehouse/ no splits at warehouse
   C. All stores closed

II. Commission recommendations

III. Statutory language changes
   A. 3.5 mile radius (draft attached for discussion)
   B. Denial of license based on proximity to existing agent (draft attached for discussion)
   C. Other changes necessitated by Commission recommendations

IV. Other issues to be addressed in commission report
   A. Transfer of license?
   B. Method of payment – spirits?
   C. Other?

V. Set meeting date for review of report
   Assuming recommendations are made at today’s meeting
APPENDIX D

Agent Survey
LICENSED AGENTS SURVEY
Commission to Develop a Plan to Implement the Closure of State Liquor Stores

1. Please tell us the name of your licensed agency store and the town/ city where it is located.

2. What percentage of your spirits inventory do you receive from the Fore River Warehouse via SPC Trucking?
   - ___ None
   - ___ 1 - 10%
   - ___ 11- 20%
   - ___ 21- 30%
   - ___ 31- 40%
   - ___ 41 - 50%
   - ___ 51 - 60%
   - ___ 61- 70%
   - ___ 71- 80%
   - ___ 81- 90%
   - ___ 91- 100%

3. How frequently do you receive a delivery?
   - ___ More than once per week
   - ___ At least weekly
   - ___ At least every 2 weeks
   - ___ I do not receive warehouse deliveries

4. If your delivery schedule is inadequate please tell us why.

5. What percentage of your spirits inventory do you get from a state liquor store?
   - ___ None
   - ___ 1 - 10%
   - ___ 11- 20%
   - ___ 21- 30%
   - ___ 31- 40%
   - ___ 41 - 50%
   - ___ 51 - 60%
   - ___ 61- 70%
   - ___ 71- 80%
   - ___ 81- 90%
   - ___ 91- 100%

6. Do you utilize the state store mainly for splits on certain products?  ___ yes  ___ no

7. How often do you visit a state store to purchase wholesale product?
   - ___ every day
   - ___ four times a week
   - ___ two times a week
   - ___ once a week
   - ___ less often
   - ___ never

8. What is the distance from your agency location to the nearest state store (in miles)? ___

9. Do you have a federal wholesale stamp that enables you to sell spirits to bars/ restaurants?  ___ yes  ___ no

10. How many codes of spirits do you ordinarily stock?

11. If a greater discount on spirits were available, how likely would you be to purchase that product in a full case if you normally only purchase that product as a split case?
   - ___ very likely
   - ___ somewhat likely
   - ___ no change
   - ___ somewhat unlikely
   - ___ very unlikely

12. Please share with the commission any additional comments you may have regarding the distribution of spirits to licensed agents and your thoughts on the closure of state liquor stores.
**2.** What percentage of your spirits inventory do you receive from the Fore River Warehouse via SPC Trucking? 126 Responses

<table>
<thead>
<tr>
<th>%</th>
<th>(#)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>77</td>
<td>61%</td>
</tr>
<tr>
<td>1 - 10%</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>11 - 20%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>21 - 30%</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>31 - 40%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>41 - 50%</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>51 - 60%</td>
<td>7</td>
<td>6%</td>
</tr>
<tr>
<td>61 - 70%</td>
<td>4</td>
<td>3%</td>
</tr>
<tr>
<td>71 - 80%</td>
<td>4</td>
<td>3%</td>
</tr>
<tr>
<td>81 - 90%</td>
<td>7</td>
<td>6%</td>
</tr>
<tr>
<td>91 - 100%</td>
<td>23</td>
<td>18%</td>
</tr>
</tbody>
</table>

**3.** How frequently do you receive a delivery? 113 Responses

<table>
<thead>
<tr>
<th>%</th>
<th>(#)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than once per week</td>
<td>9</td>
<td>8%</td>
</tr>
<tr>
<td>At least weekly</td>
<td>27</td>
<td>24%</td>
</tr>
<tr>
<td>At least once every 2 weeks</td>
<td>21</td>
<td>19%</td>
</tr>
<tr>
<td>Do not receive warehouse deliveries</td>
<td>56</td>
<td>49%</td>
</tr>
</tbody>
</table>

**5.** What percentage of your spirits inventory do you get from a state liquor store? 128 Responses

<table>
<thead>
<tr>
<th>%</th>
<th>(#)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>14</td>
<td>11%</td>
</tr>
<tr>
<td>1 - 10%</td>
<td>14</td>
<td>11%</td>
</tr>
<tr>
<td>11 - 20%</td>
<td>6</td>
<td>5%</td>
</tr>
<tr>
<td>21 - 30%</td>
<td>3</td>
<td>2%</td>
</tr>
<tr>
<td>31 - 40%</td>
<td>5</td>
<td>4%</td>
</tr>
<tr>
<td>41 - 50%</td>
<td>4</td>
<td>3%</td>
</tr>
<tr>
<td>51 - 60%</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>61 - 70%</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>71 - 80%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>81 - 90%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>91 - 100%</td>
<td>79</td>
<td>62%</td>
</tr>
</tbody>
</table>

**6.** Do you utilize the state store mainly for splits on certain products? 116 Responses

<table>
<thead>
<tr>
<th>%</th>
<th>(#)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>63</td>
<td>54%</td>
</tr>
<tr>
<td>No</td>
<td>53</td>
<td>46%</td>
</tr>
</tbody>
</table>

**7.** How often do you visit a state store to purchase wholesale product? 126 Responses

<table>
<thead>
<tr>
<th>%</th>
<th>(#)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Every day</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Four times a week</td>
<td>8</td>
<td>6%</td>
</tr>
<tr>
<td>Two times a week</td>
<td>28</td>
<td>22%</td>
</tr>
<tr>
<td>Once a week</td>
<td>59</td>
<td>47%</td>
</tr>
<tr>
<td>Less often</td>
<td>17</td>
<td>14%</td>
</tr>
<tr>
<td>Never</td>
<td>13</td>
<td>10%</td>
</tr>
</tbody>
</table>

**9.** Do you have a federal wholesale stamp that enables you to sell spirits to bars/restaurants? 127 Responses

<table>
<thead>
<tr>
<th>%</th>
<th>(#)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>38</td>
<td>30%</td>
</tr>
<tr>
<td>No</td>
<td>89</td>
<td>70%</td>
</tr>
</tbody>
</table>

**11.** If a greater discount on spirits were available, how likely would you be to purchase that product in a full case if you normally only purchase that product as a split case? 118 Responses

<table>
<thead>
<tr>
<th>%</th>
<th>(#)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very likely</td>
<td>43</td>
<td>36%</td>
</tr>
<tr>
<td>Somewhat likely</td>
<td>34</td>
<td>29%</td>
</tr>
<tr>
<td>No change</td>
<td>21</td>
<td>18%</td>
</tr>
<tr>
<td>Somewhat unlikely</td>
<td>7</td>
<td>6%</td>
</tr>
<tr>
<td>Very unlikely</td>
<td>13</td>
<td>11%</td>
</tr>
</tbody>
</table>
Q2 What % of your spirits do you receive from Fore River Warehouse via SPC Trucking?

- None: 60%
- 1-10%: 1%
- 11-20%: 2%
- 21-30%: 0%
- 31-40%: 0%
- 41-50%: 1%
- 51-60%: 0%
- 61-70%: 3%
- 71-80%: 3%
- 81-90%: 6%
- 91-100%: 18%
Q4  Is Your Delivery Schedule Inadequate?

<table>
<thead>
<tr>
<th>Store #</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>A103</td>
<td>N</td>
</tr>
<tr>
<td>A104</td>
<td>Y--too far</td>
</tr>
<tr>
<td>A118</td>
<td>N</td>
</tr>
<tr>
<td>A151</td>
<td>N</td>
</tr>
<tr>
<td>A157</td>
<td>N</td>
</tr>
<tr>
<td>A159</td>
<td>Y--too long from order to delivery</td>
</tr>
<tr>
<td>A162</td>
<td>N</td>
</tr>
<tr>
<td>A164</td>
<td>Y--See #12.</td>
</tr>
<tr>
<td>A171</td>
<td>Pickup our own.</td>
</tr>
<tr>
<td>A181</td>
<td>N</td>
</tr>
<tr>
<td>A186</td>
<td>Y--too many cases in one delivery</td>
</tr>
<tr>
<td>A200</td>
<td>Y--See #12.</td>
</tr>
<tr>
<td>A201</td>
<td>Y--See #12.</td>
</tr>
<tr>
<td>A219</td>
<td>Y--See #12.</td>
</tr>
<tr>
<td>A230</td>
<td>Y--See #12.</td>
</tr>
<tr>
<td>A243</td>
<td>Y--need delivery time.</td>
</tr>
<tr>
<td>A250</td>
<td>Y--See #12.</td>
</tr>
<tr>
<td>A255</td>
<td>Y--timing inconvenient.</td>
</tr>
<tr>
<td>A274</td>
<td>Y--need 2nd delivery in summer months.</td>
</tr>
<tr>
<td>A277</td>
<td>Y--timing inconsistent.</td>
</tr>
<tr>
<td>A278</td>
<td>Y--should be weekly, min.10 cases.</td>
</tr>
<tr>
<td>A280</td>
<td>Y--timing inconsistent/inconvenient.</td>
</tr>
<tr>
<td>A281</td>
<td>Pickup our own.</td>
</tr>
<tr>
<td>A297</td>
<td>N</td>
</tr>
<tr>
<td>A298</td>
<td>Pickup our own.</td>
</tr>
<tr>
<td>A310</td>
<td>Pickup our own.</td>
</tr>
<tr>
<td>A311</td>
<td>N</td>
</tr>
<tr>
<td>A313</td>
<td>Y--timing inconvenient.</td>
</tr>
</tbody>
</table>
Q5  What % of your spirits do you get from a state liquor store?

- None: 11%
- 1-10%: 11%
- 11-20%: 5%
- 21-30%: 2%
- 31-40%: 4%
- 41-50%: 3%
- 51-60%: 2%
- 61-70%: 1%
- 71-80%: 0%
- 81-90%: 0%
- 91-100%: 61%
Q7  How often do you visit a state store?

- Daily: 1%
- 4 X a Week: 6%
- Twice Weekly: 22%
- Weekly: 48%
- Less Often: 13%
- Never: 10%
Q11 If a greater discount were available, how likely would you be to purchase a full case?

- Very Likely: 36%
- Somewhat likely: 29%
- No Change: 18%
- Somewhat Unlikely: 6%
- Very Unlikely: 11%
Additional Comments Regarding the Distribution of Spirits and the Closure of State Liquor Stores

Store # 12
A103 Not for closing--would have to reduce variety.
A104 Profit % too low.
A105 Let wine & beer distributors do liquor.
A109 Split cases imp. to variety.
A110 Let agency set price. Keep state stores open.
A112 Keep some state stores open.
A115 Profit % too low.
A118 Lower warehouse prices.
A120 Not for closing. Profit % too low.
A129 1/2 cases would help.
A132 Inconvenient if state stores close.
A133 Redistribute agents w/same day pickup and next day delivery.
A134 Let wine & beer distributors do liquor.
A137 Not for closing.
A139 Would like split cases.
A142 Spirits w/vendors decrease control of who gets spirits. State stores convenient.
A143 Would like split cases.
A144 Split cases imp. to variety.
A145 Split cases imp. to variety.
A146 More inventory control to order and pickup same day.
A151 Lift set pricing. Limit sale item period. Locate state stores geographically.
A159 Auction the licenses to distribute to wine and beer dist.
A162 Profit % too low.
A163 Inconvenient if state stores close. Don't like ordering ahead--no storage space.
A164 State holidays--a problem.
A167 Delay between order and delivery is difficult.
A169 Not for closing. Profit % too low.
A171 Convenient to have state stores open.
A172 Not for closing Ellsworth store.
A175 Don't open any more agency stores. Need split for over 1/2 of inventory.
A180 Need delivery. Profit % too low.
A181 Would buy more if reduced prices were offered. Want split cases.
A183 Not for closing Waterville store.
A186 Current changes in the wrong direction.
A188 Inconvenient if state stores close. Want split cases.
A194 State stores allow increased variety (can try 2 or 3 bottles.)
A199 Close the stores as retail and leave some open as regional wholesale stores.
A200 Delay between order and delivery is difficult. Split cases increase variety.
A201 Delay between order and delivery is difficult.
A204 Who will regulate pricing? Tough to coordinate ordering and sales when pricing schedule is late. Profit % too low. Will new agency licenses be issued to others? Who will be responsible for breakage?
A207 Closing the Caribou store would be hardship for area. May not renew license. Profit % too low.
Additional Comments Regarding the Distribution of Spirits and the Closure of State Liquor Stores

A215 Closing state stores will decrease variety without split cases.
A218 Let wine & beer distributors do liquor. Profit % too low. State stores should close.
A219 Holiday orders tough. Need split cases. Need smoother credit/return on damaged or missing items. Profit % too low.
A221 Need to pick up deliveries twice a week for inventory control.
A222 Let wine & beer distributors do liquor. Need split cases.
A223 Profit % too low.
A224 Not for closing state stores. Needs split cases. Profit % too low.
A225 Need split cases for variety.
A227 State stores are convenient.
A228 Let wine & beer distributors do liquor.
A230 Delay between order and delivery is difficult. Split cases increase variety. Keep state store #7 open.
A231 Profit % too low.
A232 Need split cases. Delay between order and delivery is difficult. Let wine & beer distributors do liquor.
A233 Closing Houlton would decrease variety.
A234 Would like to buy at wholesale prices.
A235 State stores are convenient. Warehouse deliveries not convenient.
A236 Not for closing state stores. Warehouse process not effective for company or customers.
A240 Closing state stores will affect some more than others. Wants 1/2 cases.
A242 Need some state stores for variety. Closing state stores will hurt small stores most.
A243 Close the state stores--more business for us.
A249 Profit % too low.
A250 Delay between order and delivery is difficult.
A251 State stores vital to serve small agents.
A253 Would like single pack on some items.
A254 Profit % too low, esp if there's a delivery cost.
A258 Keep state stores open.
A272 Would need weekly delivery if state stores closed. Bangor store convenient for split cases or items that aren't delivered when ordered.
A273 Small agency stores with limited inventory space could not meet the demand from bars and restaurants if state stores closed.
A277 Profit % too low.
A281 State store convenient. Allow split cases on some items.
A282 Need split cases for storage and variety. Closing state stores will help us.
A287 Need split cases.
A288 Closing state stores will require more $ and larger inventory space.
A290 Locate state stores geographically. Closing state stores will require more $ and larger inventory space and hurt the small agent.
A295 Closing state stores puts agency stores at disadvantage for ordering and inventory.
A296 Need split cases. State stores convenient w/o 16 case minimum order.
### Additional Comments Regarding the Distribution of Spirits and the Closure of State Liquor Stores

<table>
<thead>
<tr>
<th>Code</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>A300</td>
<td>State stores increase variety. Need split cases. Closing spate stores hurts small agent. Profit % too low.</td>
</tr>
<tr>
<td>A301</td>
<td>Need split cases.</td>
</tr>
<tr>
<td>A302</td>
<td>Need split cases for variety.</td>
</tr>
<tr>
<td>A304</td>
<td>Auburn state store more convenient than warehouse. Need split cases. Keep Auburn store open.</td>
</tr>
<tr>
<td>A308</td>
<td>If the local state store closed would not stay in business. Profit % too low.</td>
</tr>
<tr>
<td>A309</td>
<td>If state stores are closed the state should not be involved. Let wine &amp; beer distributors do liquor.</td>
</tr>
<tr>
<td>A310</td>
<td>Profit % too low. (Beer and wine % is 18-24% and they deliver.)</td>
</tr>
<tr>
<td>A311</td>
<td>Rockland store convenient/cooperative for splits and fill in orders but could get by without.</td>
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<td>Closing state stores will hurt agency stores. Profit % too low. Keep state stores</td>
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<td>Delay between order and delivery is difficult.</td>
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<td>A316</td>
<td>Split cases increase variety.</td>
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<td>If state stores close will more agency stores open?</td>
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<td>State store is convenient as storage is a problem.</td>
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What % of spirits do you receive from Fore River warehouse via SPC trucking?

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APPENDIX E

Fiscal Projections
APPENDIX F

Agent Spirits Distribution Information
## Commission to Develop a Plan to Implement the Closure of State Liquor Stores

**Distribution Models - Preliminary Estimates of the Net Fiscal Impact of Options**

### Total Projected Revenue from Operations:

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<th>2004</th>
<th>2005</th>
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<td>$ 24,805,507</td>
<td>$ 26,290,223</td>
<td>$ 26,934,677</td>
<td>$ 27,288,730</td>
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<tr>
<td><strong>Current Law with warehouse expansion in 2003</strong></td>
<td>$ 24,805,507</td>
<td>$ 25,796,400</td>
<td>$ 26,316,666</td>
<td>$ 26,667,918</td>
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<td>Net Increase (Decrease) of Revenue from Current Law</td>
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<td>$ (493,823)</td>
<td>$ (618,012)</td>
<td>$ (620,811)</td>
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<td><strong>Option 1 - Close All State Stores in 2003</strong></td>
<td>$ 24,805,507</td>
<td>$ 26,391,039</td>
<td>$ 27,291,221</td>
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<td>Net Increase (Decrease) of Revenue from Current Law</td>
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<td>$ 100,816</td>
<td>$ 356,544</td>
<td>$ 398,957</td>
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<td><strong>Option 2 - Current Law (w/no warehouse expansion)</strong></td>
<td>$ 24,805,507</td>
<td>$ 26,290,223</td>
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<td>Net Increase (Decrease) of Revenue from Current Law</td>
<td>$ -</td>
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<td><strong>Option 3 - Retain current 19 State Stores</strong></td>
<td>$ 24,805,507</td>
<td>$ 26,167,269</td>
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<td>Net Increase (Decrease) of Revenue from Current Law</td>
<td>$ -</td>
<td>$ (122,954)</td>
<td>$ (556,174)</td>
<td>$ (578,177)</td>
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Note: Estimates are considered preliminary because the revised estimates of revenue based on current law have not been adopted by the Revenue Forecasting Committee

* Current Law does not include any expansion of warehouse activities related to split cases and is the same as Option 2

---

Prepared by the Office of Fiscal and Program Review  
Revised February 11, 2002
Commission to Develop a Plan to Implement the Closure of State Liquor Stores
Distribution Models - Summary of Major Assumptions

Sales Assumptions
Sales assumed to grow at in $ terms due to increase in volume and trading up marketing strategy
Retail sales at remaining state liquor stores assumed to be flat in $ terms, declining volume
Licensee sales at remaining state liquor stores assumed to be declining volume and in $ value
Initial loss of 1/2 of Kittery Sales - Recaptured over time
10% loss of sales shifted from State Stores to Agents as a result of reduced product selection
Wholesale Discount is averaged and assumed to be 9.65%
Stores to be closed in 2003 are undesignated - an average of remaining stores is used

Cost of Goods Sold
Current law does not include cost of split cases at warehouse
Trucking costs are not included in Cost of Goods Sold

Other Expenses
Salaries and Benefits - Savings during the first year of closure assumed to be 33% due to separation costs
Store Rents and Leases - Savings are only partially recognized during the fiscal year of the closure due to buyouts
All other costs except Trucking Expenses are recognized on a prorated basis during the year of closure
Stores to be closed in FY03 are undesignated - an average of remaining stores is used

Detail of the assumptions used are presented with the pages presenting the calculations of each of the options

Prepared by the Office of Fiscal and Program Review
Revised February 11, 2002
Commission to Develop a Plan to Implement the Closure of State Liquor Stores

Option 1
Close all 19 remaining state liquor stores
Includes expansion of warehouse operations
## ALCOHOLIC BEVERAGES
### Comparative Statement of Operations - History and Projections

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<td>80,320,858</td>
<td>81,671,561</td>
</tr>
<tr>
<td><strong>COST OF GOODS SOLD</strong></td>
<td>43,468,961</td>
<td>46,034,337</td>
<td>48,015,612</td>
<td>49,084,213</td>
<td>49,835,994</td>
<td>50,415,654</td>
<td>51,255,772</td>
</tr>
<tr>
<td><strong>GROSS INCOME FROM SALES</strong></td>
<td>28,913,984</td>
<td>30,564,798</td>
<td>31,631,842</td>
<td>31,619,065</td>
<td>30,169,398</td>
<td>29,905,204</td>
<td>30,415,789</td>
</tr>
<tr>
<td><strong>STORE AND SELLING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store Salaries</td>
<td>3,340,034</td>
<td>3,298,976</td>
<td>3,469,889</td>
<td>3,228,620</td>
<td>1,646,941</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Store Rents</td>
<td>924,085</td>
<td>634,032</td>
<td>756,076</td>
<td>771,198</td>
<td>276,323</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Store Operating and Selling Expenses - Other</td>
<td>715,905</td>
<td>1,068,599</td>
<td>490,366</td>
<td>201,825</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Store Supervision</td>
<td>185,523</td>
<td>210,365</td>
<td>212,339</td>
<td>216,586</td>
<td>220,917</td>
<td>112,668</td>
<td>114,921</td>
</tr>
<tr>
<td>Trucking Expenses</td>
<td>486,283</td>
<td>535,370</td>
<td>608,192</td>
<td>757,011</td>
<td>881,912</td>
<td>955,504</td>
<td>1,036,454</td>
</tr>
<tr>
<td><strong>TOTAL STORE AND SELLING EXPENSES</strong></td>
<td>5,651,830</td>
<td>5,747,342</td>
<td>5,536,862</td>
<td>5,175,240</td>
<td>3,026,093</td>
<td>1,068,171</td>
<td>1,151,375</td>
</tr>
<tr>
<td><strong>NET INCOME FROM SALES</strong></td>
<td>23,262,154</td>
<td>24,817,456</td>
<td>26,094,980</td>
<td>26,443,826</td>
<td>27,143,305</td>
<td>28,837,032</td>
<td>29,264,414</td>
</tr>
<tr>
<td><strong>OTHER EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>2,064,704</td>
<td>2,038,941</td>
<td>2,055,832</td>
<td>1,638,319</td>
<td>1,552,266</td>
<td>1,545,811</td>
<td>1,576,728</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>7,716,534</td>
<td>7,786,283</td>
<td>7,592,694</td>
<td>6,813,559</td>
<td>4,578,359</td>
<td>2,613,983</td>
<td>2,728,103</td>
</tr>
<tr>
<td><strong>OTHER INCOME:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous - Reduction of Working Capital</td>
<td>58,503</td>
<td>448,243</td>
<td>192,122</td>
<td>0</td>
<td>800,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Premium Tax</td>
<td>1,461,174</td>
<td>1,581,648</td>
<td>1,628,787</td>
<td>1,615,990</td>
<td>1,604,060</td>
<td>1,601,339</td>
<td>1,605,086</td>
</tr>
<tr>
<td><strong>TOTAL OTHER INCOME</strong></td>
<td>1,519,677</td>
<td>2,029,891</td>
<td>1,820,909</td>
<td>1,615,990</td>
<td>2,404,060</td>
<td>1,601,339</td>
<td>1,605,086</td>
</tr>
<tr>
<td><strong>TOTAL GROSS INCOME</strong></td>
<td>30,433,661</td>
<td>32,594,689</td>
<td>33,452,751</td>
<td>33,235,055</td>
<td>32,573,458</td>
<td>31,506,543</td>
<td>32,020,876</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>22,717,127</td>
<td>24,808,406</td>
<td>25,860,057</td>
<td>26,421,496</td>
<td>27,995,099</td>
<td>28,892,560</td>
<td>29,292,773</td>
</tr>
<tr>
<td><strong>LESS PREMIUM TAX INCLUDED IN TOTAL SALES</strong></td>
<td>1,461,174</td>
<td>1,581,648</td>
<td>1,628,787</td>
<td>1,615,990</td>
<td>1,604,060</td>
<td>1,601,339</td>
<td>1,605,086</td>
</tr>
<tr>
<td><strong>TRANSFERS TO GENERAL FUND</strong></td>
<td>21,255,953</td>
<td>23,226,758</td>
<td>24,231,270</td>
<td>24,805,507</td>
<td>26,391,039</td>
<td>27,291,221</td>
<td>27,687,687</td>
</tr>
<tr>
<td><strong>COGS TO TOTAL SALES</strong></td>
<td>60.05%</td>
<td>60.10%</td>
<td>60.29%</td>
<td>60.82%</td>
<td>62.29%</td>
<td>62.77%</td>
<td>62.76%</td>
</tr>
<tr>
<td><strong>COGS TO TOTAL SALES (Including Trucking as COGS)</strong></td>
<td>60.73%</td>
<td>60.80%</td>
<td>61.05%</td>
<td>61.76%</td>
<td>63.39%</td>
<td>63.96%</td>
<td>64.03%</td>
</tr>
<tr>
<td><strong>EXPENSES TO GROSS INCOME</strong></td>
<td>25.36%</td>
<td>23.89%</td>
<td>22.70%</td>
<td>20.50%</td>
<td>14.06%</td>
<td>8.30%</td>
<td>8.52%</td>
</tr>
<tr>
<td><strong>Budgeted Amounts - Revenue Forecating Committee 11/01</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>1,683,959</td>
<td>1,779,199</td>
<td>1,986,381</td>
<td>1,986,381</td>
<td>1,986,381</td>
<td>1,986,381</td>
<td>1,986,381</td>
</tr>
<tr>
<td>Premium Tax - Revenue Forecasting Committee 11/01</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>(726)</td>
<td>(99,199)</td>
<td>(101,920)</td>
<td>(101,920)</td>
<td>(101,920)</td>
<td>(101,920)</td>
<td>(101,920)</td>
</tr>
</tbody>
</table>

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Updated: 02/11/02
Projections - Option #1 - Summary Page
Sales Assumptions

Retail and Licensee Sales - FY01 Base and FY02 Prorating Calculations

<table>
<thead>
<tr>
<th>Store</th>
<th>FY01 Retail</th>
<th>FY01 Licensee</th>
<th>FY01 Total Retail</th>
<th>8 Mos. - Retail</th>
<th>8 Mos. - Licensee</th>
<th>FY01 Total Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>34 Kittery</td>
<td>$2,190,889</td>
<td>$184,584</td>
<td>$2,375,473</td>
<td>$1,408,742</td>
<td>$118,688</td>
<td>$1,527,429</td>
</tr>
<tr>
<td>21 Old Orchard Beach</td>
<td>$258,484</td>
<td>$61,934</td>
<td>$320,418</td>
<td>$166,205</td>
<td>$39,824</td>
<td>$206,029</td>
</tr>
<tr>
<td>4 Portland</td>
<td>$607,409</td>
<td>$135,469</td>
<td>$742,878</td>
<td>$390,564</td>
<td>$87,107</td>
<td>$477,671</td>
</tr>
<tr>
<td>27 Caribou</td>
<td>$511,922</td>
<td>$156,310</td>
<td>$668,232</td>
<td>$329,166</td>
<td>$100,507</td>
<td>$429,673</td>
</tr>
<tr>
<td>11 Lewiston</td>
<td>$612,226</td>
<td>$238,779</td>
<td>$851,005</td>
<td>$393,661</td>
<td>$153,535</td>
<td>$547,196</td>
</tr>
<tr>
<td>9 Bangor</td>
<td>$521,787</td>
<td>$238,779</td>
<td>$760,566</td>
<td>$393,661</td>
<td>$153,535</td>
<td>$547,196</td>
</tr>
<tr>
<td>66 Brewer</td>
<td>$809,047</td>
<td>$96,661</td>
<td>$905,708</td>
<td>$520,217</td>
<td>$62,153</td>
<td>$582,370</td>
</tr>
<tr>
<td>85 Mexico</td>
<td>$454,727</td>
<td>$185,621</td>
<td>$640,348</td>
<td>$292,389</td>
<td>$119,354</td>
<td>$411,744</td>
</tr>
<tr>
<td>Totals</td>
<td>$5,966,491</td>
<td>$1,139,069</td>
<td>$7,105,560</td>
<td>$3,836,454</td>
<td>$732,421</td>
<td>$4,568,875</td>
</tr>
</tbody>
</table>

Retail & Licensee Sales of 6 Stores Closed in 2003

<table>
<thead>
<tr>
<th>Store</th>
<th>FY01 Retail</th>
<th>FY01 Licensee</th>
<th>FY01 Total State</th>
<th>8 Mos. - Retail</th>
<th>8 Mos. - Licensee</th>
<th>FY01 Total Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Retail</td>
<td>$16,899,903</td>
<td>$3,395,226</td>
<td>$20,295,129</td>
<td>$10,866,638</td>
<td>$2,183,130</td>
<td>$13,049,768</td>
</tr>
<tr>
<td>Less 8 Stores</td>
<td>$5,966,491</td>
<td>$1,139,069</td>
<td>$7,105,560</td>
<td>$3,836,454</td>
<td>$732,421</td>
<td>$4,568,875</td>
</tr>
<tr>
<td>Net after 1st</td>
<td>$10,933,412</td>
<td>$2,256,157</td>
<td>$13,189,569</td>
<td>$7,030,184</td>
<td>$1,450,709</td>
<td>$8,480,893</td>
</tr>
<tr>
<td>Net after 1st</td>
<td>$10,933,412</td>
<td>$2,256,157</td>
<td>$13,189,569</td>
<td>$7,030,184</td>
<td>$1,450,709</td>
<td>$8,480,893</td>
</tr>
</tbody>
</table>

Retail Sales (No $ Growth, Declining Volume)

<table>
<thead>
<tr>
<th></th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales at State Stores Assumed to be flat after price increases and sales shifted to agents</td>
<td>16,899,903</td>
<td>16,899,903</td>
<td>16,899,903</td>
<td>16,899,903</td>
<td>16,899,903</td>
</tr>
<tr>
<td>Retail Sales Shifted as a result of Closing 8 Stores in FY02</td>
<td>3,836,454</td>
<td>5,966,491</td>
<td>5,966,491</td>
<td>5,966,491</td>
<td>5,966,491</td>
</tr>
<tr>
<td>Retail Sales Shifted as a result of Closing 19 Stores in FY03</td>
<td>7,030,184</td>
<td>10,933,412</td>
<td>10,933,412</td>
<td>10,933,412</td>
<td>10,933,412</td>
</tr>
<tr>
<td>Total - Base less Retail Sales Shifted to Agents</td>
<td>$13,063,449</td>
<td>$3,903,228</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Licensee Sales

<table>
<thead>
<tr>
<th></th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensee Sales Base - 2.5% annual decline</td>
<td>3,395,226</td>
<td>3,310,345</td>
<td>3,227,587</td>
<td>3,146,897</td>
<td>3,068,225</td>
</tr>
<tr>
<td>Licensee Sales Shifted as a result of Closing 8 Stores in FY02</td>
<td>$714,111</td>
<td>$1,082,827</td>
<td>$1,055,757</td>
<td>$1,029,363</td>
<td>$1,003,692</td>
</tr>
<tr>
<td>Licensee Sales Shifted as a result of Closing 19 Stores in FY03</td>
<td>$1,379,080</td>
<td>$1,344,603</td>
<td>$1,310,988</td>
<td>$1,277,874</td>
<td>$1,245,692</td>
</tr>
<tr>
<td>Total - Licensee Sales Base less Sales Shifted to Agents</td>
<td>$2,596,235</td>
<td>$765,679</td>
<td>$746,537</td>
<td>$727,874</td>
<td>$710,542</td>
</tr>
</tbody>
</table>

Agent Sales

<table>
<thead>
<tr>
<th></th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Agency Sales assumed growth factor</td>
<td>4.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Base Agency Sales - $ Amounts at List</td>
<td>$65,691,561</td>
<td>$68,319,223</td>
<td>$69,685,607</td>
<td>$71,079,320</td>
<td>$72,500,906</td>
</tr>
<tr>
<td># of New Agents Licensed</td>
<td>20</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>New Agent Initial Purchases - Inventory Effect</td>
<td>Average Initial Inventory Purchase:</td>
<td>$30,000</td>
<td>$600,000</td>
<td>$360,000</td>
<td>$0</td>
</tr>
<tr>
<td>Reduction to account for loss of Kittery Sales - 1/2 of FY01 Sales; recapture 25%/year</td>
<td>$1,095,445</td>
<td>$821,584</td>
<td>$616,188</td>
<td>$462,141</td>
<td>$462,141</td>
</tr>
<tr>
<td>Loss associated with reduced product selection - 10% of retail sales shifted to Agency</td>
<td>$383,645</td>
<td>$1,299,667</td>
<td>$1,689,990</td>
<td>$1,689,990</td>
<td>$1,689,990</td>
</tr>
<tr>
<td>Total - Net Agency Liquor Sales at List Price</td>
<td>$71,990,697</td>
<td>$83,382,939</td>
<td>$88,073,404</td>
<td>$89,589,029</td>
<td>$89,589,029</td>
</tr>
</tbody>
</table>

Agent Discount - % of List Price | 9.65% | 9.65% | 9.65% | 9.65% | 9.65% |

Agent Discount - $ Value | $6,947,102 | $8,046,454 | $8,499,084 | $8,645,341 | $8,645,341 |

Average Price per bottle (Source: BABLO) | $10.93 | $11.44 | $11.93 | $12.41 | $12.66 |

Average Price per bottle: Price per bottle | 4.67% | 4.28% | 4.0% | 2.0% | 2.0% |

Note: 4% growth in 1st year reflects impact of "trading up" strategy, ultimately price is assumed to grow at rate of inflation
### Cost of Goods Sold and Volume Assumptions

<table>
<thead>
<tr>
<th></th>
<th>FY99</th>
<th>FY00</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Goods Sold - Historical and Assumed % from List</td>
<td>55.96%</td>
<td>55.73%</td>
<td>55.84%</td>
<td>56.00%</td>
<td>56.00%</td>
<td>56.00%</td>
<td>56.00%</td>
</tr>
</tbody>
</table>

### Picking Fee Calculations

- **# of Gallons Sold - All Location**: 1,731,939, 1,759,173, 1,778,378, 1,796,162, 1,796,162, 1,796,162, 1,796,162
- **Annual % Change - Gallons Sold**: 1.57%, 1.09%, 1.00%, 0.00%, 0.00%, 0.00%, 0.00%
- **Note**: Difference between # of Gallons and # of Bottles annual change reflects higher sales of 1.75 liter size due to promotions - Gallons reduced by same reductions as below

- **# of Bottles Sold - All Location Base Number**: 6,662,000, 6,678,000, 6,676,000, 6,676,000, 6,676,000, 6,676,000, 6,676,000
- **Annual Change in Base Volume**: 0.2%, 0.0%, 0.0%, 0.0%, 0.0%, 0.0%, 0.0%

### Agency Sales at List as a Percent of Total Sales at List

- 73.94%, 75.29%, 76.40%, 82.13%, 94.70%, 99.16%, 99.19%

### # of Bottles Reduced from Kittery and Selection Reduction Assumptions

- (119,212), (167,617), (178,656), (163,454)

### Net # of Bottles Sold

- 6,556,788, 6,556,788, 6,556,788, 6,556,788, 6,556,788, 6,556,788, 6,556,788

### Agency Sales at List as a Percent of Total Sales at List

- 73.94%, 75.29%, 76.40%, 82.13%, 94.70%, 99.16%, 99.19%

### Cost per bottle

- $0.38, $0.38, $0.35, $0.35

### Picking Fees Calculation @ $613,930

- $613,930, $702,614, $676,487, $678,306

**Prorated in FY 03 for implementation after closure of remaining stores**

- $526,960, $676,487, $678,306
### Store Salaries

<table>
<thead>
<tr>
<th>Store</th>
<th>FY01</th>
<th>FY01</th>
<th>Admin. Exp. FY01</th>
<th>Total Store FY01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salaries</td>
<td>Rents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>34 Kittery</td>
<td>$399,642</td>
<td>$16,884</td>
<td>$61,360</td>
<td>$121,087</td>
</tr>
<tr>
<td></td>
<td>$104,738</td>
<td>$21,870</td>
<td>$41,318</td>
<td>$187,832</td>
</tr>
<tr>
<td>4 Portland</td>
<td>$35,976</td>
<td>$9,102</td>
<td>$269,888</td>
<td>$54,672</td>
</tr>
<tr>
<td>27 Caribou</td>
<td>$15,022</td>
<td>$16,435</td>
<td>$36,290</td>
<td>$216,717</td>
</tr>
<tr>
<td>11 Lewiston</td>
<td>$8,305</td>
<td>$30,181</td>
<td>$166,591</td>
<td>$42,942</td>
</tr>
<tr>
<td>9 Bangor</td>
<td>$98,297</td>
<td></td>
<td>$191,625</td>
<td>$55,066</td>
</tr>
<tr>
<td>66 Brewer</td>
<td>$75,541</td>
<td>$4,656</td>
<td>$170,711</td>
<td>$28,443</td>
</tr>
<tr>
<td>85 Mexico</td>
<td>$7,318</td>
<td>$23,549</td>
<td>$190,711</td>
<td>$36,820</td>
</tr>
<tr>
<td><strong>Totals - 8 Stores Closed in 2002</strong></td>
<td>$1,197,008</td>
<td>$289,214</td>
<td>$2,082,192</td>
<td>$438,528</td>
</tr>
<tr>
<td><strong>Total Store Expenses - All Stores in FY01</strong></td>
<td>$3,469,889</td>
<td>$608,194</td>
<td>$2,055,832</td>
<td>$5,428,720</td>
</tr>
<tr>
<td><strong>Total Store Expenses - After 2002 Closures</strong></td>
<td>$2,272,881</td>
<td>$396,407</td>
<td>$1,766,618</td>
<td>$3,346,528</td>
</tr>
<tr>
<td><strong>Store Salaries - Base</strong></td>
<td>3,298,976</td>
<td>3,469,889</td>
<td>3,643,383</td>
<td>3,865,266</td>
</tr>
<tr>
<td>Annual Growth Assumption</td>
<td>-1.2%</td>
<td>5.2%</td>
<td>5.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Store Salaries - 2002 Stores Closed</strong></td>
<td>1,197,008</td>
<td>1,294,564</td>
<td>1,333,401</td>
<td>1,360,069</td>
</tr>
<tr>
<td><strong>Store Salaries - 2003 Stores Closed</strong></td>
<td>2,272,881</td>
<td>2,458,121</td>
<td>2,531,864</td>
<td>2,582,502</td>
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<tr>
<td><strong>Salary Savings from Closures</strong></td>
<td>414,763</td>
<td>2,105,744</td>
<td>3,865,266</td>
<td>3,942,571</td>
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<tr>
<td><strong>Store Salaries - After Closures</strong></td>
<td>3,228,620</td>
<td>1,646,941</td>
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</tr>
</tbody>
</table>

### Rents

<table>
<thead>
<tr>
<th>Store</th>
<th>FY01</th>
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<th>FY01</th>
<th>FY01</th>
<th>FY01</th>
<th>FY01</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Adjusted for Kittery Buyout</td>
<td>Rents</td>
<td></td>
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<tr>
<td></td>
<td>924,085</td>
<td>793,313</td>
<td>756,076</td>
<td>786,621</td>
<td>802,354</td>
<td>818,401</td>
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<td>Annual Growth Assumption</td>
<td>-14.2%</td>
<td>-4.7%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
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<tr>
<td><strong>Rents - 2002 Stores Closed</strong></td>
<td>359,669</td>
<td>366,862</td>
<td>374,200</td>
<td>381,684</td>
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<td><strong>Rents - 2003 Stores Closed</strong></td>
<td>396,407</td>
<td>396,407</td>
<td>396,407</td>
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<tr>
<td><strong>Rent Savings from Closures</strong></td>
<td>0</td>
<td></td>
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</table>

### Other Store Expenses (exc. Trucking and Admin.)

<table>
<thead>
<tr>
<th>Store</th>
<th>FY01</th>
<th>FY01</th>
<th>FY01</th>
<th>FY01</th>
<th>FY01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>715,905</td>
<td>1,068,599</td>
<td>$500,173</td>
<td>$510,177</td>
<td>$520,380</td>
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<td>Annual Growth Assumption</td>
<td>49.3%</td>
<td>2.0%</td>
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<td>2.0%</td>
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</tr>
<tr>
<td><strong>Other Store Expenses - 2002 Stores Closed</strong></td>
<td>438,528</td>
<td>447,299</td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Store Expenses - 2003 Stores Closed</strong></td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Expense Savings from Closures</strong></td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Trucking Costs

<table>
<thead>
<tr>
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<th>FY01</th>
<th>FY01</th>
<th>FY01</th>
<th>FY01</th>
<th>FY01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>486,283</td>
<td>535,370</td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Number of new agents</td>
<td>32</td>
<td>32</td>
<td>80</td>
<td>80</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>41</td>
<td>73</td>
<td>146,000</td>
<td>146,000</td>
<td></td>
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</tbody>
</table>

### Trucking Costs - After Closures

<table>
<thead>
<tr>
<th>Store</th>
<th>FY01</th>
<th>FY01</th>
<th>FY01</th>
<th>FY01</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$757,011</td>
<td>$881,912</td>
<td>$955,504</td>
<td>$1,036,454</td>
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</tbody>
</table>

---

Updated: 02/11/02
Commission to Develop a Plan to Implement the Closure of State Liquor Stores

Option 2
Close all 6 additional state liquor stores in FY03
Does not include expansion of warehouse operations
(Note: Option 2 is the same as current law)
ALCOHOLIC BEVERAGES

Comparative Statement of Operations - History and Projections

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
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<tbody>
<tr>
<td>SALES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Retail</td>
<td>16,658,687</td>
<td>16,922,256</td>
<td>16,899,903</td>
<td>13,063,449</td>
<td>8,713,354</td>
<td>7,480,756</td>
<td>7,480,756</td>
</tr>
<tr>
<td>Licensee</td>
<td>3,582,310</td>
<td>3,486,446</td>
<td>3,395,226</td>
<td>2,596,235</td>
<td>1,709,260</td>
<td>1,666,529</td>
<td>1,624,866</td>
</tr>
<tr>
<td>Wholesale - At List</td>
<td>57,434,387</td>
<td>62,191,902</td>
<td>65,691,561</td>
<td>71,990,697</td>
<td>78,110,244</td>
<td>80,420,733</td>
<td>81,959,357</td>
</tr>
<tr>
<td>Less Wholesale Discount</td>
<td>(5,268,312)</td>
<td>(6,001,469)</td>
<td>(6,339,236)</td>
<td>(6,947,102)</td>
<td>(7,537,639)</td>
<td>(7,760,601)</td>
<td>(7,909,078)</td>
</tr>
<tr>
<td>Returns</td>
<td>24,127</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL SALES</td>
<td>72,382,945</td>
<td>76,599,135</td>
<td>79,647,454</td>
<td>80,703,279</td>
<td>80,995,220</td>
<td>81,807,416</td>
<td>83,155,900</td>
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<tr>
<td>COST OF GOODS SOLD</td>
<td>43,468,961</td>
<td>46,034,337</td>
<td>48,015,612</td>
<td>49,084,213</td>
<td>49,578,401</td>
<td>50,158,090</td>
<td>50,996,388</td>
</tr>
<tr>
<td>GROSS INCOME FROM SALES</td>
<td>28,913,984</td>
<td>30,564,798</td>
<td>31,631,842</td>
<td>31,619,065</td>
<td>31,416,819</td>
<td>31,649,327</td>
<td>32,159,512</td>
</tr>
<tr>
<td>STORE AND SELLING EXPENSES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store Salaries</td>
<td>3,340,034</td>
<td>3,298,976</td>
<td>3,469,889</td>
<td>3,228,620</td>
<td>2,201,959</td>
<td>1,732,328</td>
<td>1,766,975</td>
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<tr>
<td>Store Rents</td>
<td>924,085</td>
<td>634,032</td>
<td>756,076</td>
<td>771,198</td>
<td>347,303</td>
<td>287,827</td>
<td>293,584</td>
</tr>
<tr>
<td>Other Store Operating and Selling Expenses - Other</td>
<td>715,905</td>
<td>1,068,599</td>
<td>490,366</td>
<td>201,825</td>
<td>19,739</td>
<td>2,721</td>
<td>2,776</td>
</tr>
<tr>
<td>Store Supervision</td>
<td>185,523</td>
<td>210,365</td>
<td>212,339</td>
<td>216,586</td>
<td>220,917</td>
<td>112,668</td>
<td>114,921</td>
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<tr>
<td>Trucking Expenses</td>
<td>486,283</td>
<td>535,370</td>
<td>608,192</td>
<td>757,011</td>
<td>881,912</td>
<td>955,504</td>
<td>1,036,454</td>
</tr>
<tr>
<td>TOTAL - STORE AND SELLING EXPENSES</td>
<td>5,651,830</td>
<td>5,747,342</td>
<td>5,536,862</td>
<td>5,175,240</td>
<td>3,671,830</td>
<td>3,091,048</td>
<td>3,214,709</td>
</tr>
<tr>
<td>NET INCOME FROM SALES</td>
<td>23,262,154</td>
<td>24,817,456</td>
<td>26,094,980</td>
<td>26,443,826</td>
<td>27,744,989</td>
<td>28,558,279</td>
<td>28,944,803</td>
</tr>
<tr>
<td>OTHER EXPENSES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>2,064,704</td>
<td>2,038,941</td>
<td>2,055,832</td>
<td>1,638,319</td>
<td>1,654,766</td>
<td>1,623,601</td>
<td>1,656,073</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>7,716,534</td>
<td>7,786,283</td>
<td>7,592,694</td>
<td>6,813,559</td>
<td>5,326,596</td>
<td>4,714,650</td>
<td>4,870,783</td>
</tr>
<tr>
<td>OTHER INCOME:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous - Reduction of Working Capital</td>
<td>58,503</td>
<td>448,243</td>
<td>192,122</td>
<td>0</td>
<td>200,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Premium Tax</td>
<td>1,461,174</td>
<td>1,581,648</td>
<td>1,628,787</td>
<td>1,615,990</td>
<td>1,613,428</td>
<td>1,615,622</td>
<td>1,619,089</td>
</tr>
<tr>
<td>TOTAL OTHER INCOME</td>
<td>1,519,677</td>
<td>2,029,891</td>
<td>1,820,909</td>
<td>1,815,990</td>
<td>1,813,428</td>
<td>1,815,622</td>
<td>1,819,089</td>
</tr>
<tr>
<td>TOTAL GROSS INCOME</td>
<td>30,433,661</td>
<td>32,594,689</td>
<td>33,452,751</td>
<td>33,235,055</td>
<td>33,230,247</td>
<td>33,264,949</td>
<td>33,778,601</td>
</tr>
<tr>
<td>NET INCOME</td>
<td>22,717,127</td>
<td>24,808,406</td>
<td>25,860,057</td>
<td>26,421,496</td>
<td>27,903,651</td>
<td>28,550,300</td>
<td>28,907,819</td>
</tr>
<tr>
<td>LESS PREMIUM TAX INCLUDED IN TOTAL SALES</td>
<td>1,461,174</td>
<td>1,581,648</td>
<td>1,628,787</td>
<td>1,615,990</td>
<td>1,613,428</td>
<td>1,615,622</td>
<td>1,619,089</td>
</tr>
<tr>
<td>TRANSFERS TO GENERAL FUND</td>
<td>21,255,953</td>
<td>23,226,758</td>
<td>24,231,270</td>
<td>24,805,507</td>
<td>26,290,223</td>
<td>26,934,677</td>
<td>27,288,730</td>
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<tr>
<td>COGS TO TOTAL SALES</td>
<td>60.05%</td>
<td>60.10%</td>
<td>60.29%</td>
<td>60.82%</td>
<td>61.21%</td>
<td>61.31%</td>
<td>61.33%</td>
</tr>
<tr>
<td>COGS TO TOTAL SALES (Including Trucking as COGS)</td>
<td>60.73%</td>
<td>60.80%</td>
<td>61.05%</td>
<td>61.76%</td>
<td>62.30%</td>
<td>62.48%</td>
<td>62.57%</td>
</tr>
<tr>
<td>EXPENSES TO GROSS INCOME</td>
<td>25.36%</td>
<td>23.89%</td>
<td>22.70%</td>
<td>20.50%</td>
<td>16.03%</td>
<td>14.17%</td>
<td>14.42%</td>
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</tbody>
</table>

Budgeted Amounts - Revenue Forecating Committee 11/01

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference</td>
<td>1,683,959</td>
<td>1,678,383</td>
<td>1,629,837</td>
<td>1,629,837</td>
<td>1,629,837</td>
<td>1,629,837</td>
<td>1,629,837</td>
</tr>
<tr>
<td>Premium Tax - Revenue Forecasting Committee 11/01</td>
<td>1,616,716</td>
<td>1,703,259</td>
<td>1,703,259</td>
<td>1,703,259</td>
<td>1,703,259</td>
<td>1,703,259</td>
<td>1,703,259</td>
</tr>
<tr>
<td>Difference</td>
<td>(726)</td>
<td>(89,831)</td>
<td>(87,637)</td>
<td>(84,170)</td>
<td>(84,170)</td>
<td>(84,170)</td>
<td>(84,170)</td>
</tr>
</tbody>
</table>

Updated: 02/11/02 Projections - Current Law - Summary Page
### Sales Assumptions

**Retail and Licensee Sales - FY01 Base and FY02 Prorating Calculations**

<table>
<thead>
<tr>
<th>Sales Prorate Factor:</th>
<th>64.3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail &amp; Licensee Sales of 8 Stores Closed in 2002</td>
<td></td>
</tr>
<tr>
<td><strong>FY01 Retail</strong></td>
<td><strong>FY01 Licensee</strong></td>
</tr>
<tr>
<td>34 Kittery</td>
<td>$2,190,889</td>
</tr>
<tr>
<td>21 Old Orchard Beach</td>
<td>$258,484</td>
</tr>
<tr>
<td>4 Portland</td>
<td>$607,409</td>
</tr>
<tr>
<td>27 Caribou</td>
<td>$511,922</td>
</tr>
<tr>
<td>11 Lewiston</td>
<td>$612,226</td>
</tr>
<tr>
<td>9 Bangor</td>
<td>$612,226</td>
</tr>
<tr>
<td>66 Brewer</td>
<td>$809,047</td>
</tr>
<tr>
<td>85 Mexico</td>
<td>$454,727</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$5,966,491</td>
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</table>

**Retail & Licensee Sales of 6 Stores Closed in 2003**

<table>
<thead>
<tr>
<th><strong>FY01 Retail</strong></th>
<th><strong>FY01 Licensee</strong></th>
<th><strong>FY01 Total State</strong></th>
<th><strong>8 Mos. - Retail</strong></th>
<th><strong>8 Mos. - Licensee</strong></th>
<th><strong>FY01 Total Retail</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Retail</td>
<td>$16,899,903</td>
<td>$3,395,226</td>
<td>$20,295,129</td>
<td>$10,866,638</td>
<td>$2,183,130</td>
</tr>
<tr>
<td>Less 8 Stores Closed in 2002</td>
<td>$5,966,491</td>
<td>$1,139,069</td>
<td>$7,105,560</td>
<td>$3,836,454</td>
<td>$732,421</td>
</tr>
<tr>
<td>Net after 1st Closure</td>
<td>$10,933,412</td>
<td>$2,256,157</td>
<td>$13,189,569</td>
<td>$7,030,184</td>
<td>$1,450,709</td>
</tr>
<tr>
<td>Average of 19 Stores times 6</td>
<td>$3,452,656</td>
<td>$712,471</td>
<td>$4,165,127</td>
<td>$2,220,058</td>
<td>$458,119</td>
</tr>
</tbody>
</table>

**Retail Sales (No $ Growth, Declining Volume)**

<table>
<thead>
<tr>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales at State Stores Assumed to be flat after price increases and sales shifted to agents</td>
<td>16,899,903</td>
<td>16,899,903</td>
<td>16,899,903</td>
<td>16,899,903</td>
</tr>
<tr>
<td>Retail Sales Shifted as a result of 8 Stores in FY02</td>
<td>$3,836,454</td>
<td>$5,966,491</td>
<td>$5,966,491</td>
<td>$5,966,491</td>
</tr>
<tr>
<td>Retail Sales Shifted as a result of 6 Stores in FY03</td>
<td>$2,220,058</td>
<td>$3,452,656</td>
<td>$3,452,656</td>
<td>$3,452,656</td>
</tr>
<tr>
<td><strong>Total - Base less Retail Sales Shifted to Agents</strong></td>
<td>$13,063,449</td>
<td>$8,713,354</td>
<td>$7,480,756</td>
<td>$7,480,756</td>
</tr>
</tbody>
</table>

**Licensee Sales**

<table>
<thead>
<tr>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensee Sales Base - 2.5% annual decline</td>
<td>3,395,226</td>
<td>$3,310,345</td>
<td>$3,227,587</td>
<td>$3,146,897</td>
</tr>
<tr>
<td>Licensee Sales Shifted as a result of 8 Stores in FY02</td>
<td>$714,111</td>
<td>$1,082,827</td>
<td>$1,055,757</td>
<td>$1,029,363</td>
</tr>
<tr>
<td>Licensee Sales Shifted as a result of 6 Stores in FY03</td>
<td>$435,499</td>
<td>$424,612</td>
<td>$413,996</td>
<td>$413,996</td>
</tr>
<tr>
<td><strong>Total - Licensee Sales Base less Sales Shifted to Agents</strong></td>
<td>$2,596,235</td>
<td>$1,709,260</td>
<td>$1,666,529</td>
<td>$1,624,866</td>
</tr>
</tbody>
</table>

**Agent Sales**

<table>
<thead>
<tr>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Agency Sales assumed growth factor</td>
<td>4.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Base Agency Sales - $ Amounts at List</td>
<td>$65,691,561</td>
<td>$68,319,223</td>
<td>$69,685,607</td>
<td>$71,079,320</td>
</tr>
<tr>
<td># of New Agents Licensed</td>
<td>20</td>
<td>12</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>New Agent Initial Purchases - Inventory Effect</td>
<td>Average Initial Inventory Purchase:</td>
<td>$30,000</td>
<td>$600,000</td>
<td>$360,000</td>
</tr>
<tr>
<td>Sales Shifted from State Stores Closed</td>
<td>$4,530,565</td>
<td>$9,704,876</td>
<td>$10,899,516</td>
<td>$10,862,507</td>
</tr>
<tr>
<td>Reduction to account for loss of Kittery Sales - 1/2 of FY01 Sales; recapture 25%/year</td>
<td>$1,095,445</td>
<td>$821,584</td>
<td>$616,188</td>
<td>$462,141</td>
</tr>
<tr>
<td>Loss associated with reduced product selection - 10% of retail sales shifted to Agency</td>
<td>$435,499</td>
<td>$424,612</td>
<td>$413,996</td>
<td>$413,996</td>
</tr>
<tr>
<td><strong>Total - Net Agency Liquor Sales at List Price</strong></td>
<td>$71,990,697</td>
<td>$78,110,244</td>
<td>$80,420,733</td>
<td>$81,959,357</td>
</tr>
</tbody>
</table>

**Total Sales at List Price**

| $77,675,384 | $82,600,604 | $85,986,690 | $87,650,381 | $89,568,017 | $91,064,978 |
| Agency Discount - % of List Price | 9.65% | 9.65% | 9.65% | 9.65% | 9.65% |
| Agency Discount - $ Value | $6,947,102 | $7,537,639 | $7,760,601 | $7,909,078 | $8,159,978 |

**Average Price per bottle (Source: BABLO)**

| $10.93 | $11.44 | $11.93 | $12.41 | $12.66 | $12.91 | $13.17 |

**Annual Percentage Change - Price per bottle**

| 4.67% | 4.28% | 4.0% | 2.0% | 2.0% | 2.0% | 2.0% |

Note: 4% growth in 1st year reflects impact of "trading up" strategy, ultimately price is assumed to grow at rate of inflation
### Cost of Goods Sold and Volume Assumptions

<table>
<thead>
<tr>
<th>FY99</th>
<th>FY00</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Goods Sold - Historical and Assumed % from List</td>
<td>55.96%</td>
<td>55.73%</td>
<td>55.84%</td>
<td>56.00%</td>
<td>56.00%</td>
<td>56.00%</td>
</tr>
</tbody>
</table>

### Picking Fee Calculations

- **# of Gallons Sold - All Location**
  - FY99: 1,731,939
  - FY00: 1,759,173
  - FY01: 1,778,378
  - FY02: 1,796,162
  - FY03: 1,796,162
  - FY04: 1,796,162
  - FY05: 1,796,162

- **Annual % Change - Gallons Sold**
  - FY99: 1.57%
  - FY00: 1.09%
  - FY01: 1.00%
  - FY02: 0.00%
  - FY03: 0.00%
  - FY04: 0.00%
  - FY05: 0.00%

- **Note:** Difference between # of Gallons and # of Bottles annual change reflects higher sales of 1.75 liter size due to promotions - Gallons reduced by same reductions as below

- **# of Bottles Sold - All Location Base Number**
  - FY99: 6,662,000
  - FY00: 6,678,000
  - FY01: 6,676,000
  - FY02: 6,676,000
  - FY03: 6,676,000
  - FY04: 6,676,000
  - FY05: 6,676,000

- **Annual Change in Base Volume**
  - FY99: 0.2%
  - FY00: 0.0%
  - FY01: 0.0%
  - FY02: 0.0%
  - FY03: 0.0%
  - FY04: 0.0%
  - FY05: 0.0%

- **# of Bottles Reduced from Kittery and Selection Reduction Assumptions**
  - FY99: (119,212)
  - FY00: (129,608)
  - FY01: (120,704)
  - FY02: (106,638)

- **Net # of Bottles Sold**
  - FY99: 6,662,000
  - FY00: 6,678,000
  - FY01: 6,676,000
  - FY02: 6,556,788
  - FY03: 6,546,392
  - FY04: 6,555,296
  - FY05: 6,569,362

- **Agency Sales at List as a Percent of Total Sales at List**
  - FY99: 73.94%
  - FY00: 75.29%
  - FY01: 76.40%
  - FY02: 82.13%
  - FY03: 88.23%
  - FY04: 89.79%
  - FY05: 90.00%

- **# of Bottles Sold to Agents**
  - FY99: 5,100,288
  - FY00: 5,385,347
  - FY01: 5,775,711
  - FY02: 5,885,825
  - FY03: 5,912,489

- **Agency Sales from Warehouse (Full Cases)**
  - FY99: $33,799,957
  - FY00: $35,565,832
  - FY01: $38,203,086

- **Total All Locations - Agency Sales**
  - FY99: $52,166,076
  - FY00: $56,190,951
  - FY01: $59,352,325

- **% of Agency Sales in Full Cases**
  - FY99: 64.8%
  - FY00: 63.3%
  - FY01: 64.4%

- **Remaining Agency Sales assumed to be 80% splits**
  - FY99: 28.2%
  - FY00: 29.4%
  - FY01: 28.5%

- **# of bottles picked**
  - FY99: 1,615,604
  - FY00: 1,732,713
  - FY01: 1,765,748
  - FY02: 1,773,747

- **Cost per bottle**
  - FY99: $0.38
  - FY00: $0.38
  - FY01: $0.35
  - FY02: $0.35

- **Picking Fees Calculation @**
  - FY99: $613,930
  - FY00: $658,431
  - FY01: $618,012
  - FY02: $618,012
  - FY03: $620,811
  - FY04: $620,811
  - FY05: $620,811

**Assumed not to be implemented with any State Stores operating**
### Store Expense Assumptions

<table>
<thead>
<tr>
<th>Store Salaries</th>
<th>Salaries FY01</th>
<th>Rents FY01</th>
<th>Trucking FY01</th>
<th>Admin. Exp. FY01</th>
<th>Total Store FY01</th>
<th>Other Store Exp. FY01</th>
</tr>
</thead>
<tbody>
<tr>
<td>34 Kittery</td>
<td>$399,642</td>
<td>$194,105</td>
<td>$16,884</td>
<td>$61,360</td>
<td>$731,718</td>
<td>$121,087</td>
</tr>
<tr>
<td>21 Old Orchard Beach</td>
<td>$104,738</td>
<td>$21,870</td>
<td>$10,797</td>
<td>$41,318</td>
<td>$187,832</td>
<td>$50,427</td>
</tr>
<tr>
<td>4 Portland</td>
<td>$170,138</td>
<td>$35,976</td>
<td>$9,102</td>
<td>$36,006</td>
<td>$269,888</td>
<td>$54,672</td>
</tr>
<tr>
<td>27 Caribou</td>
<td>$136,189</td>
<td>$15,022</td>
<td>$16,435</td>
<td>$36,290</td>
<td>$216,717</td>
<td>$49,071</td>
</tr>
<tr>
<td>11 Lewiston</td>
<td>$89,866</td>
<td>$25,476</td>
<td>$8,305</td>
<td>$30,181</td>
<td>$166,591</td>
<td>$42,942</td>
</tr>
<tr>
<td>9 Bangor</td>
<td>$98,297</td>
<td>$24,772</td>
<td>$13,490</td>
<td>$42,616</td>
<td>$191,625</td>
<td>$55,066</td>
</tr>
<tr>
<td>66 Brewer</td>
<td>$122,597</td>
<td>$23,976</td>
<td>$7,318</td>
<td>$23,549</td>
<td>$190,711</td>
<td>$36,820</td>
</tr>
<tr>
<td>85 Mexico</td>
<td>$75,541</td>
<td>$18,470</td>
<td>$4,656</td>
<td>$17,894</td>
<td>$127,110</td>
<td>$28,443</td>
</tr>
<tr>
<td></td>
<td><strong>$1,197,008</strong></td>
<td><strong>$359,669</strong></td>
<td><strong>$86,987</strong></td>
<td><strong>$289,214</strong></td>
<td><strong>$2,082,192</strong></td>
<td><strong>$438,528</strong></td>
</tr>
<tr>
<td>Totals - 8 Stores Closed in 2002</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$2,272,881</strong></td>
<td><strong>$156,033</strong></td>
</tr>
<tr>
<td>Total Store Expenses - All Stores in FY01</td>
<td><strong>$3,469,889</strong></td>
<td><strong>$756,076</strong></td>
<td><strong>$608,194</strong></td>
<td><strong>$2,055,832</strong></td>
<td><strong>$5,428,720</strong></td>
<td><strong>$594,561</strong></td>
</tr>
<tr>
<td>Total Store Expenses - After 2002 Closures</td>
<td><strong>$2,272,881</strong></td>
<td><strong>$396,407</strong></td>
<td><strong>$521,207</strong></td>
<td><strong>$1,766,618</strong></td>
<td><strong>$3,346,528</strong></td>
<td><strong>$156,033</strong></td>
</tr>
<tr>
<td>Average - Applied to 6 Stores for 2003 Closures</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td><strong>$49,274</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Store Salaries</th>
<th>FY99</th>
<th>FY00</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store Salaries - Base</td>
<td>3,340,034</td>
<td>3,298,976</td>
<td>3,469,889</td>
<td>3,643,383</td>
<td>3,752,685</td>
<td>3,865,266</td>
<td>3,942,571</td>
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<tr>
<td>Annual Growth Assumption</td>
<td>-1.2%</td>
<td>5.2%</td>
<td>5.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>2.0%</td>
<td></td>
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<tr>
<td>Store Salaries - 2002 Stores Closed</td>
<td>1,197,008</td>
<td>1,256,858</td>
<td>1,294,564</td>
<td>1,333,401</td>
<td>1,360,069</td>
<td>1,387,735</td>
<td>1,415,401</td>
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<tr>
<td>Store Salaries - 2003 Stores Closed</td>
<td>717,752</td>
<td>753,639</td>
<td>776,249</td>
<td>799,536</td>
<td>815,527</td>
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<tr>
<td>Salary Savings from Closures</td>
<td>414,763</td>
<td>1,550,726</td>
<td>2,132,937</td>
<td>2,175,596</td>
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<tr>
<td>Store Salaries - After Closures</td>
<td>3,228,620</td>
<td>2,201,959</td>
<td>1,732,328</td>
<td>1,766,975</td>
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<tr>
<td>Rents - Base</td>
<td>924,085</td>
<td>1,068,313</td>
<td>756,076</td>
<td></td>
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<td></td>
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<tr>
<td>Rents - Adjusted for Kittery Buyout</td>
<td>793,313</td>
<td>756,076</td>
<td>771,198</td>
<td>786,621</td>
<td>802,354</td>
<td>818,401</td>
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<tr>
<td>Annual Growth Assumption</td>
<td>-14.2%</td>
<td>-4.7%</td>
<td>2.0%</td>
<td>2.0%</td>
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<tr>
<td>Rents - 2002 Stores Closed</td>
<td>359,669</td>
<td>366,862</td>
<td>374,200</td>
<td>381,684</td>
<td>389,317</td>
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<tr>
<td>Rents - 2003 Stores Closed</td>
<td>125,181</td>
<td>127,685</td>
<td>130,238</td>
<td>132,843</td>
<td>135,500</td>
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<tr>
<td>Rent Savings from Closures</td>
<td>439,319</td>
<td>51,427</td>
<td>524,817</td>
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<tr>
<td>Rents - After Closures</td>
<td>771,198</td>
<td>347,303</td>
<td>287,827</td>
<td>293,584</td>
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<tr>
<td>Other Stores Expenses (exc. Trucking and Admin.)</td>
<td>715,905</td>
<td>1,068,599</td>
<td>490,366</td>
<td>500,173</td>
<td>510,177</td>
<td>520,380</td>
<td>530,788</td>
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<tr>
<td>Annual Growth Assumption</td>
<td>49.3%</td>
<td>-54.1%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
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<tr>
<td>Other Store Expenses - 2002 Stores Closed</td>
<td>438,528</td>
<td>447,299</td>
<td>456,245</td>
<td>465,369</td>
<td>474,677</td>
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<tr>
<td>Other Store Expenses - 2003 Stores Closed</td>
<td>49,274</td>
<td>50,259</td>
<td>51,264</td>
<td>52,290</td>
<td>53,335</td>
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<tr>
<td>Other Expense Savings from Closures</td>
<td>298,348</td>
<td>490,438</td>
<td>517,659</td>
<td>528,012</td>
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<tr>
<td>Other Store Expenses - After Closures</td>
<td>201,825</td>
<td>19,739</td>
<td>2,721</td>
<td>2,776</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trucking Costs</td>
<td>486,283</td>
<td>535,370</td>
<td>608,192</td>
<td>669,011</td>
<td>735,912</td>
<td>809,504</td>
<td>890,454</td>
</tr>
<tr>
<td>Annual Growth Assumption</td>
<td>10.1%</td>
<td>13.6%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of new agents</td>
<td>20</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of existing agents predominantly using state stores</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of existing agents switching to warehouse purchase</td>
<td>24</td>
<td>41</td>
<td>41</td>
<td>41</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of new and existing agents with new trucking costs</td>
<td>44</td>
<td>73</td>
<td>73</td>
<td>73</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Cost at $2,000 per year for each new user agency</td>
<td>88,000</td>
<td>146,000</td>
<td>146,000</td>
<td>146,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trucking Costs - After Closures</td>
<td>$757,011</td>
<td>$881,912</td>
<td>$955,504</td>
<td>$1,036,454</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Commission to Develop a Plan to Implement the Closure of State Liquor Stores

Option 3
Retain 19 remaining state liquor stores, preempt the closing of next 6 in FY03
Does not include expansion of warehouse operations

Prepared by the Office of Fiscal and Program Review
## ALCOHOLIC BEVERAGES
### Comparative Statement of Operations - History and Projections

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SALES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>16,658,687</td>
<td>16,922,256</td>
<td>16,899,903</td>
<td>13,063,449</td>
<td>10,933,412</td>
<td>10,933,412</td>
<td>10,933,412</td>
</tr>
<tr>
<td>Licensee</td>
<td>3,582,310</td>
<td>3,486,446</td>
<td>3,395,226</td>
<td>2,596,235</td>
<td>2,144,759</td>
<td>2,091,140</td>
<td>2,038,862</td>
</tr>
<tr>
<td>Wholesale - At List</td>
<td>57,434,387</td>
<td>62,191,902</td>
<td>65,691,561</td>
<td>71,990,697</td>
<td>75,676,693</td>
<td>76,888,731</td>
<td>78,437,970</td>
</tr>
<tr>
<td>Less Wholesale Discount</td>
<td>(5,268,312)</td>
<td>(6,001,469)</td>
<td>(6,339,236)</td>
<td>(6,947,102)</td>
<td>(7,302,801)</td>
<td>(7,419,762)</td>
<td>(7,569,264)</td>
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<tr>
<td>Returns</td>
<td>(24,127)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL SALES</strong></td>
<td>72,382,945</td>
<td>76,599,135</td>
<td>79,647,454</td>
<td>80,703,279</td>
<td>81,452,063</td>
<td>82,493,520</td>
<td>83,840,980</td>
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<tr>
<td><strong>COST OF GOODS SOLD</strong></td>
<td>43,466,961</td>
<td>46,034,337</td>
<td>48,015,612</td>
<td>49,084,213</td>
<td>49,702,724</td>
<td>50,351,438</td>
<td>51,189,736</td>
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<tr>
<td><strong>GROSS INCOME FROM SALES</strong></td>
<td>28,913,984</td>
<td>30,564,798</td>
<td>31,631,842</td>
<td>31,619,065</td>
<td>31,749,339</td>
<td>32,142,082</td>
<td>32,651,243</td>
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<tr>
<td><strong>STORE AND SELLING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store Salaries</td>
<td>3,340,034</td>
<td>3,298,976</td>
<td>3,469,889</td>
<td>3,228,620</td>
<td>2,458,121</td>
<td>2,531,864</td>
<td>2,582,502</td>
</tr>
<tr>
<td>Store Rents</td>
<td>924,085</td>
<td>634,032</td>
<td>756,076</td>
<td>771,198</td>
<td>412,422</td>
<td>420,670</td>
<td>429,084</td>
</tr>
<tr>
<td>Other Store Operating and Selling Expenses - Other</td>
<td>715,905</td>
<td>1,068,599</td>
<td>490,366</td>
<td>210,825</td>
<td>53,932</td>
<td>55,011</td>
<td>56,111</td>
</tr>
<tr>
<td>Store Supervision</td>
<td>185,523</td>
<td>210,365</td>
<td>212,339</td>
<td>216,586</td>
<td>220,917</td>
<td>112,668</td>
<td>114,921</td>
</tr>
<tr>
<td>Trucking Expenses</td>
<td>486,283</td>
<td>535,370</td>
<td>608,192</td>
<td>757,011</td>
<td>881,912</td>
<td>955,504</td>
<td>1,036,454</td>
</tr>
<tr>
<td><strong>TOTAL - STORE AND SELLING EXPENSES</strong></td>
<td>5,651,830</td>
<td>5,747,342</td>
<td>5,536,862</td>
<td>5,175,240</td>
<td>4,027,305</td>
<td>4,075,717</td>
<td>4,219,072</td>
</tr>
<tr>
<td><strong>NET INCOME FROM SALES</strong></td>
<td>23,262,154</td>
<td>24,817,456</td>
<td>26,094,980</td>
<td>26,443,826</td>
<td>27,722,035</td>
<td>28,066,365</td>
<td>28,432,171</td>
</tr>
<tr>
<td><strong>OTHER EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>2,064,704</td>
<td>2,038,941</td>
<td>2,055,832</td>
<td>1,638,319</td>
<td>1,654,766</td>
<td>1,687,861</td>
<td>1,721,619</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>7,716,534</td>
<td>7,786,283</td>
<td>7,592,694</td>
<td>6,813,559</td>
<td>5,682,071</td>
<td>5,763,578</td>
<td>5,940,690</td>
</tr>
<tr>
<td><strong>OTHER INCOME:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous - Reduction of Working Capital</td>
<td>58,503</td>
<td>448,243</td>
<td>192,122</td>
<td>0</td>
<td>100,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Premium Tax</td>
<td>1,461,174</td>
<td>1,581,648</td>
<td>1,628,787</td>
<td>1,615,990</td>
<td>1,617,751</td>
<td>1,622,214</td>
<td>1,625,552</td>
</tr>
<tr>
<td><strong>TOTAL OTHER INCOME</strong></td>
<td>1,519,677</td>
<td>2,029,891</td>
<td>1,820,909</td>
<td>1,615,990</td>
<td>1,617,751</td>
<td>1,622,214</td>
<td>1,625,552</td>
</tr>
<tr>
<td><strong>TOTAL GROSS INCOME</strong></td>
<td>30,433,661</td>
<td>32,594,689</td>
<td>33,452,751</td>
<td>33,235,055</td>
<td>33,467,091</td>
<td>33,764,296</td>
<td>34,276,795</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>22,717,127</td>
<td>24,808,406</td>
<td>25,860,057</td>
<td>26,421,496</td>
<td>27,785,020</td>
<td>28,000,718</td>
<td>28,336,105</td>
</tr>
<tr>
<td><strong>LESS PREMIUM TAX INCLUDED IN TOTAL SALES</strong></td>
<td>1,461,174</td>
<td>1,581,648</td>
<td>1,628,787</td>
<td>1,615,990</td>
<td>1,617,751</td>
<td>1,622,214</td>
<td>1,625,552</td>
</tr>
<tr>
<td><strong>TRANSFERS TO GENERAL FUND</strong></td>
<td>21,255,953</td>
<td>23,226,758</td>
<td>24,231,270</td>
<td>24,805,507</td>
<td>26,167,269</td>
<td>26,378,504</td>
<td>26,710,553</td>
</tr>
<tr>
<td><strong>COGS TO TOTAL SALES</strong></td>
<td>60.05%</td>
<td>60.10%</td>
<td>60.29%</td>
<td>60.82%</td>
<td>61.02%</td>
<td>61.04%</td>
<td>61.06%</td>
</tr>
<tr>
<td><strong>COGS TO TOTAL SALES (Including Trucking as COGS)</strong></td>
<td>60.73%</td>
<td>60.80%</td>
<td>61.05%</td>
<td>61.76%</td>
<td>62.10%</td>
<td>62.20%</td>
<td>62.29%</td>
</tr>
<tr>
<td><strong>EXPENSES TO GROSS INCOME</strong></td>
<td>25.36%</td>
<td>23.89%</td>
<td>22.70%</td>
<td>20.50%</td>
<td>16.98%</td>
<td>17.07%</td>
<td>17.33%</td>
</tr>
<tr>
<td><strong>Budgeted Amounts - Revenue Forecasting Committee 11/01</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>1,683,959</td>
<td>1,555,429</td>
<td>1,073,664</td>
<td>1,073,664</td>
<td>1,073,664</td>
<td>1,073,664</td>
<td>1,073,664</td>
</tr>
<tr>
<td><strong>Premium Tax - Revenue Forecasting Committee 11/01</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>(726)</td>
<td>(85,508)</td>
<td>(81,045)</td>
<td>(77,707)</td>
<td>(77,707)</td>
<td>(77,707)</td>
<td>(77,707)</td>
</tr>
</tbody>
</table>

G:\OFPR\GENGOVT\LIQLOT\LIQUORHIST.XLS
Updated: 02/11/02
Sales Assumptions

Retail and Licensee Sales - FY01 Base and FY02 Prorating Calculations

Sales Prorate Factor: 64.3%

<table>
<thead>
<tr>
<th>Store</th>
<th>FY01 Retail</th>
<th>FY01 Licensee</th>
<th>FY01 Total Retail</th>
<th>8 Mos. - Retail</th>
<th>8 Mos. - Licensee</th>
<th>FY01 Total Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>34 Kittery</td>
<td>$2,190,889</td>
<td>$184,584</td>
<td>$2,375,473</td>
<td>$1,408,742</td>
<td>$118,688</td>
<td>$1,527,429</td>
</tr>
<tr>
<td>21 Old Orchard</td>
<td>$258,484</td>
<td>$61,934</td>
<td>$320,418</td>
<td>$166,205</td>
<td>$39,824</td>
<td>$206,029</td>
</tr>
<tr>
<td>Portland</td>
<td>$607,409</td>
<td>$135,469</td>
<td>$742,878</td>
<td>$390,564</td>
<td>$87,107</td>
<td>$477,671</td>
</tr>
<tr>
<td>27 Caribou</td>
<td>$511,922</td>
<td>$156,310</td>
<td>$668,232</td>
<td>$329,166</td>
<td>$100,507</td>
<td>$429,673</td>
</tr>
<tr>
<td>11 Lewiston</td>
<td>$612,226</td>
<td>$238,779</td>
<td>$851,005</td>
<td>$393,661</td>
<td>$153,535</td>
<td>$547,196</td>
</tr>
<tr>
<td>9 Bangor</td>
<td>$521,787</td>
<td>$79,711</td>
<td>$601,498</td>
<td>$335,509</td>
<td>$51,254</td>
<td>$386,763</td>
</tr>
<tr>
<td>66 Brewer</td>
<td>$809,047</td>
<td>$96,661</td>
<td>$905,708</td>
<td>$520,217</td>
<td>$62,153</td>
<td>$582,370</td>
</tr>
<tr>
<td>85 Mexico</td>
<td>$454,727</td>
<td>$185,621</td>
<td>$640,348</td>
<td>$292,389</td>
<td>$119,354</td>
<td>$411,744</td>
</tr>
<tr>
<td>Totals</td>
<td>$5,966,491</td>
<td>$1,139,069</td>
<td>$7,105,560</td>
<td>$3,836,454</td>
<td>$732,421</td>
<td>$4,568,875</td>
</tr>
</tbody>
</table>

Retail & Licensee Sales of 6 Stores Closed in 2003

<table>
<thead>
<tr>
<th>Store</th>
<th>FY01 Retail</th>
<th>FY01 Licensee</th>
<th>FY01 Total State</th>
<th>8 Mos. - Retail</th>
<th>8 Mos. - Licensee</th>
<th>FY01 Total Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Retail</td>
<td>$16,899,903</td>
<td>$3,395,226</td>
<td>$20,295,129</td>
<td>$10,866,638</td>
<td>$2,183,130</td>
<td>$13,049,768</td>
</tr>
<tr>
<td>Less 8 Stores</td>
<td>$5,966,491</td>
<td>$1,139,069</td>
<td>$7,105,560</td>
<td>$3,836,454</td>
<td>$732,421</td>
<td>$4,568,875</td>
</tr>
<tr>
<td>Net after 1st</td>
<td>$10,933,412</td>
<td>$2,256,157</td>
<td>$13,189,569</td>
<td>$7,030,184</td>
<td>$1,450,709</td>
<td>$8,480,893</td>
</tr>
<tr>
<td>No additional</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Retail Sales (No $ Growth, Declining Volume)

<table>
<thead>
<tr>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales</td>
<td>$16,899,903</td>
<td>$16,899,903</td>
<td>$16,899,903</td>
<td>$16,899,903</td>
</tr>
<tr>
<td>Base after closure</td>
<td>$3,836,454</td>
<td>$5,966,491</td>
<td>$5,966,491</td>
<td>$5,966,491</td>
</tr>
<tr>
<td>No additional</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total - Base</td>
<td>$13,063,449</td>
<td>$10,933,412</td>
<td>$10,933,412</td>
<td>$10,933,412</td>
</tr>
</tbody>
</table>

Licensee Sales

<table>
<thead>
<tr>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensee Sales Base - 2.5% annual decline</td>
<td>$3,395,226</td>
<td>$3,310,345</td>
<td>$3,227,587</td>
<td>$3,146,897</td>
</tr>
<tr>
<td>Licensee Sales Shifted as a result of 8 Stores in FY02</td>
<td>$714,111</td>
<td>$1,082,827</td>
<td>$1,055,757</td>
<td>$1,029,363</td>
</tr>
<tr>
<td>No additional Closures after 2002</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total - Licensee Sales Base less Sales Shifted to Agents</td>
<td>$2,596,235</td>
<td>$2,144,759</td>
<td>$2,091,140</td>
<td>$2,038,862</td>
</tr>
</tbody>
</table>

Agent Sales

<table>
<thead>
<tr>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Agency Sales assumed growth factor</td>
<td>4.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Base Agency Sales - $ Amounts at List</td>
<td>$65,691,561</td>
<td>$68,319,223</td>
<td>$69,685,607</td>
<td>$71,079,320</td>
</tr>
<tr>
<td># of New Agents Licensed</td>
<td>20</td>
<td>12</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>New Agent Initial Purchases - Inventory Effect</td>
<td>Average Initial Inventory Purchase: $30,000</td>
<td>$600,000</td>
<td>$360,000</td>
<td>$0</td>
</tr>
<tr>
<td>Sales Shifted from State Stores Closed</td>
<td>$4,550,565</td>
<td>$7,049,318</td>
<td>$7,022,248</td>
<td>$7,000,248</td>
</tr>
<tr>
<td>Reduction to account for loss of Kittery Sales - 1/2 of FY01 Sales; recapture 25%/year</td>
<td>$1,095,445</td>
<td>$821,584</td>
<td>$616,188</td>
<td>$462,141</td>
</tr>
<tr>
<td>Loss associated with reduced product selection - 10% of retail sales shifted to Agency</td>
<td>$383,645</td>
<td>$596,649</td>
<td>$596,649</td>
<td>$596,649</td>
</tr>
<tr>
<td>Total - Net Agency Liquor Sales at List Price</td>
<td>$71,990,697</td>
<td>$75,676,693</td>
<td>$76,888,731</td>
<td>$78,437,970</td>
</tr>
</tbody>
</table>

Total Sales at List Price

<table>
<thead>
<tr>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency Discount - % of List Price</td>
<td>9.65%</td>
<td>9.65%</td>
<td>9.65%</td>
<td>9.65%</td>
</tr>
<tr>
<td>Agency Discount - $ Value</td>
<td>$6,947,102</td>
<td>$7,302,801</td>
<td>$7,419,762</td>
<td>$7,569,264</td>
</tr>
</tbody>
</table>

Average Price per bottle (Source: BABLO)

| Average Price per bottle (Source: BABLO) | $10.93 | $11.44 | $11.93 | $12.41 | $12.66 | $12.91 | $13.17 |
| Annual Percentage Change - Price per bottle | 4.67% | 4.28% | 4.0% | 2.0% | 2.0% | 2.0% | 2.0% |

Note: 4% growth in 1st year reflects impact of "trading up" strategy, ultimately price is assumed to grow at rate of inflation

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Updated: 02/11/02
### Cost of Goods Sold and Volume Assumptions

<table>
<thead>
<tr>
<th></th>
<th>FY99</th>
<th>FY00</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of Goods Sold - Historical and Assumed % from List</strong></td>
<td>55.96%</td>
<td>55.73%</td>
<td>55.84%</td>
<td>56.00%</td>
<td>56.00%</td>
<td>56.00%</td>
<td>56.00%</td>
</tr>
</tbody>
</table>

### Picking Fee Calculations

<table>
<thead>
<tr>
<th></th>
<th>FY99</th>
<th>FY00</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># of Gallons Sold - All Location</strong></td>
<td>1,731,939</td>
<td>1,759,173</td>
<td>1,778,378</td>
<td>1,796,162</td>
<td>1,796,162</td>
<td>1,796,162</td>
<td>1,796,162</td>
</tr>
<tr>
<td><strong>Annual % Change - Gallons Sold</strong></td>
<td>1.57%</td>
<td>1.09%</td>
<td>1.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Note: Difference between # of Gallons and # of Bottles annual change reflects higher sales of 1.75 liter size due to promotions - Gallons reduced by same reductions as below

| **# of Bottles Sold - All Location Base Number** | 6,662,000 | 6,678,000 | 6,676,000 | 6,676,000 | 6,676,000 | 6,676,000 | 6,676,000 |
| **Annual Change in Base Volume** | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **# of Bottles Reduced from Kittery and Selection Reduction Assumptions** | (119,212) | (112,066) | (93,957) | (80,415) |
| **Net # of Bottles Sold** | 6,662,000 | 6,678,000 | 6,676,000 | 6,556,788 | 6,563,934 | 6,582,043 | 6,595,585 |
| **# of Bottles Sold to Agents** | 5,100,288 | 5,385,347 | 5,596,728 | 5,628,589 | 5,659,588 |

Remaining Agency Sales assumed to be 80% splits

|                                | 64.8% | 63.3% | 64.4% | 64.4% | 64.4% | 64.4% | 64.4% |
| **% of Agency Sales in Full Cases** | 64.8% | 63.3% | 64.4% | 64.4% | 64.4% | 64.4% | 64.4% |

### Agency Sales at List as a Percent of Total Sales at List

|                                | 73.94% | 75.29% | 76.40% | 82.13% | 85.26% | 85.51% | 85.81% |
| **# of Bottles Sold to Agents** | 5,100,288 | 5,385,347 | 5,596,728 | 5,628,589 | 5,659,588 |

### Picking Fees Calculation

|                                | $33,799,957 | $35,565,832 | $38,203,086 |
| **Agency Sales from Warehouse (Full Cases)** | $33,799,957 | $35,565,832 | $38,203,086 |
| **Total All Locations - Agency Sales** | $52,166,076 | $56,190,951 | $59,352,325 |
| **% of Agency Sales in Full Cases** | 64.8% | 63.3% | 64.4% |
| **Remaining Agency Sales assumed to be 80% splits** | 28.2% | 29.4% | 28.5% | 30.0% | 30.0% | 30.0% | 30.0% |

### Assumed not to be implemented with any State Stores operating

|                                | $613,930 | $638,027 | $591,002 | $594,257 |
| **Picking Fees Calculation @** | $613,930 | $638,027 | $591,002 | $594,257 |

<p>|                                | $0     | $0     | $0     |
| <strong>Assumed not to be implemented with any State Stores operating</strong> | $0     | $0     | $0     |</p>
<table>
<thead>
<tr>
<th>Store Salaries</th>
<th>Salaries FY01</th>
<th>Rents FY01</th>
<th>Trucking FY01</th>
<th>Admin. Exp. FY01</th>
<th>Total Store FY01</th>
<th>Other Store Exp. FY01</th>
</tr>
</thead>
<tbody>
<tr>
<td>34 Kittery</td>
<td>$399,642</td>
<td>$194,105</td>
<td>$16,884</td>
<td>$61,360</td>
<td>$731,718</td>
<td>$121,087</td>
</tr>
<tr>
<td>21 Old Orchard Beach</td>
<td>$104,738</td>
<td>$21,870</td>
<td>$10,797</td>
<td>$41,318</td>
<td>$187,832</td>
<td>$50,427</td>
</tr>
<tr>
<td>27 Caribou</td>
<td>$136,189</td>
<td>$15,022</td>
<td>$16,435</td>
<td>$36,290</td>
<td>$216,717</td>
<td>$49,071</td>
</tr>
<tr>
<td>11 Lewiston</td>
<td>$89,866</td>
<td>$25,476</td>
<td>$8,305</td>
<td>$30,181</td>
<td>$166,591</td>
<td>$42,942</td>
</tr>
<tr>
<td>9 Bangor</td>
<td>$98,297</td>
<td>$24,772</td>
<td>$13,490</td>
<td>$42,616</td>
<td>$191,625</td>
<td>$55,066</td>
</tr>
<tr>
<td>66 Brewer</td>
<td>$122,597</td>
<td>$18,470</td>
<td>$4,656</td>
<td>$17,894</td>
<td>$127,110</td>
<td>$28,443</td>
</tr>
<tr>
<td>85 Mexico</td>
<td>$75,541</td>
<td>$18,470</td>
<td>$7,318</td>
<td>$23,549</td>
<td>$98,419</td>
<td>$21,022</td>
</tr>
<tr>
<td>Totals - 8 Stores Closed in 2002</td>
<td>$1,197,008</td>
<td>$359,669</td>
<td>$86,987</td>
<td>$289,214</td>
<td>$2,082,192</td>
<td>$438,528</td>
</tr>
<tr>
<td>Total Store Expenses - All Stores in FY01</td>
<td>$3,469,889</td>
<td>$756,076</td>
<td>$608,194</td>
<td>$2,055,832</td>
<td>$5,428,720</td>
<td>$594,561</td>
</tr>
<tr>
<td>Total Store Expenses - After 2002 Closures</td>
<td>$2,272,881</td>
<td>$396,407</td>
<td>$521,207</td>
<td>$1,766,618</td>
<td>$3,346,528</td>
<td>$156,033</td>
</tr>
<tr>
<td>No additional Stores Closed After 2002</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Store Expenses</th>
<th>FY99</th>
<th>FY00</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store Salaries - Base</td>
<td>3,340,034</td>
<td>3,298,976</td>
<td>3,469,889</td>
<td>$3,643,383</td>
<td>$3,752,685</td>
<td>$3,865,266</td>
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<tr>
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<td>5.0%</td>
<td>3.0%</td>
<td>3.0%</td>
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<tr>
<td>Store Salaries - 2002 Stores Closed</td>
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<td>1,256,858</td>
<td>1,294,564</td>
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<td>1,360,069</td>
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<td>1,432,401</td>
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<tr>
<td>Store Salaries - 2003 Stores Closed</td>
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<td>0</td>
<td>0</td>
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<td>Salary Savings from Closures</td>
<td>414,763</td>
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<td>2,582,502</td>
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<td>Rents - Base</td>
<td>924,085</td>
<td>1,068,313</td>
<td>756,076</td>
<td>771,198</td>
<td>786,621</td>
<td>802,354</td>
<td>818,401</td>
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<tr>
<td>Rents - Adjusted for Kittery Buyout</td>
<td>924,085</td>
<td>793,313</td>
<td>756,076</td>
<td>$771,198</td>
<td>$786,621</td>
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<tr>
<td>Rents - 2002 Stores Closed</td>
<td>359,669</td>
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<td>381,684</td>
<td>389,317</td>
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<td>404,783</td>
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<tr>
<td>Rent Savings from Closures</td>
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<td>404,783</td>
<td>412,517</td>
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<td>Rents - After Closures</td>
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<td>Other Stores Expenses (exc. Trucking and Admin.)</td>
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<td>$500,173</td>
<td>$510,177</td>
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<tr>
<td>Other Store Expenses - 2002 Stores Closed</td>
<td>438,528</td>
<td>447,299</td>
<td>456,245</td>
<td>465,369</td>
<td>474,677</td>
<td>484,089</td>
<td>493,501</td>
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<td>Other Store Expenses - 2003 Stores Closed</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>Other Expense Savings from Closures</td>
<td>298,348</td>
<td>456,245</td>
<td>465,369</td>
<td>474,677</td>
<td>484,089</td>
<td>493,501</td>
<td>503,813</td>
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<td>Other Store Expenses - After Closures</td>
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<td>53,932</td>
<td>55,011</td>
<td>56,111</td>
<td>57,282</td>
<td>58,364</td>
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<th>Trucking Costs</th>
<th>Total Trucking Costs</th>
<th>486,283</th>
<th>535,370</th>
<th>608,192</th>
<th>669,011</th>
<th>735,912</th>
<th>809,504</th>
<th>890,454</th>
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<td>Number of new agents</td>
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<td>Number of existing agents predominantly using state stores</td>
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<td>Number of existing agents switching to warehouse purchase</td>
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<td>Number of new and existing agents with new trucking costs</td>
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<td>73</td>
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<td>Additional Cost at $2,000 per year for each new user agency</td>
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<td>146,000</td>
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<td><strong>SALES:</strong></td>
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<td>Retail Sales</td>
<td>41,406,428</td>
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<td>54,660,797</td>
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<td>58,150,218</td>
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<td>Licensee Sales</td>
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<tr>
<td>Wholesale Sales</td>
<td>26,571,574</td>
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<td>12,999,100</td>
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<td>Less Wholesale Discount</td>
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<td>(28,152)</td>
<td>(40,147)</td>
<td>(71,815)</td>
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<td><strong>COST OF GOODS SOLD</strong></td>
<td>40,575,099</td>
<td>38,567,527</td>
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<td><strong>GROSS INCOME FROM SALES</strong></td>
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<td>Store Salaries</td>
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<td>Store Supervision</td>
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<td>Other Store and Selling Expenses</td>
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<td><strong>TOTAL - STORE AND SELLING EXPENSES</strong></td>
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<td>6,009,531</td>
<td>6,450,487</td>
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<td>7,496,762</td>
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<td><strong>NET INCOME FROM SALES</strong></td>
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<td>Beer &amp; Wine Excise Tax</td>
<td>7,146,665</td>
<td>7,365,663</td>
<td>6,975,995</td>
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<td>7,457,485</td>
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<td>Liquor Licenses</td>
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<td>1,881,160</td>
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<td>Miscellaneous</td>
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<td>153,494</td>
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<td>Premium Tax</td>
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<td>2,634,555</td>
<td>5,239,666</td>
<td>5,528,885</td>
<td>5,436,307</td>
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<tr>
<td><strong>TOTAL OTHER INCOME</strong></td>
<td>11,509,959</td>
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<tr>
<td><strong>TOTAL GROSS INCOME</strong></td>
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<td>45,716,112</td>
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<td><strong>OTHER EXPENSES:</strong></td>
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<tr>
<td>Administrative Expenses</td>
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<td>230,657</td>
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<td><strong>TOTAL EXPENSES</strong></td>
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<td>37,093,581</td>
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<tr>
<td><strong>PREMIUM TAX</strong></td>
<td>2,737,712</td>
<td>2,723,879</td>
<td>2,634,555</td>
<td>5,239,666</td>
<td>5,528,885</td>
<td>5,436,307</td>
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<td>29,881,942</td>
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<td>Number of State Stores at Year-end</td>
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<tr>
<td>Number of Agency Liquor Stores Licensed</td>
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<td>Average Price per Bottle</td>
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<tr>
<td><strong>SELLING EXPENSES TO TOTAL SALES</strong></td>
<td>8.26%</td>
<td>8.84%</td>
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<tr>
<td><strong>SELLING EXPENSES TO RETAIL SALES</strong></td>
<td>13.56%</td>
<td>11.15%</td>
<td>10.99%</td>
<td>11.15%</td>
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<td><strong>COGS TO TOTAL SALES</strong></td>
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<td>58.14%</td>
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<td><strong>EXPENSES TO GROSS INCOME</strong></td>
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Source: Annual Report of the Bureau of Alcoholic Beverages

G:\OFPR\GENGOVT\LIQLOT\LIQUORHIST.XLS

Updated: 1/22/02
## ALCOHOLIC BEVERAGES
### Comparative Statement of Operations - History - Percentage of Sales

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<tr>
<td>Retail Sales</td>
<td>61.0%</td>
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<td>73.8%</td>
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<td>Wholesale Sales</td>
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<td>Less Wholesale Discount</td>
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<td>57.9%</td>
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<tr>
<td><strong>GROSS INCOME FROM SALES</strong></td>
<td>40.3%</td>
<td>41.9%</td>
<td>42.6%</td>
<td>39.7%</td>
<td>37.4%</td>
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<td><strong>SELLING EXPENSES:</strong></td>
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<td>4.4%</td>
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<tr>
<td>Stores Salaries as a % of Retail Sales</td>
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<td>7.8%</td>
<td>7.8%</td>
<td>8.2%</td>
<td>8.4%</td>
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</tr>
<tr>
<td>Other Store and Selling Expenses</td>
<td>2.0%</td>
<td>1.7%</td>
<td>1.6%</td>
<td>1.8%</td>
<td>1.8%</td>
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<td>1.7%</td>
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<td>1.4%</td>
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<tr>
<td><strong>Total Store and Selling Expenses</strong></td>
<td>8.3%</td>
<td>8.8%</td>
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<td><strong>OTHER EXPENSES:</strong></td>
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<td>Less Wholesale Discount</td>
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<td>Total Sales</td>
<td>Cost of Goods Sold</td>
<td>Gross Income From Sales</td>
<td>Selling Expenses:</td>
<td>Net Income From Sales</td>
<td>Other Income:</td>
<td>Total Gross Income</td>
<td>Other Expenses:</td>
<td>Net Income</td>
<td>Premium Tax</td>
<td>Transfers to General Fund</td>
<td>Number of State Stores at Year-end</td>
<td>Number of Agency Liquor Stores Licensed</td>
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APPENDIX F

Agent Spirits Distribution Information
## AGENT PURCHASES - DIRECT SHIPMENTS FROM WAREHOUSE

### Locations less than 25 miles from I-95

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**TOTAL** $5.20M
**AGENT PURCHASES - DIRECT SHIPMENTS FROM WAREHOUSE**

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**TOTAL** $33.10M
# AGENT PURCHASES AT STATE STORES

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**TOTAL $10.62M**

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**TOTAL $10.53M**
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## AGENT PURCHASES AT STATE STORES

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**TOTAL** $13.8M
APPENDIX G

Proposed Legislation
COMMISSION TO DEVELOP A PLAN TO IMPLEMENT THE CLOSURE OF THE
STATE LIQUOR STORES

PROPOSED LEGISLATION

Sec. 1. 28-A MRSA §2, sub-§25-B, is enacted to read:

25-B. Re-selling agent. “Re-selling agent” means an agency liquor store with a federal and
state license permitting them to sell spirits to on-premise licensees.

Sec. 2. 28-A MRSA §453 and §453-A, are amended to read:

28A § 453. Location of agency stores

1. Location requirements. The bureau may license an agency liquor store only when the
following requirements are met.

A. The proposed agency liquor store is located in a municipality or unincorporated place that
has voted in favor of the operation of state liquor stores under local option provisions.

B.

C. The proposed agency liquor store is not within 3.5 miles of an existing state liquor store or
an existing agency liquor store that was licensed before May 1, 1993—

D. If a state liquor store closes, the bureau may grant more than one agency store license in a
municipality when the bureau considers it appropriate. Agency liquor stores licensed before
May 1, 1993 that replace closed state liquor stores are exempt from the distance requirement in
paragraph C—

—2. Replacement of state or agency liquor stores. The alcohol bureau may not replace a
state liquor store and the bureau may not replace an existing agency liquor store that closes
with a new agency liquor store if there is another state or existing agency liquor store within 3.5
miles. This subsection does not prevent the bureau from locating a replacement agency liquor
store within 3.5 miles of another replacement agency liquor store for the same town.

A.

2-A. Replacement of state liquor stores, closed in fiscal year 1991-92. The bureau may
replace a state liquor store closed after July 1, 1990 with 3 agency liquor stores if:

A. The agency stores are within a 10 mile radius of the location of the closed state liquor store; and—
B. The bureau does not issue to a person or corporation more than 2 of the 3 licenses issued to replace a state liquor store. For purposes of this restriction, each partner of a partnership, each corporation that owns an interest in another corporation and each person who owns 20% or more of the shares or other interest in a corporation is deemed to own a license granted to the partnership or corporation.


4. Procedure for selection of agency liquor store location.

5. Aggrieved applicants.

28A § 453-A. Issuance of agency liquor store license

The bureau shall issue a license for an agency liquor store within a municipality or unincorporated place by the following procedure.

1. Bidding to replace state liquor stores. The bureau shall solicit bids from the general public for each agency liquor store license to be issued. For an agency license to replace an existing state store, the bureau may not accept a bid lower than 1% of the taxable retail sales of the store being replaced, determined for the fiscal year that ended immediately before the closure of the store.

1-A. Bidding to establish or replace agency liquor stores. The bureau shall solicit bids from the general public for each agency liquor store license to be issued. For licenses to establish an agency liquor store or replace an existing agency liquor store, the bureau may not accept a bid lower than $2,000.

2. Public notice and solicitation of bids. The bureau shall, in accordance with the Maine Administrative Procedure Act, give public notice that an agency liquor store may be established in a particular municipality or unincorporated place. The bureau shall summarize in the public notice the bidding requirements for the agency store license, including the minimum bid required. The bureau shall request all parties in the municipality or unincorporated place interested in bidding on a license to establish an agency liquor store there to submit bids and applications to the bureau.

3. Information to applicants. The bureau shall provide all applicants with the necessary information for the establishment of an agency liquor store.

4. Notice to municipality. Upon receipt of all applications for an agency liquor store license in a municipality and at least 15 days before the final selection of an applicant or applicants by the bureau, the bureau shall notify the municipal officers of that municipality of the proposed location of each applicant.
5. Licensing decisions. The bureau shall conduct an investigation to determine the feasibility of the location and type of facility for the agency liquor store and shall issue the license to one or more of the applicants, taking into consideration the bid offered and any other factors the bureau considers appropriate. When considering the issuance of a license, the bureau shall consider the proximity of the proposed agency store to existing agency stores and the potential impact the location of the proposed agency store may have on an existing agency store. The bureau may deny a license if the bureau determines the proposed agency store location is too close in proximity to an existing agency store.

5-A. Hearings on applications. The bureau, in accordance with the provisions of the Maine Administrative Procedure Act, shall conduct a hearing to take testimony, consider comment and deliberate on applications. In addition to giving any notice required by the Maine Administrative Procedure Act, the bureau shall give notice of public hearing in writing to any existing agency liquor stores located within 5 miles of the applicant's proposed store location by regular mail at least 15 days prior to the hearing.

6. Denial of application. The bureau shall notify any applicant denied a license of the reasons for the denial by certified mail to the mailing address given by the applicant in the application for an agency liquor store license.

7. Aggrieved applicants. Any applicant aggrieved by a decision made by the bureau may appeal the decision by filing an appeal with the District Court and serving a copy of the appeal upon the bureau in accordance with the Maine Rules of Civil Procedure, Rule 80C. The appeal must be filed and served within 30 days of the mailing of the bureau's decision.

8. Measurement of distance. All distances described in this section must be determined by the most reasonable direct route of travel.

Sec. 3. 28-A MRSA §453-C, is enacted to read:

§ 453-C   Re-selling agents

1. Agents licensed to re-sell spirits purchased from the commission. An agent licensed to re-sell spirits and fortified wine purchased from the state to on-premise licensees shall be licensed as a re-selling agent. Agents are prohibited from re-selling liquor to on-premise licensees except for spirits and fortified wine purchased from the commission or a state liquor store. A re-selling agent may not re-sell fortified wine purchased from wholesalers licensed to sell beer and wine in the state.

2. License fee. The fee for a state license to re-sell spirits and fortified wine to on-premise licensees is $50 annually.

Sec. 4. 28-A MRSA § 606, is amended to read:

28A § 606. Liquor bought from commission; sale to
government agencies

1. Purchase of liquor. Subject to the restrictions provided in subsection 1-A, a person licensed to sell spirits must purchase liquor from a state or agency liquor store. This subsection does not apply to public service corporations operating interstate.
   A.

1-A. On-premises licensees; purchase from agency store. A person licensed to sell spirits for consumption on the premises may purchase spirits from an agency liquor store only in accordance with this subsection.
   A. The sale price of spirits sold to a licensee under this subsection must equal the price for which a licensee would purchase liquor at a state store.
   B. Upon completion of a transaction, the agency liquor store and the on-premise licensee shall each retain a copy of the licensee order form.
   C.
   D.

1-B. Price of sales to agency liquor stores.

1-C. Price of state liquor sales to licensees. The commission may offer discounts below the list price to licensees.

2. On-premise retailers must report purchases. All persons licensed to sell liquor to be consumed on the premises shall report all liquor purchases to the commission on forms provided by the commission.

3. Prospective licensees may order liquor in advance. Upon approval of the bureau, persons who have been issued a license, effective at a future date, may order liquor in advance of the effective date of the license and may advertise the effective date.

4. Discount for agency liquor stores. The alcohol bureau shall sell spirits and fortified wines to agency liquor stores for a price of at least 8% less than the list price established for the state liquor stores.

5. Sale to government instrumentalities. The alcohol bureau may authorize the sale of spirits to government instrumentalities within the State approved by the bureau. The alcohol bureau shall set the price.

6. Sale to airlines and ferry services for consumption outside the State. The alcohol bureau may authorize the sale of spirits not for consumption within the State to airlines and ferry services or their agents as authorized by the bureau. The alcohol bureau shall set the price.
7. **Premium must be collected.** Nothing in this section permits the sale of spirits without collecting the entire premium assessed under chapter 65.

8. **Limits on price.** An agency liquor store may not sell spirits and fortified wine for less than 103% of the price paid by the agency liquor store. An agency liquor store may not sell spirits to persons other than on-premises licensees for more than the list price set in accordance with chapters 65 and 67. An agency liquor store shall sell all spirits and fortified wine purchased from the commission at the retail price established by the commission.

**Sec. 5. Bureau of Alcoholic Beverages and Lottery Operations to continue to operate 19 state liquor stores.** Notwithstanding Public Law 2001, c. 358, part V, the Bureau of Alcoholic Beverages and Lottery Operations shall continue to operate all state liquor stores open as of January 1, 2002.

**Sec. 6. Bureau of Alcoholic Beverages and Lottery Operations; report.** The Bureau of Alcoholic Beverages and Lottery Operations shall report each year by March 1st to the Joint Standing Committee having jurisdiction over alcoholic beverages on the operation of the 19 state liquor stores and the state-wide spirits distribution system. This report shall include: an assessment of the state’s spirits distribution system success in supplying spirits to agency liquor stores; the feasibility of expanding warehouse operations to offer split cases to agents; and the profitability of the 19 state liquor stores.

**SUMMARY**

This bill makes several changes to the liquor laws based on the recommendations of the Commission to Develop a Plan to Implement the Closure of State Liquor Stores. This bill requires the Bureau of Alcoholic Beverages and Lottery Operations to continue to operate the remaining 19 state liquor stores. It repeals the 3.5-mile radius requirement when replacing a state liquor store with an agency store. It requires an agent permitted to re-sell spirits and fortified wine purchased from the State Liquor Commission to on-premise licensees to obtain a state re-selling agent license for an annual fee of $50. The bill also requires the Bureau of Alcoholic Beverages and Lottery Operations to report annually to the Joint Standing Committee having jurisdiction over Alcoholic Beverages.