

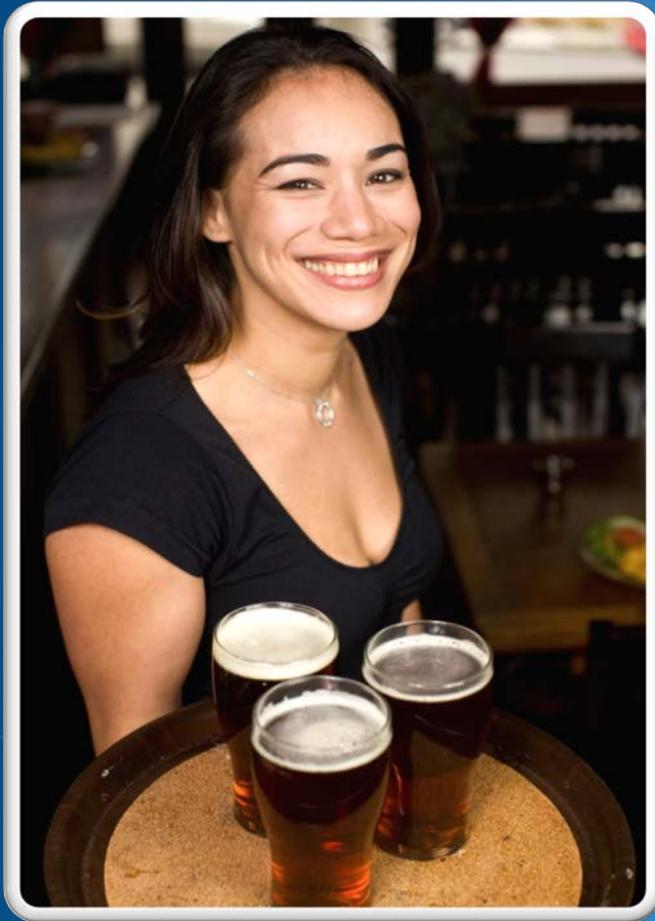


Oregon Liquor Control Commission

Fostering Business Growth



Responsible Sales and Service



- More than 135,600 Service Permit holders
- Mandatory Alcohol Server Education
- Oregon was first state to require server education in 1987

Oregon is home to...

12,852	Annual liquor licenses in Oregon, including:
6,855	Restaurants & Bars <i>On-premises licenses</i>
4,514	Grocery/Convenience Stores <i>Off-premises licenses</i>
926	Wineries
242	Brewers/Brew Pubs
202	Distributors/Wholesalers
60	Distillers <i>Includes multiple locations</i>

Totals as of January 1, 2014

Liquor Licensing

- Four areas of investigative focus
 - Applicant experience
 - Proposed business operation
 - Compliance and criminal history
 - Local government/community input

Liquor Licensing

- Average 67 days total processing time
 - External factors contribute to 50% of total licensing time
 - Local government endorsements
 - Applicant responsibilities

Special Events Enhance Oregon Tourism

OLCC issues more than 5,000 temporary sales licenses for special events each year

Oregon tourism generated
\$8.8 Billion in 2011

(Oregon Travel Impacts Report, Dean Runyan Associates)



Oregon's Beer Industry

- 242 Brewery/Brewpub Licenses
- In 2010, beer-related jobs in Oregon totaled more than 15,000
 - Related wages exceeded \$435 million
- Total economic impact of \$2.4 billion on Oregon's economy



Oregon's Wine Industry

- 926 Oregon Winery Licenses
 - 463 producing wineries
- In 2010, wine-related jobs in Oregon totaled over 13,500;
 - Related wages topped \$382 million.
- In 2010 wine-related tourism contributed \$158.5 million in revenues to the Oregon economy



Oregon's Distilled Spirits Industry

- OLCC is in charge of listing products available to the public
- 400+ Oregon items available
- 12% of all liquor sales revenue
- 16% of total volume sold
- 55 licensed Oregon distilleries
- Custom shipments allow liquor stores to offer local products
- Distribution creates level playing field for small producers





Distillery Retail Liquor Agents



- 33 distillery agents
- 51 contract locations
- Distillers able to sell their own products by the bottle from their tasting room & special events
- New market opportunity for small businesses

Distillery outlet at PDX Airport

- House Spirits currently operating a kiosk at the Portland Airport as a second location
- Law allows up to 6 total outlets per Oregon Distillery (eff. 1/1/2014)
- Allows sale of their own products



Modernizing laws and requirements allow more options for doing business

- Direct sales to consumers from distiller's tasting room
- Expanded special event license criteria to allow distilleries to sell bottles at special events
- Modified auction criteria to allow distilled spirits raffles by non-profit groups
- Sampling rules updated to allow mixers with liquor for enhanced customer experience



Product Selection

- OR carries 1,900 products every day
 - 480 Oregon products
 - OLCC will special order any product that a U.S. manufacturer or importer will ship to Oregon
 - Approx. 1,200 different items have been special ordered in the last few years



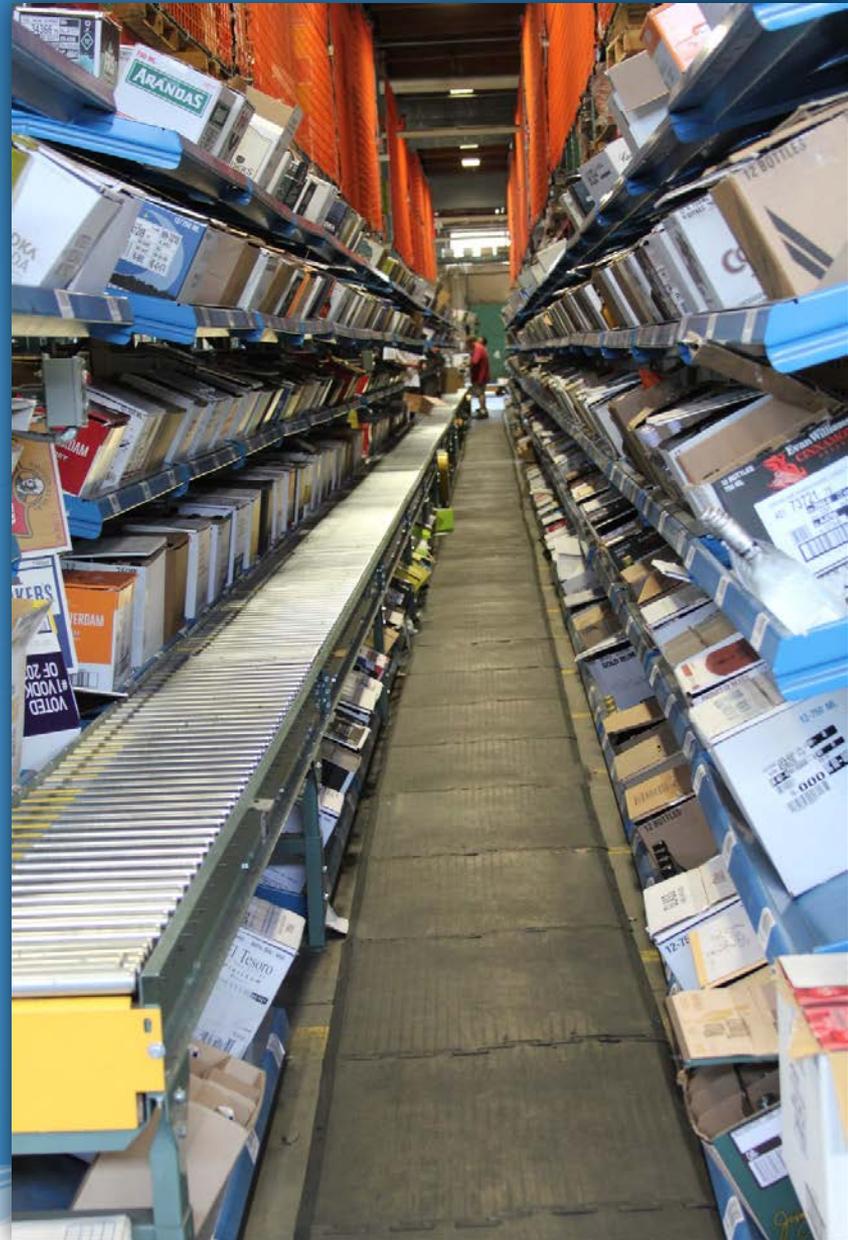
Liquor Distribution

Actual:

- 2,676,000 cases sold in FY 2011
- 2,792,000 cases sold in FY 2012
- 2,911,000 cases sold in FY 2013

Projection:

- 3,010,000 cases in 2014
- 3,132,000 cases in 2015
- Breakage in distribution center and in liquor stores is .08%



Distribution Center

- 2 warehouses
- 65 FTE
- 230,000 square feet
- 3.0 million cases received
- 2.9 million cases shipped out
- \$497.6 million gross revenue (spirits only)
- \$202.6 million distributions (all sources)



Liquor theft

- Reported liquor theft in Oregon .003% \$7,680 (FY 2012)



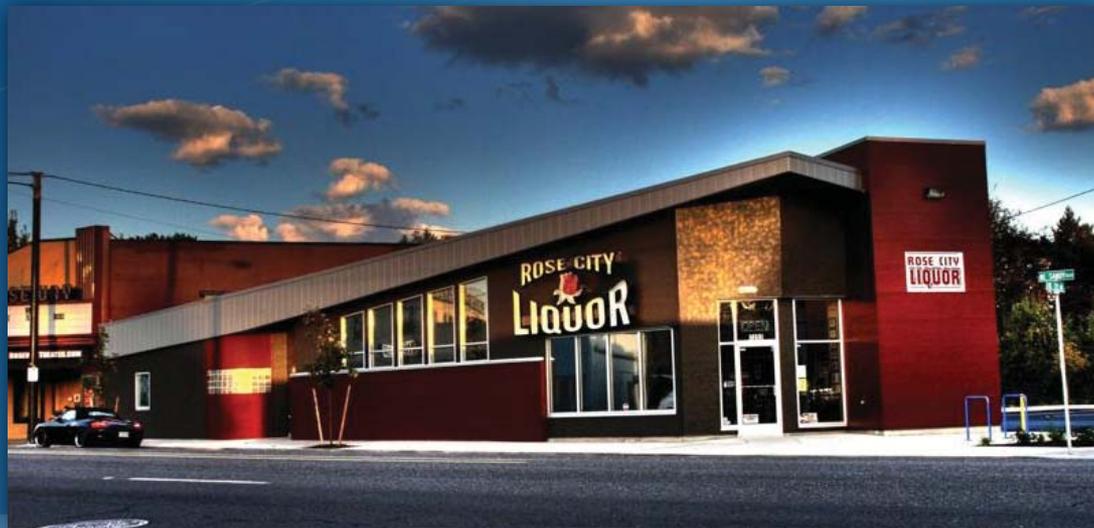
From Warehouse to Store

- 9 private common carriers ship distilled spirits across the state
 - 5 are local Oregon-owned companies
- More than 13,000 shipments sent from the OLCC warehouse in FY 2013

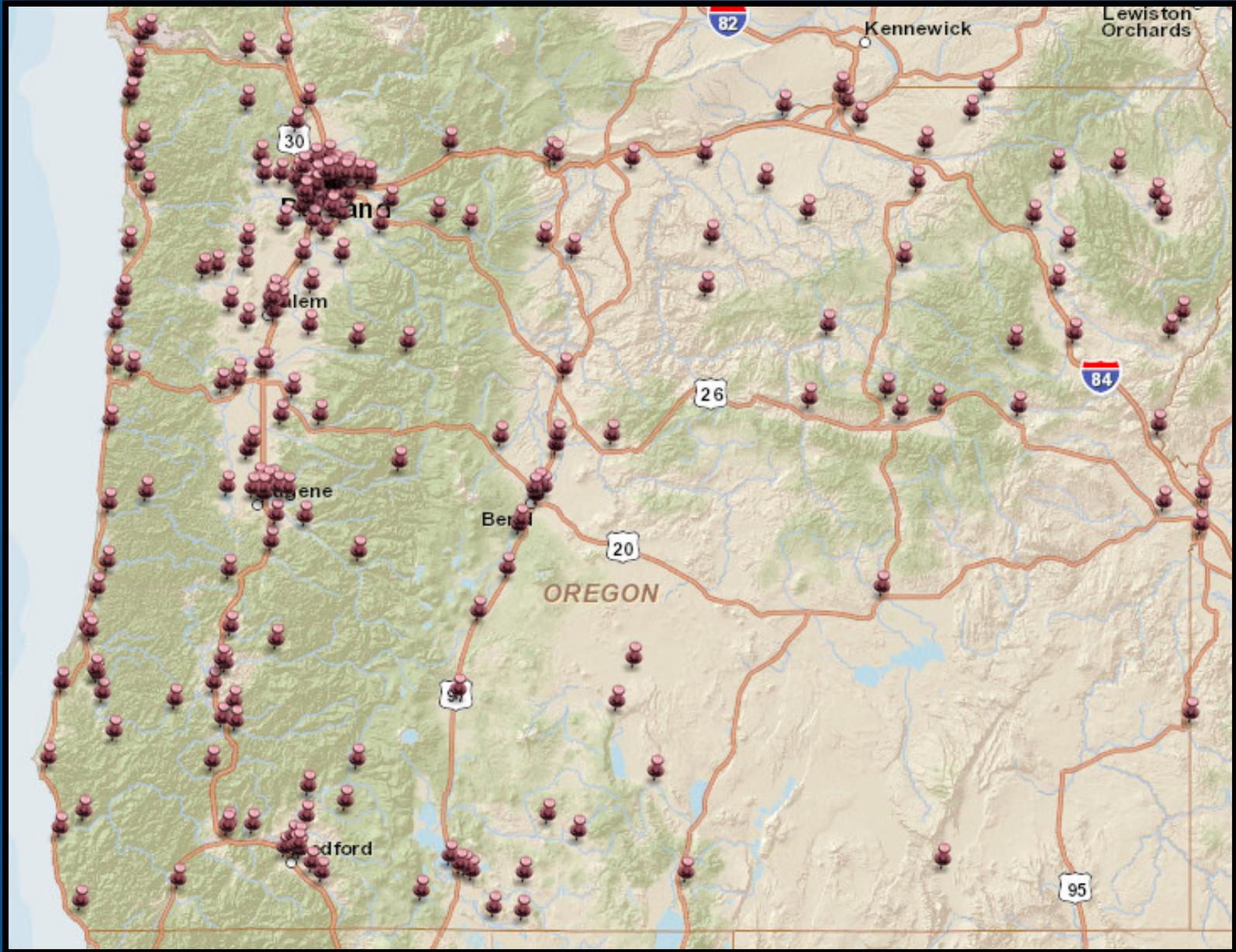


Retail Liquor Stores

- Oregon's 248 retail liquor stores are run by privately contracted small business owners since the mid 1980's
- Over 1,000 people privately employed by liquor store owners
- 144 Exclusive Stores
- 104 Non-Exclusive Stores



Oregon Liquor Stores



Retail Liquor Store Improvements

July 2010 – July 2013

- 8 store openings
- 25 relocations
- 15 remodels
- 45 new liquor agent appointments
- 18 new distillery liquor agents

Retail Liquor Store Improvements

- Improved shopping experience for customers
- More convenient locations
- Retailers who have made store improvements have seen as much as 53% growth in sales
- Oregonliquorsearch.com – for product availability, store hours, directions, and more

Exclusive Stores

- Primary business is to sell distilled spirits
- Sell related items from an approved list such as tobacco, mixers, lottery, stemware
(OAR 845-015-0143)
- Typically larger metropolitan communities



Non-Exclusive Stores

- Most operate in conjunction with another business
- No limit to what types of items they can sell in addition to alcohol
- Rural communities might have challenges supporting an exclusive store due to a smaller consumer base



Store-within-a-Store

- In 2004, the Commissioners approved a pilot project for a liquor store-within-a-store (OAR 845-015-0199)
- Three stores were approved for the pilot:
 - Lamb's Thriftway (Portland Garden Home)
 - Ray's Food Place (West Bend)
 - Bethany QFC (Portland Bethany)
- The pilot project ended 2006; Lamb's Thriftway and Bethany QFC are still open as permanent exclusive stores

Expanded Opportunities

- At the March 2012 meeting, Commissioners approved a rule change to allow corporations to apply to be retail sales agents and liquor stores to sell beer and wine
- For the project, Commissioners approved:
 - Four existing liquor stores to sell beer and wine (as non-exclusive stores)
 - Up to four corporations as retail sales agents
- Commissioners deemed test successful
 - Program expanding
- No corporations have yet applied for any store openings
 - (Some interest)

Changes for Store-within-a-Store

- As of 2012, OLCC changed the rule so that corporations can apply to be liquor agents
- This change minimizes some of the challenges faced by independent agents operating store-within-a-store
 - Earnings from related items sales can be limited
 - More staff needed to receive & replenish inventory



Satellite Stores

- Non-exclusive liquor stores in smaller communities where there is a fluctuating, seasonal demand due to tourism or other similar factors (OAR 845-015-0200)
- The satellite store is operated by the established liquor agent in that community
- Two stores currently in program:
 - Cannon Beach
 - Sunriver

From Liquor Store to Licensee

- Delivery service to licensees
- Licensees receive 5% discount (per statute)
- Sales to licensees result in less compensation per bottle
- Can have higher volume of sales than individual consumer sales



