

WELCOME TO IPPOLITO CHRISTON & CO.

SINCE 1986

Ippolito Christon & Co. provides a wide range of business valuation and transaction services to the beverage industry. Specifically, we serve alcohol beverage distributors and soft drink bottlers in the purchase, sale, and valuation of businesses and distribution brand rights.

We offer clients an extensive knowledge of the beverage wholesaling industry, in addition to business valuation and transaction expertise.

OUR FOCUS

The firm's personnel have prepared over 350 valuations of closely-held beer, wine, and spirits wholesalers and other beverage companies. We are focused on brokering beverage company transactions and valuing closely-held family businesses and beverage distribution rights.

Mssrs. Ippolito and Christon have worked as exclusive broker or financial advisor with clients in over 100 transactions. Our clients have included all major brands of beverage franchisee in sizes ranging from 200,000 annual case volume to 15 million cases. Some of the largest beer wholesalers in the U.S. have been clients of Ippolito/Christon.

HOW WE VALUE A BUSINESS

Ippolito/Christon uses the "Free Cash Flow" method of valuing companies and brands. Beverage industry franchisors, large wholesalers, sophisticated investors, and lenders use the same or a similar method to equate the present value of an enterprise to its projected cash flows. We look at your future prospects, not just your historical income, assets, and liabilities. Staying up to date on industry trends, we use this information to add value to your business.

PURCHASE AND SALE OF BUSINESSES AND BRANDS

The most important objective of any transaction is to obtain a fair value for the business. Circumstances may lead you to divest or acquire brands representing a small part of your business. Here it is vital that you obtain a reasonable calculation of the value of incremental brands rights, which may be substantial.

OUR POLICY

We do not provide our specialized services to franchisors, as such engagements are a potential conflict of interest.

BUSINESS VALUATIONS

In valuing a business, we prepare realistic projections of "Free Cash Flow" with a high level of confidence in the assumptions that are used to model the business. Our method equates the value of the enterprise to its future cash flows, based on an appropriate investor "hurdle rate." Franchisors and lenders use the same or a similar method to value companies for purchase or credit decisions.

Clients have included wholesalers of all major brands nationwide, in size from 200,000 to 15 million cases. We work closely with your attorney, CPA and other professional advisors in furnishing appraisals for the following purposes:

- ▶ Estate & Gift Tax Planning
- ▶ Taxpayer Assistance in Disputes with IRS
- ▶ Expert Witness Testimony in Litigation
- ▶ Divorce Proceedings
- ▶ Owner Succession
- ▶ Stockholder Buy-Sell Arrangements
- ▶ Acquisition Financing
- ▶ Buying or Selling Business

BUSINESS TRANSACTIONS

Depending upon whether our client is a **buyer or a seller**, Ippolito Christon & Co. offers the following services to assist in managing the transaction:

- ▶ Determine a Range of Values for the Business
- ▶ Respond to Supplier's Information Request
- ▶ Prepare an *Offering Memorandum* for the Seller
- ▶ Contact Potential Buyers for the Seller
- ▶ Advise Buyer in Acquiring a Distributor
- ▶ Negotiate the Sale Price

- ▶ Draft the *Letter of Intent*
- ▶ Negotiate the *Definitive Agreement*
- ▶ Obtain Acquisition Financing for the Buyer

We will give you a valid calculation of the intrinsic value of distribution rights, without relying on arbitrary price-per-case ratios or multiples of gross profit. These ratios are useful as a "reality check." However, they cannot be used to **calculate** the value of distribution rights.

We have assisted owners in the management of over 100 transactions, including wholesalers of Anheuser-Busch, Inc., Miller Brewing Company, Coors Brewing Co., and bottlers of Coca-Cola.

Check our web site for a list of transactions in which we were engaged as financial advisor.

PRINCIPALS AND STAFF

Prior to 1986, Mr. Ippolito and Mr. Christon worked together at The Coca-Cola Company on the historic re-franchising of the U.S. bottler system. The five professionals at our firm have a combined total of 90 years of affiliation with the beverage industry. In addition, two Senior Analysts are CPA's who also hold professional certifications that recognize a high level of achievement and specialized knowledge in the field of business valuations.

UGO F. IPPOLITO

SENIOR ADVISOR

Ugo was Corporate Securities Counsel for General Motors and then Unisys Corporation before joining The Coca-Cola Company in 1977. While at Coca-Cola he was responsible for corporate and bottler acquisitions, including a number of leveraged buyouts. He was also a director, officer and general counsel for Taylor Wine and Sterling Vineyards.

Mr. Ippolito left The Coca-Cola Company in 1982 to pursue a private legal practice. He is now a partner in the law firm of Nelson Mullins Riley and Scarborough in Atlanta. In addition to his legal practice, Mr. Ippolito established in 1985 the predecessor financial consulting business to Ippolito Christon & Co.

Mr. Ippolito is a director of several companies, and serves as an arbitrator in the resolution of disputes. He has closed over 100 beverage company transactions during his career.

Columbia College – Columbia Law School – New York University, Masters in Corporate Law

ANDREW S. CHRISTON

PRESIDENT

Andy's close affiliation with the beverage industry began in 1974 as a Securities Analyst with The Robinson-Humphrey Co. in Atlanta, researching publicly traded beverage companies. Prior to his career as a Securities Analyst, Mr. Christon was a Financial Analyst at Chase Manhattan Bank in New York City.

Mr. Christon joined The Coca-Cola Company in 1978. Over a period of eight years he analyzed, evaluated, structured, and negotiated the transfer of ownership of a large number of Coca-Cola bottling companies in the U.S. In the execution of his duties, Mr. Christon served as a director on the board of directors of several Coca-Cola bottling companies, representing Coca-Cola USA's minority equity investment.

Since joining Mr. Ippolito in 1986 to form Ippolito Christon & Co., Andy has prepared over 350 valuations of brand distribution rights and beverage wholesaling or bottling companies, and has been engaged as financial advisor in nearly 100 purchase and sale transactions. He has written numerous articles concerning the value of beverage distribution rights, and speaks frequently at NBWA education seminars and state beer association conferences.

Wharton, MBA Finance – Wabash College, BA Economics

BEN BOWEN, III, CPA, ABV, CVA

SENIOR ANALYST

Mr. Bowen held controllership positions at Royal Crown Cola Co. and then American Tara Corporation, prior to becoming a partner in a local Atlanta CPA firm. His experience includes tax planning and research, business valuation, purchase and sale of businesses, IRS dispute resolution, litigation support, and estate planning.

In 1995, Mr. Bowen joined Ippolito Christon & Co. as a Senior Analyst. A member of the Georgia Society of Certified Public Accountants, he holds the *Accredited in Business Valuation (ABV)* credential, awarded by the American Institute of Certified Public Accountants. Mr. Bowen also is a *Certified Valuation Analyst (CVA)*, awarded by the National Association of Certified Valuation Analysts (NACVA). These designations signify that an individual has attained a high level of expertise in business valuations.

Ben has authored or co-authored several articles on the subject of the value of beverage distribution rights and technical valuation issues, and has been a speaker at several annual conventions of the National Beer Wholesalers Association and annual meetings of several state beer associations.

Georgia State University, BBA Accounting

SUSAN G. MASSEY, CPA, CVA

SENIOR ANALYST

Susan Massey is a Senior Analyst of Ippolito Christon & Co. Since joining the firm in 1995, her focus has been on business valuation in numerous litigation matters, including supplier termination of distribution rights, shareholder disputes, and divorce matters.

Susan also is involved in purchase and sale of businesses, strategic combinations, and estate planning.

Ms. Massey's previous experience includes 7 years in the audit division of Arthur Andersen & Co., where she reached the position of Audit Manager. Ms. Massey, a CPA and a member of the Georgia Society of Certified Public Accountants, also is a *Certified Valuation Analyst (CVA)* and a member of the National Association of Certified Valuation Analysts.

Susan has authored or co-authored several articles on the subject of the value of beverage distribution rights and technical valuation issues, and has been a speaker at several annual conventions of the National Beer Wholesalers Association and annual meetings of several state beer associations.

Emory University, Phi Beta Kappa, BA Physics – Georgia State University, Master of Taxation

DONALD L. CREWS

ANALYST

Don was a Price Waterhouse audit partner, prior to joining a client in 1984 to purchase Ozark National Life Insurance Company in Kansas City.

In 1988, Mr. Crews and a partner purchased a large beer distributorship in Kansas City and then over the next ten years expanded the operation through the acquisition of six additional distributorships. As a beer wholesaler, Mr. Crews was active in the local Missouri and Kansas state associations, the NBWA, and The Beer Institute. He also served on several Distributor Counsels and task forces.

Don joined Ippolito/Christon in 2002 as an Analyst and provides analytical support for the purchase, sale, and valuation of beer distributorships.

University of Missouri, B.S. Accounting

INDUSTRY RECOGNITION

We are quoted often in the trade press about consolidation trends, transaction prices, supplier-wholesaler disputes, and financial performance of beverage companies. We always limit our comments to information that is non-confidential.

Beverage industry trade groups frequently invite us to speak at national and state conventions on topics involving business valuations, beverage industry economics, financial trends, and other relevant financial topics. Ippolito Christon & Co. has been a regular presenter at education seminars of the **National Beer Wholesalers Association**.

NBWA EXECUTIVE SEMINAR SERIES

Ippolito Christon & Co. was engaged by the NBWA to create and conduct an exclusive, owners only seminar on the subject of **Managing Value**. This 2-½ day seminar was held in five different exotic locations throughout the U.S. during 1997-98. NBWA limited attendance to 40 owners at each location. The seminar participants were introduced to basic concepts of business valuation, and were given the opportunity to evaluate distribution rights for purchase and sale through live action case studies. This intensive program included presentations on legal issues, estate planning, and financing the business. The 200 owners who attended this seminar gave us high marks in their evaluation forms.

Following is a list of presentations and articles that members of the firm have prepared. Most of them are available at no charge. If you see a topic that interests you, just contact us for your free copy.

NATIONAL BEER WHOLESALERS ASSOCIATION EDUCATION SEMINARS

- ▶ *Buying and Selling Imports and Secondary Brand Rights (2004 & 2003)*
- ▶ *The Anatomy of the Deal: S Corps, C Corps, LLC's (2003)*
- ▶ *What is Value? – It Depends! (2002)*
- ▶ *Financial Trends of High and Low Share Beer Wholesalers (2000)*
- ▶ *Planning for the Inevitable: Estate Taxes (2000)*
- ▶ *How Do Consolidation & Brand Realignment Affect Business Value? (1998)*
- ▶ *Estate Planning: Is Uncle Sam Your Primary Beneficiary? (1998)*
- ▶ *Estate Planning and the Impact of Business Valuation (1997)*
- ▶ *Offensive and Defensive Strategies to Enhance the Value of Your Business (1996)*

OTHER TRADE GROUP PRESENTATIONS

- ▶ **You Don't Have To Be The Biggest Beer Wholesaler To Be In Business**
Missouri Beer Wholesalers Association – October 11, 2004
- ▶ **The Value of Distribution Rights and the Three-Tier System**
Associated Beer Distributors of Illinois 66th Annual Convention – October 5, 2004
- ▶ **Asking the Right Questions About Franchise Value**
Mississippi Malt Beverage Association Convention – July 22, 2002
South Carolina Beer Wholesalers Association Convention – June 17, 2002
- ▶ **A Guide to Wholesaler Consolidation and Brand Re-Alignment**
Pennsylvania Beer Wholesalers Association Conference – September, 1999
Beer Marketer Insights – Consolidation Conference – May, 1999
- ▶ **Valuing Your Business in a Sea of Change**
Mississippi Malt Beverage Association 53rd Annual Convention – July 12, 1999
- ▶ **Brand Equity, Estate Planning and the Impact of Business Valuation**
Wholesale Beer & Wine Association of Ohio – September 7 - 9, 1997
- ▶ **Wholesaler Consolidation, Owner Succession and the Economics of Exclusivity**
Heart of America Malt Beverage Conference – September 7-8, 1996
- ▶ **Beer Wholesaler Consolidation & Owner Succession**
Michigan & Illinois Beer Wholesalers Associations – February 13, 1996
Oklahoma Malt Beverage Association – April 9, 1996

IF YOU OR YOUR ASSOCIATION HAS AN INTEREST IN THESE TOPICS OR WOULD LIKE TO SUBMIT AN IDEA FOR A FUTURE PRESENTATION, PLEASE CONTACT US. WE DO NOT CHARGE A SPEAKER FEE FOR SPEAKING ENGAGEMENTS.

EXPERT WITNESS

Over the years Ippolito Christon & Co. has gained national recognition in the legal community and the courts as an expert on the value of beverage distribution rights. Since 1986, we have been engaged in several dozens of cases around the country to testify or consult on disputes between wholesalers, wholesalers and suppliers, and wholesalers and the IRS. **As a matter of policy we do not provide our valuation services to suppliers, as such engagements are a potential conflict of interest.**

Members of the firm have provided **expert witness testimony** in several civil actions and in U.S. Tax Court. A list of four representative cases is presented below:

Couch Distributing Co., Inc. & M.E. Fox & Co., Inc. v. Fiji Water, LLC, submitted to binding arbitration by JAMS in July, 2004, case #11110007855. Arbitrator found that supplier had breached its express oral agreement with wholesalers and awarded to wholesalers damages of \$4,174,948.

Cerveceria Cuauhtemoc Moctezuma, S.A. de C.V. and Labatt USA, LLC vs. Montana Beverage Company, U.S. District Court for the Western District of Texas, El Paso Division, Cause #EP01CA0390.

Bill Jones Distributors, Inc. v. Miller Brewing Company, determination of the value of Miller Acquired Brands terminated by Miller Brewing Company, settled by arbitration, August 2001.

Philip Morris Companies, Inc., Petitioner, **v. Commissioner of Internal Revenue Service**, Respondent, United States Tax Court, Washington, D. C. Docket Nos. 28604-82, 33778-83 and 38953-84 (1989-1991).

*Mr. Christon also has served as an **expert or consultant** regarding valuation matters in numerous civil actions and matrimonial cases that were settled prior to deposition or trial. Following is a listing of such cases (matrimonial cases are excluded from the list for confidentiality purposes):*

Goodman Beverage Co., Inc. v. Kerr Beverage Company, et al. In the Court of Common Pleas, Lorain County, Ohio, Case No. 99CV124031. Breach of contract by Kerr, for the sale of Coors distribution rights to Goodman. Resolved by settlement in September 2004. Ippolito Christon & Co. provided expert witness services on behalf of Goodman.

Johnson Brothers Liquor Company of Florida v. Rabbit Ridge Wine Sales, Inc., Circuit Court for the 13th Judicial Circuit, Hillsborough County, Florida, Case No. 01-003054. Settled for an undisclosed sum in November 2003.

Southwest Beer Distributors, Inc. v. Miller Brewing Company, U.S. District Court for the Northern District of Illinois Eastern Division, Case No. 01C04726. Settled in February 2003 for an undisclosed sum.

Oak Beverage, Inc. et al v. Heineken USA, Inc., settled through mediation between the parties, July 2002.

Donaghy Sales, Inc. v. Arizona Beverages, Inc. et. al. Resolved in November 2000 by a confidential binding arbitration award. Arbitration conducted through JAMS/Endispute, San Francisco, CA.

Please feel free to contact us in *strictest confidence*, if you believe that our valuation services could assist you in obtaining a fair resolution to a dispute involving the value of beverage distribution rights.

CONTACT INFORMATION

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