



My name is Erik Jenkins, and I am the President of Columbus Distributing Company and DelMar Distributing Company, located in Columbus and Waldo, respectively. I am a fifth-generation owner and operator of our family business.

I want to thank you Mr. Chairman, Vice Chair Dolan, and Ranking Member Sykes for the opportunity to express our opposition to a proposed change to Ohio's alcohol beverage franchise law that would cover all of Ohio's craft brewers and 99% of all brewers.

Discussions thus far may not have addressed the full impact the proposed change would have on ALL of Ohio's beer wholesalers.

All Ohio wholesalers' business valuations are based on the value of their various supplier relationships. This is determined by both trailing sales and the stability of the supplier relationship. These valuations are necessary in order for a wholesaler to secure credit to pay for all of the products in our warehouse and make other capital expenditures such as trucks or warehouse improvements.

Just as my business has a valuation put on it, we review prospective suppliers and determine the proper level of investment in them to determine if it is a good fit for our business. Columbus Distributing and DelMar Distributing have acquired many of our suppliers after committing significant financial and human capital to our new partner. The franchise law is the largest part of this equation as it provides us with the assurance that our relationship will only be terminated for just cause; not an arbitrary decision.

As a byproduct of the high valuations provided by the franchise law, many craft brewers have sold the distribution rights to their brands for sizeable sums. They have used this heightened investment to propel their businesses, pay off loans, acquire new infrastructure, and build new taprooms or machinery to grow the brand. Changing the franchise law does two things: first, it allows craft brewers to immediately reverse the equity and goodwill purchased under the current structure from the wholesaler and place it back on their books, undermining the investment made in good faith by the wholesaler. Second, by devaluing the distribution rights, they effectively "pulled the ladder up behind them" for any new craft brewer that would like to have the same return or make the same investments. Without question, this move will drastically slow if not altogether shut the door on the continued investment in new craft brewers.

On an on-going basis, wholesalers commit dollars to marketing a brand. The franchise law allows for wholesalers to make or sustain increased levels of investment from a sales and marketing perspective. Macro brewers generally require around \$0.15/case in marketing commitments. Craft brewer commitments usually range around \$1.00-\$2.00/case. Wholesalers are able/willing to make these commitments because they have a vested interest in growing the brand long term, i.e. the need for short term profitability is decreased allowing for long term growth and profitability. If a craft brewer



can terminate a contract on 60 or 90 days' notice, the desire/ability of the wholesaler to support that level of investment will wane considerably. While this is still very relevant to those craft brewers who've already entered and taken advantage of the current system, as stated above the impact on those who wish to enter the craft brewing industry is even more significant.

The point of all of the above is that this is not a quick, simple change. The ramifications of changing Ohio's franchise law has a far greater reach into the operations of a wholesaler's business than has been considered thus far. We would appreciate this issue not becoming part of the Budget.

I want to thank you for taking the time today to hear my concerns and am more than happy to try to answer any questions you may have.