

Good Morning, Chairman Taylor, Chairman Costa, and members of the committee.

My name is John Beljan, I am the President and one of the founders of Stockertown Beverage. Like so many other start-up businesses in America, Stockertown Beverage was conceptualized over a few cold ones at the kitchen table. As a home brewer, I developed a deep appreciation and passion for craft beer. My business partner shared my enthusiasm for fine beer and also my frustration with the meager selection of specialty beer available in the marketplace. It seemed quite likely that we were at the dawn of a burgeoning craft beer revolution, and we welcomed the opportunity to create our own retail beer distributor specializing in domestic craft and imported specialty beer.

We purchased a distributor license in 2002, opening our doors and selling beer later that year in a 2,000 square foot space. We stocked our retail shelves with all the specialty brands available from wholesalers, but grew increasingly frustrated. Our customers routinely requested high quality brands that were accessible in other states but were not available in Pennsylvania. It was at this time that we expanded our focus, becoming an Importing Distributor, with the goal of introducing exciting new brands and breweries to Pennsylvania consumers.

We began as a Wholesale Distributor in 2004 with zero employees and a very tight budget. We purchased my partner's wife's minivan, removed the child safety seats, slapped the required PLCB identification lettering on the doors, and began wholesaling.

Lancaster Brewing Company was the first brand we began distributing, with the initial distribution territory comprised of 4 counties. I am proud to say that Stockertown Beverage has grown from that modest beginning into a vital specialty beer distribution company, self-distributing 50 imported breweries and 29 domestic breweries (including 10 Pennsylvania breweries) throughout 26 counties in Pennsylvania. Stockertown Beverage currently has 6 delivery trucks and employs 20 hardworking people dedicated to serving the world's greatest customers.

When Wholesale Distributors commit to the endeavor of distributing a new Brand, they are cast in the role of "Brand Builder". A Brand Builder Wholesale Distributor introduces new, unknown brands into the Pennsylvania market. The Wholesale Distributor then begins the process of launching the new Brand to accounts and consumers on a one-to-one, grassroots level with the intention of elevating the Brand from obscurity to prominence. This initial process usually takes years and involves countless promotional events: in-store samplings, multi-case display programs, on-premise Brewery specific promo events, and beer festivals all designed to raise consumer awareness of the new Brand and its products. These promotional events are virtually all conducted and paid for by the Wholesale Distributor; rarely does a new brewery have marketing, sales representatives or even a marketing budget. Wholesale Distributors invest their time, effort and financial resources towards the growth of the Brand, with the hopes that drastically increased sales years down the road will help the Wholesale Distributor recoup the promotional resources expended on the Brand's behalf. It is also the Wholesale Distributor's hope that once the Brand is established, the Brand will supply a Brewery Representative to provide a regular, frequent contact for accounts. There is no guarantee that this will occur. Some growing Brands never appoint a Regional Brewery Representative, and continue to leave all the heavy

promotional lifting to the Wholesale Distributor. It is easy to see that the successful growth of the Brand in the market is vitally important to the Wholesale Distributor and that the Wholesale Distributors are the “unsung heroes” of the craft beer ascendance.

Our Company’s diligence and relentless resolve in seeking out the finest breweries and products have positioned us for strong growth and market performance. This has been achieved by constant cooperation between our Company and our Brewery Partners. We have accomplished these goals through Brand Building, providing our Brewery Partners with market feedback and through continuing education, training and expansion of our Sales Force. These relationships have been symbiotic; with all partners benefitting. The expansion of craft and specialty beer in our Commonwealth has not been created solely by the craft breweries, but also by a team of dedicated and committed business partners, which undeniably includes the Wholesale Distributors that represent these breweries. In short, we work together, we grow together, we succeed together.

This proposed Bill will destroy the symbiotic relationships between Breweries and Wholesale Distributors that have greatly benefitted this industry and consumers. These relationships have provided Breweries and Wholesale Distributors access to a market thirsty for innovation, quality, and variety and in doing so, have created livelihoods that are vitally important to our local and regional economies. The success of this industry has never been one-sided, and it should not be permitted to become so.

Self-Distribution by Breweries on the proposed scale represents the dismantling and potential eradication of the 3-tier system. The large majority of the breweries we represent do not approach the total annual production of 75,000 bbls. In essence, these breweries could self-distribute their entire annual production in Pennsylvania. What methods would be employed to account for Self-Distribution volumes by In-State and Out-of-State Breweries; would this even be possible or enforceable by State Police? How many living wage jobs at Wholesale Distributors would be jeopardized by such a policy?

The provision that would allow Breweries to abandon Distribution Agreements if total sales of a Brewery’s products comprised less than 20% of a Wholesale Distributor’s Annual Sales is unreasonable and could provide Breweries with a method for “Tactical Termination”. Tactical Termination could easily be employed by any Brewery eager to change Wholesale Distributors for any arbitrary reason. Breweries could systematically reduce shipments to a targeted Wholesale Distributor, thereby ensuring that the Brewery’s Annual Sales did not reach the 20% threshold with the Wholesale Distributor. Wholesale Distributors would attempt to protect themselves from “Brand Bleed” by culling the portfolio. Small, independent boutique brands that comprise a small percentage of a Wholesale Distributor’s Annual Sales would be dropped to ensure that the remaining brands were above the 20% Annual Sales threshold. This act of self-preservation by the Wholesale Distributor will result in brands losing access to the market, and consumers denied access to the variety of brands that has helped fuel the enthusiastic growth of craft beer.

Contracts between Breweries and Wholesale Distributors unite the two parties so that they may market the Brewery’s products in the most effective and efficient manner possible with the ultimate goal of

achieving financial success by best serving the consumers. The Proposal that would have Breweries and Wholesale Distributors renegotiating the distribution agreements every 5 or 10 years would create an environment that does not foster growth and productivity, but rather, inhibits and obstructs growth and productivity. Contracts that were negotiated in good faith between Breweries and Wholesale Distributors should remain as they have been, and not be subjected to mandatory routine renegotiation.

The current healthy state of craft and specialty beer in the Commonwealth of Pennsylvania is the direct result of the mutual coordinated and comprehensive efforts of Wholesale Distributors and their Brewery Partners. I ask that as you consider and review the current law, please do not remove the equal opportunity and incentive to grow that Breweries and their Wholesale Distributor Partners have diligently engaged for success, prosperity, and economic growth.

Thank you.