SHARE OF BUZZ
FROM A COLORADO PERSPECTIVE

***

HOW LEGALIZED CANNABIS MAY AFFECT THE WINE INDUSTRY
WE’RE SO OVER THE STONER STEREOTYPE
SHARE OF BUZZ

WHAT WE DO KNOW EARLY ON

FAST FORWARD FACTS

WHAT WE THINK HAPPENED

WHERE IS IT GOING
WHAT WE DO KNOW EARLY ON
THE DANGERS OF SMOKING CANNABIS WHEN DRINKING: ALCOHOL INCREASES AMOUNT OF THE DRUG'S “HIGH INDUCING” INGREDIENT IN THE BLOOD

- Experts have warned that the increased concentration of THC in today's cannabis compared to previous years means smokers are more likely to experience negative effects of both THC and alcohol.

- Experts said drinking and smoking increases chance of an accident more than either substance by itself.
THE CANNABIS INDUSTRY IS AGGRESSIVELY DRIVING A CONSUMER LEVEL EDUCATION STRATEGY AROUND THE DANGERS OF MIXING WITH ALCOHOL. THIS IS A FLYER IN USE TODAY IN COLORADO.

THE MESSAGE IS VERY IMPACTFUL WITH DISPENSARY STAFF STRONGLY PROMOTING IT IN STORE.

THIS MOST CERTAINLY IS IMPACTING TODAY'S CONSUMERS AND THE FUTURE MILLENNIAL WINE CONSUMERS WE HAVE TO RELY ON
Overall marijuana use in Colorado is below the national average, but the state has a much higher share of “heavy” marijuana users compared to the national average.

Users age 21 and over, Colorado and United States. Data from 2010-2011 (before Amendment 64 was passed and it does not include non-users). Source: Colorado Department of Revenue.
2001 VS 2013 MEDICAL CANNABIS IMPACT ON ALCOHOL

NOVEMBER 2000 AMENDMENT 20 PASSES MEDICAL CANNABIS SALES
LAW SIGNED INTO EFFECT 2001

2001 COLORADO RANKS IN PER CAPITA CONSUMPTION OF BEVERAGE ALCOHOL

SPIRITS 7TH  WINE 14TH  BEER 23RD

2013 COLORADO RANKS IN PER CAPITA CONSUMPTION OF BEVERAGE ALCOHOL

SPIRITS 13TH  WINE 23RD  BEER 20TH

RANKING CHANGE  -6  -9  +3

Source:
Adams Beverage Advance Handbook 2014
## CO VS US CONSUMPTION TRENDS

### NUMBER OF 750ML BOTTLES PER 100 ADULTS

#### 2001 NUMBER OF 750 BOTTLES CONSUMED PER 100 ADULTS CO VS US

<table>
<thead>
<tr>
<th></th>
<th>SPIRITS CO</th>
<th>SPIRITS US</th>
<th>WINE CO</th>
<th>WINE US</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO</td>
<td>1390</td>
<td>916</td>
<td>1459</td>
<td>1150</td>
</tr>
<tr>
<td>US</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 2013 NUMBER OF 750 BOTTLES CONSUMED PER 100 ADULTS CO VS US

<table>
<thead>
<tr>
<th></th>
<th>SPIRITS CO</th>
<th>SPIRITS US</th>
<th>WINE CO</th>
<th>WINE US</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO</td>
<td>1401</td>
<td>1109</td>
<td>1348</td>
<td>1431</td>
</tr>
<tr>
<td>US</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### CHANGE

|        | +11        | +193       | -111     | +281     |

Source: Adams Beverage Advance Handbook 2014
COLORADO SHARE POPULATION BY AGE GROUP

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2001</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-45</td>
<td>32.3%</td>
<td>27.9%</td>
</tr>
<tr>
<td>60+</td>
<td>13.0%</td>
<td>18.1%</td>
</tr>
</tbody>
</table>

Source: Early Release of Selected Estimates Based on Data From the National Health Interview Survey, 2014
$2.7 BILLION IN SALES
$30.7 BILLION IN U.S. WINE SALES ON/OFF PREMISE* +2.6%
47% OF THE US L.D.A. POPULATION LIVES IN A STATE WITH CANNABIS SALES

25% OF SALES WAS IN COLORADO

$700 MILLION IN SALES FOR COLORADO
57% OF THIS IS MEDICAL
43% OF THIS IS RECREATIONAL

* Source: Adams Beverage Advance Handbook 2015
ArcView Market Research
Colorado Excise tax
4 STATES + DC
RECREATIONAL

23 STATES + DC
MEDICAL

12 STATES
POSSIBLE
2016 EXPANSIONS

Source
Forbes.com “Which States Will Legalize Marijuana This Year And Next?” April 2015
<table>
<thead>
<tr>
<th></th>
<th>Number of Licensed Medical Marijuana Businesses as of August 3, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Centers</strong></td>
<td>510</td>
</tr>
<tr>
<td><strong>Cultivations</strong></td>
<td>759</td>
</tr>
<tr>
<td><strong>Infused Product Manufacturers</strong></td>
<td>186</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Number of Licensed Retail Marijuana Businesses as of August 3, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stores</strong></td>
<td>380</td>
</tr>
<tr>
<td><strong>Cultivations</strong></td>
<td>480</td>
</tr>
<tr>
<td><strong>Product Manufacturers</strong></td>
<td>134</td>
</tr>
<tr>
<td><strong>Testing Facilities</strong></td>
<td>16</td>
</tr>
</tbody>
</table>
148,000 pounds of Cannabis in 2014

526,000 plants cultivated each month

9% of the adult population are regular users

Out of state visitors account for 90% of recreational sales in resort area and 44% in Denver Metro

90%+ of Cannabis sold is consumed by residents

70% of Colorado’s 321 local Jurisdictions prohibit any cannabis sales

Cannabis is now the #2 revenue crop in Colorado, and will be #1 crop in 2015

Grow house real-estate is going for almost $1M per acre

Edibles account for 50-55% of overall revenue

Source
Denver Business Journal
Colorado Biz, Pot Progress
## Recreational Cannabis in Colorado

### Excise Cannabis vs Excise Alcohol

<table>
<thead>
<tr>
<th>Beverage Excise Alcohol 2014</th>
<th>Taxes</th>
<th>Variance</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spirits Excise</td>
<td>$26,910,318</td>
<td>$522,654</td>
<td>2.0%</td>
</tr>
<tr>
<td>Wine Excise</td>
<td>$5,613,216</td>
<td>$246,046</td>
<td>4.6%</td>
</tr>
<tr>
<td>Beer Excise</td>
<td>$8,899,947</td>
<td>-$290,427</td>
<td>-3.2%</td>
</tr>
<tr>
<td><strong>Total Alcohol</strong></td>
<td><strong>$41,423,481</strong></td>
<td><strong>$478,273</strong></td>
<td><strong>1.1%</strong></td>
</tr>
</tbody>
</table>

### Recreational Cannabis Tax Dollars

<table>
<thead>
<tr>
<th>Recreational Cannabis Excise</th>
<th>Taxes</th>
<th>Variance</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recreational Cannabis Excise</td>
<td>$11,572,000</td>
<td>$11,572,000</td>
<td>n/a</td>
</tr>
<tr>
<td>Recreational Cannabis Consumption Tax</td>
<td>$30,364,797</td>
<td>$30,364,797</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Recreational Total</strong></td>
<td><strong>$41,936,797</strong></td>
<td><strong>$41,936,797</strong></td>
<td><strong>n/a</strong></td>
</tr>
</tbody>
</table>
## Beverage Alcohol YTD 2015 (JUN)

<table>
<thead>
<tr>
<th></th>
<th>Taxes</th>
<th>variance</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spirits Excise</td>
<td>$13,226,089</td>
<td>$399,287</td>
<td>3.1%</td>
</tr>
<tr>
<td>Wine Excise</td>
<td>$2,687,150</td>
<td>$33,476</td>
<td>1.3%</td>
</tr>
<tr>
<td>Beer Excise</td>
<td>$4,236,004</td>
<td>-$18,598</td>
<td>-0.4%</td>
</tr>
<tr>
<td><strong>Total Alcohol</strong></td>
<td><strong>$20,149,243</strong></td>
<td><strong>$414,165</strong></td>
<td><strong>2.0%</strong></td>
</tr>
</tbody>
</table>

## Recreational Cannabis Tax Dollars

<table>
<thead>
<tr>
<th></th>
<th>Taxes</th>
<th>variance</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recreational Cannabis Excise</td>
<td>$16,602,814</td>
<td>$12,618,338</td>
<td>316.7%</td>
</tr>
<tr>
<td>Recreational Cannabis Retail Tax</td>
<td>$25,070,904</td>
<td>$13,573,924</td>
<td>118.1%</td>
</tr>
<tr>
<td><strong>Recreational Total</strong></td>
<td><strong>$41,673,718</strong></td>
<td><strong>$26,192,262</strong></td>
<td><strong>169.2%</strong></td>
</tr>
</tbody>
</table>
TOTAL CANNABIS TAXES AND SPEND

2014 - $53,000,000 IN TAX REVENUE, LICENSES AND FEES FOR BOTH MEDICAL AND RECREATIONAL

1ST HALF 2015 - $60,700,000 IN TOTAL TAX, LICENSES AND FEES

TAX REVENUE SPEND:

NEARLY ALL OF EXCISE TAX GOES TO PUBLIC SCHOOL FUND 1ST HALF OF 2015 - $16.5M

$9M IN FUNDING FOR MEDICAL GRANTS
2013 COLORADO RANKS IN PER CAPITA CONSUMPTION OF BEVERAGE ALCOHOL

SPIRITS 13\textsuperscript{TH}  WINE 23\textsuperscript{RD}  BEER 20\textsuperscript{TH}

2014 COLORADO RANKS IN PER CAPITA CONSUMPTION OF BEVERAGE ALCOHOL

SPIRITS 13\textsuperscript{TH}  WINE 21\textsuperscript{ST}  BEER 20\textsuperscript{TH}

RANKING CHANGE  0  +2  0

STATE EXCISE VOLUME
COLORADO  +2.0\%  +4.6\%  -3.2\%
U.S. TOTAL  +1.7\%  +0.6\%  +0.6\%
SO WHAT HAPPENED?
DENVER INTERNATIONAL AIRPORT (DIA) HAD ITS BUSIEST YEAR IN 2014, WITH MORE THAN 53.4 MILLION PASSENGERS

TOTAL TRAVEL RELATED SPENDING WAS $18.6 BILLION IN 2014 THE HIGHEST IN COLORADO HISTORY

2014 HAD THE HIGHEST SPEND IN HISTORY ON GROUND TRANSPORTATION/GAS WITH $2.3 BILLION SPENT

2014 HAD THE HIGHEST SPEND IN HISTORY ON HOTELS/ACCOMMODATIONS WITH $3.5 BILLION SPENT
COLORADO’S POPULATION GREW 1.5% TO 5.4 MILLION

DENVER ALONE GREW TO 3.4 MILLION

100,000 NEW RESIDENTS IN DENVER

270 PEOPLE A DAY RELOCATING TO DENVER

MILLENNIALS FLOCKED TO DENVER IN 2014
TOP MILLENNIAL CITIES

1. NEW YORK, NEW YORK
RANKED HIGH IN EASE OF "GETTING AROUND"

2. ARLINGTON, TEXAS
RANKED HIGH IN "FOOD"

3. SAN FRANCISCO, CALIFORNIA
RANKED HIGH IN "FOOD," "JOBS"

4. DENVER, COLORADO
RANKED HIGH IN "FOOD," "ENTERTAINMENT"
CRITERIA FOR TOP MILLENNIAL CITIES

- "NIGHT OUT:" THE AVERAGE COST OF BEER, WINGS AND (GASP!) WEED
- "FOOD:" THE COST OF GROCERIES AND NUMBER OF COFFEE SHOPS AND TAKE-OUT RESTAURANTS PER 100,000 PEOPLE
- "HOUSING:" MONTHLY RENT FOR A TWO-BEDROOM APARTMENT, THE COST OF INTERNET AND PRICE OF CLEANING SERVICES
- "GETTING AROUND:" PERCENTAGE OF POPULATION USING PUBLIC TRANSIT, THE AVERAGE PRICE OF GAS, COST OF A FIVE-MILE CAB RIDE
- "JOBS:" THE MEDIAN SALARY, UNEMPLOYMENT AND JOB GROWTH RATES
- "APPEAL:" NUMBER OF SUNNY DAYS PER YEAR, WALKABILITY, AMOUNT OF VIOLENT CRIME
- MONEY MAGAZINE IN THEIR SEPTEMBER 2015 ISSUE RANKED DENVER AS THE #1 DESTINATION FOR MILLENNIALS IN THE WEST WITH AN EMPHASIZE ON ITS “YOUTHFUL VIBE”
DENVER ACCOMMODATED MILLENNIALS

REVAMP OF PUBLIC TRANSPORTATION
- Union Station upgraded
- Four new light rail lines set to open

5% increase in new restaurants in Denver

Uber hires 1,000 new drivers in Colorado

Biggest X-Games in history

Denver has thriving creative arts community

Green Man Cannabis Ranch & Amphitheater is the world's first weedery
WHAT DO WE KNOW ABOUT MILLENNIALS

MILLENNIALS ARE BORN BETWEEN 1980 AND MID 2000

GROUP REPRESENTS THE LARGEST AND MOST DIVERSE GENERATION IN U.S.

COLLEGE EDUCATED MILLENNIALS ARE MOVING INTO URBAN AREAS

BUSINESS INSIDER, MAY 2015

- MILLENNIALS ARE DRINKING WINE INSTEAD OF BEER AND THE INDUSTRY IS FREAKING OUT
- 44% OF BEVERAGE ALCOHOL CONSUMERS, AGED 21 TO 27, HAVE NEVER TRIED BUDWEISER
SHIFTING HABITS; DAILY USE OF SUBSTANCES

SURVEY SHOWS DAILY POT SMOKING EXCEEDS DAILY CIGARETTE USE ON NATIONS COLLEGE CAMPUSES

NEARLY 40% OF STUDENTS REPORTED USING SOME SORT OF ILLICIT DRUG DURING A 12-MONTH PERIOD ENDING IN 2014, UP FROM 34% IN 2006

ABOUT ONE IN EVERY 17 HIGH-SCHOOL STUDENTS USES MARIJUANA ON A DAILY OR NEAR-DAILY BASIS, ACCORDING TO FINDINGS RELEASED IN DECEMBER BY THE UNIVERSITY.

Source: University of Michigan’s Monitoring the Future study
THE WALL STREET JOURNAL.
<table>
<thead>
<tr>
<th></th>
<th>EXCISE TAX VOL</th>
<th>ACNielsen VOLUME</th>
<th>ACNielsen VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>WINE</td>
<td>+4.6%</td>
<td>+2.0%</td>
<td>+7.3%</td>
</tr>
<tr>
<td>SPIRITS</td>
<td>+2.0%</td>
<td>+3.1%</td>
<td>+7.8%</td>
</tr>
<tr>
<td>BEER</td>
<td>-3.2%</td>
<td>-0.7%</td>
<td>+4.4%</td>
</tr>
</tbody>
</table>

- There is a trade up in all beverage alcohol categories.
- Wine overall is gaining on spirits in volume based on excise tax.
- Recreational tourism impacts on premise channel, particularly wine.
- All beverage alcohol categories are doing better from a revenue perspective in off-premise suggesting more in home entertaining.
## STATE EXCISE VOLUME

<table>
<thead>
<tr>
<th></th>
<th>1&lt;sup&gt;st&lt;/sup&gt; HALF 2013 VS 2014</th>
<th>1&lt;sup&gt;st&lt;/sup&gt; HALF 2014 VS 2015</th>
<th>PER CAPITA RANK CHANGE 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>WINE</td>
<td>+8.3%</td>
<td>+1.3%</td>
<td>+2</td>
</tr>
<tr>
<td>SPIRITS</td>
<td>+1.0%</td>
<td>+3.1%</td>
<td>0</td>
</tr>
<tr>
<td>BEER</td>
<td>-8.7%</td>
<td>-0.4%</td>
<td>0</td>
</tr>
</tbody>
</table>
CANNABIS CHANGING FOOD, WINE, AND DRUG CULTURE

• CANNABIS FOOD AND WINE PAIRING OR “TASTINGS” CATERING TO YOUNG PROFESSIONALS

• HAUTE CUISINE, COOL WINE, KIND BUD: THE ULTIMATE PAIRING DINNER – ASPEN FOOD AND WINE FESTIVAL 2015

• POT INFUSED WINE, BEING SOLD TO MEDICAL MARIJUANA PRESCRIPTION HOLDERS IN CALIFORNIA

• BUDTENDERS JOINING THE RANKS OF BARTENDERS.

• GET HIGH GETAWAYS AND SMOKE TENTS
WHERE IS IT GOING
WHERE IS IT GOING

WHAT DOES IT ALL MEAN?

LEGAL CANNABIS IS HERE TO STAY, NOT JUST IN COLORADO

STATES MEDICAL LEGAL 23 AND COUNTING

STATES RECREATIONAL LEGAL 4 AND COUNTING

STATES UPCOMING VOTE 12

PUBLIC OPINION POLLS HAVE SHOWN THAT AMERICANS VIEW ALCOHOL AS FAR MORE DANGEROUS THAN MARIJUANA, BY A NEARLY 5:1 MARGIN
WHAT DOES IT ALL MEAN?

CANNABIS IMPACT ON OVERALL ALCOHOL VOLUME

COLORADO PER CAPITA CHANGE 2001 VS 2013

THERE SEEMS TO BE A REBOUND THAT HAS HAPPENED IN BEVERAGE ALCOHOL, SPECIFICALLY WINE, IN 2014

• DRIVEN BY THE THC ALCOHOL IMPACT FACTOR
• MILLENNIAL CONSUMER SHIFT TO WINE
• SOCIAL COMPATIBILITY WITH WINE AND FOOD
SO LET’S RECAP ALL OF THIS

2000 – COLORADO IS A HIGH PER CAPITA CONSUMPTION ON BEV ALCH

2001-20013 – MEDICAL CANNABIS IS LEGALIZED
  • DROP IN PER CAPITA CONSUMPTION

2014 – RECREATIONAL SALES KICK IN
  • PER CAPITA CONSUMPTION IS POSITIVE FOR WINE

2015 – 1ST HALF
  • WINE CONTINUES TO GROW AT +1.3% SPIRITS OUT PACES WINE + 3%

TOMORROW
  • MORE STATES LEGALIZING, INCREASE IN MILLENNIALS
THANK YOU