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| AL-48 Alcohol Law Enforcement Report of Enforcement Activity | CASE NUMBER | ABC FILE NUMBER |
| | 10-064-001 | N/A |

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| <input checked="" type="checkbox"/> Investigation <input type="checkbox"/> Violation <input type="checkbox"/> Arrest <input checked="" type="checkbox"/> Supplementary <input type="checkbox"/> Property <input checked="" type="checkbox"/> Felony | <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:15%;">Hr.</td> <td style="width:25%;">Day/Wk</td> <td style="width:15%;">Mo.</td> <td style="width:15%;">Day</td> <td style="width:15%;">Year</td> </tr> </table> | Hr. | Day/Wk | Mo. | Day | Year |
| Hr. | Day/Wk | Mo. | Day | Year | | |

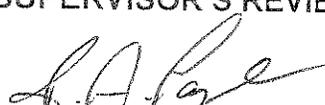
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| PERMITTEE/LOCATION OF OFFENSE(S): CITY OF GREENSBORO ABC BOARD 115 N. Cedar Street Greensboro, NC 27401 Guilford Co. | Fingerprint Information: Prints Obtained <input type="checkbox"/> Yes <input type="checkbox"/> No Date Printed: Date Submitted: Final Disposition: Date Submitted: |
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SUBJECT(S) AND OFFENSE(S):
 SEE PAGE 2

PERMITS:
 N/A

PREVIOUS ABC COMMISSION ACTION:
 N/A

WITNESSES AND EXHIBITS:
 SEE PAGE 4

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| I Alan Fields acknowledge by my signature below that the contents of the foregoing investigation and all attachments regarding the above named location are true and accurate to my own personal knowledge, except as to matters stated on information and belief and as to those matters I believe them to be true. | DATE: 10/25/10 | <input checked="" type="checkbox"/> INVEST. <input type="checkbox"/> CLOSED <input type="checkbox"/> CLEAR/ARR. <input type="checkbox"/> UNFOUNDED <input type="checkbox"/> X-CLEARED |
| AGENT'S SIGNATURE:  | SUPERVISOR'S REVIEW:  | <input type="checkbox"/> HEADQUARTERS <input checked="" type="checkbox"/> ABC COMM. <input type="checkbox"/> DISTRICT <input type="checkbox"/> OTHER |

SUBJECTS AND OFFENSES

CITY OF GREENSBORO ABC BOARD

N.C.G.S. 14-90-Embezzlement of property received by virtue of office or employment.

N.C.G.S. 14-100-Obtaining property by false pretenses.

N.C.G.S. 14-119-Forgery.

N.C.G.S. 10B-60(d)-Notary take acknowledgment or administer an oath or affirmation without the principal appearing in person before the notary if the notary does so with the intent to commit fraud.

N.C.G.S. 10B-60(j)-Knowingly solicit, coerce, or in any material way influence a notary to commit official misconduct.

N.C.G.S. 133-32-It shall be unlawful for any officer or employee of a governmental agency who is charged with the duty of preparing plans, specifications, or estimates for public contracts; or awarding or administering public contracts to willfully receive or accept any such gift or favor. (85 Counts)

N.C.A.C. Rule 2R-1701(b)-Distressed liquor shall be destroyed and the destruction witnessed by the manager or his designee and a distiller representative. (89 Counts)

N.C.A.C. Rule 2R-1701(b)-A Destruction of Unsalable Merchandise Report shall be completed and signed by the witnessing parties. (89 Counts)

N.C.A.C. Rule 2T-711-No retail employee shall accept from any industry member any thing of value. (5 Counts)

N.C.A.C. Rule 2T-901(c)-ABC store personnel shall not accept anything of value from distiller representatives at any time. (5 Counts)

ALLEY, Katie (General Manager-CITY OF GREENSBORO ABC BOARD)

N.C.G.S. 14-90-Embezzlement of property received by virtue of office or employment.

N.C.G.S. 14-100-Obtaining property by false pretenses.

N.C.G.S. 10B-60(j)-Knowingly solicit, coerce, or in any material way influence a notary to commit official misconduct.

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N.C.G.S. 133-32-It shall be unlawful for any officer or employee of a governmental agency who is charged with the duty of preparing plans, specifications, or estimates for public contracts; or awarding or administering public contracts to willfully receive or accept any such gift or favor. (85 Counts)

N.C.A.C. Rule 2R-1701(b)-Distressed liquor shall be destroyed and the destruction witnessed by the manager or his designee and a distiller representative. (89 Counts)

N.C.A.C. Rule 2R-1701(b)-A Destruction of Unsalable Merchandise Report shall be completed and signed by the witnessing parties. (89 Counts)

N.C.A.C. Rule 2T-711-No retail employee shall accept from any industry member any thing of value. (5 Counts)

N.C.A.C. Rule 2T-901(c)-ABC store personnel shall not accept anything of value from distiller representatives at any time. (5 Counts)

WARREN, Jesse (Chairman of the CITY OF GREENSBORO ABCBOARD)

N.C.G.S. 10B-60(j)-Knowingly solicit, coerce, or in any material way influence a notary to commit official misconduct.

DIAGEO NORTH AMERICA

N.C.G.S. 18B-1116(a)(3)-Being an affiliate of a manufacturer, bottler, or wholesaler of alcoholic beverages, unlawfully give a thing of value to employees of an alcoholic beverage retailer conducting business in this State. (3 Counts)

N.C.A.C. Rule 2T-901(c)-Distiller representatives shall not give anything of value to ABC store personnel at any time. (3 Counts)

PERNOD RICARD

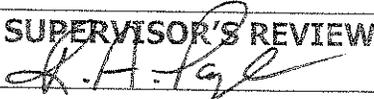
N.C.A.C. Rule 2T-901(c)-Distiller representatives shall not give liquor to ABC store personnel at any time. (1 Count)

SOUTHERN WINE & SPIRITS MID ATLANTIC, INC.

N.C.A.C. Rule 2T-901(c)-Distiller representatives shall not give liquor to ABC store personnel at any time. (1 Count)

SPARROW & ASSOCIATES, INC.

N.C.A.C. Rule 2T-901(c)-Distiller representatives shall not give liquor to ABC store personnel at any time. (1 Count)

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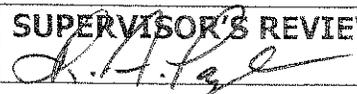
WITNESSES AND EXHIBITS

1. Special Agent in Charge Alan Fields, North Carolina Alcohol Law Enforcement Division, 4704 Mail Service Center, Raleigh, NC 27699-4704 (919) 733-4060
- 1a. March 29, 2010 audio recording of interview with Fred McCormick
- 1b. May 11, 2010 audio recording of interviews with Jesse WARREN and Nancy Stewart
- 1c. May 17, 2010 audio recording of interview with Katie ALLEY
- 1d. August 26, 2010 audio recording of interview with Jesse WARREN
- 1e. September 20, 2010 audio recording of interview with Katie ALLEY
- 1f. September 27, 2010 audio recording of interview with Jesse WARREN
- 1g. Statement written by Debbie DeVriend on August 6, 2010
- 1h. Statement written by Stephanie Thornlow on August 12, 2010
- 1i. Statement written by Marnina Queen on August 18, 2010
- 1j. Stock Difference Reports detailing employee breakage of liquor products
- 1k. 89 falsely dated Destruction of Unsalable Merchandise Reports
2. Bill York, SOUTHERN WINE AND SPIRITS MID ATLANTIC, INC.
3. Kirt Clemens, SOUTHERN WINE AND SPIRITS MID ATLANTIC, INC.
4. Amy Aebersold, SOUTHERN WINE AND SPIRITS MID ATLANTIC, INC.
5. David Brown, SOUTHERN WINE AND SPIRITS MID ATLANTIC, INC.
6. Trevor Adair, SOUTHERN WINE AND SPIRITS MID ATLANTIC, INC.
7. Avery Sparrow, SPARROW & ASSOCIATES
8. Scott Ehrenberger, PERNOD RICARD
9. John Stavros, DIAGEO NORTH AMERICA
10. Jim McClement, DIAGEO NORTH AMERICA

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11. Debbie DeVriend, CITY OF GREENSBORO ABC BOARD, 115 Cedar Street, Greensboro, NC (336) 274-6304
12. Stephanie Thronlow, CITY OF GREENSBORO ABC BOARD, 115 Cedar Street, Greensboro, NC (336) 274-6304
13. Marnina Queen, CITY OF GREENSBORO ABC BOARD, 115 Cedar Street, Greensboro, NC (336) 274-6304
14. Fred McCormick, CITY OF GREENSBORO ABC BOARD, 115 Cedar Street, Greensboro, NC (336) 274-6304
15. Betty Hamm, Mount Airy ABC Board, 226 Starlite Road, Mount Airy, NC (336) 789-9786
16. Patsy Hall, Mount Airy ABC Board, 226 Starlite Road, Mount Airy, NC (336) 789-9786
17. Peggy Queen, Sylva ABC Board, 30 E. Sylva Shopping Center, Sylva, NC (828) 586-6280
18. Rodney Johnson, Asheboro ABC Board, 700 S. Fayetteville Street, Asheboro, NC (336) 629-2530

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CHRONOLOGY OF EVENTS

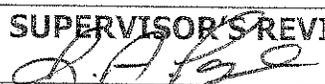
The Alcohol Law Enforcement Division, at the request of the North Carolina ABC Commission, has been investigating the CITY OF GREENSBORO ABC BOARD and its administration since early 2010. The investigation focused on the Board's General Manager, Katie ALLEY, allegedly receiving illegal gifts and services from liquor vendor representatives. ALE conducted interviews with numerous liquor vendor representatives and former employees of the CITY OF GREENSBORO ABC BOARD.

On July 14, 2010, the investigative report (hereinafter cited as "Investigative Report") was submitted to the North Carolina ABC Commission.

The Investigative Report detailed many examples (Approximately 80) of liquor vendor representatives providing gifts and gratuities to ALLEY such as meals (in and out of state), entertainment, concert tickets, sporting event tickets, overnight lodging accommodations, house wares, and spirituous liquor. Additionally, some liquor vendor representatives admitted giving liquor to ALLEY and, at her direction, misreporting the liquor as broken or distressed. Although she denied most of the allegations, ALLEY admitted to being the donee of more than 40 free meals provided by the liquor industry in 2009, free entertainment tickets, free concert tickets, and at least one ticket to a UNC-Chapel Hill basketball game.

Since July 14, 2010, ALE personnel conducted additional interviews with liquor vendor representatives and employees of the CITY OF GREENSBORO ABC BOARD. More instances (approximately 5) of ALLEY receiving gifts and gratuities from liquor vendor representatives were discovered. Additionally, numerous e-mail exchanges between ALLEY and liquor vendor representatives were examined. Other documents reviewed include hundreds of CITY OF GREENSBORO ABC BOARD internal records, such as Financial Disclosure Statements, Destruction of Unsalable Merchandise Reports, Stock Difference Reports, Reports of Concealed Loss and Concealed Damage Claims, Telephone Bills, Time and Attendance Records, and Payroll Records.

The details of those interviews and document examinations are in this report, which is set out in four components. The first addresses liquor suppliers and brokers and their relationships with ALLEY. The second covers employees of the CITY OF GREENSBORO ABC BOARD and their relationships with ALLEY. The third component covers other local ABC system employees mentioned during this investigation. The last section provides ancillary information related to this investigation.

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I. The Spirituous Liquor Industry

DIAGEO NORTH AMERICA

(NOTE: Some of the e-mail messages set out in this section are cited in the Investigative Report. They are set out again in this report for ease of reference.)

John Stavros has been employed by DIAGEO NORTH AMERICA more than ten years. He is the Director of Reserve Brands for DIAGEO NORTH AMERICA. Stavros markets "high end liquor products" supplied by DIAGEO NORTH AMERICA in West Virginia, Virginia, North Carolina, Alabama, and Mississippi. His supervisor is Barry Thompson.

On August 10, 2010, I interviewed Stavros at the Williams Mullen law office in Raleigh, NC. Attorneys Keith Capp and Jennifer Morgan also attended. Pete Ruiz, Corporate Security Advisor for DIAGEO NORTH AMERICA, listened to the interview via telephone conference call.

Prior to becoming the Director of Reserve Brands for DIAGEO NORTH AMERICA, Stavros was the North Carolina Market Director for DIAGEO NORTH AMERICA. Until recently, Andy Iredale held this position. See Investigative Report p. 18, ¶ 5. Stavros does not make sales calls on North Carolina ABC Boards. However, when he was the North Carolina Market Director for DIAGEO NORTH AMERICA, Stavros made sales calls on local ABC system managers, including ALLEY. From 2003 through 2007, Stavros made a number of sales calls on ALLEY.

On June 25, 2010, Attorney Morgan gave me a notebook of documents detailing lodging arrangements made by Iredale for ALLEY during a 2009 trip to Sonoma, California. See Investigative Report p. 18, ¶ 8 through p. 24, ¶ 3.

The notebook also contained details of lodging arrangements made for ALLEY at Diageo's Beaulieu Vineyard during a 2007 trip to Rutherford, California.

On July 16, 2007, Jim McClement, an employee of DIAGEO NORTH AMERICA, submitted a Diageo Château and Estates Winery Request Form for Greensboro ABC, c/o Kirt Clemens. The request specified two rooms for two nights lodging at the Rutherford House at Beaulieu Vineyard, arriving September 16, 2007. The primary guest cited in the request was Katie ALLEY, "GM Greensboro NC ABC Board" and one "friend." The request included winery tours at Beaulieu Vineyard, Sterling, Provenance, and Acacia. All four wineries are owned by DIAGEO NORTH AMERICA. The key objective of the visit was to "promote Diageo Brands." The primary contact for the lodging and tours was Kirt Clemens of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC. Ultimately the request for lodging and winery tours was approved by DIAGEO NORTH AMERICA and confirmation e-mail messages were sent to Clemens, Stavros, and McClement. (See Exhibit A)

Stavros and I discussed the 2007 request for lodging and winery tours for ALLEY in California. Stavros did not remember his involvement in coordinating lodging accommodations and winery tours. He was confident he had no conversation with ALLEY regarding the lodging arrangements and winery tours.

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Stavros told me Clemens was a former employee of DIAGEO NORTH AMERICA and suggested I speak with him.

On June 25, 2008, another Diageo Château and Estates Winery Request Form was submitted for ALLEY and three guests for two nights lodging at Diageo's Sterling Vineyards in Calistoga, California, arriving on September 9, 2008. Tours of Beaulieu Vineyard, Sterling, Provenance, and Acacia vineyards were also requested. Jim McClement of DIAGEO NORTH AMERICA requested the lodging and winery tours. (See Exhibit B)

On June 26, 2008, Mary Rudd of DIAGEO NORTH AMERICA sent an e-mail to McClement indicating lodging was not available on the dates requested and asked if he wanted to "go forward with the tours if available."

On June 27, 2008, at 9:51 a.m., McClement forwarded Rudd's message to an employee of Empire Distributing. The message read, "Please advise, thanks." The Empire Distributing employee did not reply to McClement's e-mail.

At 10:19 a.m., Stavros sent the following e-mail message to Iredale, McClement, and Clemens:

Andy/Kirt-FYI

I was not aware of this request.

Thanks,
John

At 10:23 a.m., Clemens replied to Stavros and Iredale:

Me neither. Who made the request??

At 11:52 a.m., Stavros replied to Clemens and Iredale. He courtesy copied McClement.

I don't know.

Jim-Do you know who made the request?

At 2:58 p.m., Iredale replied to Clemens' 10:23 a.m., message:

Certainly not me--First I've heard of it.

At 3:11 p.m., Stavros replied to Iredale and Clemens:

Katie requested it on her own through Empire.

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Stavros was unsure who, from DIAGEO NORTH AMERICA, submitted the 2008 winery visit request for ALLEY. He did not remember speaking with ALLEY about the arrangement, but said if he did, he "probably picked up the phone and called her to see if she was going." (Later this request was cancelled.)

Stavros was unaware of ALLEY'S 2009 visit to California and did not know any details of that trip.

Stavros and I discussed sporting events in which he and ALLEY attended. At one time, DIAGEO NORTH AMERICA sponsored a hospitality suite at Carolina Panthers football games in Charlotte, NC. Stavros thought the suite was sponsored by DIAGEO NORTH AMERICA during the 2004, 2005, and 2006 football seasons. He attended at least eight games each football season and each time he used the DIAGEO NORTH AMERICA hospitality suite. Stavros recalled seeing ALLEY in the hospitality suite at different football games. He remembered having a conversation with ALLEY during one game while they both were in the hospitality suite.

Stavros also saw former ABC Commission Chairman Doug Fox in the Diageo hospitality suite. On at least one occasion former Chairman Fox requested tickets to a Carolina Panthers football game from Stavros. Stavros gave the tickets to former Chairman Fox, who gave them to his son.

We discussed DIAGEO NORTH AMERICA'S sponsorship of a car in the NASCAR series. In the past, ALLEY requested admission tickets to NASCAR events from Stavros. He did not give the tickets to ALLEY, but instead gave them to employees of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., to pass on to ALLEY. Stavros could not remember the number of times he gave tickets to SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., employees to give to ALLEY. (NOTE: The Investigative Report details several instances of employees of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., who admitted giving NASCAR tickets to ALLEY. See Investigative Report p. 35, ¶ 8; p. 38, ¶ 7; and p. 40, ¶ 4)

In addition to sponsoring a car in the NASCAR series, DIAGEO NORTH AMERICA has hospitality suites at Lowe's Motor Speedway, Charlotte, NC and Martinsville Speedway, Martinsville, VA. Stavros recalled at least one occasion when he had a conversation with ALLEY in the Diageo hospitality suite at Lowe's Motor Speedway during a NASCAR race. I told Stavros of ALLEY'S claim that she had never been to a race. Stavros said ALLEY was not being truthful.

Stavros did not recall seeing any ABC Commission employees in the Diageo hospitality suite at Lowe's Motor Speedway or Martinsville Speedway.

On August 25, 2009, Andy Iredale sent an e-mail message to his supervisor Barry Thompson. Stavros was courtesy copied the message which read:

FYI- JD, Mike, and Graham meeting again with more ABC Boards. See Katie's e-mail under mine.

Andy

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From: Iredale, Andy
 Sent: Tuesday, August 25, 2009 11:08 AM
 To: Katie Alley
 Subject: RE: CA Trip

Katie, I made it back in one piece. Newport Beach/Laguna is pretty unbelievable...maybe beats out NC as a place to live, but I need to hit the lottery first. Anyway, I couldn't ask for a better advocate in the meeting than you. What I believe you want for your Board would benefit Diageo as well, and would give us the classic 'Win/Win'. Please keep driving the topics we discussed after the Raleigh meeting...not listing 'cheater brands' that crush our margins, and listing brands that support themselves with advertising and value-added, etc. After all, our business isn't too complicated...,no out of stocks, carry what the consumer wants, and sell more high profit, high-volume Brands—if we can do that, we all end up winning at the end of the year. I'll make sure to get with Jim on your trip. Thanks for keeping me looped in. Andy”

From: Katie Alley [<mailto:kalley@gsoabc.com>]
 Sent: Monday, August 24, 2009 3:55 PM
 To: Andy Iredale
 Subject: CA Trip

“Hi Andy, How was CA with the fellows? I hope that you had a fun, safe, and relaxing trip. We have a meeting tomorrow with Herring, Lyons, and Graham at the Grandover with about 15 Supervisors to discuss on-going problems. After our meeting at the Commission week before last, Lyons asked that we get a group of GMs up to discuss issues. Even if we don't resolve on anything, at least he cares enough to listen to us. Any thoughts that you think I should bring up? I'll keep you posted. The Wyndham golf tourney went well- it rained so folks inside were drinking a lot. Bacardi was the sponsor and we sold almost as much as when Diageo helped. I have a tour of Moon Mountain set up on Oct. 9th at 10:30 a.m. Can you ask Jim McClement if he can make sure we get the VIP tour? Also, if it is not too much trouble, can you see if he can arrange for us to tour Rosenblum? You know it is going to be hard to get back in the swing after you have been partying in CA (smile face) Take Care! Katie”

Stavros did not remember this e-mail and was unsure why it was sent to him.

On December 3, 2008, Iredale sent the following e-mail message to ALLEY:

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Hello Katie,

It's official, we are coming to take you to dinner on the 10th. Please pick your favorite restaurant, and let me know what time you would like to eat.

So far, you have Barry, me, Kirt & John—however that number may grow by a few—Amy and possibly Gary Holland. If you'd like to invite anyone, please feel free to do so. Looking forward to seeing you.

Andy Iredale

According to Stavros, a group of DIAGEO NORTH AMERICA employees held an "all day" meeting in Greensboro, NC on December 10, 2008. After the meeting, he, along with several other DIAGEO NORTH AMERICA employees, went to dinner with ALLEY. The cost of the meal was approximately \$800.00. Barry Thompson paid the full cost of the meal.

At the conclusion of the interview, I reiterated ALLEY'S claim that she had never been to a race. When I told Stavros again of this claim, he said, "That's not correct." Stavros said there was "no doubt" he saw ALLEY at a minimum of one NASCAR race.

Stavros told me he answered all questions truthfully. The interview ended a short time later.

At the conclusion of the interview with Stavros, I met with Attorney Kapp and Attorney Morgan. Kapp told me in late 2009, DIAGEO NORTH AMERICA notified the North Carolina ABC Commission of its prior practice of giving NASCAR tickets to ALLEY and her use of the hospitality suite at Carolina Panther football games. Kapp said the hospitality suite at football games had not been used by DIAGEO NORTH AMERICA for approximately three years. He said the practice of providing NASCAR tickets to ABC system managers had ended.

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Jim McClement is the District Manager of Diageo Chateau and Estate Wines for North Carolina and Virginia. He works with independent wholesalers marketing wine brands sold by DIAGEO NORTH AMERICA. Some of the wine brands McClement markets include Beaulieu Vineyard, Sterling, Acacia, Edna Valley, Rosneblum, and Provenance vineyards. McClement has worked in North Carolina since 1995 and been in his current position since 1998. He has little involvement or contact with local ABC Systems.

On August 11, 2010, I interviewed McClement at the Williams Mullen law office in Raleigh, NC. Attorneys Keith Capp and Jennifer Morgan also attended. Pete Ruiz, Corporate Security Advisor for DIAGEO NORTH AMERICA and Gerald A. Dinallo, Jr., Senior Managing Director and Regulatory & Compliance Counsel for DIAGEO NORTH AMERICA listened via telephone conference call.

McClement met ALLEY "two or three years ago" at a wine tasting in Greensboro. He described the tasting as a "trade show." McClement has not spoken with ALLEY since this event.

On July 16, 2007, McClement submitted a Diageo Chateau and Estates Winery Visits Request for Greensboro ABC, c/o Kirt Clemens. The request, which included overnight lodging accommodations and winery tours, was approved by DIAGEO NORTH AMERICA and confirmation e-mail messages were sent to Clemens, Stavros, and McClement. (See Exhibit A)

McClement and I discussed the request. Although McClement routinely submits request forms for lodging accommodations and winery tours, he does not independently put forward winery visit requests. McClement could not remember who asked him to submit this request for ALLEY'S lodging accommodation and winery tours. However, he was confident Clemens or Stavros initially contacted him. McClement said his "vision of this" was ALLEY was "a key customer." When I asked what he meant, McClement described ALLEY as "important."

Lodging accommodations at the Rutherford House at Beaulieu Vineyard are complimentary. McClement described the Rutherford House as a "guest house with 6 or 7 rooms." Gratuitous lodging is provided as a marketing tool to encourage guests to tour Diageo owned wineries in California. McClement said the lodging and tours "go together" and he wants customers to "think of our brands in a more positive light." McClement said the lodging accommodations and winery tours were arranged for ALLEY to "educate her as a consumer."

McClement described the approval process for winery visit requests and said requests are "altered many times." He is notified via e-mail each time a request is altered. After approval of the final request, McClement only receives notification for changes or cancellations. McClement did not receive cancellation or notification of changes of ALLEY'S 2007 lodging reservation at Rutherford House. For the two nights at Rutherford House, ALLEY incurred no costs for her lodging. McClement "assumed" ALLEY toured the wineries, which is complimentary for anyone, designated on the request form.

On June 25, 2008, another Diageo Chateau and Estates Winery Visits Request for Greensboro ABC Board was made through DIAGEO NORTH AMERICA for ALLEY and three guests for two nights lodging at Diageo's Sterling Vineyards in California, arriving on September 9, 2008. Additionally tours of

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Beaulieu Vineyard, Sterling, Provenance, and Acacia vineyards were requested. McClement said he submitted the winery visit request form at the request of Stavros or Clemens. (See Exhibit B)

On June 26, 2008, Mary Rudd of DIAGEO NORTH AMERICA sent the following e-mail to McClement:

Unfortunately both dates are completely booked at every property. Do you want to go forward with the tours if available? Please advise.

Thanks,

Mary

On June 27, 2008, at 9:51 a.m., McClement forwarded Rudd's message to an employee of Empire Distributing. The message read, "Please advise, thanks." McClement was not sure why the e-mail was forwarded to Empire Distributing. He said, "Empire is not involved in this." The employee at Empire Distributing did not reply to McClement's e-mail.

At 10:19 a.m., Stavros sent the following e-mail message to Iredale, McClement, and Clemens:

Andy/Kirt-FYI

I was not aware of this request.

Thanks,
John

At 10:23 a.m., Clemens replied to Stavros and Iredale:

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McClement told me the last e-mail from Stavros was not accurate because "Empire does not operate in Greensboro." McClement was unsure who made the 2008 winery visit request for ALLEY. However, he was "sure" Iredale, Stavros, or Clemens asked him to make the request. Later, McClement recalled Clemens' participation in arranging the 2008 winery tour request for ALLEY.

As set out in the Investigative Report, Iredale made lodging arrangements for ALLEY during an October 2009 trip to Sonoma, California. On July 15, 2009, Iredale sent an e-mail to McClement indicating Iredale would pay for ALLEY'S lodging. See Investigative Report p. 18, ¶¶ 8 through p. 24, ¶ 3.

McClement said "because of the legalities of his job, he [Iredale] knows paying is illegal." Lodging facilities owned by DIAGEO NORTH AMERICA had no vacancies for the dates scheduled on the request. As a result, Iredale solicited alternate suggestions from McClement for ALLEY'S lodging. McClement recommended the Rancho Caymus in Rutherford, California. McClement said the Rancho Caymus charges a lower room rate for guests who tour the nearby Beaulieu Vineyard while staying at the inn. However, to receive the reduced rate, lodging arrangements must be made by a DIAGEO NORTH AMERICA employee.

On July 30, 2009, McClement submitted another Diageo Château and Estates Winery Visits Request for ALLEY, Kimberlee Wilson, Joan Chartier (Wilson's sister), and Kim Kirkpatrick to tour Sterling Vineyards. McClement said he did not know any of the guests listed on the request form.

The group of four, including ALLEY, stayed in two suites at the Rancho Caymus for two nights. The lodging costs of \$694.40 were charged to Iredale's credit card. Later, ALLEY reimbursed Iredale. See Investigative Report p. 27, ¶¶ 6 through p. 28, ¶ 1.

On December 19, 2008, ALLEY sent the following e-mail message to Iredale:

Happy Friday Afternoon Andy! I enjoyed visiting with you too! Thanks for taking the time to come this way- I know yal are really busy this time of year. Yal are fun to hang out with and I really do learn a lot from the industry folks-I wasn't playing. Any thoughts on if it is possible for me to purchase a few cases directly from Sterling? I went there a year ago and bought 2 cases (used the Diageo discount) and they shipped to my house. Is that possible or do I have to be on site to purchase? Have a great weekend! K"

On December 24, 2008, Iredale sent an e-mail message to McClement. The last paragraph in the message reads:

Finally, I need to get my hands on some Sterling Cab for the Greensboro ABC Supervisor. She bought a few cases while visiting the Vineyard last year—bought it at a discount on site. Is there any way I can get her some at a discount by the case? Have a great Holiday. Andy Iredale...

On January 2, 2009, McClement replied to Iredale:

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I tried to call Katie Alley back last week but missed her. The best bet would be TOTAL Wines in GSO, they have Sterling Napa Cab @ \$19.99. Harris Teeter will give 10% off on a case, their retail is about \$26.99. Sterling Vinters Cab (Central Coast) is around \$12.99 at HT, and HT will give 10% off a case as well."

McClement did not remember trying to call ALLEY. He speculated though, he would have called ALLEY to recommend places for her to shop for the wine she mentioned. McClement commonly makes suggestions to consumers where to buy wine.

On December 30, 2008, at 3:40 p.m., ALLEY sent the following e-mail to Iredale:

Hi Andy, Hope you and the family had a fun Christmas! Happy New Year- 2 days early! What address would you like me to send the display plan to for you? Katie"

At 9:18 p.m., Iredale replied to ALLEY:

Hi Katie, My address is as follows: [Street address intentionally omitted]. BTW-I still haven't given up on the Sterling...I should have a little more progress after the Holidays (hopefully). Do you like the 2004 Cab? Is that what you are looking for or is it something else? Have a Great New Year's too! See you soon. Andy Iredale..."

On December 31, 2008, at 8:09 a.m., ALLEY replied to Iredale:

Hi Andy! Happy New Years Eve! Thanks for the address- you should receive the plan early next week. I do like the 2004 year and if you are talking about diamond mountain ranch- yes, the cab is one I was looking for- it is hard to get-been trying for 2 years. My other favorites are the zinfandel and pinot noir (I just looked at my receipt from when I was there-kept it so I would know what I liked and it says oak knoll pinot noir, the zinfandel is just the regular one that you can only buy at the winery). Yesterday, we looked at where we are from last year and it looks like we will be up-not much, but hey, I will take it gladly! Enjoy whatever yal are doing tonight and eat lots of greens and black eye peas tomorrow so that you have lots of money and good luck! See ya soon! Katie

On January 2, 2009, at 11:42 a.m., Iredale forwarded ALLEY'S e-mail message to McClement:

You can see below what I'd like to get her-a case of each. Please let me know what you need from me. Thanks. Andy

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At 1:22 p.m., McClement replied to Iredale:

DMR Cab is very allocated and Sells for about \$390/Case. The Zin and Pinot are not available, they are probably very small vintages restricted to the Winery only. Tell me what you want and we will make it work. Perhaps 6 bottles DMR cab, 6 bottles of regular Napa Cab? Let me know, give me a WBS code, and I will get Empire to pull it for you tp[sic] pick up. Send a fresh EMail so I can bounce it."

On January 5, 2009, at 5:15 p.m., Iredale replied to McClement

Jim, 6 of each would be perfect. Thanks so much for your help with this. The WBS is as follows: 9NA153229NC4300OFFNX24 Please let me know the address to pick up, and the total charge \$. Thanks again, Andy Iredale...

At 5:31 p.m., McClement sent an e-mail request to Laura Lawson at Empire Distributing:

I have a request for some samples from Andy Iredale for a Spirits function. Can you pull 6 bottles of Sterling DMR Cab and 6 bottles of Sterling Napa Cab, bill me 100%, and let me know when he can pick it up? Thanks.

I asked McClement about the term "spirits function." He said he thought Iredale "had a dinner or a meeting and was going to serve this wine." McClement also said, "He [Iredale] wanted some samples and I put in some samples for him"

On January 6, 2009, at 8:50 a.m., Lawson forwarded an e-mail message from Laura Smailes at Empire Distributing to McClement:

Please let Jim know that Mr. Iredale is able to pick up his samples. Thanks!
Smailes

At 9:38 a.m., McClement forwarded Lawson's message to Iredale, along with the following:

Samples are ready and can be picked up at Empire Charlotte. Empire is in [location intentionally omitted].

On January 14, 2009 at 2:21 p.m., McClement sent an e-mail message to Iredale:

Did you get these?

At 2:54 p.m., Iredale replied to McClement:

Yes! Thank you so much!

At 7:37 p.m., Iredale sent another e-mail message to McClement:

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[Unrelated topic in first paragraph.]

By the way, what was the total charge for the Wine? Thanks again, Andy Iredale...

At 7:48 p.m., McClement replied to Iredale:

I don't know, they will invoice me later. Don't worry about the charge. I'll use your code if I'm tight on budget at EOY, but probably not. I'll let you know if I need to use it. As long as Katie is happy. I did notice that Zwack distribution is going well, I asked the guys in Wendover East store about it (as a consumer), they were fairly knowledgeable.

The cost of the wine was a "credit to Empire" which came from DIAGEO NORTH AMERICA through McClement's "sample budget." McClement said he could not find an invoice for the wine. McClement was referring to ALLEY when he said, "As long as Katie is happy." McClement knew ALLEY "was the one asking for the wines." He also said he was not under pressure to "do anything for Katie ALLEY." McClement said he works to accommodate other customers as long as requests are "within reason." He cited Iredale's request for wine, intended for ALLEY, costing \$390.00 per case as not being within reason. As a result McClement made an alternate suggestion.

In closing, McClement said any person who vacations in northern California is "interested in wines." He mentioned tours of Diageo vineyards and described them as an opportunity to educate consumers and "promote our brands." Lastly, McClement said he answered all my questions truthfully.

The interview ended a short time later.

After the interview with McClement, I met with Kapp and Morgan to discuss the Diageo employee family and friends wine sale in which ALLEY participated. See Investigative Report p. 97, ¶ 4. Morgan explained anyone over 21 years old may participate in the sale. She said to participate, one registers on the appropriate website and simply enters the name of any Diageo employee as the password. She showed me an Internet webpage (www.slickdeals.net) where a consumer notified readers of the page about the sale and instructed users who registered to use the name of the President of DIAGEO NORTH AMERICA as the password.

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SOUTHERN WINE & SPIRITS MID ATLANTIC, INC.

The Investigative Report cited two instances when liquor vendor representatives, Amy Aebersold and David Brown, admitted taking things of value to ALLEY'S house. One item was a tailgating picnic table. The other was an electric fireplace. See Investigative Report at p. 37, ¶ 2 and p. 39, ¶¶ 3 and 4.

On May 17, 2010, ALLEY denied the items were taken to her house and twice emphasized liquor vendor representatives had never been to her house. She also claimed Brown actually delivered the electric fireplace, alleged to have been taken to her home, to the CITY OF GREENSBORO ABC BOARD Administrative Office. See Investigative Report at p. 82, ¶¶ 6 and 7.

During the same interview, ALLEY and I discussed a winery tour and meal provided to ALLEY by a liquor vendor representative while she was in California in October 2009. See Investigative Report at p. 79, ¶ 4. An e-mail message ALLEY sent to a liquor vendor representative indicated Kimberlee Wilson, and two other people, accompanied ALLEY on this tour and meal. See Investigative Report at p. 21, ¶¶ 4 and 7.

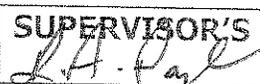
On May 24, 2010, I visited the neighborhood where ALLEY lives. A red Porsche sports car was parked in ALLEY'S driveway. I photographed the house and car. Records at the North Carolina Division of Motor Vehicles indicate Kimberlee Wilson of [REDACTED] Katie Drive, Greensboro, NC owns the vehicle.

On August 13, 2010, I visited the neighborhood where Wilson's house is located and photographed her home. Records at the Guilford County Register of Deeds indicate Wilson purchased the home, which is located near the Greensboro Country Club Farm Course, in 2002 and remains the owner of record.

On August 18, 2010, I met with Aebersold. Nick Bergman, an attorney representing SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., listened via telephone conference call.

I recapped the previous interview with Aebersold when she claimed to have taken a Crown Royal logo table to ALLEY'S house. See Investigative Report at p. 36, ¶ 7 through p. 37, ¶ 2. Aebersold told me she was truthful reporting the incident. She said ALLEY'S house was "on a golf course on Katie Drive." Aebersold specifically recalled "the garage" at the home where she took the table. I showed Aebersold a photograph depicting the garage door on ALLEY'S home. Aebersold said the garage in the photograph was not the same as at the home where she left the table. I showed Aebersold a photograph of Wilson's house. Aebersold said, "That's where I took the table to. That's exactly where it was."

Aebersold recalled the day she took the table to the home on Katie Drive. During a telephone conversation with ALLEY about the table, ALLEY asked Aebersold, "Do you mind dropping it [the table] off at my house?" When Aebersold agreed, ALLEY gave her the Katie Drive address. When Aebersold mentioned the coincidence of ALLEY'S home being on Katie Drive, ALLEY responded, "Yea." Aebersold entered the home address in the GPS unit in her automobile and followed its directions to the home. She took the table from her automobile, placed it near the garage door, and left. Aebersold, who has not again discussed the table with ALLEY, thought the home on Katie Drive was ALLEY'S.

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The Investigative Report set out two occasions when Aebersold did not pour out the contents of liquor bottles reported as broken or distressed, but instead put the bottles in ALLEY'S office restroom. See Investigative Report at p. 36, ¶¶ 2,3,4,5,6. ALLEY denied this allegation. See Investigative Report at p. 86, ¶ 6.

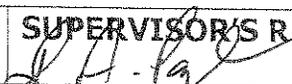
In the first instance, prior to a sales call, ALLEY contacted Aebersold via telephone and mentioned a bottle of Johnny Walker Blue Scotch Whisky with a leaking cap in the storage cabinet awaiting destruction. Aebersold said it was "very rare" for Johnny Walker Blue Scotch Whisky to be reported as distressed or broken. When she put the bottle of Johnny Walker Blue Scotch in ALLEY'S restroom, Aebersold was not accompanied by any CITY OF GREENSBORO ABC BOARD employees. Aebersold returned to pouring out other distressed liquor products, signed the Destruction of Unsalable Merchandise Report, and carried it to Debbie DeVriend, an employee of the CITY OF GREENSBORO ABC BOARD. I showed Aebersold a copy of a Destruction of Unsalable Merchandise Report setting out a number of distressed or broken liquor products she signed for destruction on March 31, 2009. The Report listed eighteen different brands of liquor products destroyed, along with one bottle of Johnny Walker Blue Scotch Whisky. Aebersold confirmed her signature was on the report. (NOTE: A query of CITY OF GREENSBORO ABC BOARD records found one bottle of Johnny Walker Blue Scotch Whisky reported broken or distressed from 2007 through 2009. The "location code" on the Report indicates a customer returned the bottle to the mixed beverage warehouse in the same building as the CITY OF GREENSBORO ABC BOARD Administrative Office.)

Employees of the CITY OF GREENSBORO ABC BOARD rarely witness Aebersold destroy distressed liquor products. Aebersold also said ALLEY has never observed her destroy distressed liquor.

Aebersold recalled another time in 2009 when ALLEY requested a bottle of distressed liquor not be poured out, but instead be put in her restroom. Trevor Adair, a co-worker was with Aebersold when this incident occurred. On this particular day, ALLEY called Aebersold via telephone before she and Adair arrived at the CITY OF GREENSBORO ABC BOARD Administrative Office. During the conversation ALLEY asked Aebersold if Adair "knew the deal" about breakage and not to pour out "the good stuff." ALLEY requested a bottle of Don Julio Real Tequila not be poured out. After the conversation with ALLEY, Aebersold told Adair not to destroy expensive distressed liquor products when he made sales calls on the CITY OF GREENSBORO ABC BOARD.

In the fall of 2009, ALLEY requested a number of mini bottles of Hennessy Cognac from Aebersold. As a result of the request, Aebersold spoke with Adair and asked him to bring a quantity of Hennessey Cognac in mini bottles to ALLEY. Later, while ALLEY, Aebersold, and Adair were inside the CITY OF GREENSBORO ABC BOARD Administrative Office, ALLEY gave Adair the keys to her car. Adair left and returned a few minutes later to give the keys back to ALLEY. According to Aebersold, Adair brought ALLEY at least twelve mini bottles of Hennessy Cognac.

The interview ended a short time later.

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On August 18, 2010, I met with David Brown of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC. Nick Bergman, an attorney representing SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., listened via telephone conference call.

I recapped my previous interview with Brown when he claimed to have taken an electric fireplace bearing a Jim Beam logo to ALLEY'S house in March or April 2009. See Investigative Report at p. 39, ¶¶ 3,4,5. Brown said he truthfully answered all questions in our previous interview.

Brown recalled events leading up to the fireplace being taken to a home he believed to be ALLEY'S. During a conversation at the CITY OF GREENSBORO ABC BOARD Administrative Office, ALLEY asked Brown about the disposition of the fireplace after it was used in a store display. ALLEY solicited Brown to give the fireplace to her. After Brown agreed to give the fireplace to ALLEY, they drove in separate vehicles to the City of Greensboro ABC Store where the fireplace was displayed. Brown believed the fireplace was displayed at the ABC store on Battleground Avenue. Brown took the fireplace from the store and put it in his vehicle. When they left the ABC store, Brown followed ALLEY as she drove her car to a home in a "golf course community." Brown also recalled the house was a "two story brick home on a corner lot." Brown remembered the golf course was "under renovation" and "not playable."

When they arrived at, what Brown "assumed" was ALLEY'S house, she remotely opened the garage door from inside her car. Brown saw "a red sports car" in the garage. ALLEY showed Brown where to leave the fireplace. After Brown put the fireplace in the garage, ALLEY thanked him and he left. He described the event as "a quick drop off." Brown has not seen the fireplace since it was left at the home. Brown mentioned again he thought the house was ALLEY'S. He said, "I don't have garage access to anyone's home."

I showed Brown a photograph of ALLEY'S house. He did not take the fireplace to the house in the photograph. When I showed Brown a photograph of Wilson's house, he was "sure that's the house I went to." Brown looked at the photograph and said, "That's the house where I dropped it off."

(NOTE: On September 9, 2010, Jim Deaton of the Greensboro Country Club told me the Farm Course underwent reconstruction from November 1, 2008 through November 15, 2009. According to Deaton, because of the reconstruction, this golf course was not open for play during March, April, or May of 2009. He said in April 2009 sprinkler systems were installed on the course and described it as "all dirt.")

I told Brown about ALLEY'S claim that he put the fireplace in the CITY OF GREENSBORO ABC BOARD Administrative Office. Brown told me ALLEY was not truthful. He said a fireplace, different than the one taken to Wilson's home, was put in the CITY OF GREENSBORO ABC BOARD Administrative Office. Brown removed that particular fireplace from a display at the City of Greensboro ABC store on Ring Road in "March or April 2010" after ALLEY "suggested storing" the fireplace at the Administrative Office. Brown was adamant the fireplace was not a gift. He also told me where to look on the fireplace for a label setting out the fireplace is owned by SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., Brown said the fireplace taken to Wilson's home did not bear an ownership label.

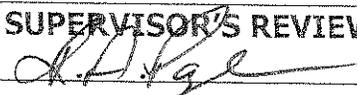
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The Investigative Report cites two meetings I had with Brown during this investigation. He said the fireplace taken from the ABC store on Ring Road to the CITY OF GREENSBORO BOARD Administrative Office was moved after our second meeting. Brown said there is "no question" he moved two fireplaces. One was taken to Wilson's home. The other was moved to the CITY OF GREENSBORO ABC BOARD Administrative Office.

The interview ended a short time later.

On August 19, 2010, I examined the electric fireplace at the CITY OF GREENSBORO ABC BOARD Administrative Office. I found a label displayed where Brown described which reads, "Property of Southern Wine & Spirits."

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Kirt Clemens has been employed at SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., since October 1, 2006. He is Vice President of the Premier Division, which markets spirituous liquor supplied by DIAGEO NORTH AMERICA and Moet Hennessey. Clemens is Aebersold's supervisor. Prior to his employment at SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., Clemens was employed in Florida by DIAGEO NORTH AMERICA in the Spirits and Wine Division. While employed with DIAGEO NORTH AMERICA, Clemens submitted the Diageo Château and Estates Winery Request Form for clients visiting DIAGEO NORTH AMERICA wineries and lodging facilities in California.

On August 18, 2010, I met with Clemens. Nick Bergman, an attorney representing SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., listened via telephone conference call.

The Investigative Report cited an incident where Aebersold contacted Clemens via telephone after ALLEY instructed Aebersold not to destroy a bottle of distressed liquor product. See Investigative Report at p. 36, ¶ 4. Clemens said he did not remember Aebersold calling about this issue, but if she did, he would have instructed her "to something other than what she did." Clemens said he "knew the breakage rules."

We also discussed ALLEY'S statement that she complained to Aebersold's supervisor about Aebersold overusing her allotted display space in City of Greensboro ABC stores. See Investigative Report at p. 82, ¶ 7. According to Clemens, the only time ALLEY has complained about Aebersold was in the spring of 2009, after Aebersold missed an appointment with ALLEY. Otherwise, ALLEY has spoken "well" of Aebersold and has not complained to Clemens about Aebersold's disproportionate use of display space in City of Greensboro ABC stores.

In July 2009, Andy Iredale of DIAGEO NORTH AMERICA began working to procure lodging accommodations for ALLEY when she planned to visit California in October 2009. On July 15, 2009, he sent the following e-mail message to McClement and courtesy copied Clemens:

Jim,

Katie Alley (my Greensboro Supervisor) is heading to California on October 7th-10th. I guess I'm looking to see if you have any hotel connections for her. I will pay. She stayed in Napa at the BV place last time and is looking to stay on the Sonoma side this time if possible. Where can I put her up? Do you have a contact for me?

Thanks, Andy Iredale...

Clemens was unsure why he was copied. He mentioned Iredale and said, "Andy set her up for a tour and was setting her up for overnights." At one point, Iredale inquired Clemens about the process to "set tours up." Clemens was not sure if ALLEY visited California in 2009, but said he "would assume she went on the trip."

On June 25, 2008, another winery visit request was made through DIAGEO NORTH AMERICA for ALLEY and three guests for two nights lodging at Diageo's Sterling Vineyards in California, arriving on

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September 9, 2008. Additionally tours of Beaulieu Vineyard, Sterling, Provenance, and Acacia vineyards were requested. McClement submitted the winery visit request form.

On June 26, 2008, Mary Rudd of DIAGEO NORTH AMERICA sent the following e-mail to McClement:

Unfortunately both dates are completely booked at every property.
Do you want to go forward with the tours if available? Please advise.

Thanks,

Mary

On June 27, 2008, Stavros sent the following e-mail message to Iredale, McClement, and Clemens:

Andy/Kirt-FYI

I was not aware of this request.

Thanks,
John

At 10:23 a.m., Clemens replied to Stavros and Iredale:

Me neither. Who made the request??

At 11:52 a.m., Stavros replied to Clemens and Iredale. He courtesy copied McClement.

I don't know.

Jim-Do you know who made the request?

At 2:58 p.m., Iredale replied to Clemens' 10:23 a.m., message:

Certainly not me--First I've heard of it.

At 3:11 p.m., Stavros replied to Iredale and Clemens:

Katie requested it on her own through Empire.

Clemens reviewed a copy of the request and said he "was not familiar with the request until after the fact." Contrary to McClement's assertion, Clemens said he did not participate in making arrangements for the 2008 request. An e-mail from Mary Rudd indicates the request was not honored.

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On July 16, 2007, McClement submitted a Diageo Château and Estates Winery Request Form for Greensboro ABC, c/o Kirt Clemens. (See Exhibit A)

Clemens and I discussed the request which included overnight lodging accommodations in two rooms for ALLEY and a friend at the Rutherford House at Beaulieu Vineyard in California for September 16 and 17, 2007. The request also called for winery tours at Beaulieu Vineyard, Sterling, Provenance, and Acacia vineyards. The primary contact for the lodging and tours was Clemens. The request for lodging and winery tours was approved and confirmation e-mail messages were sent to Clemens, Stavros, and McClement.

Clemens recalled a 2007 meeting with ALLEY and Stavros at the CITY OF GREENSBORO ABC BOARD Administrative Office. During the meeting, ALLEY mentioned an upcoming trip she planned to California. A discussion of wineries owned by DIAGEO NORTH AMERICA and winery tours ensued. During the conversation, Clemens offered to arrange lodging and winery tours for ALLEY, who said she liked wine. ALLEY also said the lodging and tours "would be a good educational experience."

Later, Clemens worked to make two nights' lodging arrangements for ALLEY at the Rutherford House at Beaulieu Vineyard on September 16 and 17, 2007. He also arranged winery tours at Beaulieu Vineyard, Sterling, Provenance, and Acacia.

While staying at the Rutherford House at Beaulieu Vineyard for two nights, ALLEY incurred no lodging expenses. According to Clemens, the cost of lodging is a "hospitality and marketing" expense subsidized by DIAGEO NORTH AMERICA. I asked Clemens if he knew ALLEY actually stayed at the Rutherford House on the dates set out in the request. Clemens said, "I was aware. Definitely she did go."

We discussed Clemens providing NASCAR tickets to ALLEY. Clemens said he has never seen ALLEY at a NASCAR race. However, in 2008, he received two tickets from Andy Iredale designated for "Greensboro ABC" to the May 2008 NASCAR race at Lowe's Motor Speedway. According to Clemens, "Diageo intended for the tickets to go to the supervisor." Clemens gave the tickets to Aebersold or a former employee of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., to give to ALLEY. (NOTE: Aebersold admitted giving four tickets to ALLEY for the May 2008 NASCAR race at the Lowe's Motor Speedway. See Investigative Report at p. 35, ¶ 8.)

The interview ended a short time later.

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Trevor Adair has been employed by SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., for approximately one year. He is a Retail Account Manager whose assigned area includes Greensboro, NC. When he makes sales calls on the CITY OF GREENSBORO ABC BOARD, he meets with ALLEY and destroys distressed and broken liquor products at the CITY OF GREENSBORO ABC BOARD Administrative Office. When Adair makes sales calls on the CITY OF GREENSBORO ABC BOARD, Aebersold usually accompanies him. Adair has visited ALLEY one or two times when Aebersold did not go with him.

On August 23, 2010, I interviewed Adair.

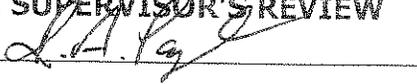
During our conversation, Adair detailed the process for destroying distressed liquor at the CITY OF GREENSBORO ABC BOARD. Usually, he and DeVriend review the list of distressed products marketed by Adair. They match the distressed products in storage with the products listed on the Destruction of Unsalable Merchandise Report. After matching all the products to those listed on the Report, DeVriend and Adair sign the Report and pour the liquor products down a sink in another room. DeVriend keeps the signed Destruction of Unsalable Merchandise Reports.

On at least one occasion, ALLEY, instead of DeVriend, witnessed Adair destroy distressed liquor. Adair said there was "no doubt in my mind" ALLEY watched as he destroyed liquor products. Adair signed the Destruction of Unsalable Merchandise Report and gave it to ALLEY. Adair believes ALLEY gave the Report to DeVriend. Adair's claim contradicts ALLEY'S assertion she is "not involved in that process [liquor destruction] at all." See Investigative Report at p. 86, ¶ 6.

Shortly after Adair began employment at SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., Aebersold instructed him not to pour out costly distressed liquor products at the CITY OF GREENSBORO ABC BOARD. He was told to put them in ALLEY'S office or a restroom located between ALLEY'S office and a conference room.

The first time Adair visited the CITY OF GREENSBORO ABCBOARD Administrative Office, ALLEY asked if he "knew the deal." ALLEY told Adair she was referring to discreetly putting expensive liquor, reported as distressed or broken, in her "bathroom or office" instead of destroying the products. According to Adair, he put liquor products reported as broken or distressed in ALLEY'S office or restroom "five or six times."

On one occasion, instead of pouring out the contents of a bottle of Lagavulin Scotch, Adair left the bottle in ALLEY'S restroom. Adair could not remember the date. He reported the product destroyed. Adair does not know the disposition of the bottle or its contents. (NOTE: On February 4, 2010, Adair signed a Destruction of Unsalable Merchandise Report indicating he destroyed a 750 milliliter bottle of Lagavulin Single Malt Scotch. The bottle was reported damaged and missing the label at ABC store #1. On March 4, 2010, Adair signed a Destruction of Unsalable Merchandise Report indicating he destroyed a 750-milliliter bottle of Lagavulin Single Malt Scotch. This bottle was reported damaged and missing the label at ABC store #7.)

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In the fall of 2009, Adair reported destroying a distressed 1.75 liter bottle of Tanqueray Rangpur Lime Gin. Instead of pouring the contents out, Adair put the bottle of gin on a bar in ALLEY'S office. He signed a Destruction of Unsalable Merchandise Report indicating the contents were poured out. He does not know the disposition of the bottle or its contents. (NOTE: On August 27, 2009, Adair signed a Destruction of Unsalable Merchandise Report indicating he destroyed a 1.75 liter bottle of Tanqueray Rangpur Lime Gin. The bottle was reported as broken/dented at ABC store #14).

In late 2009, Adair reported destroying a distressed 750-milliliter bottle of Don Julio Real Tequila. Instead of pouring the contents out, Adair put the bottle of tequila in ALLEY'S restroom. On January 5, 2010, Adair signed a Destruction of Unsalable Merchandise Report indicating the contents were poured out. The "location code" on the Report indicates the bottle was found leaking at the mixed beverage warehouse in the same building as the CITY OF GREENSBORO ABC BOARD Administrative Office.

Adair feared ALLEY would complain to his supervisor if he failed to follow instructions to put expensive distressed liquor products aside for ALLEY. At one point, Adair said he yielded because he "needed a job." Adair said no other ABC system employee has asked him to engage in this practice.

I told Adair of ALLEY'S claim that she never requested liquor vendor representatives put distressed liquor in her office or restroom. When I asked if ALLEY was being truthful, Adair answered, "No."

In October or November 2009, Aebersold and Adair visited ALLEY at the CITY OF GREENSBORO ABC BOARD Administrative Office. During the appointment, Aebersold told Adair to leave and return with mini bottles of spirituous liquor kept in a nearby storage facility. Adair said the liquor was in "my storage unit." He left and returned a short time later. Adair was unsure of the number, but said he returned with at least 24 mini bottles of Hennessy Cognac and at least 10 mini bottles of Ketel 1 Citrone Vodka. When Adair returned to the CITY OF GREENSBORO ABC BOARD Administrative Office, he met with ALLEY and Aebersold. ALLEY gave him the keys to her car, "a black Mercedes." Adair returned to his vehicle and removed the mini bottles of spirituous liquor. He put the bottles in the trunk of ALLEY'S car and returned the keys to her.

I told Adair of ALLEY'S claim that liquor vendor representatives had given her fewer than 10 mini bottles of spirituous liquor during her career at the CITY OF GREENSBORO ABC BOARD. Adair said ALLEY was not being truthful.

During a sales call in the fall of 2009, Adair took ALLEY a box containing a number of Captain Morgan Rum logo boxer shorts. According to Adair, he was instructed by Aebersold to carry the boxer shorts to ALLEY. When Adair gave the boxer shorts to ALLEY, she told him they were "for employees."

The interview concluded with Adair telling me he was truthful answering all questions.

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On April 23, 2007, at 7:04 a.m., ALLEY began the following e-mail exchange with Walter Jordan of Republic National Distributing Company:

Morning Walter,
Hope you are off to a great day!

Did you hear about the fires in Myrtle- at Barefoot Landing Resort? Mom called this morning and told me about it- she was a little frazzled but just called back and said it was on the other side of the water so hopefully it will not be near my place.

I know you and the family are going to enjoy the show! I am having dinner with Paulie C tonight- been planned for a while . . . so think of me listening to all that talk while you are batting the beach ball around (Smile face)

Be safe!
K

At 8:20 a.m., Jordan replied to ALLEY:

I heard about the fire yesterday and saw the severity of it on the news this morning. I thought about your Mom and your place, wasn't real sure exactly where your condo was. I'm headed to the beach in the morning for a homeowner's meeting this weekend and election of board members. When Buffett sings Fins tonight, I'll think about you having dinner with that shark, PC.

Take care,

Walter

At 8:28 a.m., ALLEY replied to Jordan:

I almost spitted on the monitor when I read that!

It is on the other side of the intercoastal- mine place is between the intercoastal water and 17 business- right behind California Dreaming. It is scary though since it could happen to anyone of us.

Happy Friday Eve and I hope all goes well at the beach!- know you are ready for a break? Got some bourbon and scotch going with ya?

K

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At 9:00 a.m., Jordan replied to ALLEY:

I exactly where you're at, don't go up that way much, but I know where California Dreaming is.....I've got some bourbon and cigars for the weekend,.

I'll be on the lookout for Lisa, enjoy your dinner and have a great weekend.

Walter

At 9:43 a.m., ALLEY replied to Jordan:

Thanks in advance for taking care of Lisa. In many ways, she has been a Godsend to me.

I looked over there where the fire is when I was going to buy something, but that bridge kept catching me and I thought oh no, this won't work. Can you imagine, drive all the way there and your drink awaits you and dang, got wait for the tug boat to pass, before you finally arrive at your place!!!

I will try to enjoy- [Unrelated topic]

Think I should order a W. Turkey or a Stoli? Don't respond to that- just messing!

See ya,
K

At 9:58 a.m., Jordan replied to ALLEY:

[Unrelated topic]

I still drink Maker's when I get a chance, I keep a bottle at the beach, it doesn't count if I drink it in SC.

I'm sure dinner will be pleasant, we'll be having cheeseburgers in paradise and drinking margaritas while you're dining and enjoying Caymus.....

Walter

ALLEY concluded the exchange in this reply to Jordan:

Oh Caymus would be awesome- you know you and I share some many great loves- cigars, golf, makers, Caymus, Cakebread!

Turkey's Rare Breed, Russell's Reserve, American Spirit and Kentucky Spirit aren't bad!!! It is so hard to beat Maker's. York keeps me a good supply- he knows it is my fav.

[Unrelated topic]

Did you hear that Greg got the job at Triad?- not sure if he is President like Jim, CEO like me, Calvin, Curtis, (maybe Craig), or GM or what.

Bill York is Vice President of the Performance Division of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC. York's division markets Makers Mark Bourbon.

On September 16, 2010, I interviewed York. Attorney Nick Bergman listened to the interview via telephone conference call.

York could not recall giving any Maker's Mark Bourbon to ALLEY. He read the e-mail message where ALLEY claimed York kept her "a good supply." After reading the e-mail message. York again said he has never given Maker's Mark Bourbon to ALLEY.

We also discussed NASCAR tickets allegedly given to ALLEY by liquor vendor representatives. The Investigative Report detailed an incident in October 2009 when David Brown gave ALLEY two tickets to a NASCAR race in Charlotte, NC. See Investigative Report p. 38, ¶ 7. York also discussed Brown furnishing tickets to ALLEY for the October 2009 NASCAR event in Charlotte. See Investigative Report p. 42, ¶ 5. ALLEY denied receiving any NASCAR tickets from representatives of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., See Investigative Report p. 82, ¶ 5.

York attended the October 2009 NASCAR event in Charlotte, NC. Although he did not recall seeing ALLEY at the race, York said if Brown claimed to have given the tickets to ALLEY, he believes Brown.

The interview ended a short time later.

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SPARROW & ASSOCIATES, INC.

On September 10, 2010, I interviewed Avery Sparrow, Vice President of SPARROW & ASSOCIATES, INC. He and I discussed e-mail exchanges he had with ALLEY.

On August 8, 2007, at 8:01 a.m., ALLEY sent the following e-mail to Sparrow.

Subject: Tee Shirts

Hi Avery,

Hope all is well with you!

Can you help me get some tee shirts for our warehouse-I need about 20 tees about 5 that are medium and 15 that are extra large. Can you please help?

How are things?

Katie

At 4:58 p.m., Sparrow replied to ALLEY.

Hey there my fellow scotch drinker! I've been out and about all week, and am finally home at a decent hour! I would be more than happy to bring some shirts for you all next time I go over there. Any particular brand, or just a variety?

I got your email regarding Burnett's distribution. Thank you. And of course, you know I want to talk to you about getting those other flavored 1.75's (Vanilla and Citrus) into the Rotherwood store, particularly the Citrus...!

[Last paragraph unrelated topic]

Avery Sparrow
Sparrow & Associates

On August 9, 2007, at 8:36 a.m., ALLEY replied to Sparrow.

Avery,

Great- thanks! Any brand will do- it is for our warehouse so they will be in the stores delivering and advertising.

All is good on this end- just trying to stay cool for the rest of these hot days. We broke record yesterday- 2 days in a row above 100.

[Last paragraph unrelated topic]

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Wishing you a fabulous weekend
K

Sparrow said the practice of giving t-shirts to ABC system managers was common in 2007. He did not consider ALLEY'S request to be inappropriate, but knew a "state rule" required him to give the t-shirts to the system manager instead of employees. Sparrow was confident he took the t-shirts to ALLEY. He does not know the disposition of the shirts.

On August 24, 2009, at 12:09 p.m., Alley sent the following e-mail to Sparrow:

Subject: Firefly Distiller

Hi Avery,
I would like to go to the firefly distiller on the Sat. after Thanksgiving.
My sister and brother in law and maybe my mom will be with me.
Should I arrange this with Scott or do I would you like to arrange it.
Thanks,
Katie

Sparrow arranged this distillery visit for ALLEY in October 2009 instead of November 2009. He said the Firefly distillery is not large and no cost was incurred to SPARROW & ASSOCIATES, INC., for this visit. Sparrow said the general public can tour the facility at no charge, but tours are not frequently scheduled.

On September 29, 2009, at 11:47 a.m., Jessica Williams (also known as Jessica Braswell), of SPARROW & ASSOCIATES, INC., sent an e-mail message to ALLEY.

Subject: Firefly Distillery Tour

Katie,

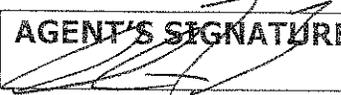
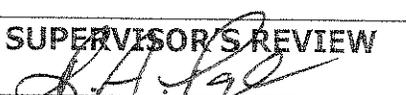
I am writing to confirm that one of your store managers, Byron Dahl wants to tour the Firefly Distillery on October 15th. Could you please let us know how many people this will include and what time he would like to take the tour? Please include Avery in your response.

Thanks!!

Jessica Braswell

At 11:47 a.m., ALLEY replied to Braswell.

Hi Jess,
It will be 4 in his tour and anytime in the afternoon is good with him.
Many thanks for doing this!
Katie

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On October 5, 2009, at 7:13 p.m., during an e-mail exchange, Sparrow sent the following message to ALLEY.

[First paragraph unrelated topic]

Also, I am still waiting to hear back from Wally regarding Byron's tour. He did confirm verbally last week that it wouldn't be a problem. I sent him another email just a few minutes ago and am sure that I will hear back from him shortly. I hope you got the email from Lisa Oak regarding our Antique Collection Bourbons last week!

At 7:32 p.m., ALLEY replied to Sparrow.

Thanks Buddy!
Wally confirmed both are at 300.

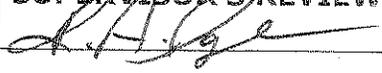
[Last paragraph unrelated topic]
K

Again Sparrow emphasized his company incurred no expense to arrange this tour. He said the tours are available to the general public and for each he simply made sure tours were offered on the dates ALLEY and Dahl planned to visit.

Sparrow and I also discussed other items of value he gave ALLEY. During the holiday season of 2008, Sparrow made a sales call on ALLEY. He gave her a 750-milliliter bottle of Evan Williams Single Barrel Bourbon. During the visit, Sparrow took the bottle to ALLEY'S office where he gave it to her.

When I told Sparrow of ALLEY'S claim that liquor vendor representatives had given her less than 10 mini bottles of product during her career, he laughed and told me her assertion was not correct.

The interview ended a short time later.

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PERNOD RICARD

PERNOD RICARD is a supplier of spirituous liquor brands such as Absolut Vodka, Seagram's Gin and Malibu Rum. The North Carolina State Manager for PERNOD RICARD is Scott Ehrenberger.

On August 29, 2007, ALLEY began the following e-mail exchange with Ehrenberger:

Hi Scott,

How are you doing and how is your family doing?

Thanks again for coming to our opening the first of August- your support means a lot. Jack Wooten has coordinated tastings for the newest gin and juice so hopefully the impact on that will be good. Thomas is doing well w/ displaying and of course both hit me up all the time for expanded distribution-whew!!!

You guys asked me about going to a Panther game this season and I wanted to know if it is possible to get 4 tickets to the Sept 30 Tampa Bay game?

When are you coming this way next-I would love to catch up with you.
K

On August 31, 2007, Ehrenberger replied to ALLEY:

Hi Katie,

The family is doing great- Thanks. I hope everything is going well for you. I am actually trying to schedule a trip to Greensboro in the very near future. I am planning on holding my Holiday Sales Meeting with the SWS reps in Greensboro this year. I wanted to show a little love in Greensboro & Katherine! I will let you know my schedule shortly and hopefully you can come out and join us for some fun that evening. I have tentatively scheduled Sept 27th in Greensboro for my Holiday Meeting (location TBD). I will keep you in the loop. The plan is to meet with the team in the afternoon and then take the entire team out for dinner. The after dinner we would possibly visit a couple of on-premise accounts. I would love to have you join us, if you are available.

I hope the new store is working out well for you. I appreciate you help with Seagram's Gin & Juice Tropical Thunder and allowing us to do the NA tastings. I am hoping that the tastings will help kick start the new flavor in Greensboro. I will share the tasting recaps and results

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with you as you receive them. I can definitely help you out with your request for the Tampa Bay game on Sept 30th and I look forward to spending some time with you. Kick off is at 4:05 pm. I will drop off the tickets when I am in Greensboro- if that is ok with you.

Have a great Holiday Weekend,
Scott

On September 4, 2007, ALLEY replied to Ehrenberger:

Hi Scott,

Great- I have you on the calendar for the 27th. And if you come before- that will be a bonus!

I look forward to reviewing the notes on the tastings.

Hope you have a great week!

K

On September 25, 2007, Ehrenberger sent the following message to ALLEY:

We will be having dinner tomorrow night in Greensboro at Grappa Grille @ 6pm. I hope that you can join us for dinner. The plan is to have dinner then afterwards hit a couple of on-premise accounts. I would love to have you come out! Please let me know if you can attend. You are welcome to bring a guest if you would like. Look forward to seeing you...

Dinner (6:00pm)

Grappa Grille

2618 Lawndale Dr

Greensboro NC

The following people will be attending:

Me

Natasha (new Pernod Ricard on-premise DM)

Kurt

Jack

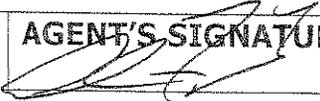
Mark Anderson (SWS on premise manager)

Katherine

Hopefully Katie

Thanks

Scott

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On September 26, 2007, at 7:50 a.m., ALLEY replied to Ehrenberger:

Hey Suga,
 So sorry I could not talk the other day- I had 2 board members calling and they need my immediate attention. We had a board meeting yesterday and all went well. I am so excited that you are coming to town and look forward to seeing you tonight. I may have to pass on the late night events. I have a 7:30 breakfast meeting tomorrow and I need to be as fresh as possible.
 Be safe in your travels up and can't wait to see ya!
 K

On September 26, 2007, at 8:29 a.m., Ehrenberger replied to ALLEY:

Katie,

I totally understand and I know how the job can get hectic at times. Glad to hear the board meeting went well. I am also happy to hear that you can join me for dinner and I'm looking forward to seeing you.

By the way, I have access to 4 pre-game field passes. You and your 3 guest will get escorted on the field and be able to walk around on the field while the team warms up. Everyone that has done this has enjoyed it. Let me know if you are interested in taking advantage of the field passes.

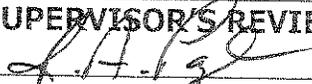
You will need to be outside the maingate by 3:45pm (1hr 15minutes) before the game. I will give you instructions if you decide to do this.

See you tonight,
 Scott

On September 24, 2010, I interviewed Ehrenberger. Attorney Hardy Lewis also attended the interview.

Ehrenberger and I discussed the e-mail exchange. He offered ALLEY tickets to Carolina Panthers football games on several occasions and did not consider ALLEY'S request for tickets to the September 30, 2007, game to be a solicitation.

Ehrenberger recalled two times when ALLEY attended Carolina Panthers football games using admission tickets provided by PERNOD RICARD. Once, ALLEY and her mother attended. On another occasion, ALLEY and "Kim" attended. Ehrenberger recalled seeing ALLEY at the September 30, 2007 Carolina Panthers football game, but was not sure ALLEY used the field passes. He remembered ALLEY'S mother attended the game and referred to her in a May 2008 e-mail message:

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Hi Katie,

[First paragraph unrelated topic]

I hope you have a wonderful weekend and please tell your Mom that I said HELLO! Your Mom is precious and I can see how you turned out the way you did "perfect."
Talk to you soon,
Scott

On June 12, 2008, ALLEY began the following e-mail exchange with Ehrenberger:

Hi Scott,

[First paragraph unrelated topic]

Hey – on another subject- A fun one- Carolina Panthers- I have 2 PSL in the upper level and I want to upgrade- do you ever come across PSL for sale in the lower level? If so I am interested in buying 2.
Hope you have a great day!
Katie

Ehrenberger replied to ALLEY:

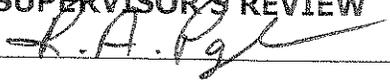
Hi Katie,

I will keep my ears open and ask around for you. I will even run this by my Panther's contact as well and get back to you. Have you checked out Craig's list in Charlotte or the Charlotte Observer Classified online? You might have some luck there. I think I may have told you this already, but I have decided to step up to a suite for this upcoming year. Holds 18 people and should be awesome experience. Hope to see you at a bunch of games.
Scott

On October 22, 2008, Ehrenberger sent the following message to Adam Deschenes, who works for the Carolina Panthers. This message was courtesy copied to Jack Wooten of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., and ALLEY:

Hi Adam,

I would like to use 4 of the field passes for a guest named Katie Alley and 3 of her friends for this upcoming weekend's game. Katie will be the contact for the passes. Katie's cell phone number is [intentionally omitted]. Katie will call you on your cell

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[intentionally omitted] if she is lost, running late or has any questions.

Katie- You and your friends will need to meet Adam (Panthers Rep) at 11:45am outside the main ticket office on Sunday.

I am looking forward to seeing you on Sunday.

Thanks,

Scott

On October 23, 2008, at 9:40 a.m., ALLEY replied to Ehrenberger:

Hi Scott,

Thanks so much for all!

Looking forward to seeing you as well and hearing all about the new things Pernod is doing.

Be safe and see you soon!

K

At 9:56 a.m., Deschenes replied to Ehrenberger. He courtesy copied Wooten and ALLEY:

Got it. Thanks.

The tickets, for admission to the October 26, 2008, Carolina Panthers football game, were left with a Carolina Panthers representative at the main entry gate for ALLEY. Ehrenberger was unsure if she used the field passes. After October 26, 2008, the Carolina Panthers next home football game was November 16, 2008.

On November 10, 2008 at 7:27 a.m., Ehrenberger sent the following e-mail message to ALLEY:

Good Morning Katie,

I hope you had a good weekend. I got your message from last week and have not heard back from my contact at the Panthers yet. I will call the stadium again today and ask about the camera. I will try and have an answer for you by the end of the day. If the camera was left in the room, it would have been locked in a special cabinet. Hopefully it will turn up today.

Talk to you soon,

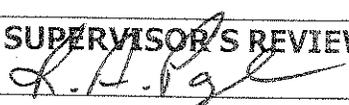
Scott

At 7:40 a.m., ALLEY replied to Ehrenberger:

Hi Scott,

Thanks so much – sorry to be a bother about this wishing you a great week!

K

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At 4:14 p.m., Ehrenberger replied to ALLEY:

Hi Katie,
 No luck as of yet. The stadium instructed me to try their lost and found at [intentionally omitted]. I would suggest having your guest contact the lost and found so that they can provide details about the camera make/model. I am not 100% certain that the person I spoke with had access to the cabinet that I mentioned and may have only checked the actual suite with out checking the cabinets. I will have Natasha check the cabinet this weekend for the camera. Please let me know what kind of camera it was? Still working on it!
 Thanks,
 Scott

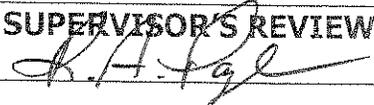
At 4:25 p.m., ALLEY replied to Ehrenberger:

Hi Scott,
 I will have him call this number-please don't worry about it one more second.
 Thanks so much!
 Katie

Ehrenberger recalled one of ALLEY'S guests left the camera in the PERNOD RICARD hospitality suite after the October 26, 2008, Carolina Panthers football game. The camera was not found.

During the interview, Ehrenberger and I discussed ALLEY'S claim that liquor vendor representatives have given her less than ten mini bottles of liquor products during her career at the CITY OF GREENSBORO ABC BOARD. Ehrenberger said "ten bottles sounds 'strange'." He has not frequently given liquor to ALLEY, but recalled a time when he gave her a "sample bottle" Glenlivet Scotch. Ehrenberger said the Scotch, which has a retail cost of \$50.00, was given to ALLEY at her office when he was working to "market a new product."

The interview ended a short time later.

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II. THE CITY OF GREENSBORO ABC BOARD

Prem Lawrence has been employed by the CITY OF GREENSBORO ABC BOARD since 1981. He is the Assistant Manager at the City of Greensboro ABC Store on High Point Road. Lawrence is currently out of work due to injuries sustained in an automobile accident. He recently filed a discrimination complaint with the Equal Employment Opportunity Commission against ALLEY and the CITY OF GREENSBORO ABC BOARD after he was passed over for promotion to a store manager position.

On August 5, 2010, I interviewed Lawrence. He discussed a number of issues including ALLEY'S management practices, displays in ABC stores, and liquor transfers between ABC stores.

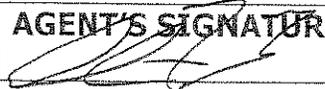
During his employment at the CITY OF GREENSBORO ABC BOARD, Lawrence has gotten "good" performance evaluations. Since ALLEY assumed the General Manager's position, Lawrence has seen his performance evaluations but has not been given a copy of them. He consistently received salary increases for his performance until this year when he did not receive a salary increase. He alleged ALLEY received a 10% salary increase this year.

The process of transferring liquor from one City of Greensboro ABC store to another is not unusual. At times, a brand of liquor sells out at one ABC store and a request is made to another store for the same liquor to be transferred to the first store. For inventory control purposes, paperwork is completed each time liquor is transferred from one store to another. Lawrence recalled an incident in 2008 or 2009 when ALLEY called him via telephone and requested a bottle of Remy Martin XO Cognac be transferred from his store to the CITY OF GREENSBORO ABC BOARD Administrative Office. This particular brand of liquor is costly (approximately \$300.00) and was locked in a glass case at the High Point Road ABC store. Although transferring liquor between ABC stores is a common practice, Lawrence said transferring liquor from an ABC store to the CITY OF GREENSBORO ABC BOARD Administrative Office was "unusual." Lawrence honored ALLEY'S product transfer request with little concern. He completed the paperwork and the Remy Martin XO Cognac was taken from the ABC store, either by a warehouse employee or Marnina Queen.

Lawrence had second thoughts about ALLEY'S request for transferring the Remy Martin XO Cognac after he read the Investigative Report. He does not know the disposition of the bottle of liquor, but wondered aloud if ALLEY kept the bottle for herself.

During the interview, Lawrence mentioned seeing boxes of mini bottles of liquor on a truck used by warehouse employees to deliver liquor products to City of Greensboro ABC stores. Employees who drive the truck have told Lawrence the boxes of mini bottles are taken to the CITY OF GREENSBORO ABC BOARD Administrative Office.

The CITY OF GREENSBORO ABC BOARD maintains a policy for displays of spirituous liquor sold in ABC stores. ALLEY makes all display decisions for merchandise placement in City of Greensboro ABC Stores. Lawrence said most brand displays in ABC stores are allotted one area for product display. However, Jim Beam Red Stag Bourbon is allotted two display areas in all City of Greensboro ABC stores. Lawrence said, "No other brands are given this privilege." (Beam Global Spirits & Wine, Inc., supplies Jim Beam Red Stag Bourbon to the CITY OF GREENSBORO ABC BOARD. The Investigative

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Report detailed instances when employees of Beam Global Spirits & Wine, Inc., purchased meals for ALLEY. See Investigative Report at p. 9, ¶¶ 4, 5, 6).

We also discussed the CITY OF GREENSBORO ABC BOARD'S policy prohibiting employees from accepting gifts from liquor vendor representatives. According to Lawrence, this policy was implemented by ALLEY after she became general manager of the CITY OF GREENSBORO ABC BOARD.

Lawrence discussed ALLEY'S management style and practices. He described her management style with the acronym "H.I.T." When I asked the meaning of H.I.T., Lawrence said, "Harass, intimidate, and threaten." He recalled a conversation with ALLEY in 2006 where she told Lawrence "argue with me and I'll fire you." He believes ALLEY transfers employees from one ABC store to other ABC stores attempting to force transferred employees to resign. Lawrence said ALLEY does not allow employees to speak with the CITY OF GREENSBORO ABC BOARD and, referring to employees, said, "People are not happy." He said ALLEY intimidates employees and he has heard her tell employees, "I sign your paycheck." Lawrence said many CITY OF GREENSBORO ABC BOARD employees are reluctant to be interviewed for this investigation because they are fearful ALLEY would return to work and retaliate against them. Lawrence said ALLEY intimidates employees of the CITY OF GREENSBORO ABC BOARD and during conversations with her, "You just listen."

The interview ended a short time later.

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On August 6, 2010, I interviewed Debbie DeVriend at the CITY OF GREENSBORO ABC BOARD Administrative Office. DeVriend has been employed by the CITY OF GREENSBORO ABC BOARD for approximately five years as an Inventory Control Specialist. She handles paperwork related to receiving liquor, makes payments to suppliers for liquor purchased by the CITY OF GREENSBORO ABC BOARD, processes Destruction of Unsalable Merchandise Reports, and handles claims for broken containers of liquor products.

During the interview DeVriend discussed her rapport with ALLEY. DeVriend said she has no relationship with ALLEY outside of work. She described ALLEY as "stern but fair." She has never seen ALLEY mistreat other employees of the CITY OF GREENSBORO ABC BOARD. However she recalled one incident shortly after her employment began at the CITY OF GREENSBORO ABC BOARD when ALLEY called her a "dumbass" in front of other employees. DeVriend also mentioned two other times when she was berated by ALLEY, once in front of fellow employee Stephanie Thornlow.

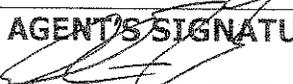
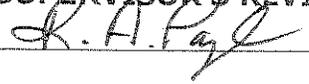
In discussing ALLEY'S relationship with other employees, DeVriend felt as if ALLEY gave preferential treatment to former employee Lisa Williams. An example she cited detailed medical appointments. ALLEY required documentation from all employees who took time off work to visit doctors, except Williams. Later ALLEY required all employees, including Williams, to submit documentation certifying they missed work to visit the doctor.

Since ALLEY was placed on administrative leave on July 22, 2010, she has called DeVriend at work three or four times. The last time was August 4, 2010, or August 5, 2010. During that conversation, ALLEY notified DeVriend the CITY OF GREENSBORO ABC BOARD had retained private investigators to look into this matter.

I asked DeVriend if anyone told her how to answer questions during my interview. She responded that Assistant General Manager Fred McCormick and CITY OF GREENSBORO ABC BOARD Attorney Mike Fox instructed her to answer all questions truthfully.

ALLEY has not instructed DeVriend how to answer questions. However, ALLEY has repeatedly mentioned issues uncovered in this investigation and repetitively "re-enforced her remembrance of things." For example, prior to this investigation, ALLEY never mentioned destroying distressed or broken liquor products. Prior to being placed on administrative leave on July 22, 2010, DeVriend said it was common for ALLEY to walk around the office and randomly mention not knowing how to process and destroy broken or distressed liquor containers. ALLEY repeatedly said, "I don't know how to handle breakage." DeVriend felt as if ALLEY'S comments were an attempt to influence employees' responses to questions regarding ALLEY'S involvement handling broken or distressed products.

DeVriend also discussed ALLEY'S assertion of not being involved in the process of handling distressed or broken liquor products. On a number of occasions, as DeVriend stopped her work to witness liquor vendor representatives destroy distressed liquor products, ALLEY announced, "I've got it," meaning ALLEY volunteered to observe the product destruction with the liquor vendor representative. Subsequently, DeVriend returned to her duties while the liquor was destroyed. In these situations, after ALLEY met with liquor vendor representatives, she brought completed Destruction of Unsalable Merchandise Reports to DeVriend for signature, even though DeVriend did not witness the products

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destroyed. All other employees of the CITY OF GREENSBORO ABC BOARD who witness destruction of broken or distressed liquor sign Destruction of Unsalable Merchandise Reports and return them to DeVriend. Yet, when ALLEY is involved, she brings the reports to DeVriend after the liquor has been destroyed for DeVriend to sign. After the reports are returned to DeVriend, she makes certain they are mailed to the appropriate supplier to ensure the CITY OF GREENSBORO ABC BOARD receives monetary credit for the distressed product.

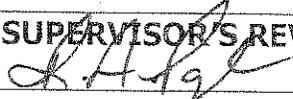
DeVriend discussed Amy Aebersold of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC. According to DeVriend, destruction of liquor products marketed by Aebersold is witnessed by ALLEY. At times though, Aebersold has destroyed liquor products with no CITY OF GREENSBORO ABC BOARD employee observing. Each time, the Destruction of Unsalable Merchandise Reports were returned to DeVriend without a signature by a CITY OF GREENSBORO ABC BOARD employee. DeVriend subsequently signed the reports.

I asked DeVriend if she was aware of times when ALLEY was untruthful. DeVriend mentioned an incident on July 16, 2010, when several news reporters visited the CITY OF GREENSBORO ABC BOARD Administrative Office. While talking with the reporters, ALLEY told them she did not handle broken or distressed liquor. DeVriend knows ALLEY witnessed destruction of distressed liquor products on a number of occasions.

DeVriend and I also discussed the electric fireplace in the CITY OF GREENSBORO ABC BOARD Administrative Office. According to DeVriend, the fireplace was put in the CITY OF GREENSBORO ABC BOARD Administrative Office by David Brown after this investigation began. DeVriend vividly remembered moving furniture with Stephanie Thornlow, at ALLEY'S direction, so the fireplace would fit in the CITY OF GREENSBORO ABC BOARD Administrative Office reception area. DeVriend recalled ALLEY pointing out where she wanted the fireplace set and how furniture should be arranged. Later, Brown brought the fireplace to the CITY OF GREENSBORO ABC BOARD Administrative Office. DeVriend mentioned a conversation with ALLEY about the fireplace. At one point, ALLEY asked DeVriend, "Why would I want that tacky thing when I have a \$20,000.00 rug at home?"

The next topic centered on mini bottles of spirituous liquor brought to the CITY OF GREENSBORO ABC BOARD Administrative Office. According to DeVriend, prior to January 2010, all boxes containing mini bottles of liquor delivered to the CITY OF GREENSBORO ABC BOARD Administrative Office were stored in ALLEY'S office. From January 2010 until July 16, 2010, mini bottles of spirituous liquor were stored in ALLEY'S office and a storage room where distressed liquor and office supplies are accumulated. When DeVriend arrived at work on the morning of July 16, 2010, she noticed all boxes of mini bottles were in an office close to hers (the law enforcement office). Later that morning, ALLEY claimed she moved the mini bottles to the new location. ALLEY told employees, "I didn't want y'all to have to be moving it." ALLEY also mentioned reporters visiting the CITY OF GREENSBORO ABC BOARD Administrative Office on July 16, 2010.

On the morning of July 16, 2010, ALLEY'S attorney, Jeff Gray, visited the CITY OF GREENSBORO ABC BOARD Administrative Office. Shortly after arriving, he requested DeVriend show him the process for documenting and destroying distressed liquor products. She stopped work to give a demonstration for Gray. Later, when reporters were at the CITY OF GREENSBORO ABC BOARD Administrative

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Office, ALLEY instructed DeVriend to explain the process for documenting and destroying distressed liquor. DeVriend remembered ALLEY telling her, "I need you to show the reporters how you handle breakage." DeVriend walked through the process for the reporters.

As set out in the Investigative Report, all CITY OF GREENSBORO ABC BOARD members are required to complete Financial Disclosure Statements before opening a new ABC store. The statements, which must be notarized after signing, certify board members hold no financial interest in the real estate where new ABC stores are located. The Investigative Report detailed a Financial Disclosure Statement bearing an alleged forged signature of ABC Board Chairman Jesse WARREN. DeVriend notarized the signature. See Investigative Report p. 60, ¶ 5.

While discussing Financial Disclosure Statements, DeVriend told me she was appointed as a North Carolina Notary Public on March 23, 2006. Since then, no CITY OF GREENSBORO ABC BOARD member has appeared in front of her to have signatures notarized on Financial Disclosure Statements. The statements, usually signed by board members at board meetings, were brought to DeVriend by former CITY OF GREENSBORO ABC BOARD employee Lisa Williams or ALLEY. When Williams brought the statements, she asked DeVriend to notarize the statements per ALLEY'S instructions. DeVriend notarized the statements and returned them to ALLEY or Williams. Occasionally, ALLEY remained in DeVriend's office and watched as the Financial Disclosure Statements were notarized without the principal being present. Regardless of who brought the statements, DeVriend followed the same protocol and notarized the statements without the principal present.

I mentioned Chairman WARREN'S statement asserting he appeared in front of DeVriend when he signed all Financial Disclosure Statements. See Investigative Report p. 73, ¶ 3. DeVriend twice said, "That's a lie!" She reiterated no CITY OF GREENSBORO ABC BOARD members appeared in front of her "to sign anything." I asked DeVriend why she notarized the statements without the principal being present. She replied, "Because Katie told me to." Near the end of this topic, DeVriend told me, "You don't question what Katie tells you to do."

When I interviewed ALLEY on May 17, 2010, she claimed DeVriend told her a principal's signature might be notarized without the principal present if another person observes the principal sign the document and swears to the notary the principal signed the document. See Investigative Report p. 84, ¶ 13. DeVriend said ALLEY'S assertion is correct, but concerns about improperly notarizing Financial Disclosure Statements were not raised by ALLEY until April 2010. During one conversation, ALLEY told DeVriend she "would be charged with a felony."

In July 2010, DeVriend, Thornlow, and ALLEY received new work computers. Subsequently, ALLEY told DeVriend and Thornlow they were authorized to purchase the old computer workstations for \$25.00 each. DeVriend accepted the offer and purchased her old computer, monitor, keyboard, and speakers for \$25.00. After making the purchase in June 2010, DeVriend took the computer to her home.

DeVriend said ALLEY got a new work computer after the hard drive in her old computer failed. The hard drive was sent to "a recovery center" in an attempt to recover data. After data recovery failed, DeVriend said the hard drive was sent to the computer manufacturer, Dell. A new hard drive was eventually installed in ALLEY'S computer.

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DeVriend is concerned ALLEY may return to work from administrative leave and retaliate for information DeVriend provided in this investigation. She is not concerned about her employment being terminated, because she is eligible for retirement. However, she has grave concerns about ALLEY mistreating her. I asked DeVriend if she was "scared of Katie." She responded, "No. But I dread the wrath of Katie."

At the conclusion of the interview, I requested DeVriend write a statement regarding the topics we discussed. DeVriend completed the statement, signed it, and gave it to me.

On August 9, 2010, I continued interviewing employees of the CITY OF GREENSBORO ABC BOARD. After I completed an interview, DeVriend requested to meet with me again.

As previously mentioned, DeVriend handles the majority of destruction of distressed liquor products with liquor vendor representatives. Each time a bottle of distressed liquor is destroyed, DeVriend and the liquor sales representative who markets the product sign and date the Destruction of Unsalable Merchandise Report indicating the product was destroyed.

During the meeting, DeVriend discussed a document request I made to the CITY OF GREENSBORO ABC BOARD in May 2010. In that request, I asked for all Destruction of Unsalable Merchandise Reports completed by CITY OF GRENSBORO ABC BOARD employees during 2007, 2008, and 2009.

After all the documents were compiled and put in boxes, ALLEY met with DeVriend. She instructed DeVriend to examine the Destruction of Unsalable Reports and compare them to DeVriend's Employee Data Calendar to ensure DeVriend worked on the date indicated on each report. ALLEY instructed DeVriend to remove all reports signed by DeVriend, but dated when DeVriend's Employee Data Calendar indicated she was on leave. DeVriend was instructed to put the reports in a folder and give the folder to ALLEY after the task was completed.

DeVriend began comparing the reports to her work calendar and removed those bearing her signature, but dated on days when she did not work. She kept the reports in a folder. Before the task was completed, the boxes of documents were taken to the office of Attorney Mike Fox for storage. As a result, all of the reports signed by DeVriend, but dated when she was not at work, were not removed. After the boxes of documents were taken from the CITY OF GREENSBORO ABC BOARD Administrative Office, DeVriend gave ALLEY the folder containing Destruction of Unsalable Merchandise Reports taken from the boxes.

Later, ALLEY visited DeVriend's office carrying the folder. She sat in a chair behind DeVriend. As DeVriend and ALLEY talked, ALLEY dropped the folder on the floor and kicked it under DeVriend's desk. Nothing was said about the folder until shortly before ALLEY was placed on administrative leave, when ALLEY told DeVriend "don't worry about it," because the folder was no longer under DeVriend's desk.

However, approximately three weeks later in early August 2010, the folder was found under DeVriend's desk when a fellow employee inadvertently pulled a drawer out of DeVriend's desk. DeVriend retrieved the folder and turned it, along with the contents, over to Attorney Mike Fox on August 9, 2010. When DeVriend gave the folder to Fox, she explained the details of ALLEY'S instructions to her and how

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ALLEY kicked the folder under her desk. DeVriend said ALLEY was dishonest when she told DeVriend the folder was no longer under the desk.

After DeVriend discussed the folder and Destruction of Unsalable Merchandise Reports, she and I visited her office. She showed me where she was sitting, where ALLEY was sitting, and how ALLEY dropped the folder and kicked it under the desk.

DeVriend gave me a copy of her 2007, 2008, and 2009 Employee Data Calendars. The calendars set out days when DeVriend worked during each of the three years. DeVriend showed me certain markings on the calendars which indicate she did not work on days bearing those markings. Examples include vacation leave and holidays. DeVriend said the calendar is "very accurate" and she did not work on the days so marked.

Later, Attorney Mike Fox and I discussed this development and he sent me copies of the documents from the folder, including several Destruction of Unsalable Merchandise Reports. I reviewed the Destruction of Unsalable Merchandise Reports in the folder and numerous others submitted by the CITY OF GREENSBORO ABC BOARD.

An examination of the Destruction of Unsalable Merchandise Reports compared to DeVriend's Employee Data Calendar shows DeVriend's signature on four Destruction of Salable Merchandise Reports dated January 9, 2007 and her signature on three Destruction of Unsalable merchandise Reports dated January 11, 2007. Her Employee Data Calendar indicates DeVriend did not work on January 9, 2007 or January 11, 2007. DeVriend later confirmed she did not work on these dates.

DeVriend's signature is on six Destruction of Unsalable Merchandise Reports dated February 8, 2007 and one Destruction of Unsalable Merchandise Report dated February 9, 2007. Her Employee Data Calendar indicates she did not work on February 8 and 9, 2007. DeVriend later confirmed she did not work on these dates.

An examination of the Destruction of Unsalable Merchandise Reports compared to DeVriend's Employee Data Calendar shows DeVriend's signature on 16 Destruction of Salable Merchandise Reports dated March 6, 2007. Her signature is on two Destruction of Unsalable Merchandise Reports dated March 7, 2007. DeVriend's Employee Data Calendar indicates she did not work on March 6 or March 7, 2007. DeVriend later confirmed she did not work on these dates.

On April 11, 2007, DeVriend's Employee Data Calendar indicates she did not work. Her signature is on nine Destruction of Unsalable Merchandise Reports dated April 11, 2007. DeVriend later confirmed she did not work on this date.

DeVriend's signature is on two Destruction of Unsalable Merchandise Reports dated March 7, 2008. Her Employee Data Calendar indicates she took vacation leave on March 7, 2008. DeVriend later confirmed she did not work on this date.

DeVriend's Employee Data Calendar for 2008 indicates she took four days of vacation leave and one day of sick leave the week of June 23 through June 27, 2008. Her signature is on seven Destruction of

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Unsalable Merchandise Reports dated June 26, 2008. DeVriend later confirmed she did not work on this date.

On August 1, 2008, DeVriend's Employee Data Calendar indicates she took sick leave. Her signature is on six Destruction of Unsalable Merchandise Reports dated August 1, 2008. DeVriend later confirmed she did not work on this date.

DeVriend's Employee Data Calendar indicates she took five days of vacation leave the week of August 18 through August 22, 2008. Her signature is on six Destruction of Unsalable Merchandise Reports dated August 18, 2008. DeVriend later confirmed she did not work on this date.

DeVriend's Employee Data Calendar indicates she took leave October 14 through October 24, 2008. Her signature is on twenty-two Destruction of Unsalable Merchandise Reports dated October 15, 2008. DeVriend later confirmed she did not work on this date.

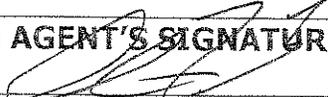
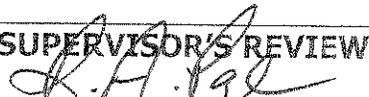
DeVriend's Employee Data Calendar for 2009 indicates she took five days of vacation leave from April 13 through April 17, 2009. Four Destruction of Unsalable Merchandise Reports bear DeVriend's signature on April 14, 2009. DeVriend later confirmed she did not work on this date.

In sum, eighty-nine Destruction of Unsalable Merchandise Reports signed by DeVriend are dated when she was not at work.

On August 16, 2010, I continued interviewing employees of the CITY OF GREENSBORO ABC BOARD. At the conclusion of one interview, I met with DeVriend, who explained the difference between "distressed" liquor products and "breakage" involving liquor products.

According to DeVriend, "distressed" liquor refers to product included in shipments which is damaged due to the distiller's handling of the product. Examples include leaking bottle caps, leaking cap seals, foreign matter in the bottle, a bottle broken in an unopened case, or a case which is short one or more bottles. When employees of the CITY OF GREENSBORO ABC BOARD discover "distressed" liquor products, they complete a Stock Difference Report and a Report of Loss and Concealed Damage Claim. Both reports, along with the product are transferred to the CITY OF GREENSBORO ABC BOARD Administrative Office. The bottle is stored to await destruction when the liquor vendor representative who markets the product next visits the CITY OF GREENSBORO ABC BOARD Administrative Office. The Stock Difference Report and Report of Loss and Concealed Damage Claim are given to DeVriend, who in turn generates a Destruction of Unsalable Merchandise Report to be signed by the liquor vendor representative and a CITY OF GREENSBORO ABC BOARD employee when the product is destroyed. The Destruction of Unsalable Merchandise Reports are sent, via U.S. Mail, to distiller and suppliers and the CITY OF GREENSBORO ABC BOARD receives a monetary credit for the cost of the distressed product.

Product "breakage" is a term designated to describe liquor products which are damaged or broken when handled by CITY OF GREENSBORO ABC BOARD employees. Examples include bottles broken while an employee stocks merchandise, a product returned by a customer, a bottle accidentally knocked from a shelf and broken. DeVriend pointed out when "breakage" occurs, a Stock Difference Report should be

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completed and the report, along with any remnants of the bottle, sent to DeVriend. The expense of breakage should be borne by the CITY OF GREENSBORO ABC BOARD. However, under a scheme DeVriend executed per ALLEY'S instructions, the cost of employee breakage was passed on to liquor distillers and suppliers. When DeVriend received a Stock Difference Report, she completed a Concealed Damage Claim and Destruction of Unsalable Merchandise Report. Subsequently, the products were destroyed and the Destruction of Unsalable Merchandise Report was mailed to the appropriate liquor distiller or supplier who absorbed the cost of the product.

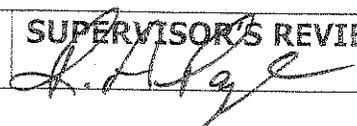
DeVriend began her employment at the CITY OF GREENSBORO ABC BOARD in 2005. She previously worked for another local ABC board which passed the cost of employee breakage of liquor product on to suppliers and distillers. Shortly after she began employment at the CITY OF GREENSBORO BOARD, DeVriend explained the process her former employer used to pass breakage costs to liquor distillers and suppliers to ALLEY. DeVriend explained how her former employer instructed staff members to treat product breakage the same as distressed product and submit the same documentation representing employee breakage as distressed products.

A short time after this conversation, ALLEY contacted DeVriend via the office telephone intercom and instructed DeVriend to implement the same breakage process as DeVriend's previous employer. ALLEY told DeVriend to "treat breakage as claims." ALLEY instructed DeVriend, upon receipt of Stock Difference Report, to complete a corresponding Report of Loss and Concealed Damage Claim and Destruction of Unsalable Merchandise Report for the broken or damaged product. When DeVriend asked about ABC store employees completing a Report of Loss and Concealed Damage Claim for each incident of product breakage, ALLEY said, "No. We'll handle it up here." Since that time, distillers and suppliers have subsidized the cost of all bottles of liquor damaged or broken by employees of the CITY OF GREENSBORO ABC BOARD. DeVriend said liquor vendor representatives "never see the Stock Difference Report and they never know what happened."

After ALLEY was placed on administrative leave, this practice was exposed at DeVriend's former place of work and reported in a local newspaper. In late July 2010, ALLEY called DeVriend at work and asked if the CITY OF GREENSBORO ABC BOARD engaged in this practice. When DeVriend said employees of the CITY OF GREENSBORO ABC BOARD engaged in the same practice, ALLEY ended the conversation and told DeVriend she would "call back from another phone."

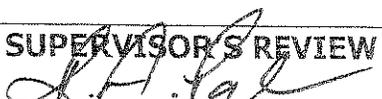
The news article DeVriend was referring to appeared in the July 29, 2010, edition of *The High Point Enterprise*. Later, DeVriend showed me the call log from her cellular telephone. The log indicates DeVriend received an incoming call on July 30, 2010 at 4:10 p.m. from a number designated as "Katie Cell." The log shows a second incoming call at 4:56 p.m., from a number designated "Kim Katie's Kim."

When ALLEY called the second time, DeVriend mentioned their 2005 conversation and explained how ALLEY instructed DeVriend to report "breakage" as "distressed" products. ALLEY denied having the conversation with DeVriend. (NOTE: After ALLEY was placed on administrative leave, DeVriend explained the process to Assistant General Manager Fred McCormick, who ordered the practice stopped.)

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After DeVriend disclosed this process to me, I requested all Stock Difference Reports completed by CITY OF GREENSBORO ABC BOARD employees since 2005. A review of the reports indicates from June 13, 2005 through May 17, 2010, more than 200 Stock Difference Reports were submitted to DeVriend. In turn, Destruction of Unsalable Merchandise Reports were generated and sent via US Mail to liquor suppliers and distillers, thus passing the costs of employee "breakage" on to liquor suppliers and distillers. Liquor distillers and suppliers instead absorbed the cumulative cost of \$2696.92, which should have been incurred by the CITY OF GREENSBORO ABC BOARD.

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Jasen Milliken has been employed at the CITY OF GREENSBORO ABC BOARD for approximately 17 years. He has served as the Warehouse Manager for the last seven years. As the Warehouse Manager, Milliken supervises three people responsible for receiving liquor from the state warehouse in Raleigh and distributing liquor to the 15 City of Greensboro ABC stores.

On August 9, 2010, I interviewed Milliken.

Milliken, who has not spoken with ALLEY since July 22, 2010, said he has a good working relationship with her. He communicates with her on a regular basis and has no problems with ALLEY. Milliken discussed his last performance appraisal in 2009 in which he said he fared well. In discussing ALLEY'S opinion of the quality of his work, Milliken said, "She was pleased."

We also discussed mini bottles of spirituous liquor which were removed from larger bottles at the warehouse. Milliken said the removed mini bottles are "products we don't sell." As a result, ALLEY ordered those bottles be delivered to the CITY OF GREENSBORO ABC BOARD Administrative Office. Milliken delivers boxes of mini bottles to the CITY OF GREENSBORO ABC BOARD Administrative Office every two to three weeks and at times has delivered seven to eight boxes. He puts the boxes of mini bottles in ALLEY'S office or in "the law enforcement office."

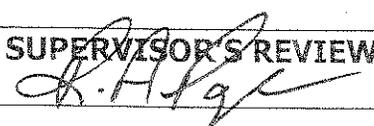
Milliken said, at times, he has re-distributed mini bottles of spirituous liquor to ABC stores to be placed on merchandise as added value. He has not engaged in this practice in the last three to four months.

Milliken said he has never taken mini bottles to ALLEY'S house and he has never taken mini bottles to the homes of CITY OF GREENSBORO ABC BOARD members. He also said he has never seen ALLEY take mini bottles from the Administrative Office.

During the 2009 Christmas season, Milliken recalled ALLEY gave him a brown paper bag containing 10-15 mini bottles of spirituous liquor. Milliken said the bag was a gift and all CITY OF GREENSBORO ABC BOARD employees received a similar gift. Milliken also said ALLEY has given him mini bottles of spirituous liquor "two, three, or four times."

The next topic of conversation centered on the Jim Beam fireplace at the CITY OF GREENSBORO ABC BOARD Administrative Office. At least one time each week, usually Thursday, Milliken visits the CITY OF GREENSBORO ABC BOARD Administrative Office. He said the fireplace has been at the Administrative Office "a few months." He did not think the fireplace had been at the Administrative Office for a year.

In closing, Milliken said he answered all my questions truthfully. He also said he would be willing to submit to a polygraph examination, even though "it's not an accurate thing."

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Stephanie Thornlow is an Accountant employed by the CITY OF GREENSBORO ABC BOARD. She handles payroll, human resources and benefits such as health insurance, vision insurance and dental insurance. She also receives CITY OF GREENSBORO ABC BOARD credit card statements and ensures payments are made on credit cards issued to the CITY OF GREENSBORO ABC BOARD.

On August 12, 2010, I interviewed Thornlow at the City of CITY OF GREENSBORO ABC BOARD Administrative Office.

Thornlow last spoke with ALLEY on August 9, 2010, when ALLEY called the CITY OF GREENSBORO ABC BOARD Administrative Office with questions about vision insurance. She also discussed eye doctors. ALLEY told Thornlow since she had been placed on administrative leave over forty employees had called ALLEY offering their support to her. ALLEY was upset she had not been contacted by CITY OF GREENSBORO ABC BOARD employee Marnina Queen. During the week of August 2, 2010, ALLEY called Thornlow at work at least three times.

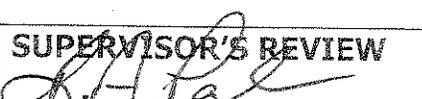
Thornlow also discussed concerns about ALLEY inconsistently applying CITY OF GREENSBORO ABC BOARD policies. As an example she cited sick days. At one time employees who took sick leave during any work shift were authorized to take up to six hours off the work shift. Employees scheduled to work an eight or ten hour shift had to make up two or four hours. Later ALLEY informally changed the policy designating sick leave for an entire work shift regardless of the length of the shift. Yet, she did not notify employees of the policy change.

While discussing Thornlow's relationship with ALLEY, Thornlow said, "I'm scared of her." Thornlow is concerned ALLEY will terminate her employment after learning about her discussion with me. At one point Thornlow said, "If she comes back I'm going to have to leave." Other CITY OF GREENSBORO ABC BOARD employees have told Thornlow they will seek employment elsewhere if ALLEY returns to work. Thornlow said employees fear ALLEY more than they respect her.

Conversely, Thornlow said ALLEY at times, has a tendency to "take care of employees and work on benefits." For example, in 2004 ALLEY successfully lobbied the CITY OF GREENSBORO ABC BOARD to re-instate longevity pay for all employees. This benefit remains intact for all employees.

We discussed the December 2008 Financial Disclosure Statement which was allegedly signed by someone other than CITY OF GREENSBORO ABC BOARD Chairman WARREN. Initially, Thornlow said she was unsure who signed the document. After a few minutes of thought, she recalled the document was signed when WARREN was unavailable and contacted former employee Lisa Williams. Thornlow thought WARREN told Williams to have an employee sign his name. Thornlow was confident Williams refused to sign the document. She was also sure DeVriend did not sign the document, but notarized it. At one point, Thornlow said the form was signed "probably either by me or Marnie [Queen]." She also said, "Skip WARREN did not sign the document. My five year old could look at it and tell you that."

Thornlow discussed the day the statement was signed and went through events as they occurred. She remembered practicing signing WARREN'S name with Queen. She paused, looked at the statement, and said, "The more I look at it the more I think I did it." Thornlow thought WARREN'S signature on the

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statement is in her handwriting. As she examined the signature on the document, Thornlow said, "It does look like mine. I honestly don't remember doing it, but it looks like my handwriting." Thornlow recalled more events from the day the statement was signed. She recalled signing the statement because Lisa Williams told her WARREN was in Florida and told Williams to have the statement signed. When Williams refused to sign statement, Thornlow signed WARREN'S name. Thornlow said this is the only time she signed WARREN'S name to any document.

After this investigation began, ALLEY twice questioned Thornlow about the statement. One time, Thornlow felt as if ALLEY wanted her to respond that Williams signed the document. At another time Thornlow felt as if ALLEY wanted her to say Queen signed the document.

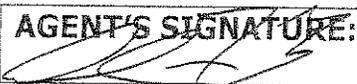
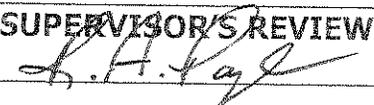
Kenny Chesney is a country musician who performs at various concert venues. In 2004, Thornlow attended the Kenny Chesney concert at the Greensboro Coliseum. Shortly after arriving, Thornlow saw ALLEY and a former employee of the CITY OF GREENSBORO ABC BOARD in the parking lot. ALLEY told Thornlow she and the former employee were going to the concert. Thornlow felt as if ALLEY had gotten tickets from a liquor vender representative and was disappointed ALLEY did not get tickets for Thornlow. Later they had a conversation about Thornlow's concerns. ALLEY assured Thornlow she would get tickets the next time Kenny Chesney made an appearance in Greensboro.

In early 2007, Kenny Chesney performed again at the Greensboro Coliseum. ALLEY did not give tickets to Thornlow. However, she instructed Thornlow to go to the Greensboro Coliseum the day of the concert and meet Red Schiller of Beam Global Spirits and Wine Inc., and Bill York of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., near the front door of the coliseum to get two admission tickets. Thornlow met Schiller and York and got two tickets to the concert. In addition to concert admission (seats were on the front row), the tickets gave her access to a party bus where she had food and drinks. She also met Kenny Chesney and had her photograph taken with him.

Although she has not seen it, Thornlow has heard of ALLEY receiving complimentary tickets from liquor vendor representatives for admission to Carolina Panthers football games and NASCAR events. She has also heard of ALLEY receiving 750 milliliter bottles of liquor at no cost from liquor vendor representatives. She said this occurs "every now and then."

I asked Thornlow about Mike Ramone's assertion in the Investigative Report that he removed 480 mini bottles of Crown Royal liquor, put them in a box, and took it to ALLEY'S office. See Investigative Report p. 89, ¶ 7. Thornlow was unaware of this particular event, but mentioned the prospect that ALLEY gave the mini bottles to Kimberlee Wilson. Thornlow described Wilson as a friend of ALLEY'S who "loves Crown Royal." On at least one occasion, Thornlow heard ALLEY say, "Kim loves Crown." On at least two occasions Thornlow has seen Wilson drinking Crown Royal whisky and coke. Thornlow has seen a quilt made for Wilson comprised exclusively of purple cloth bags bearing the Crown Royal logo. Thornlow also mentioned one holiday season when ALLEY and Wilson decorated a "Crown Royal" Christmas tree.

Prior to this investigation, most mini bottles removed from mixed beverage spirituous liquor were stored in boxes in ALLEY'S office, however, some were stored in the law enforcement office. Those stored in the law enforcement office were intended to be used in gift bags given to employees.

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Thornlow said on July 15, 2010, a "few" boxes of mini bottles were stored in the law enforcement office at the CITY OF GREENSBORO ABC BOARD Administrative Office. One can easily see in the law enforcement office because the door remains open and the lights are usually turned on. Moreover, Fred McCormick and Marnina Queen occasionally work in the law enforcement office.

On July 16, 2010, prior to 7:00 a.m., ALLEY called Thornlow at home and told her to dress nicely for work. ALLEY said her attorney (Jeff Gray) would pay a visit to the CITY OF GREENSBORO ABC BOARD Administrative Office and Thornlow should "look like a million bucks."

Thornlow and DeVriend arrived at work at their usual time. ALLEY arrived after 9:00 a.m. and told them reporters would be visiting the CITY OF GREENSBORO ABC BOARD Administrative Office later in the morning.

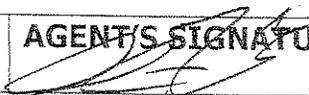
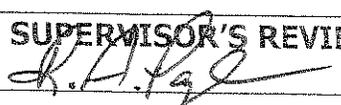
Between 9:30 a.m. and 10:00 a.m., reporters arrived at the CITY OF GREENSBORO ABC BOARD Administrative Office to speak with ALLEY and Gray. During the interview ALLEY requested DeVriend demonstrate the destruction process for broken and distressed liquor products at the CITY OF GREENSBORO ABC BOARD Administrative Office. DeVriend walked the reporters through the process. However DeVriend was not happy because she was not told reporters were visiting the office. Later in the day after the reporters had left ALLEY apologized to DeVriend and told her she did not know the reporters were visiting the office.

Prior to reporters arriving on the morning of July 16, 2010, Thornlow noticed numerous boxes of mini bottles of spirituous liquor stacked in the law enforcement office. She mentioned "bright blue tape" on the boxes which she had not previously seen. Thornlow said, "That's what caught my eye."

Thornlow thinks the boxes of mini bottles were staged in the law enforcement office for the reporters. When I asked why she thought they were staged, Thornlow said, "Because I know Katie. CYA. She is going to cover her ass." Thornlow said the boxes were in ALLEY'S office on July 15, 2010 and thought it ironic they were moved in the law enforcement office the next day when reporters visited. Referring to the relocated boxes of mini bottles, she said, "Oh! They just happen to show up in there the same day the reporters were coming." She also mentioned a photograph of the boxes of liquor which appeared with a story about ALLEY in the *Greensboro News and Record*. Thornlow said again some boxes of mini bottles were stored in the law enforcement office prior to July 16, 2010, but referring to the quantity of boxes, they were "not stacked up like in the picture."

During the meeting with reporters, ALLEY also discussed a bar in her office. At one point during the interview, ALLEY showed a receipt and told the reporters she paid for the bar. Thornlow discounted ALLEY'S claim and showed me a credit card statement where \$1639.97 was charged to the CITY OF GREENSBORO ABC BOARD for the purchase of the bar. At one point during the conversation, Thornlow said, "Katie lies all the time."

For the second time during the interview, Thornlow raised concerns about being terminated from her employment for cooperating in this investigation. She feels the CITY OF GREENSBORO ABC BOARD is supportive of ALLEY and "they are going to try to keep her." Thornlow said the Board sees ALLEY only at their monthly meeting and, "she has got them snow-balled." Other employees will not complain

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to the CITY OF GREENSBORO ABC BOARD about ALLEY'S mistreatment of subordinates. Thornlow said any complaints made to the CITY OF GREENSBORO ABC BOARD about ALLEY will "get back to Katie." Thornlow specifically mentioned CITY OF GREENSBORO ABC BOARD member Roger Cotten, who was once the Guilford County Manager. During a portion of that time, ALLEY worked in the County Manager's Office. When ALLEY submitted her resume for employment as General Manager of the CITY OF GREENSBORO ABC BOARD, Cotten was one of three references on the resume. Thornlow told me ALLEY'S family has a close relationship with Cotten and at one point said, "Katie is tight with Roger Cotten."

We discussed the electric fireplace at the CITY OF GREENSBORO ABC BOARD Administrative Office. Thornlow remembered David Brown bringing the fireplace "maybe in May" of 2010. She recalled the weather was hot. She also remembered the furniture in the reception area being rearranged to make room for the fireplace.

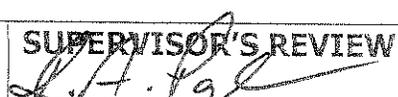
In December 2007, Thornlow and ALLEY met Pat Moize, a former ABC Officer employed by the CITY OF GREENSBORO ABC BOARD. The meeting took place at the Capital City Chop House in Morrisville, NC. According to ALLEY, Moize contacted her and requested the meeting to discuss returning to work for the CITY OF GREENSBORO ABC BOARD. ALLEY agreed to meet Moize and requested Thornlow accompany her so ALLEY would feel "more secure." See Investigative Report p. 85, ¶ 2.

Thornlow's recollection of this event differs from ALLEY'S. According to Thornlow, ALLEY wanted to meet with Moize to discuss a lawsuit filed by a former ABC Officer employed by the CITY OF GREENSBORO ABC BOARD. Moize and Thornlow are friends and ALLEY thought Moize would be more comfortable with Thornlow present. Contrary to ALLEY'S claim, Thornlow was adamant the meeting was not requested by Moize. Thornlow believes she contacted Moize, via telephone or e-mail, to arrange the meeting. Thornlow was unsure who chose the restaurant, but said Moize "would not have picked an expensive restaurant like that." While they were at the Capital City Chop House, Thornlow remembered ALLEY told Moize to order anything he wanted from the menu. ALLEY paid the cost of all three attendees' meal with a CITY OF GREENSBORO ABC BOARD credit card.

ALLEY has not directly told Thornlow how to respond to questions on this topic. However, since this investigation began, ALLEY questioned Thornlow several times about why they met with Moize. Because Thornlow fears ALLEY will retaliate against her if she does not tell ALLEY "what she wants to hear," Thornlow answered, "Because he wants his job back." Thornlow told me her responses to ALLEY about Moize wanting his job back were not true. Thornlow said, "I don't stand up to her."

In July 2010, Thornlow, DeVriend, and ALLEY received new work computers. Subsequently, ALLEY told Thornlow and DeVriend they were authorized to purchase the old computer workstations for \$25.00 each. Like DeVriend, Thornlow accepted the offer and purchased her old computer, monitor, keyboard, and speakers for \$25.00. After making the purchase, Thornlow took the computer to her home.

At the conclusion of the interview, Thornlow told me she answered all questions truthfully. She also agreed to submit to a polygraph examination. I requested Thornlow write a statement regarding the topics we discussed. Thornlow completed the statement, signed it, and gave it to me.

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On August 16, 2010, I interviewed Charles Rieger, lead clerk at the Greensboro ABC Store #9 on Randleman Road. Rieger has been employed by the CITY OF GREENSBORO ABC BOARD for approximately sixteen years.

During the interview, Rieger discussed an incident from 2006 in which ALLEY took a radio from a display at an ABC Store. A liquor vendor representative set up a Malibu Rum display depicting a beach scene. The display included a miniature lifeguard stand and a radio. A CD player, which played beach music, was included on the radio.

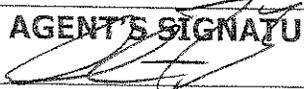
In the late summer of 2006, ALLEY visited the ABC Store, accompanied by an unidentified female friend. Just before ALLEY left she walked by the radio and looked at it. She said out loud, "I'll be taking this with me." She unplugged the radio, took it from the display, and walked out of the store.

Rieger thought it was odd that ALLEY took the radio because it belonged to a liquor supplier. He has not seen the radio since it was taken from the store.

Rieger also discussed another event in 2005 at the City of Greensboro ABC Store #8. One day while Rieger was at work, ALLEY visited City of Greensboro ABC Store #8 accompanied by Donavon Campbell, Kurt Strickland and Troy Waller, all of Republic National Distributing Company. As ALLEY watched, Campbell, Strickland, and Waller moved competitor's products to lower shelves and placed their products on the upper merchandise shelves. Rieger thought ALLEY allowing this practice was a show of favoritism to Campbell, Strickland and Waller for their liquor products.

In discussing ALLEY and her management style, Rieger has a fear of ALLEY learning he cooperated in this investigation and ALLEY retaliating against him. At one point, he said, "I am afraid to say anything." Rieger recalled reading the portion of the Investigative Report of my interview with former CITY OF GREENSBORO ABC BOARD employee Pat Moize. According to Rieger, "Moize was dead on in what he said. 'She'll get you.'" See Investigative Report p. 66, ¶ 3.

Rieger concluded the interview saying employees in the CITY OF GREENSBORO ABC BOARD are under a great deal of stress and "somebody needs to step up and say something."

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Marnina Queen was hired as the Personnel Director for the CITY OF GREENSBORO ABC BOARD in May 2008. Later, ALLEY changed Queen's title to Personnel Assistant/Training Officer for the CITY OF GREENSBORO ABC BOARD. Queen oversees human resources and personnel issues, such as disciplinary actions and performance evaluations. She also handles security at ABC stores, including monitoring surveillance cameras to detect unlawful activities. ALLEY keeps all CITY OF GREENSBORO ABC BOARD employee personnel files locked in a closet in her office and requires Queen to get approval from ALLEY to review or remove the personnel files.

On August 16, 2010, I interviewed Queen. At times during the interview, Queen referred to notes she has kept during her employment at the CITY OF GREENSBORO ABC BOARD.

At the outset of the interview, Queen recalled a telephone conversation with ALLEY the week of August 9, 2010. ALLEY called the CITY OF GREENSBORO ABC BOARD Administrative Office via telephone during business hours. Queen answered the telephone, unsure of who was calling. During the conversation ALLEY told Queen over forty employees of the CITY OF GREENSBORO ABC BOARD called ALLEY to offer support to her since she had been placed on administrative leave. She said to Queen, "But you're not one of them." During the conversation ALLEY, without provocation, claimed she had not initiated telephone calls to employees at the CITY OF GREENSBORO ABC BOARD, but instead was returning calls she missed. At the time ALLEY made this claim, Queen was aware of several calls ALLEY made to Thornlow's cell phone during business hours.

In mid July 2010, shortly after the release of the Investigative Report, ALLEY visited Queen's office with a page from the report. The particular page set out an interview with an unidentified employee of the CITY OF GREENSBORO ABC BOARD. ALLEY asked Queen, "Who would do this?" ALLEY also questioned Queen about a photograph of a shipping label for a case of wine shipped to ALLEY at the CITY OF GREENSBORO ABC BOARD Administrative Office. ALLEY wanted to know how the photograph was taken. During the conversation ALLEY told Queen her attorney, Jeff Gray, reported this investigator contacted him and exposed Queen as the unidentified employee in the Investigative Report.

On July 22, 2010, two certified letters addressed to ALLEY and CITY OF GREENSBORO ABC BOARD Chairman Jesse WARREN were delivered to the CITY OF GREENSBORO ABC BOARD Administrative Office. Queen said the certified letters were sent from Prem Lawrence, an employee of CITY OF GREENSBORO ABC BOARD. When the letters were delivered, Thornlow signed the return receipts and gave them back to the postman. Thornlow, unsure what to do with the letters, called ALLEY to ask for direction. ALLEY instructed Thornlow to place both letters under her office door. Thornlow followed ALLEY'S instruction. Later, during a meeting, ALLEY told Queen she could not find the two certified letters and accused Queen of taking the letters to "make her look bad." Queen does not know the disposition of the letters.

Queen and I discussed destruction of distressed and broken bottles of liquor at the CITY OF GREENSBORO ABC BOARD. During the May 17, 2020, interview with ALLEY, she claimed to have no involvement in the destruction of distressed and broken liquor products. Contrary to ALLEY'S assertion, Queen said she has seen ALLEY assist liquor vendor representatives with destruction of distressed liquor. The last time was in 2009. According to Queen, when certain liquor vendor representatives poured out distressed liquor products, ALLEY told other employees, "I've got it," and witnessed the

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destruction. ALLEY usually assisted when DeVriend was unavailable or busy. Queen saw ALLEY witness as Amy Aebersold, Donavon Campbell, Bill York and Rusty Conway destroyed distressed liquor. (NOTE: Aebersold said ALLEY never witnessed her destroy distressed liquor)

Queen has seen ALLEY with liquor vendor representatives in the room where distressed liquor is stored. She said there is no reason for liquor vendor representatives to be in that particular room except to destroy distressed liquor. Queen responded, "That's a lie," when I brought up ALLEY'S claim of not being involved in the liquor destruction process.

Queen and I also discussed other details of the Investigative Report, including ALLEY'S assertion that the CITY OF GREENSBORO ABC BOARD pays \$65.00 allowance each month for her cellular telephone. See Investigative Report at p. 76, ¶ 3. Queen said ALLEY'S statement was not true and the CITY OF GREENSBORO ABC BOARD actually pays the full amount for ALLEY'S monthly cellular telephone bill. Queen said Thornlow is responsible for ensuring the bill is paid each month.

I requested Thornlow to join the interview.

Thornlow confirmed the CITY OF GREENSBORO ABC BOARD pays ALLEY'S cellular telephone bill each month. She showed me ALLEY'S cellular telephone bills, exhibiting ALLEY'S home address, for January through June 2010. Thornlow also showed me receipts for checks written by the CITY OF GREENSBORO ABC BOARD to pay Verizon Wireless for ALLEY'S monthly cellular telephone bill. Following is the amount of money the CITY OF GREENSBORO ABC BOARD paid each month for ALLEY'S cellular telephone bill in the first six months of 2010: January 2010-\$168.72; February 2010-\$263.05; March 2010-\$167.39; April 2010-\$167.39; May 2010-\$167.57; and June 2010-\$167.57.

Thornlow said the Investigative Report misrepresented ALLEY'S annual salary. (NOTE: Alley told me her annual salary is approximately \$117,000.00. See Investigative Report p. 76, ¶ 3.) Thornlow gave me ALLEY'S salary history since she was appointed General Manager of the CITY OF GREENSBORO ABC BOARD.

On January 1, 2003, ALLEY was hired with an annual salary of \$85,000.00.

On July 1, 2003, ALLEY'S annual salary was increased 4% to \$88,400.00.

On July 1, 2004, ALLEY'S annual salary was increased 5% to \$92,820.00.

On July 1, 2005, ALLEY'S annual salary was increased 5.5% to \$97,930.00.

On July 1, 2006, ALLEY'S annual salary was increased 6% to \$103,810.00.

On July 1, 2007, ALLEY annual salary was increased 7.1% to \$111,185.00.

On July 1, 2008, ALLEY'S annual salary was increased 6% to \$117,860.

On July 1, 2009, ALLEY'S annual salary was increased 3% to \$121,400.00

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On July 1, 2010, ALLEY'S annual salary was increased 2% to \$123,830.00.

Queen and I discussed storage of mini bottles at the CITY OF GREENSBORO ABC BOARD Administrative Office. According to Queen, warehouse personnel deliver mini bottles to the CITY OF GREENSBORO ABC BOARD Administrative Office. Occasionally, Queen and Gloria Robins redistributed boxes of mini bottles to City of Greensboro ABC stores "every now and then." Until July 16, 2010, the majority of the mini bottles were stored in ALLEY'S office and some were kept in the law enforcement office.

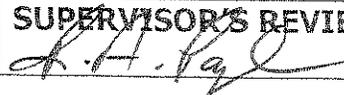
On July 16, 2010, local news reporters visited the CITY OF GREENSBORO ABC BOARD Administrative Office. Queen noticed numerous boxes of mini bottles of spirituous liquor stacked in the law enforcement office. Later, ALLEY told employees she moved the all the boxes of mini bottles into the law enforcement office.

In early 2010, Queen had a new video security camera installed near the main entrance at the CITY OF GREENSBORO ABC BOARD Administrative Office. Video from the camera was recorded to a computer hard drive in the Administrative Office. On May 7, 2010, when ALLEY learned the camera was recording to a hard drive, she ordered Queen to contact the installation company and deactivate the camera's recording capability.

Queen was not aware of any details surrounding the alleged forging of Chairman WARREN'S signature on a Financial Disclosure Statement. She did not know who signed or notarized the statement. Queen said Thornlow's recollection of them practicing writing WARREN'S signature was incorrect. The only time Queen practiced writing WARREN'S signature was at ALLEY'S request to sign WARREN'S name on a letter to members of the North Carolina General Assembly setting out the CITY OF GREENSBORO ABC BOARD'S opposition to privatizing spirituous liquor sales in North Carolina. Queen does not know who signed the letter, but was confident the letter was mailed to members of the legislature.

Queen discussed attending the 2008 Bruce Springsteen concert with ALLEY at the Greensboro Coliseum. Prior to the event, ALLEY asked if Queen wanted to go to the concert. Queen, thinking ALLEY had an extra ticket, accepted the invitation and met ALLEY at the Greensboro Coliseum on the day of the concert. When Queen met ALLEY in the parking area, she was accompanied by a liquor vendor representative. When Queen met the liquor vendor representative, she thought he gave the tickets to ALLEY. Queen bought money to pay for the ticket, but ALLEY told her "not to worry about it." Queen said the seats for the concert were not very good and described them in relationship to the stage as "far away."

In 2002 or 2003, Queen was a student at Western Carolina University in Cullowhee, North Carolina. A liquor vendor representative gave her two tickets to the Montgomery Gentry Concert. A friend accompanied Queen to the concert. No employees of the North Carolina ABC Commission went with Queen to this concert and she did not see any ABC Commission employees. When I told Queen that ALLEY asserted ABC Commission employees went with her to the concert, Queen said, "That was untrue."

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In 2006, Queen attended the Kenny Chesney Concert at the Verizon Center in Charlotte, North Carolina. At the time she was employed by the North Carolina ABC Commission and got tickets to the concert from a liquor vendor representative. She said her supervisor at the time, Danny Sellars, authorized her to use the tickets. She described attending the concert as a, "last minute thing" and got the tickets the same day as the concert. While Queen was at the concert she did not see any other employees of the North Carolina ABC Commission.

Queen and I next discussed different aspects of ALLEY'S management. Queen plans to resign her position with the CITY OF GREENSBORO ABC BOARD if ALLEY returns to work. Queen said the CITY OF GREENSBORO ABC BOARD has "good employees" and she does not want to leave. She went on to say, "If Katie comes back I will resign that day. I can't work for anybody I don't respect anymore." Queen recalled a recent incident at a local fast food restaurant. On this particular day, she wore a shirt with a City of Greensboro ABC logo on the front. While waiting in line to order, a customer noticed the logo on Queen's shirt and sarcastically asked, "Who's buying your lunch today?" Queen said the incident left her embarrassed and humiliated.

Queen also recalled another day in which ALLEY, Queen, Thornlow, DeVriend and McCormick were eating lunch in the conference room at the CITY OF GREENSBORO ABC BOARD Administrative Office. Without provocation, ALLEY asked Queen numerous questions about Tracy Fulk, a Greensboro Police Officer who oversees the law enforcement function for the CITY OF GREENSBORO ABC BOARD. Before Queen answered one question, ALLEY asked another question without giving Queen an opportunity to respond. The questions continued several minutes until Queen walked away from the table and left the room.

In closing, Queen recalled a time after she answered a telephone call from a reporter who requested salary information on CITY OF GREENSBORO ABC BOARD employees. Queen attempted to take a message and have ALLEY return the call. However the reporter was persistent, so Queen requested McCormick speak with the reporter. Later ALLEY berated Queen about her handling of the call and called her a "dumb ass." When she spoke of this incident, Queen mentioned her career serving in the United States Air Force. She said she dealt with some "mean commanders," but none spoke to her in the same manner as ALLEY.

The interview ended a short time later.

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On August 26, 2010, I interviewed CITY OF GREENSBORO ABC BOARD Chairman Jesse WARREN. The CITY OF GREENSBORO ABC BOARD Attorney, Mike Fox, also attended.

At the outset, we discussed Financial Disclosure Statements. The statements, which must be notarized after signing, certify board members hold no financial interest in the real estate where new ABC stores are located. The Investigative Report detailed a Financial Disclosure Statement bearing the alleged forged signature of WARREN.

WARREN described the process for board members to complete the statements. Usually, the statements are signed at the CITY OF GREENSBORO ABC BOARD Administrative Office. He described the "normal protocol" as Board members visit the Administrative Office and sign the statements. WARREN said he followed this procedure "one or two times." WARREN also said the statements are signed at CITY OF GREENSBORO ABC BOARD meetings. He "thinks" the statements were notarized when signed during board meetings. He said, "That's my best recollection."

I told WARREN the notary claimed no member of the CITY OF GREENSBORO ABC BOARD appeared in front of her to sign the statements since March 2006. WARREN said there was "a possibility the notary was not in the Board room when the statements were signed." He also said the statements may have been signed and afterward, "carried to her." WARREN said, "I can only say it's to the best of my knowledge."

WARREN and I also discussed the statement bearing his alleged forged signature. WARREN said the signature on the statement "does not look like my normal signature." He did not know who signed the statement and has not asked. WARREN has not given authorization to any CITY OF GREENSBORO ABC BOARD employee to sign documents in his place. He emphasized no one was authorized sign a notarized document in his place.

We discussed the statute prohibiting government employees from taking things of value from those with whom they conduct business. The statute is commonly known as "the gift ban." WARREN told me he was familiar with the statute, and "a multitude of opinions on the gift ban" existed. WARREN said until January 2010, ABC system managers being provided meals at the expense of liquor vendor representatives were a "customary practice" which "enhanced the sale of liquor."

On January 23, 2010, the CITY OF GREENSBORO ABC BOARD adopted a policy prohibiting employees from having meals at the expense of the liquor industry. When the issue of out of state meals provided to ALLEY by liquor vendor representatives was brought up, WARREN said the CITY OF GREENSBORO ABC BOARD was "taking out of state meals under consideration."

The interview ended a short time later.

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On September 8, 2010, I spoke with Thornlow by telephone.

She reported on September 7, 2010, ALLEY called the CITY OF GREENSBORO ABC BOARD Administrative Office to discuss her August 2010 cellular telephone bill. The total amount on the bill was \$355.01. Thornlow wrote a check to pay the full amount of the bill. (NOTE: This contradicts ALLEY'S claim that \$65.00 of her cellular telephone bill is paid monthly by the CITY OF GREENSBORO ABC BOARD.)

During the conversation, ALLEY discussed this investigation with Thornlow. She told Thornlow some of the information provided by DeVriend was inaccurate. According to ALLEY, DeVriend was "making stuff up." She also told Thornlow that DeVriend "made a deal with somebody."

ALLEY told Thornlow she would be returning to work. At one point, she said, "I'm coming back, definitely." She also told Thornlow, "I haven't done anything wrong."

Later, Thornlow sent me a copy (via fax) of the cellular telephone bill and a record of the check written to Verizon Wireless to pay the full amount. A hand written note on the bill reads, "Steph-Hope all is well. Dalcom had to add another line to my phone to run my computer so it was an extra charge. In addition, there was an activation charge to add the laptop. Thanks! K"

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On September 20, 2010, Reserve ALE Special Agent Ron Parrish and I interviewed ALLEY at the law office of her attorney, Jeff Gray. ALLEY requested to electronically record the interview.

At the outset, we discussed the electric fireplaces David Brown claimed to have taken to the CITY OF GREENSBORO ABC BOARD Administrative Office and Wilson's home. ALLEY said Brown took one fireplace to the Administrative Office, however she could not remember when. ALLEY admitted Brown took another fireplace to Wilson's home.

According to ALLEY, a male customer saw the fireplace while making a purchase at a City of Greensboro ABC store and asked ALLEY if he could have it. Although ALLEY claimed she did not know the customer, she agreed to ask Brown about the giving the fireplace to the male. "Weeks or months" after the customer first asked, ALLEY spoke with Brown about the fireplace and told him, "There's a guy who wants it." When Brown agreed, he and ALLEY went to Wilson's home in separate vehicles. ALLEY claimed the front of the fireplace was cracked when it was taken to Wilson's home. She does not know the disposition of the fireplace.

The conversation turned to Wilson. When I asked ALLEY where Wilson is employed, ALLEY said, "I don't know where she works. I don't know the name of her company." Again, ALLEY told me she did not know where Wilson works or "the name of her company." Moments later, ALLEY asked why I needed to know where Wilson works. I told her Wilson would be interviewed for this investigation. ALLEY responded, "Well when you interview her, you ask her where she works. She'll be glad to tell you. I'm not giving out information about anybody other than me." I asked ALLEY if Wilson works for "Roadway Trucking." ALLEY replied, "It's not called that."

After a short break, I asked if Wilson worked at "the former Roadway." ALLEY replied, "No. She worked somewhere else and then she went back to something RC and Roadway Company. No, no, no it's not that. It's like Old Dominion maybe OD, RC. I don't know." (NOTE: Later I confirmed Wilson is employed by Roadway Express).

We also discussed the Crown Royal logo table Amy Aebersold of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., claimed to have taken to Wilson's house. ALLEY said she has "no knowledge of that" and the table was not taken to Wilson's home. ALLEY said Wilson "lives in a \$700,000.00 house" and "could not imagine her wanting a Crown Royal table." ALLEY claimed Aebersold was telling "a boldface lie." When I asked why Aebersold told me she took the table to Wilson's house, ALLEY said, "Maybe she kept it." When I asked ALLEY if Wilson was a consumer of Crown Royal, ALLEY told me "no." She changed her answer and said, "I'm not sure." ALLEY said she and Wilson drink wine.

In October 2009, ALLEY traveled to California. During the trip, her lodging accommodation costs were billed to a credit card of Andy Iredale of DIAGEO NORTH AMERICA. After ALLEY returned from California, she wrote a check to Iredale for the cost of her lodging. See Investigative Report p. 27, ¶ 7.

In November 2009, ALLEY travelled to New York City. Her lodging accommodation costs were paid by Bob Reiber of Skyy Spirits. After ALLEY returned from New York, she wrote a check to Reiber for the cost of her lodging. See Investigative Report p. 45, ¶¶ 4, 5.

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ALLEY told me October 2009 California trip and November 2009 New York trip were the only two excursions she reimbursed liquor vendor representatives for expenses they incurred for her travel. ALLEY also said liquor vendor representatives have not incurred additional expenses for her travels or overnight lodging.

During this investigation, representatives of DIAGEO NORTH AMERICA furnished the ALE Division with travel request documents, e-mail messages, and other documentation setting out efforts to make lodging and winery tour arrangements for ALLEY in 2007, 2008, and 2009 at Diageo owned facilities in California. Details of the 2009 trip were set out in the Investigative Report. See Investigative Report p. 18, ¶ 8 through p. 24, ¶ 3.

On August 19, 2009, in an e-mail message to Andy Iredale of DIAGEO NORTH AMERICA, ALLEY mentioned two previous visits to California. See Investigative Report p. 26, ¶ 5.

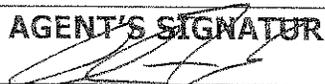
Hi Andy,
 Glad you made it back and best wishes for the lottery-if you win, can you at least keep your day job!!!
 Fri. Oct. 9th we will be at Korbel in Sonoma. I am new to the area as well. Only been there 2 times-is there a Healdsburg region in Sonoma?
 Hey, I heard that minis of Black and CR are not being delisted. Is this true? K

According to ALLEY, her two previous trips to California were job related and the CITY OF GREENSBORO ABC BOARD paid expenses. When I mentioned the 2007 and 2008 travel arrangements requested by representatives of DIAGEO NORTH AMERICA, ALLEY mentioned one incident which occurred "maybe three or four years ago." She told me representatives from DIAGEO NORTH AMERICA began arranging accommodations in California. At one point, John Stavros of DIAGEO NORTH AMERICA told ALLEY he needed cash from her to pay for her overnight accommodations. ALLEY offered to give Stavros a check for the costs, however "he insisted on cash." ALLEY did not give cash to Stavros and the trip did not materialize.

I mentioned the information provided by DIAGEO NORTH AMERICA for ALLEY'S travel arrangements and accommodations at the Rutherford House at Beaulieu Vineyard in California for September 16 and 17, 2007. ALLEY said she has never stayed at the Rutherford House. ALLEY contradicted Kirt Clemens of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., and said she never had a conversation with him about traveling to California.

During the first interview with ALLEY on May 17, 2010, we discussed allegations liquor vendor representatives gave her admission tickets or other hospitality suite access to NASCAR events. ALLEY told me she has "never been to a race." See Investigative Report p. 82, ¶ 5.

ALLEY'S attendance at NASCAR events was discussed again during our second interview. Although she is "not a NASCAR fan," ALLEY changed her account from the first interview and told me she "thinks" she attended a NASCAR race in Charlotte in the fall of 2008. I reminded ALLEY of her claim in the first

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interview that she had never been to a race. ALLEY said she "misspoke." She also said, "It would be fair to say I've been to a race." ALLEY again said she "misspoke" in the first interview and admitted she has been to a race. Discussing race tickets provided by liquor vendor representatives, ALLEY said "sales reps are constantly asking you to go places." She claimed to have never solicited NASCAR tickets and she has never received NASCAR tickets from liquor vendor representatives.

David Brown of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., admitted giving admission tickets to a NASCAR event to ALLEY. See Investigative Report at p. 38, ¶ 7. ALLEY said Brown was untruthful and "he's not given me tickets." ALLEY also said Amy Aebersold was untruthful when she admitted giving ALLEY admission tickets to a NASCAR event. See Investigative Report at p. 35, ¶ 8.

In October 2008, ALLEY attended an ABC "administrator's conference" in Charlotte, North Carolina. After the conference, ALLEY and other local ABC system administrators went to a "ballgame or NASCAR thing." They attended the event, "probably NASCAR," in a hospitality suite owned by DIAGEO NORTH AMERICA. ALLEY said other local ABC system administrators who attended included Mike Myrick of Wayne County ABC, Curtis Canty of Asheville ABC and Rodney Johnson of Asheboro ABC. She also said former state ABC Commission member John Lyons attended.

Later in discussing Johnson's attendance at the event, ALLEY recanted and said, "I think I misspoke." For several moments, ALLEY did not provide an affirmative response concerning Johnson's attendance at events hosted by liquor vendor representatives. She abruptly changed the topic to a 2005 investigation ALE personnel conducted on the High Point ABC system and its former manager George Humble. At one point, according to ALLEY, Johnson pointed her out to a group of people as "the person who ratted on George Humble." When I asked where this took place, ALLEY said, "I think at that NASCAR thing." She said Johnson "was telling everybody I told on George Humble." When I asked ALLEY if she had any doubt about Johnson attending the race, she said, "I saw him there."

ALLEY admitted receiving admission tickets to Carolina Panthers football games from liquor vendor representatives. John Stavros of DIAGEO NORTH AMERICA furnished her admission tickets to at least one Carolina Panthers football game. ALLEY could not remember the date of the game but recalled the tickets, which she got at no cost, gave her access to the Diageo hospitality suite during the football game. ALLEY said no other liquor vendor representative gave her admission tickets to Carolina Panthers football games.

While discussing sporting event tickets, ALLEY said she is frequently offered admission tickets to numerous events. She said, "These tickets are almost falling down from heaven like manna." Continuing to discuss accepting tickets from liquor vendor representatives, ALLEY said, "I swear I didn't know that was breaking the law." ALLEY claimed to have seen former ABC Commission Chairman Doug Fox, former ABC Commission member J.D. Lyon, and ABC Commission Administrator Mike Herring in the Diageo hospitality suite during at least one Carolina Panthers football game. ALLEY said, "We were all having a good time."

ALLEY denied soliciting liquor vendor representatives for tickets to Carolina Panthers football games. I showed ALLEY the e-mail exchange she started with Ehrenberger, of Pernod Ricard on August 29, 2007.

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ALLEY did not consider her request to Ehrenberger a solicitation for Carolina Panthers tickets because representatives of Pernod Ricard previously offered to give tickets to her. She said Ehrenberger did not give her the field passes specified in his last e-mail message. ALLEY said again, "This stuff falls out of the sky like manna." ALLEY, referring to the liquor vendor representatives said, "They've set me up for this." ALLEY continued discussing the easy availability of sporting event tickets provided by liquor vendor representatives and did not know "it was wrong." She said, "If I had known this was wrong, yea I would have said no."

Later ALLEY said had she known accepting things of value from liquor vendor representatives was "wrong," she "wouldn't have put it in an e-mail. I'm not that bold." ALLEY said she would not have "done any of this" had she known it was "wrong."

I asked ALLEY if she *should have known* accepting items of value, such as sporting event admission tickets, was "wrong." ALLEY said, "It was never educated to us on this." Again she mentioned attending events with other local ABC system managers and employees at the North Carolina ABC Commission. At one point, ALLEY asked, "Should I have known it? That's a hard question." I reminded ALLEY she is a public employee and her taking gifts from liquor vendor representatives, at best, had potential to create a bad public appearance. ALLEY said she did not know taking gifts from liquor vendor representatives with whom she conducts business was "wrong." ALLEY said she "truly" would not have "done any of this" if she had known it was not permitted.

ALLEY also said her position as a "public official" has been debated. When I asked ALLEY why she might not be a public employee, she said, "I don't want to get involved in that." Again she said "there is some debate on it though." When I reminded ALLEY her employer is the CITY OF GREENSBORO ABC BOARD, she replied, "I don't work for the city though."

ALLEY shifted the topic and recalled times when she was employed by Guilford County. She was given free meals and free admission tickets to sporting events. She compared receiving gifts as a county employee and moving to her current employer and continuing to receive free gifts. At one point, she asked, "How would I have known any different?"

ALLEY discussed returning to work from administrative leave and said, "I need some guidance on what to do and what not to do." She described liquor vendor representatives as "resources to teach me things." ALLEY said "early on" she contacted Mike Herring at the North Carolina ABC Commission questioning the practice of receiving meals from liquor vendor representatives. Herring, according to ALLEY, told her "it was standard practice for 'them' to pay."

On December 16, 2009, CITY OF GREENSBORO ABC BOARD Chairman Jesse WARREN sent the following e-mail message to Jon Carr, of the North Carolina Association of ABC Boards. WARREN courtesy copied a number of people, including ALLEY:

Hi Jon:

As you well know the press is going to continue discussing the errant activities of New Hanover and Mecklenburg ABC Systems in an attempt to give the entire ABC system a "black eye". When you

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consider the infractions there were two major things that occurred in both of these ABC systems:

1. New Hanover gave inordinate raises to the manager , who, in turn, not only hired his son against the nepotism rule but put him under his wing at an enormous salary. Obviously, the Commissioners were uninformed and the ABC Board admitted they over compensated Billy Williams. Keep in mind, no one challenged the efficiency of the New Hanover operation. As a matter of fact it was operating as well as any prosperous business.

Transparency is the key here and I personally feel that there needs to be better communications between an ABC Board and the appointing authorities. I am in no way talking about micro-managing a system.

The salary of Billy was obviously exhorbitant as well as what I consider the unethcal (if not illegal) inside hiring of his son. Both of these problems can be simply addressed without blowing everything out of proportion.

Frankly, I hope our new Chairman has not become too publicity minded in his remarks which, to me , reads like an overkill.

2. The Mecklenberg situation was just DUMB! These sort of activities are against the "Gift Law" and Parks should have known better than to let our suppliers sponsor a dinner for the Mecklenburg crowd. Again, this can be easily resolved without an overhaul of the ABC system as suggested by Jonathan Williams who referred to the PED study.

Let's get back on track to the main issue of efficiency. If we don't work hard to preserve, in my opinion, the best system in the United States of providing spirituous liquors to the general public then everybody will lose, especially the local governments who utilize the net profits to serve their communities for deserving public purposes (after the State gets the big lion's share). There is no doubt that the new 5% excise tax by the State drastically hurt all of the local communities who receive the remainder of profits.

There are so many other valid reasons to preserve our existing system but we can talk about them later if we need to.

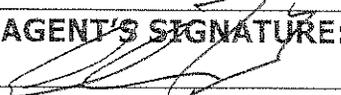
I understand that Jon Williams is new to our ABC system but, unfortunately, he is succumbing to public pressure with a knee jerk reaction. He needs to damn well get himself educated and try to be an ally to the system rather than criticize it as though we are so outdated. Really!!!

I'll call you tomorrow-

Best,

Skip

ALLEY received the e-mail message from WARREN. She said the "Mecklenburg situation" involved "a lot of people and a lot of money." She mentioned meals with "sales reps" and noted she "never took an entourage with me." ALLEY refused to answer when I asked if she agreed with WARREN'S opinion of

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the event violating the North Carolina gift ban. She was concerned about being asked to agree or disagree with her "boss" and said there was "no straight answer," and went on to say, "I can't win with that." In discussing the cost of the meal, ALLEY said, I'm not setting my board up for something like that."

The next topic of conversation centered on allegations of liquor vendor representatives giving liquor products to ALLEY. I asked ALLEY if Bill York, of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC., had given her Maker's Mark Bourbon. She told me York never gave her Maker's Mark Bourbon. I showed ALLEY the exchange of e-mail messages between her and Walter Jordan when, in discussing Maker's Mark, she claimed York kept her "a good supply." After reading the exchange, ALLEY told me York had not given her any liquor. She said the comment was "joke" and admitted it "looks bad."

We also discussed Avery Sparrow's, of SPARROW & ASSOCIATES, INC., claim of giving ALLEY a 750-milliliter bottle of Evan Williams Single Barrel Bourbon. ALLEY did not remember Sparrow giving liquor to her, but recalled a special purchase of a barrel of liquor from SPARROW & ASSOCIATES, INC., which was bottled specifically for sale in City of Greensboro ABC stores. As she recalled the barrel purchase, ALLEY said she might have gotten a bottle from Sparrow. ALLEY said the bottle "may be in my office." In closing, ALLEY said if Sparrow offered, she did not accept the bottle of liquor. She said Sparrow was untruthful and she knew she "couldn't accept that."

Avery Sparrow admitted giving t-shirts to ALLEY after she requested them for warehouse staff. ALLEY denied this claim and said she has not solicited liquor vendor representatives for t-shirts.

Trevor Adair of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC. reported a time when he put over twenty mini bottles of spirituous liquor in the trunk of ALLEY'S car after she gave him her car key. ALLEY denied this incident occurred. She mentioned one time when Adair gave her "a mini bottle of something new." In discussing Adair and Aebersold making sales calls on the CITY OF GREENSBORO ABC BOARD, ALLEY said the pair were "never there together." ALLEY did not recall Adair giving her boxer shorts, but admitted approximately one year ago he gave her t-shirts which she gave to CITY OF GREENSBORO ABC BOARD warehouse employees.

Next, we discussed ALLEY'S involvement witnessing liquor vendor representatives destroy distressed liquor. In the Investigative Report, ALLEY claimed she was "not involved in that process at all." See Investigative Report p. 86, ¶ 6. ALLEY maintained she has "never poured liquor out with reps," but she goes "in the room every now and then" when liquor vendor representatives destroy distressed liquor. I told ALLEY several employees at the CITY OF GREENSBORO ABC BOARD and several liquor vendor representatives reported observing her witness destruction of distressed liquor. She spoke at length about not being involved in the liquor destruction process and questioned what her employees were doing when they claimed to have seen her witnessing destruction of liquor. At one point, ALLEY said, "Nobody can look into a crystal ball to see that this is even going to be an issue if I did breakage with them." I also told her about employees hearing her say "I've got it" when some liquor vendor representatives destroyed distressed liquor. ALLEY said she has never said "I've got it" and CITY OF GREENSBORO ABC BOARD employees and liquor vendor representatives who made the allegation were untruthful.

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I told ALLEY a comparison of records showed DeVriend's signature on more than forty Destruction of Unsalable Merchandise Reports dated when DeVriend's Employee Data Calendar indicated she did not work. ALLEY seemed surprised and asked, "She falsified a report?" She also said she was "sorry to hear that." She was unsure who witnessed the liquor destruction on days when DeVriend did not work, but ALLEY was adamant she did not witness liquor destruction. ALLEY knows she has to sign Destruction of Unsalable Merchandise Reports for all liquor she witnessed destroyed and said she never carried one of the reports to DeVriend for signature. She said, "I'm not pouring out liquor with people."

ALLEY mentioned a discussion with DeVriend concerning Destruction of Unsalable Merchandise Reports. During the conversation, DeVriend brought a folder to ALLEY containing a number of Destruction of Unsalable Merchandise Reports. DeVriend was concerned about Fred McCormick's signature on some of the reports and about someone else doing her work. After the conversation, ALLEY gave the folder back to DeVriend. ALLEY does not know the disposition of the folder, but denied kicking the folder under DeVriend's desk.

I told ALLEY of the discussion I had with DeVriend concerning removing documents intended for my review and the folder kicked under DeVriend's desk. ALLEY said she did not instruct DeVriend to remove any documents and questioned why she would have DeVriend remove the documents from the boxes. When I told her the documents were signed on dates when DeVriend did not work, ALLEY replied, "She falsified them. Why would I try to protect her?" ALLEY claimed not to know DeVriend falsified Destruction of Unsalable Merchandise Reports. ALLEY said she never asked DeVriend to sign a Destruction of Unsalable Merchandise Report and, if DeVriend claimed ALLEY had, "That is a boldface lie to protect her own self."

ALLEY said DeVriend received six weeks training after being hired by the CITY OF GREENSBORO ABC BOARD. Part of the training included destruction of distressed liquor. After our May 17, 2010, interview, ALLEY met with DeVriend to review the liquor destruction process. She discovered the storage cabinets were not locked. At that time, ALLEY mandated locks be used on cabinets storing distressed liquor. ALLEY also claimed DeVriend "lost" two bottles of distressed liquor products. As a result, ALLEY implemented a system where two CITY OF GREENSBORO ABC BOARD employees check distressed liquor when it is placed in storage to await destruction.

ALLEY mentioned an incident where she found a 1.75 liter bottle of Three Olives Vodka in a box stored in the "breakage room." While moving boxes from the breakage room to the law enforcement office, ALLEY discovered the bottle. She asked DeVriend if the bottle "came from a store." DeVriend was unsure of the origination of the bottle. ALLEY mandated an immediate inventory of all liquor awaiting destruction to determine "the salesman." No records pertaining to the bottle of Three Olives Vodka were found. ALLEY instructed DeVriend to put the bottle in a locked cabinet.

During this conversation, ALLEY discussed problems she has had with DeVriend. At one point, ALLEY discussed disciplinary action she took against DeVriend. ALLEY said, "I've had to write her up for some things." DeVriend was put on probation for "taking too long for smoke breaks and gossiping."

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In summing the discussion on the Destruction of Unsalable Merchandise Reports and the Financial Disclosure Statement, ALLEY said she has not falsified any reports. She also said she had not "ordered anyone to falsify reports." She said, "If somebody falsified something, you need to burn their tail, not mine."

ALLEY and I discussed the alleged forgery of Chairman WARREN'S December 2008 Financial Disclosure Statement. ALLEY told me after the Investigative Report was released, all employees at the CITY OF GREENSBORO ABC BOARD mentioned information in the report was not accurate. ALLEY said all of her employees attempted to explain "what really happened." She described the events as "comical."

According to ALLEY, Lisa Williams was contacted by Chairman WARREN and instructed to sign the statement, but Williams refused. Williams carried the statement to Thornlow, who also refused to sign it. Queen "picked it up" and practiced writing WARREN'S signature. Queen signed WARREN'S name on the statement and gave it to DeVriend who notarized the statement even though she knew the signature was forged. ALLEY commented that Queen should have practiced writing the signature more extensively because the signature was not similar to WARREN'S. ALLEY said Queen later admitted to signing WARREN'S name on the statement and DeVriend admitted knowing the signature was forged. According to ALLEY, after the conversation with her subordinates concerning the inaccurate information in the Investigative Report, she notified Gray. Later, Gray passed the information to CITY OF GREENSBORO ABC BOARD Attorney Mike Fox. ALLEY said DeVriend attempted to conceal the fraudulent notarization by creating a "back dated notary affidavit." ALLEY claimed DeVriend's husband explained to DeVriend how to "back date a computer" and the affidavit was created. Gray interjected the "back dated affidavit" was crafted after Queen forged the Financial Disclosure Statement in an attempt to create an appearance both were signed simultaneously. ALLEY said she could not understand why the signature was forged because WARREN was at the CITY OF GREENSBORO ABC BOARD Administrative Office two days before for "a legislative meeting." She asked, "Why didn't he sign it then?"

ALLEY discussed a telephone conversation she had with WARREN about the forged financial disclosure statement after she and I met on May 17, 2010. During the conversation, WARREN asked ALLEY if she was questioned "about the signature." He also asked, "Did you tell them I called?" ALLEY told WARREN she was unaware of his telephone call (to Lisa Williams) until he notified ALLEY of the call. She told me, "I said Skip I didn't know you called. You told me you called." ALLEY also said WARREN asked her not to disclose information she may have known about the forged signature. She said, "My boss is telling me that I need to act like I don't know anything about it." ALLEY also told me, "He's called me and asking me if you asked about it and I'm not supposed to tell."

Marnina Queen has been employed by the CITY OF GREENSBORO ABC BOARD since May 2008. Her mother, Peggy Queen, is the General Manager of the ABC store in Sylva, North Carolina. During our interview, ALLEY mentioned a portion of the Investigative Report where Marnina Queen took a cooler from a display set up in a City of Greensboro ABC store. See Investigative Report at p. 95, ¶ 4. ALLEY claimed to be unaware of Queen taking the cooler. When ALLEY asked about returning the cooler, Queen told ALLEY, "My mom and some friends have come and got all that stuff out of my house." According to ALLEY, Queen and her mother each received a guitar from liquor vendor

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representatives. ALLEY described the guitars as "either a Montgomery Gentry or a Jack Daniels." She said, "They both got 'em." ALLEY told Marnina Queen to return the guitar "to the store." ALLEY also alleged Queen took a game table from a City of Greensboro ABC store display and a wine refrigerator from a City of Greensboro ABC store display.

In discussing Queen's employment, ALLEY said Queen is "upset" because McCormick will not retire and give her a chance "to move up." Later in the interview, ALLEY claimed to have heard a "rumor" of Queen being dishonorably discharged from the military. Later, ALLEY reviewed Queen's personnel file and found some of Queen's employment documents had been removed from the file. ALLEY was unsure of the Queen's military discharge status. (NOTE: A review of Queen's Certificate of Release or Discharge from Active Duty (DD-214) indicates Queen's military separation was an honorable discharge.)

ALLEY could not explain the difference between "distressed" liquor and "breakage." I cited an example of an ABC store employee accidentally breaking a bottle of liquor and asked who had to pay for it. ALLEY responded, "Debbie called me about this too." According to ALLEY, employees at City of Greensboro ABC stores who accidentally break bottles of liquor are required to pay for the broken products. ALLEY said, "I make 'em pay for it." The cost of liquor products broken by customers is borne by the CITY OF GREENSBORO ABC BOARD.

ALLEY discussed the telephone conversation with DeVriend. She claimed DeVriend called after reading a newspaper story concerning another local ABC system misreporting breakage as distressed liquor. ALLEY told DeVriend she could not talk because ALLEY had been instructed not to contact CITY OF GREENSBORO ABC BOARD employees. ALLEY ended the call, but DeVriend called a second time. During the conversation, DeVriend explained the process for handling breakage was being misrepresented as distressed products by the CITY OF GREENSBORO ABC BOARD. ALLEY claimed to have no knowledge of the process being misrepresented. She said, "I thought when somebody broke it, we had to eat the cost." ALLEY said employee breakage happens infrequently. She said, "It's happened maybe one time since I've been there." ALLEY could not remember the last time an employee of the CITY OF GREENSBORO ABC BOARD paid for breaking a bottle of liquor product. She said the scheme to misreport employee breakage as distressed was DeVriend's brainchild. DeVriend carried out this scheme "to reduce her paperwork." A few minutes later, ALLEY said she did not know why DeVriend implemented the misreporting of breakage.

In our first interview (on May 17, 2010), ALLEY reported her annual salary is \$117,000.00. See Investigative Report at p. 76, ¶ 3. At the time, her annual salary was \$121,400.00. ALLEY claimed not to know her annual salary and said she read the \$117,000.00 figure "in the paper." ALLEY also told me the Investigative Report erroneously set out she receives a monthly cellular telephone allowance of \$65.00. ALLEY told me the CITY OF GREENSBORO ABC BOARD pays the entire cost of her cellular telephone bill each month.

As previously mentioned, ALLEY'S work computer developed problems resulting in the hard drive being removed and shipped out of state for repairs. ALLEY said the unusable hard drive was destroyed after attempts to recover data failed. Eventually the hard drive was replaced. ALLEY purchased the

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computer from the CITY OF GREENSBORO ABC BOARD for \$35.00. ALLEY said she does not know where the computer may be, because her mother sold it at a yard sale.

In closing, I asked ALLEY if she would consent to taking a polygraph examination. ALLEY again mentioned a number of medical conditions she has, including diabetes and a heart condition. However, she said if passing a polygraph examination "means all this goes away, we're talking about a different thing then." I told ALLEY passing a polygraph examination would add "more credence to her side of the story." She replied, "Well all you've told me is a bunch of hearsay stuff. I've not seen any evidence other than a few e-mails. And I think when we go to court that a judge or jury will see that. So, I mean I would like for you to believe me. But if you don't, then we'll just take it to the next level. And we'll go to court and we'll see who believes who."

I asked her to respond with only a "yes" or "no" answer for a polygraph examination. ALLEY said she already answered my question. She told me this investigation was being prolonged at the urging of the North Carolina ABC Commission to force ALLEY to spend more money on attorney fees. When I asked who told her that, ALLEY responded, "Liquor rep after liquor rep after liquor rep."

The interview ended a short time later.

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On September 21, 2010, Jeff Gray spoke with me about the last interview with ALLEY.

According to Gray, at the conclusion of our last interview, ALLEY spoke with him to discuss several liquor vendor representatives.

The Investigative Report cited two incidents where Rusty Conway of Republic National Distributing Company admitted giving distressed liquor to ALLEY. He signed both Destruction of Unsalable Merchandise Reports indicating the liquor was destroyed. See Investigative Report at p. 50, ¶ 7 through p. 51, ¶ 2. According to Gray, approximately one month ago, Conway reported to ALLEY that he actually gave the liquor to DeVriend, but told me he gave the liquor to ALLEY.

Gray also mentioned Amy Aebersold of SOUTHERN WINE & SPIRITS MID ATLANTIC, INC. ALLEY told Gray of an incident where Aebersold was to destroy three bottles of distressed Ketel 1 Vodka at the CITY OF GREENSBORO ABC BOARD Administrative office. Aebersold, instead of destroying the liquor, kept two bottles for herself. ALLEY "thinks" the third bottle was given to DeVriend.

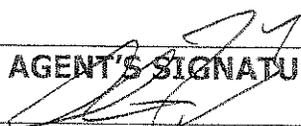
Avery Sparrow, of SPARROW & ASSOCIATES reported giving ALLEY a bottle of Evan Williams Single Barrel Bourbon. During the interview with ALLEY, she denied Sparrow gave her liquor. Gray told me ALLEY discussed this topic with him. During the conversation concerning Sparrow, ALLEY recalled Sparrow gave her the liquor. Gray said the bottle remains unopened is in a liquor cabinet at ALLEY'S home. According to Gray, ALLEY discussed Sparrow and declared, "Avery Sparrow does not lie."

Gray mentioned my discussion with ALLEY concerning Kimberlee Wilson consuming Crown Royal liquor products. Gray told me Wilson has a digestive disorder and "can't drink grain products." As a result, Wilson drinks wine.

Gray discussed Asheboro ABC manager Rodney Johnson and his revealing ALLEY was a source of information during an investigation of the High Point ABC system. Gray said Johnson revealing ALLEY as a source of information was inappropriate.

In closing Gray told me, if requested, ALLEY would submit to a polygraph examination.

The conversation ended a short time later.

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On September 27, 2010, I met with CITY OF GREENSBORO ABC BOARD CHAIRMAN Jesse WARREN. Attorney Mike Fox attended.

WARREN and I discussed the forged Financial Disclosure Statement from December 18, 2008. I showed him a copy of the statement. At one point he admitted the mark "does not look like my signature." WARREN said he "can believe someone else signed it."

WARREN did not instruct ALLEY or Lisa Williams to sign his name on the statement. He said any contact with Williams concerning the statement would have been unusual because he normally speaks only with ALLEY, or occasionally Fred McCormick. When WARREN discussed the signature with ALLEY, she told him she did not "know how his signature got on the statement."

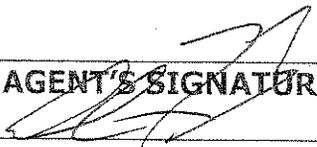
I mentioned ALLEY'S claim of WARREN instructing her not to disclose information to me about his forged signature on a Financial Disclosure Statement. WARREN denied telling ALLEY not to disclose information about the signature. He also said that would have been "improper." At one point he told me he did not instruct ALLEY not to "talk about the signature." He said ALLEY'S claim was "simply untrue."

We also discussed mini bottles of spirituous liquor. WARREN said he does not know the disposition of the mini bottles cited in the Investigative Report. He claimed none were given to him. He was not aware of other CITY OF GREENSBORO ABC BOARD members receiving mini bottles.

With regard to discussing this investigation, WARREN said the only instruction he gave to CITY OF GREENSBORO ABC BOARD employees was to answer all questions truthfully. He wanted to "make sure they would tell the truth."

In closing, WARREN said he answered all my questions truthfully. When I asked if he would submit to a polygraph examination, WARREN said, "I doubt it." He asked, "Why should I?" WARREN said his decision was personal and I would have to take what he told me "at face value."

The interview ended a short time later.

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On September 27, 2010, I interviewed Debbie DeVriend at the CITY OF GREENSBORO ABC BOARD Administrative Office. We discussed a number of allegations made by ALLEY during her September 20, 2010, interview.

DeVriend has been truthful answering questions throughout this investigation and, without provocation, said she "will be glad to take a polygraph." At one point during the interview, DeVriend recalled a conversation with ALLEY and allegations made against her by liquor vendor representatives. ALLEY told DeVriend "no proof" of wrongdoing would be discovered and, "It's their word against mine."

We first discussed ALLEY'S issue with a 1.75 liter bottle of Three Olives Vodka. DeVriend had no knowledge of this particular bottle until ALLEY brought it to DeVriend's office. She was not sure how ALLEY came into possession of the bottle, but speculated a liquor vendor representative inadvertently failed to destroy the product.

DeVriend has not been the subject of any disciplinary action during her employment at the CITY OF GREENSBORO ABC BOARD. She authorized me to review her personnel file which did not contain any record of disciplinary action. Her performance appraisals, all administered by ALLEY, either met or exceeded expectations.

ALLEY'S attorney alleged Rusty Conway, of Republic National Distributing Company, gave spirituous liquor to DeVriend, but during this investigation reported giving the liquor to ALLEY. DeVriend said she has never received liquor from a liquor vendor representative and called the allegation about Conway giving liquor to her "a lie." The only time DeVriend has been given liquor at no cost occurred when ALLEY gave her a 1.75 liter bottle of Ultimat Vodka reported as distressed. DeVriend said ALLEY gave 1.75 liter bottles of distressed Ultimat Vodka to several employees at the CITY OF GREENSBORO ABC BOARD Administrative Office, including Thornlow, Queen and former employee Lisa Williams. DeVriend said ALLEY was "making up lies." She also said, "That hurts." DeVriend, again without provocation, said she would "be glad" to submit to a polygraph examination. She said, "I'm tired of this lying crap."

ALLEY claimed DeVriend was aware Chairman Warren's signature was forged on a December 2008 Financial Disclosure Statement. DeVriend told me she knew the statement was falsified when she performed the notarial act. She recalled the day the statement was forged and former employee Lisa Williams was "upset." According to DeVriend, when the Financial Disclosure Statement was forged and notarized, ALLEY was on vacation. Before leaving, ALLEY instructed Williams to have the statements signed by all Board members and notarized. Williams contacted Board members via telephone and requested them to come to the CITY OF GREENSBORO ABC BOARD Administrative Office and sign the statements. Chairman WARREN was out of town and instructed Williams to sign his name on the statement. Later, Williams brought several of the statements to DeVriend and said, "Katie said to have you notarize these."

I asked DeVriend how she knew the statement was forged. DeVriend described the CITY OF GREENSBORO ABC BOARD Administrative Office as "small" and employees are aware of happenings in the office.

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Sometime after the statement was notarized, ALLEY notified DeVriend she would be charged with a felony. ALLEY told DeVriend, "We need to put this back on Lisa," and instructed DeVriend to research her *Notary Public Guidebook for North Carolina* to find "an out." DeVriend found an example of a Proof by Subscribing Witness in the *Notary Public Guidebook for North Carolina*. As DeVriend researched the topic, ALLEY repeatedly told DeVriend, "Let's put this back on Lisa."

ALLEY also told DeVriend to expect to be put on administrative leave without pay for the fraudulent notary act. ALLEY promised to give DeVriend "money out of her pocket" if DeVriend was placed leave without pay.

Before DeVriend drafted the Proof of Subscribing Witness, Queen showed DeVriend how to change the settings on her computer to indicate the document was created the same day as the Financial Disclosure Statement was signed. Queen, according to DeVriend, learned of the back dating feature from ALLEY when ALLEY backdated an e-mail message. Contrary to ALLEY'S assertion, DeVriend's husband had no involvement in changing the date on DeVriend's computer.

ALLEY instructed DeVriend, when I asked about the Financial Disclosure Statement and Proof of Subscribing Witness, to claim Williams saw WARREN sign the statement and Williams signed the Proof of Subscribing Witness. DeVriend said ALLEY wanted to "put this back on Lisa." The strategy did not materialize after DeVriend refused to forge Williams' signature on the Proof of Subscribing Witness.

On July 16, 2010, Attorney Jeff Gray visited the CITY OF GREENSBORO ABC BOARD Administrative Office. DeVriend raised her concerns about the fraudulent notary act to Gary and asked if she needed an attorney. Gray asked, "For what?" DeVriend told him she was concerned about being charged with a felony. Gray told DeVriend he "wouldn't worry about it."

After the forgery discussion, DeVriend mentioned her frustration and toll this investigation had taken on her. She said ALLEY'S "lies and cover-ups have prolonged the investigation," and, "If Katie had come clean in the beginning, this would be over with."

We also discussed ALLEY'S claim of DeVriend devising a system to misreport liquor "breakage" as "distressed liquor." ALLEY claimed DeVriend initiated and practiced this plan "to reduce paperwork." DeVriend told me to correctly report liquor "breakage" in the inventory system required the Stock Difference Report to be completed at the ABC store where the breakage occurred. Upon receipt at the CITY OF GREENSBORO ABC BOARD Administrative Office, DeVriend simply "keys it [a corresponding numerical code for the broken product] into the computer." On the other hand, reporting "distressed liquor" requires "keying in" the computer; completion of a Destruction of Unsalable Merchandise Report; a second "keying in" the computer after destruction for a "credit memo," which is deducted from the accounts payment. Additionally the Destruction of Unsalable Merchandise Report must be photocopied and sent to the liquor supplier via U.S. Mail.

The interview ended a short time later.

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On September 27, 2010, I interviewed Marnina Queen at the CITY OF GREENSBORO ABC BOARD Administrative Office.

During the interview, Queen mentioned comments she heard from ALLEY after this investigation started. She recalled a conversation when ALLEY, discussing this case, said, "I'm not gonna go down alone." ALLEY told Queen she would "take people down from the ABC Commission," including Lori Lee and ABC Commission Chairman Jonathan Williams. ALLEY also mentioned suing the CITY OF GREENSBORO ABC BOARD.

We discussed the July 14, 2010, release of the Investigative Report and ALLEY'S claim that Queen admitted signing Chairman Warren's signature on a Financial Disclosure Statement. Queen said ensuring Financial Disclosure Statements are signed by Board members is not a part of her job duties. She did not sign the statement and was unaware of the forgery until she read the Investigative Report. Queen did not tell anyone she signed the statement. When I told her of ALLEY'S claim, Queen said, "That's a lie."

During the May 17, 2010, interview, ALLEY told me former CITY OF GREENSBORO ABC BOARD ABC Officer Gloria Robbins ended her employment in good standing. On September 20, 2010, ALLEY said she "fired" Robbins and documentation of her termination was in Robbins' personnel file at the CITY OF GREENSBORO ABC BOARD Administrative Office.

Queen recalled attending a meeting with ALLEY and Robbins to discuss issues with Robbins' work. During the meeting, Robbins resigned her employment. Queen said Robbins "was not fired." She showed me Robbins' personnel file, which contrary to ALLEY'S assertion, contained no documentation indicating Robbins' employment was terminated.

In her second interview, ALLEY claimed Queen and her mother each received a free guitar from a liquor vendor representative. ALLEY described the instrument as either a "Montgomery Gentry" or "Jack Daniels" guitar. Queen said she has never been given a guitar by a liquor vendor representative.

Queen and I discussed distressed liquor. Queen has never gotten distressed liquor from a liquor vendor representative. However, she recalled the only time she received a bottle of distressed liquor was when ALLEY gave several employees, including Queen, a bottle of Ultimat Vodka. Queen did not remember ALLEY'S comments when she gave the liquor to Queen.

During the September 20, 2010, interview with ALLEY, she claimed Queen had taken pieces of ABC store displays to her home. Queen told me none of the items she removed from ABC stores were taken to her home. She said all display components were put in storage in the mixed beverage warehouse at the CITY OF GREENSBORO ABC BOARD Administrative Office. She also said ALLEY was "lying" when she accused Queen of taking display pieces to her home.

Queen began her employment at the CITY OF GREENSBORO ABC BOARD in May 2008. She has yet to receive a performance evaluation of her work. She received salary increases, but her performance has not been reviewed. She has not been subjected to disciplinary action.

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We discussed ALLEY'S claim of Queen being "upset" because CITY OF GREENSBORO ABC BOARD Assistant General Manager Fred McCormick has yet to retire, thus denying Queen a promotion opportunity. Queen said ALLEY initiated all discussions about McCormick retiring and Queen's potential promotion to fill his position. ALLEY wanted Queen "to learn Fred's job" so Queen could be promoted when McCormick retired. Queen said she is in "no hurry" for McCormick to retire. She said, "Fred knows the system better than Katie," and added, "She's been gone 75 days and we haven't had a hiccup."

In closing, Queen said she would submit to a polygraph examination.

The interview ended a short time later.

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On September 27, 2010, I interviewed Stephanie Thornlow at the CITY OF GREENSBORO ABC BOARD Administrative Office. During the interview, I requested to review a number of credit card statements and other documents related to ALLEY'S travels for CITY OF GREENSBORO ABC BOARD matters.

Thornlow discussed the March 9, 2010, request ALE made to the CITY OF GREENSBORO ABC BOARD for certain documents, including copies of all transaction statements from January 1, 2007 through December 31, 2009, for credit cards, debit cards, or other financial transaction cards issued by the CITY OF GREENSBORO ABC BOARD to its employees or board members.

Thornlow showed me ALLEY'S credit card account summary from August 2007. An entry on the statement, dated August 6, set out details of ALLEY charging \$200.30 for airfare and fees for round trip flights from Greensboro to New York. A hand written note on the copied summary reads: "I used credit card # on accident. Reimbursed board when opened statement." Thornlow gave me a note written on CITY OF GREENSBORO ABC BOARD letterhead. The note reads: "Stephanie-I must have put a personal flight on card number just saw it when I opened statement. Here is the money to cover it. Thanks! K" An undated receipt on the bottom of the letter head reads: "Received from Katie for reimbursement for flight (195.30) + Expedia charge (5.00) = \$200.30. She accidentally charged Board card but reimbursed us." The receipt is signed by ALLEY and Thornlow.

According to Thornlow, copies of all credit card statements submitted to ALE were reviewed by ALLEY before they were released. ALLEY wrote the note on the copy of the credit card statement and made another copy for ALE's document request. Thornlow showed me the original August 2007 credit card account summary which bore no handwritten notes. ALLEY instructed Thornlow not to date the receipt. Thornlow said the handwritten note by ALLEY was not accurate because the credit card transaction was made in 2007 and ALLEY did not reimburse the CITY OF GREENSBORO ABC BOARD until sometime in 2010. ALLEY reimbursed the cost of the airfare with cash and used "old" CITY OF GREENSBORO ABC BOARD letterhead to write the note to Thornlow. The "old" letterhead was used because it set out members of the CITY OF GREENSBORO ABC BOARD serving when the airfare was purchased in 2007.

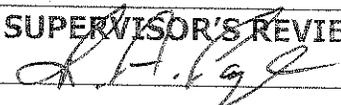
The 2007 National Alcoholic Beverage Control Association Annual Conference was held in LaQuinta, California. ALLEY'S registration fee was \$595.00. She registered a guest (her mother) at a cost of \$395.00. Several members of the CITY OF GREENSBORO ABC BOARD registered for the conference at a cost of \$595.00 each. Those who registered guests did so at a cost of \$395.00 per guest. The CITY OF GREENSBORO ABC BOARD submitted a check for the entire cost for registration fees of all attendees. Board members who attended reimbursed the CITY OF GREENSBORO ABC BOARD for the cost of their guest registration fee. Thornlow showed me photocopies of checks detailing repayment of guest registration fees by attending Board members. There was no record indicating ALLEY reimbursed her mother's registration fee. Thornlow said ALLEY did not reimburse the cost of her mother's registration fee.

The 2008 National Alcoholic Beverage Control Association Annual Conference was held in Marco Island, Florida. ALLEY and three members of the CITY OF GREENSBORO ABC BOARD registered for the conference at a cost of \$595.00 per person. ALLEY and two Board members each registered a

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guest at a cost of \$395.00 per person. The CITY OF GREENSBORO ABC BOARD remitted a check for payment of ALLEY and the three Board members' registration fee plus guest registration fees for ALLEY'S guest (her mother) and a guest for two Board members. The total amount of the check was \$3,565.00. A note on the check reads, "Board check covers 4@\$595-2380[,] 3@\$395-1185[,] 3565." Again, Board members reimbursed the CITY OF GREENSBORO ABC BOARD for the cost of their guest registration fee. Thornlow showed me photocopies of checks detailing repayment of guest registration fees by attending Board members. She also showed me the deposit slip indicating the checks were put in the bank. There was no check or other record indicating ALLEY reimbursed her mother's registration fee. Again, Thornlow said ALLEY did not reimburse the CITY OF GREENSBORO ABC BOARD for the cost of her mother's registration fees.

The interview ended a short time later.

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On September 27, 2010, I interviewed Fred McCormick at the CITY OF GREENSBORO ABC BOARD Administrative Office. McCormick is the Assistant General Manager of the CITY OF GREENSBORO ABC BOARD.

We discussed the December 2008 Financial Disclosure Statement bearing Chairman Warren's forged signature. McCormick said he "understands Stephanie [Thornlow] signed the statement." He recalled a conversation with ALLEY discussing the fraudulent signature after the Investigative Report was released. While talking about the statement, ALLEY reminded McCormick they both were on vacation when the statement was signed. Because they were on vacation at the time, ALLEY told McCormick, "We're OK."

During the September 20, 2010, interview with ALLEY, she claimed DeVriend was concerned because McCormick occasionally witnessed liquor vendor representatives destroy distressed liquor products. McCormick said DeVriend, contrary to ALLEY'S assertion, is not concerned about others witnessing liquor destruction and has not brought up this issue to McCormick. He, like other CITY OF GREENSBORO ABC BOARD employees, has seen ALLEY witnessing destruction of distressed liquor. ALLEY'S statement of not witnessing liquor destruction was "totally untrue." McCormick said ALLEY "probably" put unsigned Destruction of Unsalable Merchandise Reports on DeVriend's desk for her signature. He admitted leaving unsigned Destruction of Unsalable Merchandise Reports on DeVriend's desk for her signature. McCormick said this practice usually took place on days when DeVriend was "off." He admitted engaging in this practice because he did not "want to put that on Katie if it's on me."

McCormick said CITY OF GREENSBORO ABCBOARD employees do not always witness destruction of distressed liquor products. At times, employees "verify" the liquor by removing the bottles from storage and checking to make sure they are listed on the appropriate Destruction of Unsalable Merchandise Report. Liquor vendor representatives destroy the liquor and sign the report.

According to McCormick, the CITY OF GREENSBORO ABCBOARD practice of reporting broken liquor products as distressed began shortly after DeVriend began her employment in 2005. When McCormick learned of the practice, shortly before ALLEY was placed on administrative leave, in July 2010, he ordered it stopped. McCormick said ALLEY never discussed this practice or its cessation with him.

We also discussed ALLEY'S claim of "firing" former ABC officer Gloria Robbins. McCormick attended the meeting with ALLEY and Robbins when Robbins resigned. He said Robbins resigned and emphatically said, "She was not fired."

I asked McCormick if he knew where Kimberlee Wilson is employed. McCormick recalled conversations when ALLEY discussed where Wilson works. He said, "Kim works at Roadway."

While discussing this investigation, McCormick said he was unaware of many issues set out in the Investigative Report. He said, "I wish Katie had been up front about all of these things." McCormick continued discussing ALLEY and said, "I can't believe anything she says." At one point, he asked, "How can this Board expect us to work with her?"

The interview ended a short time later.

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III. Other Local ABC Systems

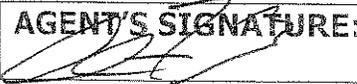
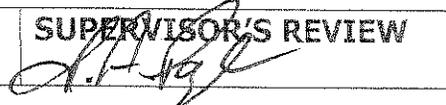
On August 17, 2010, Betty Hamm, General Manager of the Mount Airy ABC Board, contacted me regarding the Investigative Report.

During the May 17, 2010, interview, ALLEY admitted a liquor vendor representative purchased a meal for her and several other local ABC board employees on September 23, 2009 at the Red Onion Café in Boone, NC, after they attended the grand opening of the High Country ABC Store. ALLEY alleged Hamm and another Mount Airy ABC Board employee, "Patsy" attended the same meal. See Investigative Report at p. 79, ¶ 2.

Hamm was concerned about being mentioned in the report and told me she did not attend the September 23, 2009, grand opening of the High Country ABC Store or the meal ALLEY discussed. According to Hamm, the other Mount Airy ABC Board employee ALLEY accused of attending the meal was Patsy Hall. According to Hamm, on September 23, 2009, Hall worked at the Mount Airy ABC Store.

Hamm was unsure why ALLEY alleged she and Hall were at this particular meal. I asked Hamm if ALLEY was truthful when she told me Hamm and Hall attended the meal on September 23, 2009. Hamm told me ALLEY was not truthful and at one point said, "She lied."

After the conversation, Hamm sent me, via fax, Hall's work time sheet from September 11, 2009 through September 24, 2009. According to the time sheet, on September 23, 2009, Hall worked from 8:30 a.m. until 2:30 p.m.

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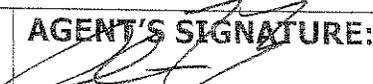
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During the September 20, 2010, interview with ALLEY, she alleged Peggy Queen, General Manager of the Sylva ABC Board, received a "Montgomery Gentry" or "Jack Daniels" guitar as a gift from a liquor vendor representative.

On September 21, 2010, I spoke with Queen. She has not been given a guitar by any liquor vendor representative. Queen was unaware of "Montgomery Gentry guitars floating around out there."

When I asked Queen if ALLEY was truthful about the guitar, Queen answered, "No."

The interview ended a short time.

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During the second interview with ALLEY, she claimed to have seen Rodney Johnson at an ABC "administrators meeting" and "NASCAR thing" in Charlotte during October 2008.

On September 24, 2010, I spoke with Joe Wall, Executive Director of the North Carolina ABC Association. Wall told me the National Alcoholic Beverage Control Association Annual Administrators Conference was held in Charlotte in October 2008. He said the attending North Carolina delegation consisted of members of the North Carolina Alcoholic Beverage Control Association (NCABCA) who were on the Board of Directors. Wall said Johnson was not on the NCABCA Board of Directors in 2008 and it was "impossible he would have gone." Wall said Johnson may have attended the event and not registered, but that was unlikely.

NCABCA members pay annual dues each fiscal year (July 1 through June 30). Wall reviewed NCABCA records and found the Asheboro ABC Board joined the NCABC on January 21, 2009. The Asheboro ABC Board was not a member of the NCABCA or the National Alcoholic Beverage Control Association at the time of the October 2008 meeting in Charlotte. Because the City of Asheboro ABC Board joined the NCABCA mid-way through the fiscal year, membership dues (\$100.00) were pro-rated to \$50.00 to pay dues for the last six months of the 2009 fiscal year January through June 2009).

After speaking with Wall, I researched the 2008 NASCAR schedule, the 2008 Carolina Panthers football schedule and the 2008 National Alcoholic Beverage Control Association Annual Administrators Conference.

The Bank of America 500 NASCAR race took place at Lowe's Motor Speedway in Charlotte on October 11, 2008. The Carolina Panthers played a home football game at Bank of America Stadium in Charlotte on October 26, 2008. The National Alcoholic Beverage Control Association Annual Administrators Conference was held in Charlotte October 26-29, 2008.

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| AGENT'S NAME: Alan Fields | AGENT'S SIGNATURE:  | DATE: 10/25/10 | SUPERVISOR'S REVIEW  |
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On September 29, 2010, I interviewed Rodney Johnson, General Manager for the Asheboro ABC Board at the Asheboro ABC Store, 700 South Fayetteville Street, Asheboro, NC. Johnson has been employed with the Asheboro ABC Board since October 16, 2008. He retired from the NC Alcohol Law Enforcement Division on May 1, 2007, after 27 years of service. From January 2006 until retirement, he was assigned to ALE Headquarters in Raleigh where he supervised ALE's oversight duties for the North Carolina Education Lottery. Prior to his ALE Headquarters assignment, Johnson was the Greensboro ALE District VI Supervisor overseeing ALE operations in nine central North Carolina counties.

Johnson submitted a letter seeking employment with the Asheboro ABC Board in late September 2008. On October 6, 2008, Johnson was one of several candidates interviewed for the Asheboro ABC Board General Manager's position. Chairman Russell Walker, Jr. contacted Johnson by telephone on October 13th or 14th and discussed a general offer for the position contingent upon a mutually agreeable compensation package being approved at the board's October 16, 2008, meeting.

At the October 16, 2008, board meeting, Johnson and the board agreed on a salary and benefits package and Chairman Walker announced Johnson's appointment. Reporters from the Randolph Guide, a weekly newspaper and the Courier Tribune, a daily publication, were in attendance. News stories of Johnson's employment were printed in both papers. Johnson produced the Asheboro ABC Board Meeting Minutes for October 6, 2008, documenting employment interviews and October 16, 2008, documenting his hire. He made copies of the minutes and gave them to me.

We discussed allegations made by ALLEY on September 20, 2010, stating she saw Johnson in attendance at the National Alcoholic Beverage Control Association Administrator's Conference in October 2008, and observed him at the Lowe's Motor Speedway in Charlotte attending a NASCAR race in the DIAGEO NORTH AMERICA hospitality suite.

Johnson said he did not attend the October 2008 National Alcoholic Beverage Control Association Administrators Conference in Charlotte, nor has he ever attended any other National Alcoholic Beverage Control Association meeting in Charlotte. The Asheboro ABC Board did not open its first store until November 18, 2008, and did not join the NCABCA until late January 2009. The first NCABCA meeting Johnson attended was the March 10, 2009, Supervisor's Meeting in Greensboro.

Responding to the allegation he attended the October 2008, NASCAR race, Johnson stated, "I was not even employed by the ABC Board at the time of that race." Johnson has been to the Lowe's Motor Speedway on two occasions, once in 1988 while working as an ALE agent and again in either 2002 or 2003 as a volunteer for a Randleman High School fund raiser. Johnson "absolutely" did not attend the October 26, 2008, Carolina Panthers football game in Charlotte. He has never been a guest at a sporting event where he was provided accommodations in a hospitality suite or other seating area owned by any liquor supplier, distiller, or broker.

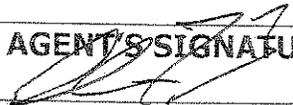
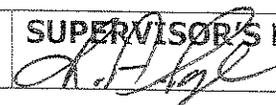
I asked Johnson if he knew why ALLEY claimed she saw him in the Diageo hospitality suite at a sporting event in October 2008. He said, "My conjecture won't do anything to clarify the imaginary. Johnson added, "No matter how many fairytales are predicated upon fairytales, the fact remains I simply was not at the race, association meeting, or football game." He referred to the Investigative Report posted on the *Greensboro News and Record* website and noted ALLEY'S May 17, 2010, claim of never attending a race, yet she later reported seeing Johnson at a race. Johnson suggested I ask ALLEY which version of her story should be accepted as true.

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The interview ended a short time later.

After meeting with Johnson, I went to the Randolph County Public Library in Asheboro, NC and located a copy of the October 17, 2008, issue of the *Courier Tribune* newspaper, which contained a story documenting the October 16, 2008, announcement of Johnson's hiring.

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IV. ANCILLARY INFORMATION

On May 11, 2010, I requested the CITY OF GREENSBORO ABC BOARD provide copies of all letters, memorandums, e-mail messages, and other written correspondence between ALLEY and all employees of liquor distillers, liquor suppliers, and brokers during 2007, 2008, and 2009. The distillers, suppliers, and brokers listed included Beam Global Spirits & Wine, Inc.; Pernod Ricard; Southern Wine & Spirits Mid Atlantic, Inc.; Skyy Spirits; Republic National Distributing Company; Sparrow & Associates, Inc.; DIAGEO NORTH AMERICA; Luxco; and Proximo Spirits. This request was drafted to seek documents and information considered public records under the North Carolina General Statutes.

In late June 2010, several boxes of documents were provided by the CITY OF GREENSBORO ABC BOARD. However, a small number of the communications listed above were provided. I was told e-mail messages between ALLEY and liquor vendor representatives would be difficult to retrieve because the hard drive on ALLEY'S work computer catastrophically failed in May or June of 2010. As a result, the hard drive was replaced. (NOTE: ALLEY later purchased this computer from the CITY OF GREENSBORO ABC BOARD.)

As of the submission date of this report, the CITY OF GREENSBORO ABC BOARD has not provided other e-mail messages. None of the e-mail messages cited in this or the Investigative Report was provided by the CITY OF GREENSBORO ABC BOARD.

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On September 29, 2009, Rodney Beckom, Special Agent in Charge of ALE District VI, and I visited Roadway Express, Inc., in Kernersville, NC to interview Kimberlee Wilson. We spoke with Regional District Manager Andy Barratta, who confirmed Wilson is an employee of Roadway Express.

Wilson refused to be interviewed.

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On September 9, 2010, I submitted a request to ALLEY'S attorney (Jeff Gray) requesting authorization to visit ALLEY'S bank and review her bank records from January 1, 2009 through January 31, 2010. I specified I would review the records, note relevant information, and return them to the providing custodian. I also set out my intentions not to photocopy the records and not leave the banking facility where the records would be examined until I completed the review. I invited Gray or his representative to accompany me to review ALLEY'S bank records.

ALLEY did not agree to authorize me to visit her bank to review the records. However she provided copies of bank statements for the timeframe requested and authorized me to review those records.

On September 30, 2010, I reviewed the bank records at Gray's office. The records provided by Gray showed no checks were written by ALLEY on this account from January 1, 2009 through January 31, 2010.

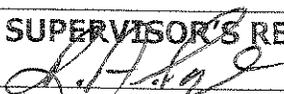
Gray also provided ALLEY'S personal calendars to review for 2007, 2008, and 2009. I reviewed the calendars to compare them to the dates when Destruction of Unsalable Merchandise Reports were signed while DeVriend reported to be on leave. Some of the dates in ALLEY'S personal calendar bear markings indicating she was out of town or otherwise not in the CITY OF GREENSBORO ABC BOARD Administrative Office when some of the reports were signed.

During the meeting, Gray noted ALLEY was interviewed on September 29, 2010, by private investigators hired by the CITY OF GREENSBORO ABC BOARD. According to Gray, ALLEY told the private investigators she redistributed mini bottles from the Administrative Office to City of Greensboro ABC stores. This declaration contradicts ALLEY'S claim during our May 17, 2010, interview when she proclaimed she does not redistribute mini bottles to ABC stores and "never handles liquor at all." See Investigative Report at p. 86, ¶ 2.

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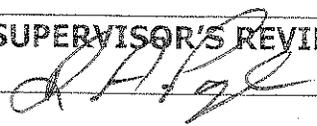
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On October 19, 2010, the CITY OF GREENSBORO ABC BOARD terminated ALLEY'S employment.

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On October 22, 2010, Guilford County District Attorney Doug Henderson declined to seek prosecution in this matter.

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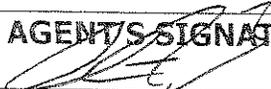
CONCLUSION

Information set out in the Investigative Report indicates, during 2009, Katie ALLEY was the beneficiary of numerous meals provided by liquor vendor representatives conducting business with the CITY OF GREENSBORO ABC BOARD. Liquor vendor representatives divulged ALLEY was provided approximately 50 meals in 2009. ALLEY admitted to being the recipient of over 40 of those meals. As the General Manager of the CITY OF GREENSBORO ABC BOARD, ALLEY admitted receiving other gifts of substantial value, all from liquor vendor representatives, including entertainment (WhiskeyFest), an admission ticket to a college basketball game, out of state meals, and concert tickets.

In this report, e-mail messages suggest ALLEY openly solicited liquor vendor representatives for items of value including tickets to sporting events, clothing, alcoholic beverages, winery tours, and distillery tours. Liquor vendor representatives admitted to falsely reporting destruction of distressed liquor products and giving the liquor to ALLEY. One liquor vendor representative, who admitted giving distressed liquor to ALLEY, falsely reported the liquor destroyed to ensure ALLEY withheld punitive measures, such as complaining to his supervisor. The representative was fearful of losing his job for not acquiescing in ALLEY'S manipulation of the distressed liquor destruction process.

Additionally, liquor vendor representatives, against their own penal interest, disclosed more instances of their efforts to provide gifts and gratuities to ALLEY. Once more, the benefactors of these gifts and gratuities were ALLEY, her family, and friends. Liquor vendor representatives admitted providing ALLEY with out-of-state overnight lodging accommodations, admission tickets to sporting events, spirituous liquor, and clothing items.

Based on information unveiled during interviews and examination of records, ALLEY willingly accepted benefits and gratuities not due to her or her office. She oversaw and participated in a pattern of misconduct, the wrongful nature of which she mostly refused to acknowledge. ALLEY maintained her innocence of wrongdoing with a trilogy of defenses, most prominently a denial of most of the accusations. When she admitted some of the allegations related to receiving gifts, ALLEY declared she was unaware accepting gratuities from liquor vendor representatives was not allowed. Yet, her employer's policy clearly prohibits employees from accepting gifts and ALLEY strictly instructed those under her supervision not to accept gifts from liquor vendor representatives. Lastly, ALLEY claimed her subordinates' activities, more severe than just workplace misconduct, were independent schemes put into action without her knowledge.

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DC&E Winery Visits Request Form for Greensboro ABC, c/o Kirt Clemens
 Current Status: **Approved**
 Summary
 Customer Confirmation Sent

Required Fields Required for Draft
Requestor Information

| | | | |
|----------------------------------|--|-------------------------------|--------------|
| Requestor Information | | | |
| Requested By | James McClement/Sales/USA/UDV | Request Date | 07/16/2007 |
| Requested For | CN=James McClement/OU=Sales/OU=USA/O=UDV | Status | Approved |
| Requestor Location | East | Visit Date (System Generated) | 09/16/2007 |
| Guest Information | | | |
| Names of Primary Guest | Kate Alley | # in Party | 2 |
| Position of Guest within Account | GM, Greensboro NC ABC Board | Names of Additional Guests | friend |
| Key Objectives of Visit | promote Diageo Brands | | |
| Account Information | | | |
| Account Name | Greensboro ABC, c/o Kirt Clemens | Phone Number | 941- 941- |
| City, State | Raleigh NC | Cell Phone Number | |
| Type of Account | ABC Store | Email Address | koclemens@ |
| WBS#/ GL Account code | 4WL207TD1NC4300XXW205 | Account Distributor | SWS |
| | | Internal Order Number | DL6142 |

| Winery Selection | Overnight | Tour | Winery Selection | Overnight | Tour |
|----------------------|---|---|-------------------|---|---|
| BV | <input checked="" type="radio"/> Yes <input type="radio"/> No | <input checked="" type="radio"/> Yes <input type="radio"/> No | Chalone | <input type="radio"/> Yes <input checked="" type="radio"/> No | <input type="radio"/> Yes <input checked="" type="radio"/> No |
| Sterling | <input type="radio"/> Yes <input checked="" type="radio"/> No | <input checked="" type="radio"/> Yes <input type="radio"/> No | Edna Valley | N/A | <input type="radio"/> Yes <input checked="" type="radio"/> No |
| Provenance | <input type="radio"/> Yes <input checked="" type="radio"/> No | <input checked="" type="radio"/> Yes <input type="radio"/> No | Sagelands | N/A | <input type="radio"/> Yes <input checked="" type="radio"/> No |
| Acacia | <input type="radio"/> Yes <input checked="" type="radio"/> No | <input checked="" type="radio"/> Yes <input type="radio"/> No | Canoe Ridge | <input type="radio"/> Yes <input checked="" type="radio"/> No | <input type="radio"/> Yes <input checked="" type="radio"/> No |
| Moon Mountain | <input type="radio"/> Yes <input checked="" type="radio"/> No | <input type="radio"/> Yes <input checked="" type="radio"/> No | Rosenblum/Alameda | N/A | <input type="radio"/> Yes <input checked="" type="radio"/> No |
| Rosenblum/Healdsburg | N/A | <input type="radio"/> Yes <input checked="" type="radio"/> No | | | |

| | | | |
|---|---|--|--|
| Rutherford House Overnight Stay | <input checked="" type="checkbox"/> Arrival Date = 09/16/2007 | <input checked="" type="checkbox"/> # of nights = 2 | <input checked="" type="checkbox"/> Total # Rooms = (Max 5 rooms) 2 |
| Beaulieu Vineyard Tour Request | | <input checked="" type="checkbox"/> Type of Tour or Visit* | Private tour & taste |
| <input checked="" type="checkbox"/> # of guests | 2 | <input checked="" type="checkbox"/> Date of Tour | 09/17/2007 |
| Current volume, Products or programs: | misc | <input checked="" type="checkbox"/> Start Time (hh:mm) | 2:30 PM |
| Special Requests: | | <input checked="" type="checkbox"/> Product Focus | Napa Series, Tap |
| Sterling Vineyards Tour Request | | <input checked="" type="checkbox"/> Type of Tour or Visit* | VIP Tasting |
| <input checked="" type="checkbox"/> # of guests | 2 | <input checked="" type="checkbox"/> Date of Tour | 09/16/2007 |
| Current volume, Products or programs: | misc | <input checked="" type="checkbox"/> Start Time (hh:mm) | 10:30 AM |
| Special Requests: | | <input checked="" type="checkbox"/> Product Focus | Napa, Three Cairns |

Napa Winery Visits Request Form Printed - 05/06/2010

| | | | |
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| Provenance Tour Request | | <input checked="" type="checkbox"/> Type of Tour or Visit* | VIP Tasting |
| <input checked="" type="checkbox"/> # of guests | 2 | <input checked="" type="checkbox"/> Date of Tour | 09/18/2007 |
| Current volume, Products or programs: | misc | <input checked="" type="checkbox"/> Start Time (hh:mm) | 1:30 PM |
| Special Requests: | | <input checked="" type="checkbox"/> Product Focus | Carm Merlot, Prov Cab |
| Acacia Tour Request | | <input checked="" type="checkbox"/> Type of Tour or Visit* | Private Tour & Tasting |
| <input checked="" type="checkbox"/> # of guests | 2 | <input checked="" type="checkbox"/> Date of Tour | 09/17/2007 |
| Current volume, Products or programs: | misc | <input checked="" type="checkbox"/> Start Time (hh:mm) | 10:00AM |
| Special Requests: | | <input checked="" type="checkbox"/> Product Focus | Carmers Wines |

| | |
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| Comments | |
| Requestors | |
| Comments | |
| Trade Relations | >> (7/18/2007) - Mary C Rudd - Jim: This visit is approved for a two night stay (2 rooms) at the Rutherford House on Sept 16 and 17. Adjusted tour times are listed below. Regards, Mary |
| Comments | >> (9/4/2007) - Mary C Rudd - Jim: Per my e mail of today, we had to cancel the Moon Mountain tour as they will now be closed that week. A new confirmation has been sent. Regards, Mary |
| Follow-Up | |
| Comments | |

From: McClement, James <James.McClement@>
Sent: Thursday, September 6, 2007 8:00 AM
To: Stavros, John <John.Stavros@>
Subject: FW: Comment on a Trade visit by Greensboro ABC, c/o Kirt Clemens on 9/16/2007

NEW CONFIRMATION.

From: Mary C Rudd/Marketing/USA/Diageo@UDV
Sent: Tuesday, September 04, 2007 7:02 PM
To: McClement, James; McClement, James
Subject: Comment on a Trade visit by Greensboro ABC, c/o Kirt Clemens on 9/16/2007

Comments regarding the Trade Visit for Greensboro ABC, c/o Kirt Clemens on 9/16/2007 have been submitted by Mary C Rudd and are as follows

>> (9/4/2007) - Mary C Rudd - Jim:

Per my e mail of today, we had to cancel the Moon Mountain tour as they will now be closed that week. A new confirmation has been sent.

Regards,

Mary

Guest = Katie Alley
Account name= Greensboro ABC, c/o Kirt Clemens
Number of Guests= 2
Names of Additional Guests = freind

*Date of Overnight Stay Rutherford House = 9/16/2007

Number of Nights Rutherford House = 2

Number of rooms at Rutherford House = 2

*Date and Time of Private tour & taste at Beaulieu Vineyard = 9/17/2007 at 2:30 PM

*Date and Time of VIP Tasting at Sterling Vineyards = 9/18/2007 at 10:30 AM

*Date and Time of VIP Tasting at Provenance Vineyards = 9/18/2007 at 1:30 PM

*Date and Time of *Private Tour & Tasting at Acacia Vineyard = 9/17/2007 at 10:00AM

From: McClement, James <James.McClement@>
Sent: Thursday, September 6, 2007 8:52 AM
To: Stavros, John <John.Stavros@>
Cc: kclemens@southernwine.com
Subject: FW: Confirmation of visit by Greensboro ABC, c/o Kirt Clemens on 9/16/2007
Attach: Rutherford House Confirmation.doc; Sterling Directions.doc; Provenance Directions.doc; Acacia Directions.doc

From: Mary C Rudd/Marketing/USA/Diageo@UDV
Sent: Tuesday, September 04, 2007 7:02 PM
To: McClement, James
Subject: Confirmation of visit by Greensboro ABC, c/o Kirt Clemens on 9/16/2007

Dear Guest:

Attached is the confirmation letter for your upcoming overnight stay at our wine country guest house. It contains directions and all the information that you will need to get checked in. Diageo Chateau & Estate Wines hopes you will enjoy your visit.

PLEASE FIND YOUR SCHEDULED VISIT TIMES LISTED BELOW with the summary of dates and times for your stay. If you have any questions, please call Mary Rudd at 707-967-5252.

Guest = Katie Alley
Account name= Greensboro ABC, c/o Kirt Clemens
Number of Guests= 2
Names of Additional Guests = freind

*Date of Overnight Stay Rutherford House = 9/16/2007

Number of Nights Rutherford House = 2

Number of rooms at Rutherford House = 2

*Date and Time of Private tour & taste at Beaulieu Vineyard = 9/17/2007 at 2:30 PM

*Date and Time of VIP Tasting at Sterling Vineyards = 9/18/2007 at 10:30 AM

*Date and Time of VIP Tasting at Provenance Vineyards = 9/18/2007 at 1:30 PM

*Date and Time of *Private Tour & Tasting at Acacia Vineyard = 9/17/2007 at 10:00AM

file:///C:/Documents and Settings/Durkine/Local Settings/Temporary Internet Files/Content.... 6/2/2010

Directions:

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Attention
Requestor

A
Customer
Confirmatic
notice has
been sent
to
Greensboro
ABC, c/o
Kirt
Clemens
Using the
following
email
address. -
kclemens@

Please
verify that
the
customer
has
received
the
information

If not,
please
forward
your copy
of that
Confirmatic
Notice to
them.

Beaulieu Vineyard.

RUTHERFORD  HOUSE

FACSIMILE

RUTHERFORD HOUSE
AT BEAULIEU VINEYARD
POST OFFICE BOX 219
RUTHERFORD, CA 94573

TEL · 800-264-6918

FAX · 707-967-9915

WWW.BVWINE.COM

Greetings!

We are pleased that you will be joining us as a guest at our BV Rutherford House. The following pages provide detailed information such as check-in times and phone numbers that you will need. It also provides you with a brief history of our 1913 guesthouse.

If you have any questions, please don't hesitate to call me (707-967-5252). Again, we look forward to your visit to Beaulieu Vineyard.

Sincerely,

Mary Rudd
Trade Relations Administrator

DIA 0007

Beaulieu Vineyard.

RUTHERFORD HOUSE

Check in time: 3:00 p.m.
Check out time: 11:00 a.m.

Important phone numbers:

| | | | |
|--------------------|-------------|---------|---------|
| Mary Rudd | Direct Line | 707-967 | |
| Kendall Heckendorn | Direct Line | 707-967 | |
| | Cell Phone | 707-815 | |
| Security: | Cell Phone | 707-337 | 23-8452 |
| | Direct Line | 707-967 | |
| Maintenance: | Direct Line | 707-967 | |
| Rutherford House: | Guest Line | 707-967 | 52-1211 |

Security phone numbers are for check-ins after 5:00pm and in case of an after-hours emergency during your stay.

When using any of these numbers, please identify yourself as a guest of the Rutherford House. If you get voicemail, please leave a message including whether you are an arriving guest or you are staying at the house. Additional phone numbers will be provided upon checking in.

DIRECTIONS TO BEAULIEU VINEYARD FROM SF AIRPORT

From San Francisco airport take Route 101 North. Stay on Route 101 North for 12 miles. Keep RIGHT to take I-80 E toward BAY BRIDGE/OAKLAND, proceed 32 miles.

Merge onto Hwy. 37 W toward NAPA. Take the HWY. 29 Exit - EXIT 19 - toward NAPA/DOWNTOWN VALLEJO. Turn RIGHT onto SONOMA BLVD/Hwy 29 N. Continue to follow Hwy. 29 North.

Traveling north on Hwy. 29, you will pass through the towns of Napa, Yountville, Oakville and then into Rutherford. When you see the Rutherford Grill Restaurant, make a right turn onto Rutherford Road (it is also Route 128). The Beaulieu Vineyard Visitor's Center will be on your left.

BV Rutherford House Policies

1. DUE TO THE FACT THAT WE ARE NOT EQUIPPED TO HANDLE CHILDREN AND THAT THIS IS A WORKING TRADE RELATIONS RESIDENCE, WE MUST POLITELY ENFORCE OUR REQUEST OF NO CHILDREN UNDER THE AGE OF 21. IN ADDTION, WE CANNOT ALLOW PETS.
2. To pick up your room/house key during business hours, go to the Visitor's Center. If you are planning a late arrival please notify us at 1-800-264-6918 x5252. You will need to provide us with an arrival time so that we can notify our security service. For after hours check-in, please call Security's cell phone at 707-337-0599. They will be available at the front office of winery for late arrivals. Your key will open the front door and your assigned room. Please park behind the residence and do not block the driveway.
3. The BV Rutherford House is a Business and Trade Relations property. While we try to maintain a peaceful environment during your stay, we may have tastings, meetings, or various events scheduled and in progress on the main level of the house or in the gardens.
4. The BV Rutherford House is an overnight guest residence; we have no desk clerk, concierge, or individual room/maid service.
5. The BV Rutherford House is a non-smoking residence. There is a covered verandah at the front of the house for those who wish to smoke.
6. We stock each room with basic amenities; towels, toiletries, and linens.
7. There is a central portable phone located in the Ensemble Room, upstairs and in the kitchen area.
8. Our kitchen has the makings for morning beverages; coffee, tea, hot cocoa, and morning juices. Please use the designated dishwashers for used dishware.
9. Our rooms are all new, but our plumbing is still old. Please be patient for the hot water to make it to your shower.
10. The house has central heat and air conditioning.
11. We do use down bedding, so please let us know in advance if you have allergies to down.
12. Upon your arrival you will be notified if any other guest will be in the house.
13. There is a town noise ordinance of 10:00 p.m. Also, please be considerate of other guests in the house and maintain a low noise level after 11:00 p.m.

Beaulieu Vineyard.

RUTHERFORD HOUSE

About the BV Rutherford House

Beaulieu Vineyard purchased the BV Rutherford House in 1995 from Mary Tilden Morton. Mary, part of the Bay Area Tilden family known for land conservation and married to the Morton salt family, purchased the house from Fred Ewers' daughter, Janice in 1968. The house was built in 1913 by Senator Fred Ewer. His family lived there until the sale of the property to Tilden Morton.

It was Ewer's dream to build a house on the property and have a fine and fertile farm in Napa County. Ultimately, what he created was, according to the *St. Helena Star*, "one of the most commodious, convenient and handsome country residences in Napa." He also built a large swimming pool, that was, at the time, one of only five in Napa Valley.

The house is often compared to a Frank Lloyd Wright, but was in fact designed by Napa architect L. M. Turton. Designed in the Arts and Crafts style, the 10,000 square foot house now has five bedrooms upstairs, each with its own private bath and sweeping view of wine country. The main floor plays host to trade visitors that enjoy private tastings, educational seminars and many other programs designed to share information about Beaulieu Vineyard and the far reaching wine industry.

When Beaulieu Vineyard first acquired the house, the winery opened it as a Napa Valley Designer Show house with show proceeds going to the Queen of the Valley hospital in Napa. The renovations from the show together with the beautiful location and the fine wines and history of Beaulieu make the Rutherford House a perfect spot for embracing the wonders of wine country.

DIRECTIONS TO STERLING VINEYARDS

At a leisurely pace, you should plan a two-hour drive from San Francisco to Sterling Vineyards.

From San Francisco Airport take Route 101 North. Stay on Route 101 North for 12 miles.

Keep RIGHT to take I-80 E toward BAY BRIDGE/OAKLAND, proceed 32 miles.

Merge onto Hwy. 37 W toward NAPA

Take the Hwy. 29 exit – EXIT 19 – toward NAPA/DOWNTOWN VALLEJO.

Turn RIGHT onto SONOMA BLVD/Hwy 29 N. Continue to follow Hwy. 29 N.

Traveling north on Hwy. 29, you will pass through the towns of Napa, Yountville, Oakville, Rutherford and St. Helena. The winery is located approximately seven miles north of St. Helena.

Turn RIGHT on Dunaweal Lane. The winery entrance is well marked.

1111 Dunaweal Lane
Calistoga, CA 94515

Upon arrival at the winery, please announce yourself at the Tram Ticket Window, located near the parking lot. Your name will be on our guest list, and your host will be notified.

If you need to cancel your tour please call 707-967-5252 or 800-726-6136 #2

DIRECTIONS TO PROVENANCE

*Provenance Vineyards
1695 St. Helena Highway (Highway 29)
Rutherford, CA
Ph: 707.968.3633
Fax: 707.968.3632*

At a leisurely pace, you should plan an hour and a half drive from San Francisco to Provenance.

- From San Francisco Airport take Route 101 North. Stay on Route 101 North for 12 miles.
- Keep RIGHT to take I-80 E toward BAY BRIDGE/OAKLAND, proceed 32 miles.
- Merge onto Hwy. 37 W toward NAPA.
- Take the Hwy. 29 exit – EXIT 19 – toward NAPA/DOWNTOWN VALLEJO.
- Turn RIGHT onto SONOMA BLVD/Hwy 29 N. Continue to follow Hwy. 29 N.
- Traveling north on Route 29, you will pass through the towns of Napa, Yountville, and Oakville and then into Rutherford.
- Just past the town of Rutherford on the west side of Highway 29, look for a large red building. The cross street is Mee Lane.

Upon arrival check in with the Tasting Room staff. Your name will be on the guest list and your host will be notified.

DIRECTIONS TO ACACIA

*Acacia Vineyard
2750 Las Amigas Road
Napa, CA 94559
Ph: 707.226.9991
Fax: 707.226.1685
www.acaciavineyard.com*

At a leisurely pace, you should plan an hour and a half drive from San Francisco to Acacia.

- Come across Golden Gate Bridge and stay on Hwy. 101 North.
- After about 20-30 minutes, take exit #460 onto Hwy. 37 East toward Vallejo/Napa. Go 7.6 miles.
- At Sears Point, turn left onto CA-121 North, Carneros Hwy toward Sonoma/Napa. Stay on 121 for 13.4 miles.
- Turn right on Duhig Rd. for 2.1 miles
- Turn left on Las Amigas Rd. for a half-mile; Acacia will be on your left.

Upon arrival check in with the Tasting Room staff. Your name will be on the guest list and your host will be notified.

DC&E Winery Visits Request Form for Greensboro ABC Board
 Current Status: **Cancelled**
 Summary

Required Fields Required for Draft

Requestor Information

| | | | |
|----------------------------------|--|-------------------------------|------------|
| Requestor Information | | | |
| Requested By | James McClemen\Sales\USA\UDV | Request Date | 06/25/2008 |
| Requested For | JCN=James McClemen\OU=Sales\OU=USA\O=UDV | Status | Cancelled |
| Requestor Location | East | Visit Date (System Generated) | 09/09/2008 |
| Guest Information | | | |
| Names of Primary Guest | Katie alley | # in Party | 4 |
| Position of Guest within Account | Chairman, Greensboro ABC Board | Names of Additional Guests | 2 guests |
| Key Objectives of Visit | | | |
| Account Information | | | |
| Account Name | Greensboro ABC Board | Phone Number | 336-336- |
| City, State | Greensboro, NC | Cell Phone Number | |
| Type of Account | ABC Board | Email Address | kalley@t |
| WBS#/GL Account code | 4WL689T10NC4300xxxxw20E] | Account Distributor | State |
| | | Internal Order Number | DL6142] |

| Winery Selection | Overnight | Tour | Winery Selection | Overnight | Tour |
|----------------------|---|---|-------------------|---|---|
| BV | <input type="radio"/> Yes <input checked="" type="radio"/> No | <input checked="" type="radio"/> Yes <input type="radio"/> No | Chaione | <input type="radio"/> Yes <input checked="" type="radio"/> No | <input type="radio"/> Yes <input checked="" type="radio"/> No |
| Sterling | <input checked="" type="radio"/> Yes <input type="radio"/> No | <input checked="" type="radio"/> Yes <input type="radio"/> No | Edna Valley | N/A | <input type="radio"/> Yes <input checked="" type="radio"/> No |
| Provenance | <input type="radio"/> Yes <input checked="" type="radio"/> No | <input checked="" type="radio"/> Yes <input type="radio"/> No | Sagelands | N/A | <input type="radio"/> Yes <input checked="" type="radio"/> No |
| Acacia | <input type="radio"/> Yes <input checked="" type="radio"/> No | <input checked="" type="radio"/> Yes <input type="radio"/> No | Canoe Ridge | <input type="radio"/> Yes <input checked="" type="radio"/> No | <input type="radio"/> Yes <input checked="" type="radio"/> No |
| Moon Mountain | <input type="radio"/> Yes <input checked="" type="radio"/> No | <input type="radio"/> Yes <input checked="" type="radio"/> No | Rosenblum/Alameda | N/A | <input type="radio"/> Yes <input checked="" type="radio"/> No |
| Rosenblum/Bealdsburg | N/A | <input type="radio"/> Yes <input checked="" type="radio"/> No | | | |

| | | | |
|--|---------------------------|------------------------|-------------------------|
| Beaulieu Vineyard Tour Request | | Type of Tour or Visit* | Private tour & taste |
| # of guests | 3 | Date of Tour | 09/09/2008 |
| Current volume, Products or programs: | misc | Start Time (hh:mm) | 11:00 AM |
| Special Requests: | | Product Focus | Napa, Reserve |
| Sterling Vineyards Overnight Stay | Arrival Date = 09/09/2008 | # of nights | 2 |
| Sterling Vineyards Tour Request | | Type of Tour or Visit* | VIP Tasting |
| # of guests | 3 | Date of Tour | 09/09/2008 |
| Current volume, Products or programs: | misc | Start Time (hh:mm) | 3:00 PM |
| Special Requests: | | Product Focus | Three Palms, Napa Chard |
| Provenance Tour Request | | Type of Tour or Visit* | VIP Tasting |
| # of guests | 3 | Date of Tour | 09/09/2008 |

Napa Winery Visits Request Form Printed - 05/05/2010

| | | | |
|---------------------------------------|------|------------------------|-------------------------------------|
| Current volume, Products or programs: | misc | Start Time (hh:mm) | Any time between 10:30 AM & 3:30 PM |
| Special Requests: | | Product Focus | Ruin Cab |
| Acacia Tour Request | | Type of Tour or Visit* | VIP-Tasting |
| # of guests | 3 | Date of Tour | 09/10/2008 |
| Current volume, Products or programs: | misc | Start Time (hh:mm) | 2:00pm |
| Special Requests: | | Product Focus | acacia cam, lone tree pinot |

| | |
|--------------------------|---|
| Comments | |
| Requestors Comments | |
| Trade Relations Comments | <p>>> (6/26/2008) - Mary C Rudd - Jim: Unfortunately both dates are completely booked at every property. Do you want to go forward with the tours if available? Please advise. Thanks, Mary</p> <p>>> (9/11/2008) - Mary C Rudd - Jim: As the date has passed, we have cancelled out this request. Regards, Mary</p> |
| Follow-Up Comments | |