

## **Guidance on Cooperative Purchasing Agreements, Cooperative Purchase Groups and Quantity Discounting.**

The Illinois Liquor Control Act (“Act”) requires wine and spirits Cooperative Purchasing Agreements, Cooperative Purchase Groups, and Quantity Discounting for Cooperatives to operate under express rules mandated by Sections 6-9.5, 6-9.10, and 6-9.15 of the Act.

The Commission has summarized the relevant Sections of the Act to help guide licensees on Cooperative Purchasing Agreements, Cooperative Purchase Groups, and Quantity Discounting. Any action taken by the Commission on these matters will be based on the Commission’s review of pertinent facts applied to the requirements of the Liquor Control Act and not this guide.

### **A. Cooperative Purchasing Agreement (“Agreement”) conditions include:**

1. The Agreement is in writing and signed by all parties to the Agreement.
2. The Agreement contains the complete license information for all parties to the Agreement, including State and local license numbers, expiration dates, and date on which the retail member joined the Cooperative Purchase Group.
3. The Agreement must designate whether the Cooperative Purchase Group is comprised of retail licenses engaged in the sale of wine or spirits on or off the premises.
4. A retail licensee that is a party to the Agreement shall not be a party to any other related Cooperative Purchasing Agreement and may change to a different Cooperative Purchase Group no more than twice in a 12-month period.
5. The Agreement identifies and designates the name and address of the Agent or Agents with the authority to contract for the purchase and delivery of wine or spirits on behalf of the Cooperative Purchase Group.
6. A copy of the executed Agreement, including any amendments, deletions, or additions, is kept on the premises of each party to the Agreement for a period of 3 years.
7. A copy of the executed Agreement, including any amendments, deletions, or additions, is delivered to the distributor and to the State Commission before making any purchases under the Agreement.
8. Any amendments, deletions, or additions to the Agreement must be submitted to the State Commission within 7 business days after the amendment, deletion, or addition is executed.
9. When a retail licensee joins an existing Cooperative Purchasing Group, the new member must be a member for a period of 7 days before participating in any quantity discount purchases.

### **B. Operational Requirements include:**

1. A licensed non-resident dealer, manufacturer, foreign importer, importing distributor, or distributor (“Industry Member”) shall not furnish, give, or lend money or anything of value to a cooperative agent or any officer, director, owner, affiliate, employee, or representative of a cooperative agent, or any separate legal entity in which the officers, directors, owners, affiliates, employees, or representatives of such legal entity are officers, directors, owners, affiliates, employees, or representatives of a Cooperative Agent.

2. A Cooperative Agent accepting money or anything “of value” from an Industry Member is considered a violation Section 6-5 of the Act by all retailer members of the Cooperative Purchase Group.
3. A Cooperative Purchase Group shall retain a surety bond at all times for no less than \$250,000. If a Cooperative Purchase Group member is delinquent in payment pursuant to Section 6-5, the surety shall immediately pay the importing distributor or distributor the delinquent amount.
4. A retailer may make wine and spirits purchases as part of the Cooperative Purchase Group or independently of the Cooperative Purchase Group.
5. If, pursuant to an individual non-Cooperative Purchase Group transaction, a retailer member of a Cooperative Purchase Group is delinquent by failing to pay an individual, non-Cooperative Purchase Group wine and spirits invoice in full within 30 days of delivery (“delinquency” or “delinquent”), the individual members of the Cooperative Purchase Group are not delinquent and an Industry Member may engage in individual, non-Cooperative Purchase Group sales with such non-delinquent retailers.
6. If, pursuant to an independent non-Cooperative Purchase Group transaction, a retailer member of Cooperative Purchase Group is delinquent, the Cooperative Purchase Group is not delinquent and an Industry member may engage in Cooperative Purchase Group sales but shall not include the delinquent retailer in a Cooperative Purchase Group transaction, nor shall the Industry Member deliver wine and spirits to the delinquent retailer.
7. If a retailer member of a Cooperative Purchase Group is delinquent by failing to pay its portion of the Cooperative Purchase Group purchase, the Cooperative Purchase Group is delinquent, and the Industry Member shall not conduct Cooperative Purchase Group transactions with the delinquent Cooperative Purchase Group until the delinquency is paid-in-full.
8. If any individual retailer payment of Cooperative Purchase Group transaction is delinquent, non-delinquent members of the Cooperative Purchase Group may continue to make independent, non-Cooperative Purchase Group purchases.
9. If a distributor, importing distributor, or foreign importer offers Quantity Discounting to any retailer or retailer group, it shall offer the same quantity discount to the Cooperative Purchase Group within the requirements of quantity discounts for Cooperative Purchase Groups.

C. Quantity discount programs for Cooperative Purchase Groups shall be offered under conditions that include the following:

1. Be open and available for acceptance for 7 business days.
2. Be based on the volume of product purchased; however, discounts may include price reductions, cash, and credits and no-charge wine or spirits products may be given instead of a discount.
3. Be documented on related sales invoices or credit memoranda.
4. Not require a retail licensee to take and dispose of any quota of wine or spirits.
5. Not require a retail licensee to purchase one product in order to purchase another.

6. If a distributor offers a quantity discount for wine or spirits, Cooperative Purchase Groups shall purchase a minimum of 250 cases in each quantity discount program. Each individual non-delinquent member of a Cooperative Purchase Group included in the cooperative transaction may be required to purchase the following minimum amounts:
  - a. 2% of cases of any quantity discount program of 500 or fewer cases.
  - b. 1.5% of cases of any quantity discount program of at least 501 and not more than 2,000 cases.
  - c. 1% of cases of any quantity discount program of 2,001 or more cases.