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STATE OF MICHIGAN  
LIQUOR CONTROL COMMISSION  
PUBLIC HEARING

Proceedings had in the above-entitled matter before  
Chairperson Nida Samona, Commissioners Ed Gaffney,  
Patrick Gagliardi, Donald Weatherspoon, held at the  
General Office Building, 1st Floor, Conference Room  
A, 7150 Harris Drive, P.O. Box 30005, Lansing,  
Michigan, on Monday, August 3, 2009.

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C O N T E N T S

SPEAKER	PAGE
Linda Gobler	13
George Zrinyi	15
Jane Shallal	16
Lance Binoniemi	18
Randy Shank	23
Matt Groen	25
Tino Hammond	25
Scott Bennett	27
Robert Johnson	28
Steve Warmington	36
Sherman Greider	46
Martin Bennett	47
Tom Sekmistrz	50
Ann Marie Prush	51
Fran Johnson	58
ZoAnne Madonia	60
Patricia Lucente	63
L. Kim Butts	71
Larry Farida	74
Hoa Thi Kingsley	76
Andy Chawla	77
Paramveer Singh	79
Bridget Palmatier	81
Rick Roberson	84
Steven Seng	85
Delua Longbons	87
Geoff Longbons	87
Michael Koester	94
John Baker, NWS	97
Lewis Cooper, Great Lakes	100
Q & A of ADAs	102

1 Commission Staff Present:  
2 Susan Broughton  
3 Lori DeClercq  
4 Pam Hamilton  
5 Sharon Martin  
6 Andrea Miller  
7 Steve Robinson  
8 Barb Subastian  
9 Linda Wood  
10 Ken Wozniak

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E X H I B I T S

M O R

Various Correspondence  
(Attached to end of Transcript)

1                   Lansing, Michigan

2                   Monday, August 3, 2009, 11:06 a.m.

3                   CHAIRPERSON SAMONA: If everybody could take a  
4                   seat, please. There are plenty of seats up front. Make  
5                   yourself as comfortable as possible. Thank you for being  
6                   here. I know there are still people coming in so we will  
7                   start with some of the introductions and then go into our  
8                   meeting, here.

9                   I want to thank you very much for being here.  
10                  Obviously, you have received our notice that we put on our  
11                  price book in regards to this meeting. It is open for  
12                  everyone to come and to share their feelings or their  
13                  thoughts, raise any questions that they may have so that we  
14                  understand where you are at. This is a very inclusive  
15                  process and that is why we thought it would be very  
16                  appropriate to have anybody who wishes to come or if they  
17                  have a representative who is here, speaking on their behalf  
18                  or if you want to just sit and listen to what is going on,  
19                  that is fine, too. We did receive some individuals who asked  
20                  to be recognized and to speak and we will certainly give you  
21                  that opportunity. Some weren't sure and wanted to listen and  
22                  see if their question was raised or answered and that is  
23                  fine, too. So if we go through this list and there are still  
24                  individuals that are out there that wish to say something to  
25                  us, we will be happy to recognize them, as well.

1                   Let me introduce myself. My name is Commissioner  
2                   Samona and this is four of your five Commissioners that are  
3                   present, here. To my right is Commissioner Gagliardi. To my  
4                   left is Commissioner Weatherspoon and next to him is  
5                   Commissioner Gaffney. We are four of your five member  
6                   Commissioners and if you have had to appear before us for any  
7                   number of things or receive our orders, you have probably  
8                   seen our name or our faces before. And I just wanted to tell  
9                   you the three of us sitting right here -- the gentleman to my  
10                  right and the gentleman immediately to my left are  
11                  Administrative Commissioners. We help with the policy  
12                  issues, the licensing issues. We also sit at appellate  
13                  hearings. Commissioner Gaffney and Commissioner Pobur, who  
14                  could not be here today, hear the violations that may occur.  
15                  If you are not satisfied with those rulings or decisions, you  
16                  may appeal those decisions to us three that sit as an  
17                  appellate panel twice a week -- once in this Lansing office  
18                  and once in Farmington. So that is just a little brief  
19                  sketch of what we do.

20                  We sent out the notice in regards to three specific  
21                  things that we wanted to address, things that our ADAs, our  
22                  distributors, have approached us over the last year plus,  
23                  asking for some kind of a pay increase or incentive or  
24                  something to help alleviate their rising costs as we all have  
25                  rising costs. So we have gone back and forth on various

1 issues that exist. Some of the things that were requested  
2 were things that were more legislative, that means you would  
3 have to go to lawmakers to change those things in any way you  
4 could and obviously, we have no control over that. That  
5 would be up to the House of Representatives -- the House and  
6 Senate and they would take those issues if those issues  
7 arise. So what we have decided to do is say okay, what are  
8 the three issues that keep popping up that are issues that  
9 are being raised; issues maybe we can take a look at and see  
10 how we could modify, not necessarily completely eliminate,  
11 but see how to change it to make it a little easier to work  
12 with. And obviously, these changes could all impact you in  
13 whatever type of business that you are in, whether you are  
14 running an association, you are a retailer, you are a vendor,  
15 you are a wholesaler, they may have some impact on what you  
16 do and how you do your business; that is why we believe it  
17 was important to get your input and feed back on this so when  
18 we do make a decision -- and no decision has been made yet,  
19 just so you know. And it won't be made at this meeting.  
20 This is more of a time to share information and to gather  
21 your thoughts and for you to understand where we are coming  
22 from, as well; that is really the main purpose of this  
23 meeting. If we have another meeting in the future, you will  
24 be notified of that, as well, just in case people couldn't  
25 make it to this meeting, things came up as a result of this

1 meeting and you went back home or to your business and  
2 thought of other issues, you may have another opportunity to  
3 address us on this issue and of course, you can always  
4 contact our office through e-mail, through phone calls,  
5 letters, expressing your interest or your issue that you are  
6 concerned about and certainly, we have received several of  
7 those today and so we have all of those. So if anyone is  
8 coming up to speak and wants to make reference to their  
9 letter, that is fine. So but be assured that we did receive  
10 all of those and copies were made for all of us Commissioners  
11 when you sent them in. So thank you for that.

12 So what were the three burning issues that we  
13 thought we were going to look at and see how can we modify,  
14 if we need to modify; is there a need for change; a need to  
15 do anything in regards to those things and how can they  
16 impact -- what is the greatest impact and the smallest impact  
17 and how great is it? What does it mean to you as a business  
18 person in whatever capacity that you run a business that is  
19 influenced by the Liquor Control Commission. So the three  
20 issues were changing the split case fees, that is a policy --  
21 or the split case or the policy of that. As you know, at  
22 this point by law, split cases are allowed to exist and you  
23 are allowed to, as a retailer, order products that are  
24 spirits and order different products and split them up. You  
25 don't have to order a whole case of Bacardi or whatever the

1 case may be. So one of the issues that we have heard from  
2 our distributors, our ADAs, is that it takes up anywhere from  
3 70 to 80 percent of their time and their business is the  
4 split case policy that we have and law that we have in the  
5 State of Michigan; that maybe that wasn't the original intent  
6 of it when that was created. It was more to help small  
7 businesses or to allow you to offer a variety of products  
8 which we certainly encourage and that is why we have such an  
9 open and healthy price book and allow new products to come  
10 into the State of Michigan so that, you know, as retailers,  
11 you can purchase them for sale and as consumers, they can try  
12 them out and see how they do. Michigan is a very healthy  
13 market for the spirit industry. Of the 18 controlled states  
14 in the country, Michigan ranks number one in spirits and  
15 sales and probably consumption, too, and so it is a very  
16 healthy market and liquor vendors look at that. The  
17 manufacturers understand that, that Michigan is important to  
18 their products and so they are watching this closely, as they  
19 need to, so we get input from them, as well.

20 So there have been a number of ideas as to the  
21 split case policy; you know, maybe reducing it or having the  
22 top, you know, 30 products, the top 40 products, the top 20  
23 products. So any of those numbers have been raised, but to  
24 eliminate it completely -- and I know that there are some  
25 questions in regards to that, you know, to eliminate the

1 split cases would be a serious impediment to your business, I  
2 don't think that that is something that we are looking at.  
3 First of all, we can't do it by law; that would be something  
4 that the lawmakers would have to do and I don't know if we  
5 would be in support of something like that so we are trying  
6 to see how we can make it a little more tangible so that you  
7 can't split every single product out there because we have  
8 over 5,000 SKU's in our price book and I know those of you  
9 that order from our price book know that on a regular basis.  
10 So that is one of the discussions we have had. Do we create  
11 a policy that limits it to a certain number of products that  
12 can be split and ordered as a split case?

13 The second one is the increase of the minimum case  
14 orders. That has been an issue that our delivery agents have  
15 raised an issue with us. Sometimes, you know, there is a  
16 long way to travel. Michigan is a very large state and  
17 allowing these minimum cases to be ordered -- the certain  
18 number of bottles that are ordered sometimes is cost  
19 prohibitive to them, the gas and the employees that are being  
20 paid, etc. So that is one of the other things that we have  
21 been looking at is: Do we change that? Do we change the  
22 minimum case order? Or do we allow you to order the minimum,  
23 but maybe put a certain fee on there that kind of helps  
24 alleviate the cost to the ADA? So that is another discussion  
25 that we are ready to have today.

1                   The last one is instituting a charge for returned  
2                   or refused orders. Now there is probably a very small number  
3                   of licensees that do that on a regular basis. They order  
4                   products and when it is time for them to be delivered and  
5                   they are at their licensed premises, they either refuse the  
6                   order, a portion of an order, or kind of cherry-pick what  
7                   they want or don't want from that order so as a result, all  
8                   the time and effort that is spent for that employee of the  
9                   ADA to put them together, to pick them, put them on the  
10                  truck, drive them over to the licensed premises and for the  
11                  licensee to say, no, I only want this much of it or that much  
12                  of it, only want these products, but not those, and they have  
13                  to put them back on the truck, drive them back to the  
14                  warehouse, unload them, put them back in their rightful place  
15                  where they belong. So, obviously, that takes time and money  
16                  and effort. We don't think that, you know, if we are looking  
17                  at a charge for that, it is not a charge to make a whole lot  
18                  of money. It is more of, kind of, a punitive or slap on the  
19                  hand of don't do that. As a business owner, you should know  
20                  by now what products do well in your business and how much  
21                  you need. If you don't, then maybe you should start making a  
22                  chart of that or keeping some kind of tracking of what you  
23                  need or don't need. By returning the products, it is -- it  
24                  costs money and right now we are dealing with an issue in  
25                  regards to this beyond the ADAs and that is TTB is telling us

1 that that might be something that the federal government is  
2 not going to accept or approve as a method of doing business  
3 any longer. So returned orders -- the idea is, hey, you  
4 bought it, you got to keep it. It is yours. And you have  
5 got to pay for it. So you know, there are other issues to  
6 look at, but those are the three key issues that we really  
7 want to look at so we can have guidance and understanding so  
8 that when we do end up finally making a decision on this, we  
9 have taken into consideration all of the comments that are  
10 presented to us here today.

11 So with that, I would, you know, have this open to  
12 anybody who wants to speak but I will give my fellow  
13 Commissioners an opportunity to just give some welcoming  
14 remarks if they wish and we will take it from there. I will  
15 start with Commissioner Gagliardi. It is kind of dangerous  
16 to give him a microphone, but we will take our chances.

17 COMMISSIONER GAGLIARDI: I would like to welcome  
18 everybody here. Thank you for taking the time. We probably  
19 have 50 to 100 emails from folks who are busy at this time of  
20 the year -- it is August in Michigan -- who have taken the  
21 time to write us. So we know for all of you to take time out  
22 of your busy day to be here is special. You feel strongly  
23 about this. We appreciate you being here.

24 CHAIRPERSON SAMONA: Commissioner Weatherspoon?

25 COMMISSIONER WEATHERSPOON: I want to echo the

1 comments of my fellow Commissioners and welcome you all and  
2 thank you for coming. We do take your comments very  
3 seriously and I think that this is an opportunity for you to  
4 be represented as forcefully as you would like to be because  
5 it is important to you as a business person. It is important  
6 to us to be a business partner.

7 CHAIRPERSON SAMONA: Commissioner Gaffney?

8 COMMISSIONER GAFFNEY: Thank you and welcome  
9 everybody. It is nice to see so many people that I have  
10 known throughout my career in the Legislature here and just  
11 look forward to hearing what you have to say.

12 COMMISSIONER GAGLIARDI: We didn't need to know  
13 what you represented. What are you talking about?

14 CHAIRPERSON SAMONA: All right. Having said that,  
15 then, I know we do have some members of the different  
16 associations. If they want to, maybe, stand up because they  
17 may have some members of their associations that are here,  
18 that are present and maybe want to give us a few comments in  
19 regards to that before we open it up to everyone else.

20 Ms. Gobler, if you want to start, we would be happy  
21 to hear from you. Please identify your name, whoever you  
22 are, give us your full name; if you need to spell it, please  
23 do so and where you are from, whether you are a retailer, the  
24 name of the business or your association, etc. Good morning.

25 MS. GOBLER: Good morning. Thank you, Madam

1 Chairwoman, Commissioners. My name is Linda Gobler. I am  
2 the President and CEO of Michigan Grocer's Association.

3 Thank you very much for the opportunity to speak to you.

4 COMMISSIONER GAGLIARDI: They can't hear in the  
5 back.

6 CHAIRPERSON SAMONA: You may have to -- if you want  
7 to take that out and hold it up to your mouth.

8 MS. GOBLER: Not even going to touch that.

9 CHAIRPERSON SAMONA: Talk a little bit and see if  
10 that helps.

11 MS. MILLER: They are going to turn it up.

12 COMMISSIONER GAGLIARDI: Does anybody have any  
13 written comments they wish to put in, at this time? We could  
14 start compiling those while we are waiting.

15 MS. GOBLER: I can talk louder. How's that?

16 CHAIRPERSON SAMONA: Well, we have all these  
17 written comments that we will put in. If you can't hear,  
18 please raise your hand so we can make sure that everybody  
19 hears what is happening here. Maybe one thing we can do is  
20 pull the podium back a little bit the other way, Linda or  
21 Steve; that way it is a little more central in the room; that  
22 way you're a little closer to the audience.

23 MS. GOBLER: Thank you. To continue, the Michigan  
24 Grocer's Association sent a request to our members. I know  
25 that you had printed this notification in the price book, but

1 we wanted to make sure that our retailers were aware of not  
2 only the hearing but of the proposal that was made by the ADA  
3 regarding the delivery of hard spirits. A large number of  
4 our members called or wrote to us to express their  
5 displeasure with the proposals and to ask us to oppose the  
6 recommendations. Some of the feed back was as follows:  
7 First and foremost, a split case fee, regardless of the  
8 amount of cases, is an increase for retailers. Liquor is a  
9 very competitively priced item and retailers do not have the  
10 luxury of setting a higher price to recoup an increase in  
11 their costs. An increase to the retailer means an increase  
12 in the cost of doing business and reduction in the inventory  
13 a retailer will carry. The end result is a drop in profit  
14 for the retailer and, we believe, a loss of revenue for the  
15 State. The split case is not only opposed by our small to  
16 mid-size members but also is opposed by several of our large  
17 members. They also see it as an increase in the cost of  
18 doing business. As one member stated: Retailers order split  
19 cases to control their inventory and to still offer a base  
20 variety for their customers. Another member asked if anyone  
21 was aware of the difficult economic times in Michigan and  
22 said, and I quote: "It is severe at all levels in the retail  
23 food business." Other members mentioned the proposed fee for  
24 refused items. Our retailers have had orders not delivered;  
25 new items included in the delivery that they did not order

1 and do not want and also some damaged products. They want to  
2 know how these situations would be addressed.

3 As the Commission knows, we have met with some of  
4 the ADAs and others on more than one occasion to try to find  
5 some solutions to these issues. I was very disheartened at  
6 our last Commission hearing when one of the ADA  
7 representatives stated that changing the one case to a  
8 two-case delivery requirement and instituting a fee on  
9 returned orders was -- to paraphrase -- fluff. We seriously  
10 would like to try to find some way to work to benefit  
11 everyone but our members feel strongly that we cannot support  
12 the recommendations before you. Thank you.

13 CHAIRPERSON SAMONA: Thank you very much,  
14 Ms. Gobler. Liquor Vendors are here. Mr. Zyrini?

15 COMMISSIONER GAGLIARDI: Spirits.

16 CHAIRPERSON SAMONA: MSA.

17 MR. ZRINYI: Hi. My name is George Zrinyi,  
18 Z-r-i-n-y-i. I am with Jim Beam Brands Company and I am here  
19 today to represent the Michigan Spirits Association. And I  
20 would like to say welcome to everybody, as well. On behalf  
21 of the Michigan Spirits Association, I want to say thank you  
22 for the Commission to be open to hearing the different ideas  
23 and viewpoints from all the different people and the vendors  
24 across the state. I know you have a macro picture of what  
25 you need to do for the benefit of the health of the business

1 in the State of Michigan and I know you will do your best to  
2 make everybody happy as far as -- and there will be some  
3 compromises on every angle, but we are here today to hear the  
4 viewpoints, as well, and to find out what needs to be done as  
5 far as moving forward.

6 We do have several members of our Board, here,  
7 today and I would like to take a moment to introduce them for  
8 just a moment. My Vice-President, Joe David, is also  
9 representative of McCormick Distillers. We have Sam Awdish  
10 over here, representing Remy Martin and Marsha Keenoy is here  
11 with Diageo. She had to step out to take a phone call. And  
12 I think that was everybody from our Board. With that, I  
13 wanted to say thank you for your openness. Looking forward  
14 to some resolution. I know that things have been difficult  
15 and the economic conditions don't help matters any, but I am  
16 sure that we will be able to come up with a good resolution  
17 to move forward.

18 CHAIRPERSON SAMONA: Thank you. Who wishes to go  
19 next? Beer & Wine Wholesalers? AFD?

20 MS. SHALLAL: Good morning. Jane Shallal on behalf  
21 of the Associated Food & Petroleum Dealers just to say that,  
22 you know, we are all partners in this industry: Liquor  
23 Control Commission, the retailers, the vendors, suppliers and  
24 ADAs and, you know, we as partners, what effects us as  
25 retailers, effects you and what effects you, effects us, so

1           you have to keep all these things in mind when we try to  
2           reach a resolution on these issues. The split case fee, I  
3           know that was mentioned but I don't think that is on the  
4           table, at this point. So -- I think that requires a  
5           Legislature change so if there is any proposal for split case  
6           fees, we object to that. And it is not within the authority  
7           or the jurisdiction of the Commission to authorize a split  
8           case fee so we do object to any kind of split case fees. I  
9           came in a little late so unless that was brought up on a  
10          previous occasion, I don't recall.

11                         The return stocking fees, we understand what the  
12          ADAs have with the restocking of items, that we do not  
13          condone any behavior on the part of retailers that are  
14          shopping liquor orders and that does need to be curtailed by  
15          the Commission. I know the Commission is attempting to  
16          resolve this informally and I urge you to continue to do so.  
17          We did discuss a three strikes and you are out type of  
18          situation. I do want to remind the Commission that our  
19          retailers are concerned as to who would be at fault. Like  
20          the other day, some of our retailers called and said that  
21          they ordered 10 cases. Next week another 10 cases were  
22          delivered that weren't even ordered. It was the same 10  
23          cases. So they had a question as to how it was going to be  
24          resolved as to who was responsible -- at fault. So I think  
25          that needs to be clarified just to ensure that the three

1 strikes has to be retailer mistakes. If it is a supplier  
2 mistake or a vendor mistake, then retailers should not be  
3 responsible for that mistake. That is, basically, it other  
4 than what I have said on previous occasions. We are willing  
5 to resolve these issues and come together as an industry to  
6 benefit all of us.

7 COMMISSIONER GAGLIARDI: Before you leave, Jane,  
8 one of the things -- your comments about split case fees, I  
9 think what we were -- what was on the table was whether you  
10 go to the top 10, 20, 30, 40 products and maybe say --

11 UNIDENTIFIED VOICE: We can't hear back here.

12 COMMISSIONER GAGLIARDI: I think what was on the  
13 table was whether you go to the top 10, 20, 30 products by  
14 each ADA and you had to order a minimum of a case. You could  
15 not order a single. We weren't going to put a split case fee  
16 on there like you have with wine. We are not allowed to do  
17 that.

18 MS. SHALLAL: Right. Thank you.

19 CHAIRPERSON SAMONA: Thank you. I think MLBA is  
20 here. Restaurant Association has a representative.

21 COMMISSIONER GAGLIARDI: NFIB is here today.

22 CHAIRPERSON SAMONA: NFIB. Any other associations?  
23 We wanted to take the associations -- have them speak. Both  
24 will be given an opportunity so --

25 MR. BINONIEMI: Good morning, Madam Chair and

1           Commissioners, Lance Binoniemi. I am the Executive Director  
2           for the Michigan Licensed Beverage Association. And I want  
3           to first thank you for allowing me to speak before you today.  
4           I am, of course, here for the three proposals on the table.  
5           And I want to thank you for opening up this forum. I see a  
6           lot of retailers to discuss their opinions and a lot of  
7           people who are interested in these topics, but I also want to  
8           thank you for the previous meetings that we have had and the  
9           inclusion of the MLBA in those meetings. You have been very  
10          open with these and we appreciate that.

11                         I think we can all agree in this room that the  
12          delivery service for spirits in Michigan is not perfect.  
13          There are several different ideas that we can come up with  
14          and we can do some significant changes to improve the  
15          efficiency of that. But the three proposals that we are  
16          discussing right now are all negative to the retailers. We  
17          would like to see some more consideration given to how we can  
18          run these things more efficiently on both ends and  
19          potentially allow more flexibility to the retailers in their  
20          purchasing process, rather than just implementing these fees  
21          or prohibitions onto the retailers. Specifically speaking to  
22          the proposals, the MLBA is officially opposed to two of the  
23          three proposals -- the increase in the minimum purchase order  
24          from one case to two cases. We are also opposed to the  
25          prohibition of split cases of the top 10 SKU items per ADA

1 and in terms of returned orders and refused orders, we do  
2 feel that there is a problem out there and that any solution  
3 that comes up from the Commission by deterring that practice,  
4 we support. As I see, we have several licensees here today  
5 and I want to get out of their way so they can give you their  
6 own suggestions and recommendations on how we can improve  
7 deliveries in Michigan, but I will say that the bottom line,  
8 we all know very well, all too well, that our State is in  
9 trouble right now. Our economy is at its worse and any  
10 increase in the cost of doing business right now is going to  
11 be significantly damaging to those retailers, especially the  
12 small retailers that we are talking about today. Increasing  
13 minimum order purchases and prohibiting split case items are  
14 going to go directly at small retailers. The larger  
15 retailers are going to be able to go against some of these  
16 costs. The smaller ones are not and they are the ones that  
17 have already had to make the tough decisions during these  
18 difficult economic times. We are happy to continue the  
19 conversation with the Commission and to continue the  
20 conversation with the rest of the industry leaders. But we  
21 would like to see a more comprehensive approach rather than  
22 just simply going after retailers only.

23 Again, thank you. I want to make sure that we have  
24 -- all the retailers get an opportunity to speak today. I  
25 want to thank them for taking time out of their day to

1 explain to you guys how this may effect them.

2 COMMISSIONER GAGLIARDI: I have a question. For  
3 the last 12 years, almost 13 years, retailers have gotten  
4 free delivery to their establishment. At what point in time,  
5 are we going to get the retail end of this segment to help  
6 chip in for the payment of what is going on? I think that is  
7 where the real question is. This is not a -- this is not a  
8 demeaning question towards retailers but retailers used to  
9 have to go to a State store prior to '97 and retailers, if  
10 they were delivered to, paid for delivery trucks to deliver  
11 to their place. Now since '97, they have had free delivery  
12 to their store door and I think, appropriately. I think it  
13 has helped the system. And I would just like to know from  
14 you since you represent a whole bunch of them in the MLBA,  
15 when do you think and how do you think and how do you  
16 envision retailers, at some point in time, merging into this  
17 system and paying for the free services that they have been  
18 getting? In the year 2009, there aren't a lot of free  
19 services left and free is a good price.

20 MR. BINONIEMI: I was not around during the time  
21 when this was implemented, but I am aware that at that time  
22 they were given the promise that they were going to get free  
23 delivery by setting up privatization; that was the purpose of  
24 it. I am going to have a lot of retailers that are probably  
25 going to have a lot of interesting comments toward your last

1 comment, Commissioner.

2 COMMISSIONER GAGLIARDI: Which last comment?

3 MR. BINONIEMI: About getting free service. I  
4 think, in discussion with my Board, they have suggested maybe  
5 we go back to the old system where they can purchase, where  
6 there aren't limitations on which day they have to order or  
7 all the other requirements they have to follow.

8 COMMISSIONER GAGLIARDI: They would like to go back  
9 to State stores?

10 MR. BINONIEMI: I'm saying we would like to open up  
11 a discussion. We're here to open a discussion further,  
12 rather than just these three proposals that are negative  
13 toward the retailer. We're happy to open a discussion on  
14 that. We have always been available to do that. And I have  
15 had other board members, and it sounds like other licensees  
16 here, who have suggested maybe we go back to that system.  
17 Again, I am not recommending that through the MLBA; maybe we  
18 need to talk about those things.

19 COMMISSIONER GAGLIARDI: At that point in time when  
20 people had to drive back to State stores, spend their own  
21 money to go get product and bring it back to their individual  
22 retail spots, they would be then putting into the system, so  
23 to speak. There wouldn't be free delivery no more. Nobody  
24 could complain to the retailers that you don't have any cards  
25 in the game, so to speak, because you would be paying, like

1 in the old days, paying to get your own products and deliver  
2 it yourself.

3 UNIDENTIFIED PERSON: It worked.

4 MR. BINONIEMI: Again, it's a potential solution.  
5 Everything should be on the table, in my opinion.

6 COMMISSIONER GAGLIARDI: But we're talking about  
7 these three things. You are talking about --

8 MR. BINONIEMI: You want to talk directly about  
9 these three things.

10 COMMISSIONER GAGLIARDI: We are talking about these  
11 three things. It would only be fair since that is what we  
12 sent out to everybody in their book. I mean, all the  
13 licensees got this. They know that is what we are talking  
14 about today. If we go beyond, that is probably not fair  
15 because they might have comments they would even like to  
16 write in.

17 MR. BINONIEMI: And again, we appreciate --

18 COMMISSIONER GAGLIARDI: So you know, the ADAs and  
19 others in the system -- the vendors, the distillers, have  
20 been saying I think it is time we share a little bit of this.  
21 We have talked about this with the associations, not with all  
22 the retailers and that is why we are having the input today.

23 MR. BINONIEMI: Thank you.

24 CHAIRPERSON SAMONA: Thank you.

25 MR. SHANK: Good morning, everybody. My name is

1 Randy Shank, S-h-a-n-k. Our association is the Bowling  
2 Centers Association of Michigan. We represent over 200  
3 member proprietor centers in the State of Michigan. And  
4 obviously, our businesses depend a lot on the bar and lounge  
5 revenue. With that, several things that have been mentioned,  
6 not to belabor anybody's time, I know there is a lot of  
7 people that want to speak, but back to the paring cost.  
8 Again, we represent small centers from eight to ten-lane  
9 centers to 80-lane centers. You have an 80-lane center  
10 perspective from a larger perspective, the paring cost or  
11 costs are too large to do additional cases or not be able to  
12 split cases and even more dramatically with a smaller center,  
13 it is like a convenience store or a liquor store. It is very  
14 difficult in different areas. So it is all demographic, but  
15 we would -- our members and our association would be  
16 dramatically effected by it.

17 One last thing, we try and work closely and listen.  
18 Our auto businesses are suffering in the economy of Michigan.  
19 So we have been forced, as strong of an association as we  
20 are, to get very creative. So I think with good minds and  
21 creative thought, we can come up -- because ADAs, we  
22 understand, are trying to save money, also. They have to  
23 cover their costs. So do we. So we are doing and trying to  
24 be as creative as we can. Maybe they have got to become a  
25 little bit more creative.

1 CHAIRPERSON SAMONA: Mr. Shank, real quickly, how  
2 large is your association?

3 MR. SHANK: Over 200 centers.

4 CHAIRPERSON SAMONA: Throughout the State?

5 MR. SHANK: 4,600 total lane beds.

6 CHAIRPERSON SAMONA: Thank you. Any other  
7 associations or association representatives that wish to  
8 address us?

9 MR. GROEN: Thank you, Chairwoman Samona. My name  
10 is Matt Groen with the Michigan Restaurant Association. In  
11 light of the fact that we are actually having a Board meeting  
12 today where these topics are coming up, undoubtedly, I wanted  
13 to just officially enter my name into the record and note we  
14 will be speaking at a future meeting. You said there will be  
15 several meetings on this subject, so I appreciate that.

16 CHAIRPERSON SAMONA: Thank you for being here.

17 COMMISSIONER GAGLIARDI: How many restaurants in  
18 your association, Matt?

19 MR. GROEN: We represent about 4,500 restaurants  
20 throughout the State.

21 COMMISSIONER GAGLIARDI: Thank you.

22 CHAIRPERSON SAMONA: Any other associations?

23 MS. HAMMOND: Good morning. It is Tino Hammond  
24 with the Michigan Black Bar Owners Association. I might get  
25 a little winded, but I am here.

1 CHAIRPERSON SAMONA: Take your time.

2 MS. HAMMOND: On behalf of the MBBOA, I am here to  
3 express our concern, also, on the three issues that are the  
4 topic for discussion today. I just had a little surgery so I  
5 get winded and I am not going to talk long. I wanted to let  
6 you all know that we were here and we have concerns also with  
7 the minimum case orders, split case and the return to refuse  
8 orders. But I think with this meeting today we should be  
9 able to come up with some kind of resolution that would be  
10 beneficial to both parties -- all parties involved.

11 CHAIRPERSON SAMONA: Thank you. How large is your  
12 association?

13 MS. HAMMOND: Our association is approximately  
14 about 100 members, locally, but we do have a national  
15 organization, which is the NCLBA and we have different  
16 chapters, but we are mostly in Wayne County.

17 CHAIRPERSON SAMONA: How long has your association  
18 been in existence?

19 MS. HAMMOND: Since 1981.

20 CHAIRPERSON SAMONA: Very good.

21 MS. HAMMOND: We have our President, here also, but  
22 I am the Secretary for the organization.

23 CHAIRPERSON SAMONA: Do you want to introduce your  
24 President?

25 MS. HAMMOND: This is Terry Thomas and you might

1 have heard of us in the past. We have invited you to a  
2 couple of events. Thank you.

3 CHAIRPERSON SAMONA: Thank you. Any other  
4 associations, at this point, that wish to address us?

5 MR. BENNETT: Scott Bennett, Greater Michigan  
6 Bowling Center Owners Association.

7 CHAIRPERSON SAMONA: Can you spell your last name,  
8 please?

9 MR. BENNETT: Sure. B-e-n-n-e-t-t. We have about  
10 85 bowling centers here in Michigan, throughout the State and  
11 we echo the concerns of many of the other associations'  
12 concerns here. It is a very tough business climate to say  
13 the least and we are looking toward to future meetings to see  
14 what creative ideas can be composed to make it work for  
15 everybody. So thank you for giving us this opportunity.

16 CHAIRPERSON SAMONA: Thank you. Anyone else from  
17 any associations? I will note that our ADAs are represented  
18 and are present here and we will certainly give them an  
19 opportunity to speak. I don't know if they want an  
20 opportunity after they hear some of the comments to address  
21 us, as well, so we will thank them for being here.

22 With that, we can start with calling out some of  
23 these names and some of you have already spoken, so if you  
24 need anything else, we will be happy to hear from you at the  
25 end. Robert Johnson is the Treasurer for the New Buffalo

1 Yacht Club.

2 MR. JOHNSON: Good morning. My name is Robert  
3 Johnson. I am the New Buffalo Yacht Club Treasurer. We are  
4 a private club known in the resort community. New Buffalo is  
5 in the lower southwest corner of the state. With the way the  
6 economy is, our membership has dropped from 300 members to  
7 175 members and it is making it harder for us to even meet  
8 the requirements of ordering a case of alcohol for delivery.  
9 We have a total of 55 products that we buy. I am speaking  
10 directly to liquor or wine or beer and of those 55 products,  
11 43 we buy less than a case a year and there is only one  
12 product that we buy -- actually buy in cases when we buy it.  
13 So I mean, to require us to buy a case of any particular  
14 product other than Smirnoff, which we do buy by case, would  
15 be a hardship on us to have to store this type of product  
16 over a length of time. There is only three products that we  
17 would buy multiple cases during the year and so I mean,  
18 anything that would require us to buy case limits or multiple  
19 cases would be a hardship. There is quite a few of our  
20 products that we buy three or less bottles a year.

21 CHAIRPERSON SAMONA: Can I ask you -- I am sorry --  
22 Mr. Johnson, when you order, do you order the liter size  
23 bottles?

24 MR. JOHNSON: Yes, we do.

25 CHAIRPERSON SAMONA: I don't think that the ADAs

1 certainly have not addressed the issue of, you know,  
2 including the liter size bottles as, you know, with the split  
3 cases; that is not -- they have, in fact, excluded that so I  
4 think to the benefit of those that are on-premise licensees,  
5 restaurant, bar owners, you know, bowling centers, etc., I  
6 think that has not been a push to do anything with the liter  
7 size bottles.

8 MR. JOHNSON: Well, the notice, it didn't say  
9 liter-size bottles. Well, this is the only thing I got and I  
10 got it off the Internet. We have been trying to get -- we  
11 have been trying to get the books for years. I finally got  
12 the State to send me a book last year.

13 CHAIRPERSON SAMONA: This book?

14 MR. JOHNSON: Yes and I thought we would be getting  
15 it on a regular basis. I got the one book. I don't know  
16 who --

17 CHAIRPERSON SAMONA: You are the licensee?

18 MR. JOHNSON: We are the licensee -- New Buffalo  
19 Yacht Club is the licensee.

20 CHAIRPERSON SAMONA: Does it go to another Board  
21 member?

22 MR. JOHNSON: I have no idea who it goes to. I  
23 have called and asked where the book goes and nobody can seem  
24 to tell me and like I said, last year when I called, they  
25 finally sent me one book and that is all I have gotten.

1 CHAIRPERSON SAMONA: Well, then we have to make  
2 sure -- I don't know if you checked with your other Board  
3 members or a prior Board member is still getting it, but our  
4 assistant is sitting in the back; that is Ms. Wood. Make  
5 sure you give her the information. I would suggest you don't  
6 give her your personal address, but --

7 MR. JOHNSON: It should come to the club itself.

8 COMMISSIONER GAGLIARDI: Exactly.

9 CHAIRPERSON SAMONA: Every licensee should be  
10 getting a price book.

11 MR. JOHNSON: This is a notice that I happened to  
12 see on the Internet when I was looking up some other  
13 information at the Liquor Control Commission. I saw the  
14 notice of this meeting.

15 CHAIRPERSON SAMONA: Okay. That is a little odd.  
16 So we want to make sure to correct that. Before you leave,  
17 give us your information to make sure that we can track it  
18 and make sure it comes to a particular address, understanding  
19 that Board members change. I don't know if a prior Board  
20 member had given their personal address.

21 MR. JOHNSON: Should go to the licensed address.

22 CHAIRPERSON SAMONA: It should unless the licensee  
23 requests that it goes elsewhere, then we usually do that.

24 MR. JOHNSON: I would like to address -- the young  
25 lady mentioned about returns?

1 CHAIRPERSON SAMONA: Yes.

2 MR. JOHNSON: The vendors do make mistakes. The  
3 vendors admit that there is some mistakes and we pay EFT and  
4 it takes us more than six months to get the money back from  
5 the State. Something needs to be done about that.

6 CHAIRPERSON SAMONA: I agree. Obviously, we are  
7 not looking to penalize anybody where the vendors are the  
8 ones that made the mistake and the State made a mistake in  
9 their system. That's not the purpose of it. The purpose of  
10 it - if there is a licensee, licensees, and like I said, you  
11 know, a small group of them but they are an active group  
12 because it is a repetitive process of ordering beyond what  
13 they were going to ultimately purchase and so again, that is  
14 not looking at, you know, punishing anybody. That is a  
15 legitimate licensee that is ordering and accepting their  
16 orders.

17 MR. JOHNSON: When the vendor makes the mistake, I  
18 would think that this -- they -- somehow there should be a  
19 little better process to get the money back to the licensee.

20 CHAIRPERSON SAMONA: And I think that is --

21 MR. JOHNSON: I made, probably, about 30 or 40  
22 phone calls before we finally got it.

23 CHAIRPERSON SAMONA: I think that is a very valid  
24 point. If nothing else, even if it does not come back to  
25 you, if it goes to credit, if you are coming -- if you are

1 getting an order any time in the near future. Mr. Robinson,  
2 who is our Director of Finance, would be the person that  
3 would be, kind of, involved in that issue so I am sure he was  
4 writing frantically as you were speaking.

5 MR. JOHNSON: I don't want to get off the track of  
6 what this meeting is about. We have a couple of products  
7 that are main sellers in our organization and for some reason  
8 they don't seem to be available. Does the State just decide  
9 not to sell some products?

10 CHAIRPERSON SAMONA: What products are you talking  
11 about?

12 MR. JOHNSON: Nassau Royal and Calvert Extra. We  
13 are being told it is not going to be available.

14 CHAIRPERSON SAMONA: I don't know. We have to look  
15 at that. Can you write those names down, Mr. Robinson?

16 MR. JOHNSON: This is what we are being told by our  
17 distributors.

18 CHAIRPERSON SAMONA: I don't know if that is -- we  
19 have a requirement because our book is so large, that you  
20 have to sell a certain number of bottles within a six-month  
21 or one-month period. If not, it could be delisted from the  
22 book. The idea is not to keep growing the book where you as  
23 a retailer are trying to find the product that you want and  
24 there's more products every time. It is a healthy product  
25 but part of that is saying we want to bring it in and bring

1 new products in. I don't know if that is something that the  
2 distributor has decided not to bring to the State or  
3 something that they haven't been able to meet their minimum  
4 case orders and so we delist them, but even when we do that,  
5 if a distiller or a vendor wants to, say, give us another  
6 opportunity, another six months, another year so that we can  
7 try to market it differently, we do that. So you have got  
8 those two products?

9 MR. ROBINSON: Yes.

10 MR. JOHNSON: If for some reason the State or the  
11 distributors aren't going to sell it, I think there should be  
12 some kind of a notice that goes out. You don't get a very  
13 direct answer.

14 CHAIRPERSON SAMONA: Have you called our office?

15 MR. JOHNSON: I have called the distributors. They  
16 are telling us that the State is no longer going to handle  
17 this product.

18 CHAIRPERSON SAMONA: We will get a better answer  
19 for you. Maybe when you leave your information with  
20 Ms. Wood, leave us a phone number, too, so we can get an  
21 answer to that question.

22 COMMISSIONER GAGLIARDI: Who has Calvert?

23 MR. ZYRINI: I do. It is available and there are  
24 no problems with inventory. We still carry it. It should be  
25 available through National Wine and Spirits.

1                   MR. JOHNSON: We have ordered it and they have not  
2 sent it out.

3                   COMMISSIONER GAGLIARDI: How many times have you  
4 ordered it?

5                   MR. JOHNSON: I think we have ordered it the last  
6 two months and have been unable to get it and that is our  
7 Nassau Royal; we have not been able to get that.

8                   UNIDENTIFIED PERSON: You have to order it in a  
9 liter.

10                  MR. JOHNSON: That is what we use is liters.

11                  UNIDENTIFIED PERSON: They are available. I get  
12 them all the time.

13                  MR. JOHNSON: Well, without a catalog, I'm probably  
14 not going to have the right number.

15                  CHAIRPERSON SAMONA: That might be the first step  
16 to taking care of these issues. All right. We will make  
17 sure -- you should be getting our price book. Like I said,  
18 we send them out to all the licensees. If you are an active  
19 licensee in the State of Michigan, you should be getting it.

20                  MR. JOHNSON: You take our money out every time we  
21 get a --

22                  CHAIRPERSON SAMONA: You are an active member. We  
23 appreciate it.

24                  MR. JOHNSON: You have our bank account number, if  
25 nothing else. These gentlemen were talking about -- I wasn't

1 involved in '97 when you had stores as you were talking  
2 about.

3 COMMISSIONER GAGLIARDI: State stores, yes.

4 MR. JOHNSON: Of course, they would have to be  
5 centrally located, but for our -- the amount of product that  
6 we use, it would probably benefit us if there was going to be  
7 a delivery charge for less than a case or for something like  
8 that. If it is somewhere we can readily get to it. There  
9 are times when we do come to Grand Rapids when somehow we  
10 miss the date -- the cut off date to get an order in and you  
11 know, that is a three-hour round trip from New Buffalo to  
12 Grand Rapids to pick up a couple cases of liquor, but we have  
13 done it. But it is not something we want to do on a regular  
14 basis. So I mean, if there is a situation and there is talk  
15 about a retail or a state liquor store, we would probably be  
16 in favor of that if it was, you know, maybe in St. Joe or  
17 someplace where it is, maybe, a large area.

18 COMMISSIONER GAGLIARDI: Well, there used to be one  
19 in at least every county.

20 MR. JOHNSON: We would certainly be for that rather  
21 than have to pay for a split -- extra for split cases or  
22 something like that. Thank you.

23 COMMISSIONER GAGLIARDI: Thank you. Steve, why  
24 don't you give him a price book so he has one.

25 CHAIRPERSON SAMONA: Next we have Steve Warmington

1 from the Marine Tap Room.

2 MR. WARMINGTON: Good morning, Chairwoman Samona  
3 and Commissioners. My name is Steve Warmington,  
4 W-a-r-m-i-n-g-t-o-n; proud member of the Michigan Licensed  
5 Beverage Association, past president and owner of the Marine  
6 Tap Room in downtown Muskegon and you probably recognize me  
7 as License No. 2644. Before I get started, here, I know it  
8 is not on the agenda, but I would -- I am against this online  
9 ordering. I am prepared to do it, but I believe there are  
10 smaller members in some of the northern parts of our state  
11 that will probably have a difficult time in making this  
12 transition at the first of the year to be doing online  
13 ordering. So I will speak for those that didn't make the  
14 trip.

15 COMMISSIONER GAGLIARDI: Just so you know, the idea  
16 is the first of the year, a year from now -- a  
17 year-and-a-half from now.

18 CHAIRPERSON SAMONA: 2010, December.

19 COMMISSIONER GAGLIARDI: Says here December 2010,  
20 but I know you are getting old so I wanted to help you with  
21 your dates.

22 MR. WARMINGTON: Thank you so much, Commissioner  
23 Gagliardi. Nonetheless, even a year from now I think some of  
24 the smaller retailers in some of the northern parts of our  
25 State will probably have issues with that.

1 I do have a letter from another licensee out of  
2 Muskegon who attempted, apparently, to go online with this on  
3 Friday and it came back undelivered. They told me about it  
4 on Friday so they hard copied me this. So I will pass it on  
5 to you.

6 CHAIRPERSON SAMONA: We will be happy to take it.

7 MR. WARMINGTON: I will read it if you want, but  
8 the gist of it is they are not in favor.

9 CHAIRPERSON SAMONA: All the letters, emails, etc.,  
10 that we have received will go into the minutes of this  
11 meeting.

12 MR. WARMINGTON: Well, the three proposals that are  
13 being brought forward for possible policy changes certainly  
14 appear to benefit the ADAs to minimize their costs and  
15 benefit their profits while having the opposite effect on  
16 those of us that are retailers by increasing our costs,  
17 perhaps, for inventory space, cost of inventory and  
18 therefore, reflecting, perhaps, on our bottom line. Those of  
19 us that are retailers provide a lot of services for the State  
20 of Michigan, which is the distributors for all of these fine  
21 beverages that are available throughout the state. We  
22 provide space for inventory. We provide merchandising and  
23 point of sale materials that are left, perhaps, by the  
24 distilleries, but we still partake in that. We also collect  
25 the sales tax for the State of Michigan and bring that

1 forward. So we have got to take a look at our bottom lines  
2 just like the ADAs do and I understand the cost of increasing  
3 business but for some of us in the retail end, I have been on  
4 the retail end for 20 years, and been in the beverage  
5 business for 30 some odd years, when it comes to delivery of  
6 our beer products or our pop or soda products, we don't pay  
7 for a delivery charge there. We all know we pay for a  
8 delivery charge somewhere. They are assumed in the cost. I  
9 am assuming when I buy a case of liquor, that somehow the  
10 State, who wanted to privatize this industry, has included  
11 the cost of this delivery into the price. Now perhaps, it is  
12 not the whole cost because certainly back in 1997, we were  
13 getting rid of all the State stores so we wouldn't have those  
14 lovely State leases that we get involved in to pay for.  
15 There was also some transfer of employees, those that chose  
16 not to retire that, perhaps, moved over to some of the ADAs  
17 so some of those costs, I understand, were taken, perhaps, at  
18 that point in time the discussion was made as we only  
19 increase the price so much. I was in business in '97. I  
20 don't really recall exactly how that was done.

21 I have an issue with minimum orders. My business  
22 is at least fine enough right now that I could probably  
23 maintain the two case orders and get by. I don't like the  
24 fact that I would have to pay a split case charge. I didn't  
25 pay a split case charge prior to 1997; don't care to pay for

1           it now. The ADAs haven't charged a split case charge since  
2           1997.

3                       CHAIRPERSON SAMONA: I hate to interrupt you. We  
4           -- they cannot charge a split case fee charge by law, nor can  
5           we order it. That has to be a legal change. That has to be  
6           a law that says you charge for the split case. So the  
7           alternative that we looked at is, then, okay, we can't do  
8           that. We won't do that; is to maybe limit it -- what you can  
9           order a split case of and maybe not allow the top 20  
10          products, 30 products, to be ordered as a split case, but  
11          still allow you to order split cases. So that is one of the  
12          ideas that is being bantered around.

13                      MR. WARMINGTON: Thank you for clarifying that for  
14          me. If you would only use six bottles of one of their top  
15          10, you would be required to order 12.

16                      CHAIRPERSON SAMONA: I understand.

17                      MR. WARMINGTON: Some retailers would not be in a  
18          position to do that. If I was one of the distilleries, I  
19          would be concerned about losing product placements in stores  
20          because of having to adjust your inventory as such. As I  
21          said, I am a member of the Michigan Licensed Beverage  
22          Association. I am not here to speak for them as such, but I  
23          do think that the ADAs probably have some legitimate rights  
24          and I am wondering if the State would consider again putting  
25          out another request for proposal similar to what they did in

1 1997.

2 CHAIRPERSON SAMONA: For what?

3 MR. WARMINGTON: For delivery services to the State  
4 of Michigan for liquor. There might be, perhaps, be some  
5 other businesses out there that could come in and, perhaps,  
6 do the same services for a lower price to the State and to  
7 the retailers. Does it make sense to go from -- we were at  
8 three ADAs. We are now at two. Does it make sense for the  
9 State to take a look at going to just one ADA and help the  
10 ADA save costs that way instead of having delivery service  
11 for one product, have all the products come in? Now I know  
12 that the distilleries work under ADAs and there is, you know,  
13 it is not just a delivery system to them. They also have  
14 salespeople that go out. I am not sure that should be an  
15 issue for the Liquor Control Commission or most of us as  
16 retailers. I don't know if we get up in the northern parts  
17 of the territory, where Chairwoman, you mentioned that  
18 sometimes it costs as far as to go out there, but we don't  
19 take a look at what the large wine wholesalers in the State  
20 of Michigan do and that is that they appoint other  
21 wholesalers in different parts of the state to make their  
22 deliveries. They are going out there to drop off -- you have  
23 Miller, Coors, Budweiser products, or whatever; perhaps, that  
24 is another way we could take a look at it and I guess last  
25 but not least, if there needs to be reflection, we continue

1 to do the system that we are in -- and this is speaking just  
2 for myself, if we were to do a price increase based on some  
3 formula on a per ounce, based on the 750 and being across the  
4 board per bottle raise, that would cover the increase in  
5 costs. It gives the off-premises retailers the opportunity  
6 to have that reflected in what the increase would go up to  
7 help cover their costs and those of us that are in the  
8 on-premises, I don't think they are really in a position to  
9 raise our prices, but I think it probably would benefit those  
10 of us that are smaller on a basis much easier than the  
11 additional delivery charges. I am trying to see -- I want to  
12 make sure whether I want to comment on them before  
13 Commissioner Gagliardi starts asking me --

14 COMMISSIONER GAGLIARDI: I wanted to comment on  
15 your hair. I like your hair.

16 MR. WARMINGTON: Thank you.

17 COMMISSIONER GAGLIARDI: Looks really good. I wish  
18 I had some.

19 MR. WARMINGTON: Same color, too. I don't have any  
20 other comments other than the fact that back in 1997 and I  
21 know none of you folks were involved in it, but the State of  
22 Michigan decided that they wanted to go to privatization to  
23 get away from it. I used to go pick up my orders. Did it  
24 cost me extra money? I suppose it did, but I was out running  
25 other errands so it really wasn't too far out of the way.

1                   I did want to make one other comment on the return  
2                   to refuse orders, I understand completely where the ADAs are.  
3                   And if it were me, I would probably make sure that their  
4                   service wasn't quite as good as what it should be if they  
5                   were doing that to me. But I do have one comment where it  
6                   says in here exceptions would be made for only reasonable  
7                   mistakes. And based on my experience, I don't want the ADAs  
8                   determining what a reasonable mistake is. I want somebody  
9                   else to take a look at that.

10                   CHAIRPERSON SAMONA: That probably would be the  
11                   State of Michigan that would make that determination.

12                   MR. WARMINGTON: That would be one less person  
13                   getting let go, then, hopefully, but we have all had our  
14                   issues with them and I know they try to do their job, but  
15                   when it comes down to taking a look in the mirror, and saying  
16                   they made a mistake, I don't think they have been very good  
17                   from a retailer perspective. Thank you for the opportunity  
18                   for us to come forward and speak to you. Nice to see you.  
19                   Welcome to the two new commissioners who I haven't had a  
20                   chance to meet before, but welcome aboard.

21                   CHAIRPERSON SAMONA: Thank you. Thank you for your  
22                   comments.

23                   COMMISSIONER GAGLIARDI: Just to that point, Steve,  
24                   and a lot of people forget that, you know, we as the people  
25                   of Michigan are the wholesalers. We just represent you. But

1 people of the State of Michigan are the wholesalers of  
2 distilled spirits and the ADAs are the people that we pay  
3 from the '97 law to warehouse and deliver our distilled  
4 spirits for us. So I want to make that clear. You have been  
5 in the business a long time, but you know, we -- all of us,  
6 as citizens of Michigan -- a few of you that are here from  
7 outside of Michigan -- we all own the distilled spirits  
8 business. We are the wholesalers. We don't own it. We are  
9 the wholesalers. We make a lot of money for the State of  
10 Michigan. You all happen to know how because you are  
11 retailers, most of you, and see how much money the State does  
12 make but it is very important that we go back to something  
13 that you said earlier and that is the relationship with the  
14 ADAs. I mean, as you talk around Muskegon, what do you think  
15 is the relationship by the retailers in your area with the  
16 ADAs? I kind of detect that you didn't think there was,  
17 perhaps, a good relationship. Maybe I misread that.

18 MR. WARMINGTON: I think the relationship as far as  
19 with the delivery personnel, folks that are delivering the  
20 product to our doors, is very good. I don't think we have an  
21 -- at least I don't have any issue with any of the delivery  
22 people. The issues have become when you have a problem --  
23 and I will use my example. I think it was probably about  
24 three or four years ago, I had a case delivered by one of the  
25 ADAs. It was winter. They brought in -- I can't remember --

1 two or three cases on the two wheeler and they dropped it off  
2 -- winter, the two-wheeler, I am assuming it had been out in  
3 the truck. The snow had melted the bottom of the box. It  
4 was wet, whether it was from inside the truck or when they  
5 were out, piling it up in the snow, when I went to pick the  
6 case up -- and for all the retailers, it would be the ADA  
7 that has the two handles in it, not the one that you get from  
8 the bottom and I made the mistake of using the two handles  
9 and when I lifted it up, the bottom came out and I lost two  
10 or three bottles. Well, I cleaned up the mess, swept it;  
11 mopped the area and then I went downstairs to call the ADA  
12 and the ADA then informed me that I needed to keep all of the  
13 broken glass. Plus, I had to maintain the box. Well, I can  
14 maintain the box and I could dig out part of the bulk of the  
15 broken glass and they would send somebody out to take a look  
16 at it. Well, nobody ever came out to look for it -- to look  
17 at the stuff. So basically, I ended up losing it. Which  
18 again, I had been in business for 20 years. I guess I could  
19 afford to do that, but that isn't the point and that is why I  
20 say somewhere that communication between whoever we are  
21 calling in the office at the ADA and either getting that  
22 information or someone saying we are not going to bother with  
23 it, is there and I am sure if it has happened to me, it has  
24 happened to other folks, whether waiting six months for a  
25 return because they put in the wrong bottles or they shorted

1 the bottles. You know, that was the issue I had back when we  
2 were -- back when we said you were going to pay cash for  
3 things, you got to pay half the money in certain counties.  
4 The county I am in is one. I never heard of an armed robbery  
5 of any of the people there, but we are still included because  
6 if we write you a non-sufficient check and you fine us and  
7 tell us you are not going to accept our checks anymore, then  
8 what is our alternative? Either to pay in cash or go get a  
9 cashiers check. Well, if you are a small business owner and  
10 there are only one or two of you and your delivery is at 8:00  
11 on Monday morning; you haven't had a chance to get to the  
12 bank because they don't open until nine, to get a cashier's  
13 check for what you need for your delivery on Monday morning.  
14 So it is --

15 CHAIRPERSON SAMONA: I appreciate that. We  
16 encourage all licensees to pay through the EFT system, you  
17 know. That is not a perfect system. I don't think there is  
18 any perfect system, but that prevents that same idea. But,  
19 obviously, you have to have money in that account.

20 MR. WARMINGTON: I'm from that old school,  
21 Chairwoman, where I don't want the government to have access  
22 to my checking account.

23 CHAIRPERSON SAMONA: Yep, I understand. Thank you  
24 very much.

25 MR. WARMINGTON: Thank you.

1                   CHAIRPERSON SAMONA: Next we have Sherman Greider.  
2                   MR. GREIDER: I am Sherman Greider; last name is  
3 spelled G-r-e-i-d-e-r. I am probably one of the smallest  
4 around. I own a 7-Eleven in Okemos and this is all about  
5 money. I mean, we can talk about everything else you want to  
6 talk about, here. This is all about money. For me, the  
7 service that I have been receiving from one of the ADAs since  
8 the merger, has been way less than adequate -- late  
9 deliveries, insufficient deliveries, changing order dates,  
10 changing delivery dates, putting order dates in that make it  
11 impossible to do an accurate delivery. Then I got the notice  
12 that we want to do all of these things which all three of  
13 these things are going to cost me money. And you know what?  
14 I guess a lot of them, other than the split case thing, I  
15 probably wouldn't mind paying for the service if I was  
16 getting service that was worth a damn. But I am not. And  
17 when you staff -- most small stores you staff one or two  
18 people and you staff somebody there for labor reasons and  
19 your order shows up two days late with no phone call saying  
20 it is not coming or it shows up seven hours late and it is  
21 now 8:30 at night, on a Friday night, in the middle of your  
22 rush and you have nobody to check it in, it becomes a massive  
23 issue. I wasn't around when you had State stores. I have  
24 only been in business for five years, but given my present  
25 experience, give me the State store. I will take my chances

1 with that. I don't think anything is free. I don't think  
2 delivery is free. I am paying for it somehow, some way and I  
3 think, at this point in time, I would rather spend my money  
4 to go pick it up.

5 COMMISSIONER GAGLIARDI: Do you know that we are  
6 paying -- both the State and the distillers are paying the  
7 ADAs to warehouse and deliver?

8 MR. GREIDER: Sure.

9 COMMISSIONER GAGLIARDI: What does that work out to  
10 a case, Steve?

11 MR. ROBINSON: \$8.32 to warehouse.

12 COMMISSIONER GAGLIARDI: They are getting paid  
13 \$8.32 to warehouse each case and deliver it. So they are  
14 being paid by the State out of the moneys you guys all pay us  
15 and by the vendors to warehouse and deliver it. So --

16 MR. GREIDER: So it is not free.

17 COMMISSIONER GAGLIARDI: Exactly.

18 MR. GREIDER: That is all I have. Thank you.

19 CHAIRPERSON SAMONA: Thank you, sir.

20 COMMISSIONER GAGLIARDI: Thank you.

21 CHAIRPERSON SAMONA: Jean Bennett?

22 UNIDENTIFIED VOICE: She is in the bathroom right  
23 now.

24 CHAIRPERSON SAMONA: Martin Bennett?

25 MR. MARTIN BENNETT: Chairman, Commissioners, I

1 hope everyone can hear me.

2 CHAIRPERSON SAMONA: Yes.

3 MR. MARTIN BENNETT: Can you in the back? I  
4 represent a non-profit organization. I don't represent the  
5 non-profit organization in the State of Michigan. However, I  
6 frequent quite a few of them and I will tell you that with  
7 what I have seen over the last few years -- by the way, I  
8 just became a bar manager for our local post this year; that  
9 is the reason I am here and interested. What I've seen, if  
10 you, for example, take a look at the Eagles handbook -- I  
11 don't know if any of you are Eagle members -- on how to run a  
12 club. Within the confines of the club, they recommend you  
13 operate on a 65 percent gross margin. Well, when you start  
14 operating on a 65 percent gross margin, you barely got enough  
15 to pay the bills -- if you pay your bill and whatever, your  
16 lights and everything else. So that is not a lot of money.  
17 Now saying that, we have to play it tight. Now I want to  
18 back up and ask where is the numbers from the various ADAs  
19 that actually justify their expenses? Because it was  
20 mentioned at the beginning of the meeting there has been a  
21 year to year-and-a-half that this has been a process. Well,  
22 that year to year-and-a-half, the price of gas had gone up to  
23 \$4.50 a gallon. Today it ain't so there should be some cost  
24 analysis on these ADAs, I would think.

25 Second part of that is ADAs, I agree 100 percent

1           that the State should be putting out RFPs every year or every  
2           other year or whatever. Request for proposals, in case you  
3           don't know, is soliciting other people to do this. From what  
4           I just heard, I would love to warehouse booze at \$8.32 a  
5           case. I will take the job. Where is the overhead that the  
6           ADAs are suffering? Now say someone walks in and says, I  
7           want a Canadian Club and water. Well, we don't have any  
8           Canadian Club today. How come we don't have any Canadian  
9           Club? Well, we didn't order it because we don't have enough  
10          money to buy a whole case. I don't have to say anymore about  
11          that. That is a very simple error and you just lost a  
12          customer. And we need those customers. We need members. We  
13          try to help our veterans out.

14                         And I am trying to think, here. I think I pretty  
15          much said what I had to say. Thank you very much.

16                         CHAIRPERSON SAMONA: Thank you, Mr. Bennett. Just  
17          to be clear, Amvets Post Club 1941?

18                         MR. MARTIN BENNETT: Yes.

19                         CHAIRPERSON SAMONA: Is Jean Bennett back?

20                         MS. BENNETT: I will pass.

21                         CHAIRPERSON SAMONA: Thank you.

22                         MS. BENNETT: He said enough.

23                         CHAIRPERSON SAMONA: We are taking notes. Thank  
24          you. Next, we have somebody from MLBA and that is Tom  
25          Sekmistrz. Sorry if I am mispronouncing.

1 MR. SEKMISTRZ: Hi. I represent the MLBA and --  
2 CHAIRPERSON SAMONA: How do you spell your last  
3 name?

4 MR. SEKMISTRZ: S-e-k-m-i-s-t-r-z. I just wanted  
5 to voice my opinion on the split case thing. Us small --

6 COURT REPORTER: Can you speak up, please? Maybe  
7 move closer to the microphone so we can hear you better?  
8 Thank you.

9 MR. SEKMISTRZ: I have a small business. And us  
10 small businesses can't get hit no more. We are having a hard  
11 time staying in business right now so if we keep getting hit,  
12 it is either a loss of an employee or we got to go up in our  
13 prices and our prices can't go up no more. We just won't  
14 sell it and you will get the hit.

15 CHAIRPERSON SAMONA: What type of business do you  
16 have, sir?

17 MR. SEKMISTRZ: Restaurant in Wyandotte. And I do  
18 90 percent food and 10 percent alcohol so and then I don't  
19 have a stock room to stock all this if I got to carry full  
20 cases. So we always do split cases so I just wanted to voice  
21 my opinion on that.

22 CHAIRPERSON SAMONA: Thank you, sir. Ann Marie  
23 Prush also from MLBA. Don't be offended. Some of you have  
24 asked to speak for five to 10 minutes. We want to get your  
25 input, but try to keep it at two to three minutes, please

1 just because there's a lot of people here and we want to give  
2 everybody that opportunity before they have to leave and that  
3 does not -- I am not saying that that was you, Ms. Prush.

4 MS. PRUSH: Okay. My name is Ann Marie Prush. I  
5 own and operate Prush's Bar with my husband, Joe. We are at  
6 1212 Eureka in lovely Wyandotte, in the down river area of  
7 Michigan. As a small business owner and one that has been in  
8 the bar business for 23 years -- but I have been in the  
9 alcohol industry for 40 years because I had two brothers that  
10 owned a bar. After they sold their place, Joe and I bought  
11 ours. I would like to thank this Commission for this  
12 opportunity to be heard. I am concerned about all the  
13 changes that have come up, especially about the two cases,  
14 the split cases and refusing or charging me a return fee. I  
15 have never used that. So that, to me, I just wonder if I am  
16 going to be able to do that some day. Now these are my  
17 questions and you can answer them as I go or when I am done  
18 with my presentation, you know, whichever is easier for you  
19 guys. To whom will this increase go? Whoever is going to  
20 get it, are they going to keep records of this money? Do  
21 they get to keep all of it or do they split some of it? Is  
22 the increase going to take into consideration the annual  
23 sales of the merchant or the bar?

24 CHAIRPERSON SAMONA: When you say increase, you are  
25 talking about which increase, please, Ms. Prush?

1 MS. PRUSH: The what? I am sorry.

2 CHAIRPERSON SAMONA: What increase are you  
3 referring to?

4 MS. PRUSH: The \$8.32.

5 CHAIRPERSON SAMONA: That already exists.

6 MS. PRUSH: Correct. I am talking about the  
7 additional.

8 CHAIRPERSON SAMONA: Okay. If anything additional  
9 -- I mean, we only have a small window. After that, it has  
10 to go to the lawmakers to be able to increase it any further,  
11 but I will be happy to address that question after.

12 MS. PRUSH: Thank you very much. And is there  
13 going to be a minimum sales amount that will be put in place  
14 for the little guy? You know, the mom and pop places? To be  
15 fair, on the street where my business is, I have Buffalo  
16 Wings, Chili's, Applebee's, Red Lobster, Olive Garden,  
17 Outback, Malarkey's and Red Robin all on my street. They are  
18 big corporate chains. No offense to them but they take more  
19 in on a Friday or Saturday than a small bar would do in a  
20 month or months. So, of course, they are never going to  
21 worry about an increase because they are not going to have  
22 splits. The little guys, the business that can only afford  
23 three bottles at one time, that is who I am here to speak  
24 for. Now, I don't know whose idea it was to raise these fees  
25 for the minimum orders, but perhaps we should look closely at

1           how a bar with the State of Michigan -- say your annual sales  
2           are \$250,000, maybe even all the way up to half million, how  
3           would you be effected? I am a proud member of the Michigan  
4           Licensed Beverage Association. I talk with a lot of bar  
5           owners, bowling alley owners, the golf course managers and  
6           such. They can hardly make payroll. In this recession, a  
7           recession that, I would like to add, has hurt Michigan more  
8           so than any other state, we have 16 percent unemployment.  
9           Businesses in our beautiful north and the U.P. are closing.  
10          We have had to lay off 100 Michigan State Police troopers  
11          who, in my opinion, are Michigan's finest. In my town of  
12          Wyandotte, we have over 550 homes for sale that have been on  
13          the market for more than two years. Cities are hurting.  
14          Counties are hurting and talk about fees? Utility companies  
15          are now adding additional fees -- fees billing me for the  
16          actual bill to collect my either electric or my telephone and  
17          I am not talking about a bill that has not been paid. I am  
18          talking about just to get the regular bill that comes every  
19          month, no late fees. Now the Police Department has notified  
20          us that our alarm system, if we use it more than three times  
21          in a year, they are going to have to charge an additional  
22          charge to come out to check on my bar. Then we have the  
23          credit card companies are charging additional fees for  
24          processing credit and debit accounts. Energy prices have  
25          risen, and as I started to say, my association often talks

1 about this and we are hit so hard. It has been a constant  
2 struggle. All of this brings me back -- Congressman  
3 Gagliardi, I was looking around this room also on how many of  
4 us have this white hair.

5 COMMISSIONER GAGLIARDI: I should be the czar, but  
6 they won't let me.

7 CHAIRPERSON SAMONA: For good reason.

8 MS. PRUSH: I was there when this was going on. I  
9 was there before this was going on and I will tell you back  
10 in 1995, Phil Arthurhultz, along with the Governor at the  
11 time, John Engler, had decided that his administration would  
12 push for privatizing the State-run liquor stores -- and at a  
13 large savings for the State and the bars. Private enterprise  
14 could do it cheaper and the State would save a lot of money  
15 because they would close the State-run stores and eliminate  
16 400 State jobs, all at an estimated savings of \$25 million  
17 per year. Governor Milliken conducted a review back in the  
18 1980s with the idea of modernizing the wholesale distribution  
19 system. Governor Blanchard thought eliminating the 76 or so  
20 mini warehouse stores and moving to a system of six or seven  
21 central warehouses would benefit the State. All of this, the  
22 State was making money and creating jobs and sustaining good  
23 jobs, but they were still looking at privatization. Now come  
24 the ADAs, the authorized distribution agents. Thanks to  
25 Governor Blanchard's administration, the bailment system was

1           adopted. This meant that all of the spirits and state hands  
2           would remain the property of the distiller -- a smart move by  
3           the State. It allowed the State to eliminate \$30 million in  
4           inventories, which the ADAs have really benefited from under  
5           the Engler plan. They never owned the product, correct?

6                        COMMISSIONER GAGLIARDI: Right.

7                        MS. PRUSH: Unlike the beer distributors who got to  
8           purchase and store their products. The ADAs are simply a  
9           delivery system that is required by you, the Liquor Control  
10          Commission, to ensure the product. So here we have six or  
11          seven -- I think probably six now, private companies take the  
12          inventory which belongs to the distillers; no money goes out  
13          to purchase this inventory. They deliver it to the licensees  
14          and all delivery charges would be built into the base price  
15          of the liquor that we are purchasing; that is where that  
16          delivery fee is supposed to be all along.

17                       Now, the Michigan Licensed Beverage Association, we  
18          did our own study in the mid '90s. We found that it would be  
19          better for our members, on-premise and off-premise, if we  
20          formed a co-op. We went and personally -- we looked at  
21          warehouses, places that we could lease. We could buy in  
22          bulk; store it in these warehouses, and then we could be  
23          selling to our members, and you know, we also could have been  
24          a part of that privatization. Well, the Governor, along with  
25          Phil Arthurhultz, assured us that that would not be necessary

1 as there would never be an increased cost to us in the way of  
2 fees for delivery. Which brings me to insurance. The  
3 on-premise and off-premise businesses are required to carry  
4 liquor liability insurance. The MLBA started a, sort of, a  
5 co-op. They started an insurance pool, a pool to ensure  
6 liquor licensees with affordable liquor liability insurance  
7 and it would be run by MLBA, bar owners. What a great  
8 success. Twenty years later, the MLBA's mutual insurance  
9 company today is the reason liquor liability insurance is  
10 affordable in the State of Michigan. The company is run by a  
11 board of licensees that have always had and continue to have  
12 a unique perspective and insight into the hospitality  
13 industry. I am the President of that insurance company, an  
14 honor for me and a leadership responsibility I take very  
15 seriously. I can personally attest to the many years the  
16 MLBA, its association, its insurance company, and TAM --  
17 Techniques of Alcohol Management -- a company that has  
18 strived to educate, train and is offered to all persons in  
19 the beverage industry -- the smart, cost-saving and always  
20 the responsible serving to selling of alcohol. We are  
21 committed to do all in our power to inform, educate and lobby  
22 for the little guy. Our organization is responsible for  
23 having the State of Michigan own and operate the very  
24 successful Keno games that are played in the bars across the  
25 State now. A financial boom for the cash-strapped State,

1           these difficult times of high unemployment, the mortgage  
2           crisis and the failing auto industry. We don't have the  
3           finances of the big chains. We are the mom and pop bars --  
4           the stores. We are the people that buy the tickets for the  
5           church festivals and put in the ads for yearbooks, sporting  
6           programs. We are the places that hold the car washes and  
7           fundraisers. We are involved in community. It is for all of  
8           these small businesses -- and I ask you to look at just whom  
9           this fee increase is going to hurt. Really.

10                       I thank you for listening, for answering my  
11           questions. I thank you for allowing us to come before you  
12           today. I hope with all sincerity that this process that we  
13           can come before you, the Commissioners, to be heard and to be  
14           considered, I hope this will always last. I hope it will  
15           never be privatized because you are our safety net and I  
16           thank you. Also, I just want to say, whose ever idea it was  
17           to put this on the cover, that was a brilliant idea because  
18           it brought it to everybody's attention. To the man in the  
19           blue shirt that said he never got one, I am not really making  
20           a sales pitch, here, but we represent licensees. We have a  
21           Beverage Journal every month that carries this same  
22           information. If you want to talk to me later, I'll sign you  
23           up.

24                       COMMISSIONER GAGLIARDI: Thanks, Ann Marie. I  
25           appreciate being brilliant. That was great. Thank you.

1 CHAIRPERSON SAMONA: Fran Johnson is next.  
2 Ms. Johnson?

3 MS. JOHNSON: Fran Johnson from JB's Party Store.  
4 Just short and sweet. We have been in business 37 years. We  
5 are just a little ma and pa store. And I agree with the guy  
6 from 7-Eleven. The ADAs need to give a little also. We play  
7 by their rules, but when we are supposed to get a delivery on  
8 Thursday and we don't get it until Saturday, with no phone  
9 call, that is wrong. But if we call up the day after our  
10 call-in, they are going to charge us \$25 to add to that  
11 order? That is a bunch of BS.

12 And as far as the split case policy, we are a small  
13 store. You know, if we have to order, you know, 12 different  
14 cases, we have to find a place to put it. You only have so  
15 much room. You only have so much room. So it is like we are  
16 going to have a bottle of whiskey and we're going to have a  
17 bottle of vodka; that ain't going to fly with the customers.  
18 If you don't have customers, you don't have a business.

19 CHAIRPERSON SAMONA: Thank you, Ms. Johnson. Next  
20 we have Zoanne -- is it Madonia? M-a-d-o-n-i-a; and the  
21 first name is Z-o-a-n-n-e.

22 COMMISSIONER GAGLIARDI: Can I ask a question  
23 before you start? The lady that just spoke, you are saying  
24 that if you call in an order after your delivery date, they  
25 are charging you a fee? The ADAs are charging you a fee?

1 MS. JOHNSON: Yes, they are, if you call after your  
2 call-in date. If you call in your order and it is due on a  
3 Monday, but you screwed up and you call back on like a  
4 Tuesday, because somebody had said can you get me six bottles  
5 of this or that -- if you call on Tuesday, you get charged a  
6 fee.

7 CHAIRPERSON SAMONA: Just a point on that. That is  
8 if you want what is called, you know, an emergency or rush  
9 order, that is not part of your typical order that you  
10 receive on a regular basis, the ADAs are entitled to charge  
11 -- it is \$20, not \$25 but they have to give you notice of  
12 that. If you want us to deliver this, it is going to be an  
13 extra \$20. It is called an emergency or rush delivery. If  
14 that is something you agree to and accept, then they would do  
15 that.

16 MR. JOHNSON: I would have to look back at my bill,  
17 but it was \$25.

18 CHAIRPERSON SAMONA: Should be \$20 not \$25. Make  
19 sure you are notified of that and that you agree to that.  
20 One second. I want to --

21 MR. JOHNSON: It is \$25 and the check has to be  
22 there when they make the delivery or they won't leave it.

23 CHAIRPERSON SAMONA: It should not be \$25. It is  
24 \$20. Again, if it is something you are requesting outside of  
25 your normal order, and you are saying that we want it, we

1 need it, then it is like a rush order for anything you would  
2 order. So be aware of that. And it is within your power to  
3 say yes or no to that, but it should not be more than \$20;  
4 that is the absolute maximum. Anybody that paid \$25, we are  
5 going to make sure that those ADAs reimburse you your \$5,  
6 whether it is a credit for your next order or give you back  
7 your money.

8 MS. MADONIA: My name is Zoanne Madonia. I am  
9 general manager of a bowling center and sports bar. I am  
10 going to talk a little bit about, maybe, the ADAs need to be  
11 a little bit more efficient. I order wine. It comes by one  
12 truck, by one driver. I order liquor. It comes by another  
13 truck, by another driver on the same day. Maybe the routing  
14 in which they deliver could incorporate deliveries to make  
15 those places run a little more efficient.

16 Also, on the split case issue, I do a lot of  
17 business and my business, probably, will determine what might  
18 be those top 10 or 20 liquors that would force people to  
19 purchase by the case. However, that poor little mom and pop  
20 bar that does not sell as much of one item is going to suffer  
21 because my place does so maybe we need to get a panel  
22 together to be a little more creative and maybe we do have  
23 need to have some places where the stores or the bars that  
24 only need one case of liquor or they only want one bottle of  
25 liquor are able to go in with their license; pick up their

1 order and still allow the bigger places to get a delivery.  
2 Maybe it needs to be both.

3 CHAIRPERSON SAMONA: Maybe like a pick-up window is  
4 what I seem to be hearing the idea of?

5 MS. MADONIA: Yes. This will allow these people  
6 that would like to try one bottle to see if it works in their  
7 area or if they only need one bottle for that week because  
8 they have not sold as much, business is down, they have an  
9 opportunity to go ahead and get it. Right now they can't.  
10 They have to wait to get to the minimum order. So maybe we  
11 need to do it both ways. The larger selling places should  
12 have that opportunity to be delivered but there should be  
13 places for the less size orders to be able to pick up because  
14 right now if you don't have that, you can't go get it  
15 anywhere.

16 UNIDENTIFIED PERSON: And not pay retail.

17 MS. MADONIA: They should have that opportunity.

18 CHAIRPERSON SAMONA: Thank you.

19 MS. MADONIA: I also had a delivery issue and mine  
20 is probably very unusual to everybody else's, but I will  
21 share it with you. Two months ago I placed an order. It was  
22 a \$753 order. It wasn't minimal by any means. I placed my  
23 order on my call-in day, which is Wednesday. My delivery  
24 date is Friday and Friday I received no liquor order. It is  
25 now too late to do anything for the weekend. Monday I

1 called. I asked where my liquor order was. The lady asked  
2 for my license number. I gave it to her. She punched it  
3 into the computer; came back and said to me, some resort in  
4 another state inadvertently punched your pin number in and  
5 deleted your order. I said, my order was deleted? I need  
6 this order today. I had ordered a case of Tequila. We run a  
7 special. I needed it. I asked if there was any way somebody  
8 could bring me just that case. I was willing to just take  
9 that case. The lady said give me an hour. I will call you  
10 back. In one hour she called me back to tell me there was  
11 absolutely nobody that could help me out in and bring me that  
12 liquor.

13 CHAIRPERSON SAMONA: You called the ADA?

14 MS. MADONIA: I called the ADA. I did everything I  
15 was supposed to. I had my confirmation number, everything.

16 CHAIRPERSON SAMONA: I guess in the future, if  
17 there are issues like that, if you are not getting the  
18 resolutions you need with the ADA, I mean, with the  
19 situations like that and others, you should also make a call  
20 to us. Technically, that product is ours. The ADAs are a  
21 delivery agent so sometimes our intervention makes things  
22 happen a little differently.

23 MS. MADONIA: Thank you.

24 COMMISSIONER GAGLIARDI: Thank you.

25 CHAIRPERSON SAMONA: Thank you. All right. We

1 have^ weave next, Patricia -- is it Lucente? L-u-c-e-n-t-e.

2 MS. LUCENTE: That was my general manager. I own  
3 four bowling centers in the metro Detroit area; two are in  
4 Wayne County; one is in Oakland; one is in Macomb. And  
5 actually, I just, kind of, have some questions. Who is going  
6 to determine the 10 most popular items and are they actually  
7 going to be in different counties? Ten most popular? Is it  
8 going to be 10? Is it going to be changed annually?  
9 Bi-annually? The reason I am asking all these questions is  
10 because I can't imagine. We sell a lot of Jager and I can't  
11 imagine up north that it would be the same. I think it would  
12 be quite different. Is it going to vary from county to  
13 county? And we have two bowling centers in Wayne County, one  
14 in Trenton, one in Wayne and what we order for them is  
15 totally different. So even if it is by county, it could be  
16 very confusing. And then my other question is: This is only  
17 applying to fifths. It is not applying to liters. It is not  
18 applying to those?

19 CHAIRPERSON SAMONA: That is the discussion, at  
20 this point, is the --

21 MS. LUCENTE: I can't figure out where are they  
22 going to be saving the money? Because, typically, a liter  
23 bottle is less per ounce than a fifth and I would imagine  
24 most people would be ordering in a liter bottle and so none  
25 of this would even apply to them.

1                   CHAIRPERSON SAMONA: If you are on-premises, it  
2 would not apply. If you are off-premises, packaged liquor  
3 store, there is a lot of them, especially within the  
4 Metro-Detroit area and even beyond, that have the smaller  
5 size bottles.

6                   MS. LUCENTE: That is true; for the customers.

7                   CHAIRPERSON SAMONA: Right. Those customers who  
8 can only afford a certain amount; can't afford a whole liter,  
9 but can afford a smaller size.

10                  MS. LUCENTE: Okay. So it basically amounts to the  
11 off-premise. Did anybody ever discuss discounts for ordering  
12 in quantities?

13                  CHAIRPERSON SAMONA: No, but we can put that as an  
14 idea.

15                  MS. LUCENTE: Rather than charging a fee, why not  
16 make it a positive, incentive-type thing, rather than a  
17 negative, punitive thing.

18                  CHAIRPERSON SAMONA: Order a certain amount --

19                  MS. LUCENTE: Sure and get a discount.

20                  CHAIRPERSON SAMONA: Good idea.

21                  MS. LUCENTE: Because the amount we sell, between  
22 our four places, we could order tons, especially if we are  
23 saving money. Liquor keeps for a long time. Well, depends  
24 on where it is at.

25                  CHAIRPERSON SAMONA: Obviously, that benefits

1 people that are multiple licensees or large, you know, box  
2 stores.

3 MS. LUCENTE: That would benefit us, but it  
4 wouldn't do much for the smaller places, but then maybe keep  
5 it as it is for them but because the ADAs will be saving  
6 money, it would be more cost efficient by selling us in the  
7 larger quantities --

8 CHAIRPERSON SAMONA: Less deliveries.

9 MS. LUCENTE: -- the savings would balance out.

10 CHAIRPERSON SAMONA: That is something worth  
11 looking at. Thank you.

12 MS. LUCENTE: Oh, just one other thing. I know  
13 over the years -- 15 years we have been around -- we get  
14 wrong orders, missing bottles, broken bottles, out of stock,  
15 incomplete orders. In fact, Remy was out for several,  
16 several weeks and we had to constantly run to the store to  
17 buy it. I think the Remy rep is here. I am not sure how  
18 that happens.

19 CHAIRPERSON SAMONA: The Remy representative might  
20 be here.

21 MS. LUCENTE: We could buy it in the store, but we  
22 couldn't get it delivered.

23 CHAIRPERSON SAMONA: Those are the kind of things  
24 you need to call us on; that is our product that is out  
25 there. If it is going to some licensees and not to others,

1           there is no reason why a product like Remy, in the State of  
2           Michigan, and the numbers that Remy generates for that liquor  
3           vendor should be a product that any licensee, whether they  
4           are getting one or two bottles or one or two cases should not  
5           be getting, especially if you are going to another licensed  
6           establishment and they continuously have it and you are not  
7           having it. We need to know about that.

8                       MS. LUCENTE: Well, they may have back stock,  
9           though.

10                      CHAIRPERSON SAMONA: Maybe, but we can check on  
11           that to see.

12                      MS. LUCENTE: This was in Wayne County. They were  
13           out of stock for several, several weeks. We had to run to  
14           the store all the time. How the store got it, I don't know.

15                      CHAIRPERSON SAMONA: That is inexcusable.

16                      MS. LUCENTE: So we should be calling you guys?

17                      CHAIRPERSON SAMONA: Absolutely.

18                      COMMISSIONER GAGLIARDI: I think the Remy rep has  
19           been drinking it all.

20                      MS. LUCENTE: Every time I see out of stock, I  
21           understand one week, okay; things get -- but when it was week  
22           after week.

23                      CHAIRPERSON SAMONA: If it is a popular product  
24           like that -- no; one week is not even acceptable. I mean, it  
25           is not something that is aged over 20 years or 30 years. If

1 that is a very popular product, this State moves that product  
2 quickly; makes a lot of money for that distiller.

3 MS. LUCENTE: Sorry if I got you in trouble.

4 UNIDENTIFIED PERSON: I would be glad to discuss  
5 this with the Commission off line.

6 MS. LUCENTE: My next question would be since all  
7 these things happen to us and we can't get an emergency  
8 delivery -- even if we are willing to pay for it, you can't  
9 get it -- you just heard my general manager. We could not  
10 get that order.

11 CHAIRPERSON SAMONA: Again, that is -- they have  
12 missed your order; somebody deleted the order; that should be  
13 reported to us immediately. Somebody deleted your order --  
14 how somebody could get into the system, which is our system,  
15 by the way, know your license and to delete your order, that  
16 is -- there is -- like bells should be ringing that there  
17 could be a security issue there. Notify our office  
18 immediately.

19 MS. LUCENTE: That's what General Wine told her.  
20 We don't know if that actually happened.

21 CHAIRPERSON SAMONA: That is how we, indeed,  
22 determine whether that is the case.

23 MS. LUCENTE: So then can we possibly collect fees  
24 for having to go out and purchase liquor at a higher price?  
25 And then we are limited to nine liters a month.

1 CHAIRPERSON SAMONA: Right.

2 MS. LUCENTE: If they don't deliver a whole order,  
3 we can't even go out and get --

4 CHAIRPERSON SAMONA: So we need to address the  
5 issue as to why isn't a whole order being delivered and we  
6 need to be notified when it is not, how often, when, what the  
7 products are, which ADA it is so that we can address that  
8 issue before we move on to the next. To be able to purchase  
9 alcohol from another retailer, that whole idea and process is  
10 a very limited quantity, and we are not planning on expanding  
11 that quantity. And it is for emergency purposes only, but if  
12 you have got an ADA that is saying one of your top products  
13 -- Remy Martin is saying they are out; they are out; they are  
14 out, we should be informed immediately about that.

15 MS. LUCENTE: I wasn't aware of that. Good to  
16 know. Anybody in particular I should call?

17 MR. ROBINSON: Customer service help line, toll  
18 free number in the price book.

19 CHAIRPERSON SAMONA: 800 number that is on all the  
20 time.

21 MS. LUCENTE: Even the weekend?

22 CHAIRPERSON SAMONA: So make sure that you use  
23 that; that is for everybody here, please. As far as the  
24 question you initially raised about the top, you know, split  
25 cases and the top products, top 10 products, we haven't

1           determined that. We are looking at sales. You know, the  
2           volume of sales in determining maybe the top 10; might be the  
3           top 20. We don't know. We haven't narrowed that down.  
4           These are just ideas that we have been bouncing around that  
5           have been thrown at us so everything we look at, we say okay;  
6           if we do this, how does it impact? We are all like a rubber  
7           band. Everywhere you stretch, it impacts somewhere else. We  
8           have to make sure that it continues working.

9                        COMMISSIONER GAGLIARDI: I have that number right  
10           now. It is 888 -- or 866 --

11                       MR. ROBINSON: No, no, no; customer service help  
12           line, 1-800-701-0513.

13                       COMMISSIONER GAGLIARDI: What is this one that says  
14           all your complaints should go to 866?

15                       CHAIRPERSON SAMONA: Why don't you call and find  
16           out what that is for?

17                       MR. ROBINSON: That is licensing information.

18                       CHAIRPERSON SAMONA: Say the number again.

19                       MR. ROBINSON: 1-800-701-0513.

20                       CHAIRPERSON SAMONA: 1-800-701-0513.

21                       MR. ROBINSON: Page D of the price book.

22                       CHAIRPERSON SAMONA: We are going to start putting  
23           that in a more prominent place for you.

24                       MS. LUCENTE: Who should we ask for specifically?  
25           Is there a number we can ask for? Since, you know, you start

1 to get these press one for this --

2 CHAIRPERSON SAMONA: Well, Sue Broughton answers  
3 that, right? There's a person or it goes right to the voice  
4 mail, of an individual if it is after hours. So it will go  
5 right into that. Explain the issue, give us your business  
6 name, your license number, and so on. Obviously, a contact  
7 number back.

8 MS. LUCENTE: So there's no czar there that takes  
9 care of calls for the --

10 MR. ROBINSON: No. It is staffed only by one  
11 person.

12 COMMISSIONER GAGLIARDI: They should have a czar  
13 and I have offered my services.

14 MS. LUCENTE: So you are a Congressman?

15 COMMISSIONER GAGLIARDI: I would like to be a  
16 Congressman, sure. There are lots of 800 numbers in here, as  
17 you can see, to call in our price book for people to get in  
18 touch with us.

19 CHAIRPERSON SAMONA: We're going to make sure that  
20 that is in our future price books prominently displayed in  
21 the front or back -- prominently -- so you can get to it  
22 correctly.

23 MS. LUCENTE: So the ADAs can't get any demerits  
24 for wrong orders? Missing bottles? Broken? Out of stock?

25 CHAIRPERSON SAMONA: If you don't tell us, we don't

1 know.

2 MS. LUCENTE: So we can't just add a fee and --

3 CHAIRPERSON SAMONA: Well, that is why we are  
4 looking at all these things. ADAs are listening because they  
5 have come to us with issues they have; some legitimate, some  
6 not, but they need to hear, as we are hearing from you, as  
7 the retailers, to say, hey, this is the other side, you know,  
8 of the case. They certainly heard about issues that we have  
9 had in regards to deliveries and stuff and we really did  
10 think merging two of the ADAs would make it a little more  
11 efficient because now you have got two sources that are  
12 coming together. There are a number of options to look at.  
13 Pick-up window is another option. Adding on another ADA for  
14 different parts of the state is another option. There are a  
15 number of options before us.

16 MS. LUCENTE: Is there some kind of law that  
17 General Spirits and Wine can't deliver wine at the same time  
18 they deliver spirits? Is there some kind of law against  
19 that? Because they deliver spirits on one day and our wine  
20 on another.

21 CHAIRPERSON SAMONA: And we've heard that issue.  
22 No, there is not.

23 MS. LUCENTE: Interesting.

24 CHAIRPERSON SAMONA: All right. L. Kim Butts?

25 MR. BUTTS: I am Kim Butts. I own and operate the

1 Broad Street Station.

2 COURT REPORTER: I need him to speak up. I'm  
3 sorry. I can't hear him.

4 CHAIRPERSON SAMONA: Speak into the mike. Either  
5 pick it up or speak into it so everybody can hear you.

6 MR. BUTTS: My name is Kim Butts. I have owned and  
7 operated Broad Street Station in Holly for the past 30 years.

8 CHAIRPERSON SAMONA: B-u-t-t-s?

9 MS. BUTTS: Yes. What I have to say pales in  
10 comparison, but, actually, I own a small establishment that  
11 is in Holly. We are half way between Flint and Pontiac. It  
12 is basically a shop town where most people used to work for  
13 one of the auto makers. You know, as everybody knows, the  
14 economic crisis has hit me just as hard as it has everyone  
15 else and I am sure it has hit the ADA Distributors just as  
16 hard. The ADA people knew what they were getting into; knew  
17 the rules of the game when they got into it and now they want  
18 to change the rules in the middle of the game and I don't  
19 think that is right. I order, right now, because sales and  
20 everything is down really low, I sometimes go two to three  
21 weeks without ordering any liquor at all and then I order one  
22 case. I mean, and then this kind of -- these changes would  
23 absolutely kill us. Not only us, it would kill a lot of the  
24 thousands of small places here and up north, all around. I  
25 talked to a lot of people who, you know, the volume that they

1 do right now it just, you know, they would end up closing  
2 their doors. The ADAs still benefit because if we can't meet  
3 the minimum order, we have to go to the party store and then,  
4 you know, we not only lose our discounts, but have to pay the  
5 extra for the party store's profits. You know, I am in  
6 agreement with some of the others that if you want to change  
7 things, go back to one distributor. Go back to the State  
8 store. I was around when we had the State store. We had to  
9 go pick it up. There was also companies around who, for \$10,  
10 would bring your order to you. You know, that wasn't bad and  
11 it worked efficiently, very few problems and you know, when  
12 there was a problem, it got solved real fast. It seems to me  
13 that the State is working to close our doors in lieu of  
14 helping us keep them open. Between the increase in orders  
15 and stuff we have going on here, to talk of five percent  
16 increase per bottle in the beer, the talk of increasing  
17 minimum wage and the banning of smoking in private  
18 businesses, we are, you know, it is putting a real squeeze on  
19 us and I imagine it would close some of us. You know, not  
20 only will it close a lot of businesses, it will be putting  
21 thousands out of work. My suggestion is to leave it as it is  
22 and to -- or if you have to do something, put a hold on it  
23 until the economy gets back on track and people are making  
24 money again. Like, we are just barely scraping by paying our  
25 bills. I feel strongly that this change will be a detriment

1 to many places, large and small.

2 And I have a question about this change in the  
3 order -- this case thing. It does not apply to liters but  
4 applies to 750s. Some distributors only sell some of the  
5 products in 750s; that means you would have to buy a full  
6 case of that? And it was like a Schnapps or something that  
7 wouldn't, you know, that would be bad for us, too. So  
8 anyway, thank you for your time.

9 CHAIRPERSON SAMONA: Thank you. Next we have Larry  
10 --is it F-a-r-d-t?

11 MR. FARIDA: F-a-r-i-d-a.

12 CHAIRPERSON SAMONA: Thank you.

13 MR. FARIDA: I am not the greatest at speaking.  
14 First of all, these people that keep talking about a perfect  
15 world need to move off this planet. There is no perfect  
16 world. We are trying to make it better and better. I think  
17 that the ADAs are getting greedy. I think if you put this  
18 process of delivery out for bids, it would cost the State a  
19 lot less money because I can guarantee you you would find  
20 companies that would deliver it for a lot less money,  
21 streamline their assembly lines and move on from there. I  
22 don't know how you guys decide how to pay per case. I know  
23 when I punch in a case of Bacardi half gallons -- a case of  
24 the Golden and a case of Bacardi Light half gallons, and you  
25 go to verify your orders, it says 2.33 cases. I don't know

1           what you are paying for.  If you are paying for two cases of  
2           delivery or 2.33, there is a lot of things out there.  I  
3           think that the ADAs are making a ton of money.  The little  
4           guy -- I am not a little guy, but to speak for the little  
5           guys, you have given beer and wine to every gas station to  
6           compete with the little party stores which has taken their  
7           profit away from them and it is just -- we are getting  
8           nickeled and dimed to death and I think there is a lot of  
9           ways around other than charging per bottle.  You could raise  
10          the state minimum to 20 percent and make it a mandatory 20  
11          where it was 17 before and that could very well make up.  I  
12          think the big guys are the only people that are profiting out  
13          of this right now -- the Meijer, the Costco, they only order  
14          cases and everybody else, which is a lot of businesses out  
15          there, are the ones getting hurt.  And I am just saying it.  
16          I think that the ADAs are making out like bandits.  There is  
17          a lot of ways -- I mean, if you have a discussion with a lot  
18          of business people, there is a lot of ways around raising  
19          prices to all these little independent stores that only buy a  
20          case or two a week and there is a lot of ways around raising,  
21          you know, prices on them.  Because if you do, I can guarantee  
22          you are going to see a lot more people going out of business.

23                           CHAIRPERSON SAMONA:  Thank you.  We appreciate  
24                           that.

25                           COMMISSIONER GAGLIARDI:  Mr. Farida, to you and

1 Mr. Butts, there are certain things we cannot touch as the  
2 Liquor Control Commission -- taxation is up to the  
3 Legislature. Smoking ban, up to the legislation.

4 MR. FARIDA: I am not including any of that. We  
5 figure --

6 COMMISSIONER GAGLIARDI: We can't raise the 17 to  
7 20 percent, that has to be legislative, but things we can do  
8 to the system to make a difference, we have, here.

9 MR. FARIDA: I can guarantee if you put the  
10 delivery out for bid, there would be no raising. You would  
11 find somebody to do it a lot cheaper.

12 COMMISSIONER GAGLIARDI: It is an interesting point.

13 UNIDENTIFIED PERSON: We already do that.

14 CHAIRPERSON SAMONA: Next person that we have is  
15 Hoa, H-o-a; Thi, T-h-i; Kingsley. Spell your last name for  
16 us, please.

17 MS. KINGSLEY: K-i-n-g-s-l-e-y. My name is Hoa Thi  
18 Kingsley. I represented the Wacousta General Store in a very  
19 small town, way in the country. Most of my order are like  
20 small split case like three bottles, six bottles sometimes  
21 one bottle. And I come here to raise my voice concern about  
22 split cases and if this happened, small business like us will  
23 be really, really feel squeezed and hard to make it. We  
24 already hard to make it already. Cigarettes, I am already  
25 down 20 percent. Liquor I am down. Everything is down so

1 really, really hard. Even though we small, we still have  
2 employees who working for us. We pay our tax. We support  
3 people with our unemployment; therefore, we need help before  
4 we are squeezed out; that is all I have to say.

5 CHAIRPERSON SAMONA: Thank you, ma'am. Andy  
6 Chawla? Can you spell your last name, please?

7 MR. CHAWLA: My name is Andy Chawla, C-h-a-w-l-a.  
8 The biggest issue, the split case issue, two things involved  
9 with that, like every three months Liquor Control change the  
10 prices. Suppose I was to order a case or two cases. We are  
11 talking about the top 10 brands or 20 brands, by the 20th of  
12 the month and the first of the month continue the price to \$5  
13 cheaper. Who is going to pay for that?

14 Second issue: The split case we are getting 17  
15 percent from the Commission. Who is going to pay for the  
16 split case and what will the end up my price? Because if we  
17 do 17 percent and then the split case that was a box store --  
18 I can sell the bottle for \$10. They can sell it for \$11.70,  
19 but in my case, I can't \$11.70, so if I do buy \$11.70, that  
20 was a minimum price that means I am losing profit and still  
21 on one side you are telling me that you are getting 17  
22 percent profit. Now the other way, I am getting 10 percent  
23 profit. That is number one.

24 Number two, instead of doing that, as you paying \$8  
25 and some cents to the ADA, why don't raise to \$9? \$9.50? I

1 don't think anybody is going to care for that. Instead of  
2 the split charge on each every person.

3 The second thing which is not at issue is the --  
4 changing the price every three months. Like you guys, this  
5 time, got the book. I got the Crown Royal. I got six  
6 bottles left with me and the price is going down \$55 a  
7 bottle.

8 CHAIRPERSON SAMONA: Just so you know, a lot of the  
9 liquor vendors or distillers, recognizing the economy in the  
10 State of Michigan, have actually tried to help business  
11 owners and those that consume the products by shaving off  
12 some of their prices so that they kind of feel empathy  
13 toward, hey, we feel your pain. We understand these are  
14 tough times so as a result of that, we are taking our prices  
15 down a little bit to help everybody in the market. That  
16 should help you as a retailer and helps the consumer to be  
17 able to purchase and enjoy their products.

18 MR. CHAWLA: That should be done. We should have  
19 got so we can adjust at that time or we should get the  
20 credits.

21 CHAIRPERSON SAMONA: We just heard about it, too.  
22 You will probably hear from Diageo, which is the largest  
23 distiller. They are the ones that have really come forth and  
24 said, look, we want to be able to show to the citizens of the  
25 State of Michigan, who enjoy our products, that we want to

1 make it a little easier for you, still enjoy the product that  
2 we have and maybe save a little bit.

3 MR. CHAWLA: One small proposal. I don't know if  
4 this is possible or not. In Texas, restaurants can buy only  
5 from the stores with the less margin, maybe five percent or  
6 six percent margin. They can buy from the store. So in that  
7 case, they don't have to go to other restaurant and the store  
8 owners are going to order.

9 CHAIRPERSON SAMONA: Well, I think there is some  
10 issues in regards to that. Texas does it a little  
11 differently than us. Texas is not a controlled state. I  
12 think that we see a lot of problems with that form. First of  
13 all, we lose the control of it. We don't know who is buying  
14 from who. We could lose the taxation in regards to it; the  
15 enforcement and regulation of it, and we don't want big box  
16 stores like Costco to be the places that restaurants go shop  
17 at. We want them to be able to come to you when there is an  
18 emergency.

19 MR. CHOWLA: Thank you.

20 CHAIRPERSON SAMONA: All right. Just a few more  
21 folks.

22 COMMISSIONER GAGLIARDI: Every once in awhile you  
23 come up with a good answer.

24 CHAIRPERSON SAMONA: Paramveer Singh.

25 MR. SINGH: Good afternoon, everybody. I am good

1 to be here today. You force us to come.

2 CHAIRPERSON SAMONA: We invited you. But thank you  
3 for coming.

4 MR. SINGH: Thank you. Everybody have their own  
5 opinion, but I don't know who come up with this idea.

6 CHAIRPERSON SAMONA: Which idea?

7 MR. SINGH: The split -- all three proposals while  
8 the economy is so bad in our State. Our business is 30  
9 percent down. Only benefit for this idea only big chains  
10 like this gentleman says, Meijers, Costco, Sam's Club, and  
11 other big -- Family Fare, all big other chains. Now I own  
12 half dozen stores, but each and every store is 30 percent  
13 down.

14 CHAIRPERSON SAMONA: What area? Or is it  
15 throughout the State?

16 MR. SINGH: Jackson, Benton Harbor, Grand Rapids.  
17 30 percent down already is barely paying the employees,  
18 barely paying sales tax. It is very hard time. If you guys  
19 have problems increasing the price and we are ready to do the  
20 deliveries, they are charging \$8, \$9, we already \$6.50 a  
21 case.

22 CHAIRPERSON SAMONA: Are you offering to be an ADA?

23 MR. SINGH: Yes, I am offering and I am not by  
24 myself only. I am the President of a community in State of  
25 Michigan and we own more than 30 percent of beer and wine

1 liquor store in the state. And we can do that. So we don't  
2 like to pay any fee anymore. We already done with that.  
3 Thank you.

4 CHAIRPERSON SAMONA: Thank you, sir. All right.  
5 This individual said she is not sure if she wants to speak.  
6 Bridget Palmatier?

7 MS. PALMATIER: It is me, but I do want to.

8 CHAIRPERSON SAMONA: Okay. Come forward. Bridget  
9 Palmatier. Spell your last name for us when you go on the  
10 record, please.

11 MS. PALMATIER: I am Bridget Palmatier,  
12 P-a-l-m-a-t-i-e-r. I am a very small mom and pop retailer in  
13 Fostoria, Michigan. I have only had the store for five  
14 years. I just heard the idea of people re-submitting bids  
15 for the ADA. I like that idea. As a contractor with the  
16 State of Michigan when I was in social work, I had to do that  
17 every year. So I do think that is a good idea.

18 I just have to ditto the split case. My logic,  
19 after an email -- I appreciate the response that I got back  
20 from my e-mail and again, I would like to thank you for  
21 allowing me to come and speak. This may not be feasible, but  
22 it is an idea that I thought that would help me as a small  
23 retailer -- having a delivery every two weeks; maybe that  
24 would eliminate the issue of delivery issues with the ADAs.  
25 It would help them but also maybe it would help me so I could

1 still keep my small orders that I want of a fifth here or  
2 there, to try a new product in my area. It is not feasible  
3 to order a case of a product when you want to try something  
4 new or when you have a customer come in and say I want to try  
5 this. I just feel that I really wish you would take that  
6 into consideration when you are thinking about the small  
7 areas, the small towns. It is just not feasible for me to do  
8 that and I have seen in the five years that I have had the  
9 store, volume go down and my liquor sales change, from one  
10 week, Black Velvet might be good and the next week, the next  
11 month Jim Beam may be good. Jager may go off the shelf one  
12 month. It just varies. That is where I question the top 20,  
13 or top 30. I may want to say if I know that Jager is going  
14 well for a month that would be fine to order a case of pints  
15 or something, but to do it, to figure that, I think that  
16 would be a very difficult and encumbering decision when sales  
17 vary in the area of Michigan and I just -- I don't know. I  
18 know the ADAs might need their, you know, their money for  
19 various reasons but maybe make a two-week delivery or if I am  
20 forced to make a two-week delivery, I am going to be forced  
21 to do that anyway if I have to increase the amount of what I  
22 have to purchase and who is going to suffer? It will be my  
23 store, my employees and the customers if we don't have a  
24 product and they will go to a Sam's. They will go to a  
25 Meijers. They will stop in stores on their way home from

1 Flint and where they live from where I live and purchase  
2 their products. They won't come to the hometown anymore and  
3 it's going to eliminate that.

4 I have learned a lot listening today. I didn't  
5 understand a whole lot. And I have never returned a product  
6 and I feel that I should not -- should not be taken -- I  
7 should have that availability and not be charged a fee when I  
8 have tried to manage my liquor and so when you make those  
9 decisions, think about rewarding those people that haven't  
10 done that -- what is that? Shop order? There was a term I  
11 just learned about.

12 COMMISSIONER GAGLIARDI: Shopping orders.

13 MS. PALMATIER: So I really appreciate that and I  
14 am going to go back and formulate my thoughts and e-mail more  
15 and, hopefully, I will try to get other people to come to me  
16 from our small areas to participate in this. I think this  
17 forum is very good. I wish Lottery had done that.

18 COMMISSIONER GAGLIARDI: We are a lot better than  
19 Lottery.

20 MS. PALMATIER: Anyway, but I am learning a lot. I  
21 continue to learn as a retailer and I am not opposed to  
22 driving to pick up my liquor. I have to do that for  
23 inventory reasons and maybe we need to do that if the ADAs  
24 can't fulfill what the privatization was to occur at that  
25 time.

1                   CHAIRPERSON SAMONA: Thank you. All right. We  
2                   have two or three individuals that are also from the Michigan  
3                   Licensed Beverage Association that have been asked to be  
4                   recognized so I will do so. We will probably hear from our  
5                   ADAs right after that so I know the time is kind of dragging,  
6                   here, but this is all important. It is important discussion.  
7                   We need to hear it from you guys.

8                   We have Rick Roberson and Steven Seng. I figure I  
9                   might as well call you both up to have an opportunity to  
10                  speak.

11                  COMMISSIONER GAGLIARDI: I think you should have  
12                  come up first instead of sending Lance up there.

13                  MR. ROBERSON: Rick Roberson, R-o-b-e-r-s-o-n. I am  
14                  the President of the Michigan Licensed Beverage Association.  
15                  I was around in 1978. Like this gentleman over here who was  
16                  representing a non-profit, I am also representing one. I  
17                  don't have the status or the tax exemption, which is not the  
18                  way I planned it; that is the way it is. But anyway, others  
19                  in this room are feeling the same way. At this point in time  
20                  in the economy, I don't -- I am not in favor of any of these  
21                  proposals that the ADAs have brought forth. As a matter of  
22                  fact, I, too, reminisce back to probably in '97 or '98 and  
23                  Mr. Gagliardi had a committee and we had a hearing and I  
24                  testified and my testimony, at that point in time, was that I  
25                  thought that this privatization was going to be a great thing

1 with this little fat guy in a red Oldsmobile who was going to  
2 pull up every Tuesday and deliver my liquor and Pat corrected  
3 me and told me that he now drives a Cadillac. And I am  
4 talking about Mr. Engler. There have been a lot of problems  
5 through the years with the delivery system. And I just feel  
6 that, like a lot of people, that, you know, the old system  
7 wasn't that bad and when they took away my Tuesday and every  
8 other Tuesday picking up the liquor, that kind of took a big  
9 thing out of my life. It was a lot of fun doing that. With  
10 that, I would thank you very much for allowing me the time to  
11 speak and I want to thank all of my fellow licensees, here,  
12 for showing up and lending your support to this.

13 CHAIRPERSON SAMONA: Thank you.

14 COMMISSIONER GAGLIARDI: Thanks, Rick.

15 CHAIRPERSON SAMONA: Steven Seng.

16 MR. SENG: Steven Seng, S-e-n-g. I am from  
17 Muskegon, Michigan. I hold stock in two separate Class C  
18 licenses -- Doghouse Saloon, established in 1984 and Pat's  
19 Roadhouse, established in 2005. I believe the distribution  
20 system does not need to be changed in order to benefit the  
21 distributors. In these tough economic times, all businesses  
22 should streamline their operations to save on expenses. My  
23 experience with these particular distributors have been  
24 favorable but there are some issues. Because of  
25 privatization, I have been forced by minimum orders to double

1 my liquor inventory and then there is also our delivery  
2 driver drives right through our parking lot to deliver next  
3 door, only to come back two hours later to deliver at my  
4 establishment -- same driver. Okay. Just last week, there  
5 were two items missing from my order -- one was a full case,  
6 the other was three bottles. Then last month --

7 CHAIRPERSON SAMONA: Did you let us know?

8 MR. SENG: No, I did not let you know. Last month  
9 my order was -- you know, you try to deal with the person,  
10 get things taken care of. Last month, my order was shipped  
11 to the wrong location two weeks in a row, the same wrong  
12 location. You know, it wasn't a big deal, you know, but  
13 makes it a little tougher on you. Three months ago, I was  
14 shorted a case of products. So I called my salesperson. He  
15 was not pleased with this company for the reason they had the  
16 product but neglected to send it. So my voice is why should  
17 we incur the cost on split cases or minimum orders when there  
18 are errors on their part only for us to bear the burden of  
19 purchasing product from other sources? As far as most Class  
20 C establishments, the distributors team up with us to  
21 introduce new products. Some take longer to sell, so we are  
22 forced to order small quantities before we increase our  
23 orders to keep up with demand. I think the system works now,  
24 for the most part, at least when they get the orders right.  
25 Thank you.

1                   CHAIRPERSON SAMONA: Thank you. All right. There  
2                   are a few individuals that I was told that wished to be  
3                   recognized -- before taking the ADAs -- that did not fill out  
4                   a slip and obviously, I promised you that I would let you be  
5                   recognized and speak. Whoever wishes to do that right now,  
6                   please, go forward. Give us your full name. Spell your last  
7                   name for us. You are who?

8                   MS. DELUA LONGBONS: I am Delua Longbons,  
9                   L-o-n-g-b-o-n-s. I have a small grocery/convenience store in  
10                  Battle Creek.

11                  MR. GEOFF LONGBONS: And I am Geoff -- G-e-o-f-f;  
12                  Longbons. It is the same last name, same place.

13                  MR. DELUA LONGBONS: One of the things that this  
14                  meeting has done today is given us an opportunity to  
15                  understand that you are still involved with our day-to-day  
16                  operations. We never would have thought to call the  
17                  Commission to say that our order didn't come when it was  
18                  supposed to or that things were missing. So that part has  
19                  been nice.

20                  One of the things with the split case policy, cost  
21                  is going to determine variety. If we have to pay for  
22                  splitting cases, obviously, we are not going to have the  
23                  variety. We are in an area where there are a lot of liquor  
24                  licenses -- more than I think need to be -- but that is, you  
25                  know, I don't know who makes the decision on how many liquor

1 licenses are available, but -- so that is going to also  
2 determine how you charge. You are not going to be able to  
3 increase even though you have that ability because we had a  
4 person tell us that they were not going to buy two items that  
5 we had because one was three cents more than at Meijers and  
6 the other was six or nine cents more than at Meijers and  
7 because he had been coming in; we had a fair amount of stock  
8 of this item, so we felt okay, we have to bring that price  
9 down to the minimum because he is not going to come in and  
10 buy it.

11 MR. GEOFF LONGBONS: The one thing that I have  
12 always noticed is talking about the ADAs, saying they are not  
13 making enough money. Whenever I get my National order, I get  
14 split cases in liquor boxes, things that I have never heard  
15 of things. When I get my General order, they are all in  
16 boxes that they buy. They could save a lot of money if they  
17 re-used the empty boxes that they have instead of throwing  
18 them away and buying boxes. It is like burning money.

19 MS. DELUA LONGBONS: They will put one bottle  
20 sometimes in a box of 12, like, they are liter size boxes.

21 MR. GEOFF LONGBONS: Especially when they were  
22 doing the transition from Trans Con to General.

23 MS. DELUA LONGBONS: The other thing that has not  
24 been addressed today and I know all of us small dealers deal  
25 with this is that we don't have the ability to return items

1 that don't sell anymore so we are already sitting on  
2 inventory.

3 CHAIRPERSON SAMONA: But you can discount them.

4 UNIDENTIFIED PERSON: Oh, we can?

5 MS. DELUA LONGBONS: That is kind of a process,  
6 correct?

7 CHAIRPERSON SAMONA: You have to call and request  
8 it. It is a form you fill out. You give us the names of the  
9 products and the size. If you have not ordered them in the  
10 past six months, then you can put that on there and you can  
11 choose to sell it half off; you know, 30 percent off, 40  
12 percent off and the other caveat is one, you can't have  
13 ordered it within six months; two, you can't order it --

14 MS. DELUA LONGBONS: Can't order again.

15 CHAIRPERSON SAMONA: -- for one year.

16 COMMISSIONER GAGLIARDI: For one year.

17 MS. DELUA LONGBONS: That makes sense.

18 CHAIRPERSON SAMONA: That was something --

19 COMMISSIONER GAGLIARDI: For any off-premise this  
20 works.

21 MS. DELUA LONGBONS: We get to determine what we  
22 will sell it for, then?

23 COMMISSIONER GAGLIARDI: Up to 75 percent off.

24 MS. DELUA LONGBONS: See, I didn't quite understand  
25 that, either. Now, also as far as the minimum order goes,

1 would they maybe consider not just a minimum liter  
2 requirement but an either/or as far as costs? What if you  
3 wanted three bottles of Remy and three bottles of --

4 COMMISSIONER GAGLIARDI: You can't get Remy  
5 anymore.

6 UNIDENTIFIED VOICE: We just got it back in, Pat.

7 MR. GEOFF LONGBONS: Most of our wholesalers do  
8 have a minimum dollar order amount and that would seem much  
9 more efficient because one case could cost \$60 or \$6,000,  
10 depending on what it is.

11 MS. DELUA LONGBONS: That also could hurt the  
12 really small guy if he only needs certain dollar amounts.

13 MR. GEOFF LONGBONS: The other thing I had to say  
14 on minimum orders is I know, like you said in the U.P., it  
15 costs more, obviously, to deliver because they are further  
16 apart. Have you considered, possibly, like a rural minimum  
17 and city minimum? Because where we are, the nearest other  
18 liquor store there is is within five miles of us between  
19 stores and bars, many of them as opposed to the U.P. where it  
20 might be 20 or 30 miles between and, so it would, obviously,  
21 cost more to deliver there than in Battle Creek.

22 CHAIRPERSON SAMONA: That is one of the complaints  
23 they have.

24 MS. DELUA LONGBONS: They would have the option if  
25 their stores are 20, 30, 40 miles apart, the retailer has the

1 option of charging a higher amount because they can't go  
2 across the street or half a mile away.

3 CHAIRPERSON SAMONA: That is right.

4 COMMISSIONER GAGLIARDI: Nine cents to Meijers does  
5 not make a big deal up there.

6 MR. GEOFF LONGBONS: I wouldn't think. The other  
7 thing that I know that was said earlier by one of the groups  
8 -- I don't remember who exactly -- they said maybe three  
9 strikes policy because I know I made a very large mistake. I  
10 ordered half gallons instead of half pints and we did send  
11 that back because I didn't need 24 half gallons of anything,  
12 but normally if there is a mistake, I know I have made a  
13 mistake on one bottle, I keep it. I usually buy it myself  
14 and try it.

15 CHAIRPERSON SAMONA: Again, it is the repeat  
16 offenders that do it routinely is what we are looking at  
17 stopping that behavior.

18 MS. DELUA LONGBONS: I think that should take care  
19 of everything. Thank you. We appreciate it.

20 COMMISSIONER GAGLIARDI: Also for everybody here,  
21 the Commission put a survey in -- when you deal with our  
22 office -- in the book that number so you can complete it and  
23 send it in to us because we are always looking for input on  
24 how we interact with you, as licensees.

25 MR. GEOFF LONGBONS: That is about dealing with you

1           guys, not the ADAs, correct?

2                       CHAIRPERSON SAMONA: Well, depending on the  
3           question.

4                       MR. GEOFF LONGBONS: On that survey because I never  
5           -- we have never actually called the Liquor Control  
6           Commission about problems. I have called ADAs many times and  
7           I have had good and bad service with them.

8                       CHAIRPERSON SAMONA: Every licensee should document  
9           when there is a problem and if you have called your ADA, who  
10          you spoke to, when you have spoken with them -- and you are  
11          not getting resolution to a problem, you need to contact us.  
12          This is our product. The ADAs deliver -- warehouse and  
13          deliver for us. The product is the product of the State of  
14          Michigan. We contract with the liquor vendors that bring it  
15          into the State of Michigan. Now the ADAs have a separate  
16          contract with the vendors whether to bring it in but the  
17          vendors pick and choose which ADAs they want to do business  
18          with and sometimes that changes. Sometimes they will do  
19          business with one ADA for awhile, then they will do business  
20          with a different ADA for a number of reasons, but, you know,  
21          we are the state agency that allows this product to come into  
22          this State and signs off on it. If you did not realize that  
23          you could call us and tell us about problems, I am telling  
24          you, making it very, very clear to you. One, we listen. If  
25          not, we wouldn't be all sitting here for a two or three-hour

1 meeting. Every input that has been given is important to us.  
2 We have been listening to the industry. We have had meetings  
3 with them and that was the purpose of saying let's take it  
4 out to all the licensees. I would also encourage you and I  
5 don't have any affiliations with any of the associations, but  
6 there are a lot of good associations out there that do a lot  
7 of good work on behalf of whatever type of business you  
8 belong to. You should look into that and consider that. I  
9 know that somebody is probably happy to hear that but that is  
10 -- really, you speak louder in numbers. I mean, you saw the  
11 MLBA, for one. How many representatives do they have there?

12 COMMISSIONER GAGLIARDI: Too many.

13 CHAIRPERSON SAMONA: All are independent business  
14 owners that are licensees but they belong to an organization  
15 that gives them some power and strength to do that. You  
16 should look at that. There are a number of them -- AAFP, you  
17 know, MRA, whatever business -- the Grocers, so look into  
18 those and see what they provide for you, the type of  
19 business. I think from an educational prospective, there is  
20 a lot of seminars and conferences that they hold for the  
21 newest and latest thing. Questions you may have that you may  
22 want to call us or call us you can get those type of answers  
23 from your association. It really -- I think those are  
24 dollars that are not that great, but are very well spent for  
25 you becoming a better business person; consider that.

1                   So the survey will be also put online. It is in  
2                   the price book, but for those who don't get the price book,  
3                   hopefully, we will correct that -- it will be online. So  
4                   look for that. And we also have a lot of other very  
5                   informative stuff on our website. So it has been recognized  
6                   by other groups in the State of Michigan as one of the more  
7                   advanced web sites. We are constantly changing it, upgrading  
8                   it. So you should look into that every once in a while just  
9                   to see what is out there.

10                   Having said that, is there anyone else that wishes  
11                   to be recognized before I recognize the ADAs? Yes?

12                   MR. KOESTER: Michael Koester, K-o-e-s-t-e-r. I am  
13                   here on behalf of Bravo's Italian Restaurant in Eastown  
14                   Center in Lansing. At Bravo's, we are not a mom or pop  
15                   operation. We are a big guy, but talking with the split case  
16                   deal, I understand it is not for liters, but last night I  
17                   just placed an order for Absolute raspberry. I am assuming  
18                   you say brands you mean Absolute and all their varieties?

19                   CHAIRPERSON SAMONA: Yes.

20                   MR. KOESTER: The liter was not available and so I  
21                   ended up ordering 750s. Now all of a sudden I have to buy a  
22                   case of those 750s because the liter is not available and  
23                   that is not fair to any restaurant. So say -- I imagine  
24                   DeKuyper would be a very popular brand. They don't even  
25                   offer -- for most of their items they offer, for some of them

1 I don't know if the company is -- the company does not offer  
2 or if we don't bring it into the state, but you can't get  
3 liters of all those Schnapps and whatnot and if you have to  
4 buy a case of those, I buy, you know, I buy the 750s once  
5 every year or two, some of them, so that is not a very  
6 convenient thing for the restaurant side of the business.

7 Keeping track of my thoughts, here, and with the  
8 case minimums, you know, that is another tight point.  
9 Granted, I would probably go from every week to be ordering  
10 every two to three weeks. Getting four cases of liquor is  
11 quite a bit of liquor for a restaurant to hold in terms of  
12 storage space and everything else.

13 COMMISSIONER GAGLIARDI: You are a good-sized  
14 restaurant. How many cases would you average and do you  
15 think --

16 MR. KOESTER: Sometimes I do actually fight to get  
17 one case per vendor. So it just depends on -- sometimes you  
18 have to manipulate your well varieties to hit it. So I mean,  
19 there should be some sort of, like, you know, breakdown on,  
20 like, you should make sure that, one, all the liters are  
21 always available at all times especially a brand like  
22 Absolute. I am kind of at odds that that would even --

23 CHAIRPERSON SAMONA: Again, you need to notify us.

24 MR. KOESTER: I will contact that phone number from  
25 now on and one of the times -- same for the times where you

1 order it from the online, they say that it is there and it  
2 comes out of stock; please reorder. So I call to get more  
3 and now they can't help me. So I am going to call that place  
4 with my opinion on that one anyway; that is just my thoughts  
5 on that.

6 CHAIRPERSON SAMONA: Thank you. All right. Yes,  
7 sir?

8 MR. MARTIN BENNETT: Can I make a --

9 COURT REPORTER: I'm sorry. I can't hear him and  
10 could I get your name, sir?

11 MR. MARTIN BENNETT: Martin Bennett. What I would  
12 like to do is: Can I have permission to post your number and  
13 email on our website so that our --

14 CHAIRPERSON SAMONA: The 800 number? Sure.

15 MR. MARTIN BENNETT: And the email and put it on  
16 our website?

17 CHAIRPERSON SAMONA: Absolutely.

18 COMMISSIONER GAGLIARDI: Is our email in here,  
19 Steve?

20 MR. ROBINSON: Front cover, I think.

21 CHAIRPERSON SAMONA: We have it on the front cover  
22 and side, too.

23 MR. MARTIN BENNETT: I just wanted permission to do  
24 it. I don't want to put it out there without your  
25 permission.

1                   CHAIRPERSON SAMONA: You are free to put it out  
2                   there.

3                   MR. MARTIN BENNETT: Thank you.

4                   CHAIRPERSON SAMONA: That is how we find out  
5                   whether there are issues and how we can resolve those.

6                   Both of our ADAs are here and represented. We have  
7                   members from NWS and from Great Lakes. I would ask for them  
8                   to please come forward, share a few things with us because we  
9                   have heard the other side, the retailers, and maybe they  
10                  haven't had an opportunity to hear some of the issues that  
11                  you have raised with us in the past year plus and I think it  
12                  is important for them to hear that, that way you need to hear  
13                  what we have to deal with in balancing the decisions that we  
14                  make. Give us your name, please, and the company you  
15                  represent.

16                  MR. BAKER: My name is John Baker and I am with NWS  
17                  Michigan. I think the Commission is probably well aware of  
18                  where we are on the issue so I am here to talk to the  
19                  retailers, here, in the room and I appreciate the  
20                  opportunity. This has been a very educational couple of  
21                  hours, here, to hear your side of the story and some of the  
22                  misconceptions about how things work from an ADA perspective.  
23                  Let me just tell you that as ADAs, we are an agent of the  
24                  State. We don't submit a bid to the State. Anyone can go  
25                  out and start up an ADA business and become licensed by the

1 State. So you folks, if you think you can do it better,  
2 cheaper, faster, we certainly encourage you to look at that.

3 What we are faced with as ADAs is a very fixed  
4 revenue stream, but costs that are not fixed. For us -- you  
5 deal with that, too? For us, the huge cost of doing business  
6 is split cases. From listening to the room, here, it is --  
7 it is your livelihood, that is what keeps you going. You  
8 need the split cases. In every other market in the country,  
9 that I am aware of, there are split case charges for the  
10 additional labor of picking a split case bottle, putting it  
11 in a box, maybe buying the box, putting it on a truck. There  
12 is more breakage from split cases. These take longer to  
13 check in. There are a lot of additional costs associated  
14 with split cases. I know at NWS we spend over a half million  
15 dollars a year on empty boxes just because the boxes that  
16 they all come in and we are doing well over 30 million  
17 bottles, individual bottles packed a year. So there is, just  
18 from our standpoint, there is 1.8 million cases of split  
19 bottles that someone has to grab out of a box -- Teamster  
20 employees grab out of a box; put it in another box. They  
21 have to ride the conveyor -- the multi-million dollar  
22 conveyor system that we have had to install to handle this  
23 volume of splits and then put it on a truck where it is  
24 delivered to you.

25 We certainly would like to pride ourselves on

1 service. It sounds like we haven't been living up to your  
2 expectations and I certainly apologize for that. However,  
3 our incentives in the system, because of the way it is, is to  
4 try and figure out how we can possibly keep our costs as low  
5 as possible. There is very little up side to throwing in  
6 extra customer service people because we know, pretty much,  
7 what our revenues are going to be. We have to figure out how  
8 to make our cost side equation work and that is with, like I  
9 said, Teamster wages. We have not had a raise in 42 months.  
10 We have given raises. We have given raises to our people --  
11 terms under our Teamster contract every year, as we are  
12 obliged to. So in the last 42 months, we have seen our labor  
13 costs go up in the neighborhood of 10 percent. We have seen  
14 our health care costs double. You have probably seen that,  
15 too. This is not -- you are business people. You know these  
16 same issues that we are dealing with. What I just want to do  
17 is share our perspective on it. And hopefully we can figure  
18 out some way it is going to improve the system.

19 I have heard a couple of people say, well, your  
20 ADAs, you guys are making a ton of money and you knew what  
21 you were getting into. Well, I was around back in 1996. We  
22 had to commit to millions of dollars of warehouses and trucks  
23 in September. In September of '96, there was a split case  
24 charge. The split case charge was going to be a quarter a  
25 bottle. On December 17, of '96, thanks to some very shrewd

1 lobbyists, who might be in the room here, that was all  
2 changed. Split cases were illegal so we had committed to  
3 about 75 trucks and multi warehouses and things like this  
4 before all this got going. This is a different ball game  
5 than what we signed up for. So I am not asking for a lot of  
6 sympathy, here, but I am asking for you to look at it from  
7 our perspective, as well, and let's try to figure out  
8 something that is going to work. I would like to answer any  
9 questions that I might not --

10 CHAIRPERSON SAMONA: Let's hear from Mr. Cooper,  
11 first.

12 MR. COOPER: Sure.

13 CHAIRPERSON SAMONA: And then if there are any  
14 questions that are directly for the ADAs, we will be happy to  
15 take those questions.

16 MR. COOPER: Thank you. My name is Lewis Cooper  
17 with the Great Lakes Wine and Spirits. First of all, I want  
18 to thank you for all your input today. I thought it was  
19 great. I do feel it was a little bit unfortunate that we  
20 spent time talking about issues that we really didn't bring  
21 up or try to propose, like a split case fee and some of the  
22 other things we talked about today, which clearly, we know  
23 are not able to be done administratively, by the Commission,  
24 nor were they being proposed by us because of that reason.

25 There, obviously, are some issues, as John

1 mentioned, that we need to do a better job on some service  
2 stuff and you know, we will continue do try to do that but I  
3 echo a lot of John's comments that, you know, when you go 42  
4 months without an increase and because of the economy, people  
5 are buying a lot more splits and I understand the  
6 significance of that to your business, but that does, in  
7 fact, directly impact our costs as the single biggest  
8 component to our costs is picking up those split bottles  
9 every night. So there is a struggle, here. We did try. And  
10 some of the associations did a very good job in streamlining  
11 what the issues were. We were trying to bring forward what  
12 the proposals were that we felt to try to address as many of  
13 those concerns as possible, like excluding the liters and  
14 some of those things. Probably the most interesting thing,  
15 because I have a weird sense of humor, is all of the people  
16 who said they want to go back to the way it was and all of  
17 our proposals are what you have. So when the State was doing  
18 this, there were items you couldn't split. When the State  
19 was doing this, if you didn't pick up your order, you didn't  
20 get another one until you showed up and picked up that one.

21 So while I would like to think the end of all of our meetings  
22 and results were some really unique and creative ideas, all  
23 we really proposed is some of the key things you had when the  
24 State was doing it. For all the same reasons that the State  
25 put those in place when they had it. So that is, kind of,

1 the comical part of the event for me today, but I do  
2 appreciate the input.

3 I do hope you take advantage of using the  
4 Commission to make sure we are responding to your needs as  
5 far as service issues go and those kinds of things because we  
6 do try to adhere to the delivery standards that are put in  
7 place in the law and try to do that. So along with John, I  
8 would be happy to answer any questions. Thank you.

9 CHAIRPERSON SAMONA: Thank you. Questions for the  
10 ADAs? First, give your name, again.

11 MS. LUCENTE: I --

12 COURT REPORTER: They are going to have to identify  
13 themselves again.

14 MS. LUCENTE: Patricia Lucente. I just have a  
15 question for either or both of you. What do you think it  
16 would cost you, in money, benefits, whatever, to do this one  
17 split case? Just one case?

18 CHAIRPERSON SAMONA: Just so -- in case people may  
19 not have heard the question. What does it cost --

20 MR. BAKER: I haven't --

21 CHAIRPERSON SAMONA: What's the question, again?

22 MS. LUCENTE: The question was: Approximately --  
23 or what -- actually, you can figure this out, exactly, what  
24 it costs to prepare a split case.

25 MR. BAKER: Our costs are in the upper \$6 range,

1 just for the simple split case itself.

2 MS. LUCENTE: For preparation of a split case, it  
3 costs you \$6? That is in payroll, I am assuming?

4 MR. BAKER: Everything --

5 MS. LUCENTE: That is --

6 COURT REPORTER: Excuse me. One at a time, please.

7 CHAIRPERSON SAMONA: One person at a time because  
8 the Court Reporter has to take down everything that is being  
9 said. We will have both the gentlemen stand at the podium so  
10 that way there is a mike. We will be moving the mike. Go  
11 ahead.

12 MS. LUCENTE: Where do you want me to start? From  
13 the beginning? I was asking what it costs per case for  
14 payroll, utilities, all expenses, overhead on one case -- a  
15 split case?

16 MR. BAKER: Depends on how you break down the  
17 numbers and allocate it, but it costs, as I said, upper end  
18 of \$6, close to \$7 a case to process the split case. When  
19 you add it up throughout the year -- that is overhead -- you  
20 are talking about the most expensive thing you can do. We  
21 have 150 employees in the State of Michigan, Teamsters that  
22 take split cases --

23 MS. LUCENTE: So it costs you upwards of \$8 per  
24 case; is that correct?

25 MR. BAKER: Depending on cost of fuel and things

1           like that. I mean, we are in a money-losing situation.

2                       MS. LUCENTE: I am actually talking about just

3           putting a split case together, period.

4                       MR. BAKER: Yeah, almost seven bucks a case.

5                       MS. LUCENTE: Seven bucks a case for that so then

6           that leaves -- what does the State pay? \$800? Or \$8?

7                       MR. BAKER: \$8.32.

8                       MS. LUCENTE: Leaves you a \$1.32 per case for the

9           delivery, payroll --

10                      MR. BAKER: Warehousing.

11                      MS. LUCENTE: -- warehousing.

12                      MR. BAKER: All the other processing.

13                      MS. LUCENTE: How do you do it?

14                      MR. BAKER: That is why we are making a big deal

15           out of it because we have been subsidizing the business

16           for --

17                      MS. LUCENTE: I am assuming you are in the red,

18           then?

19                      MR. BAKER: Depending on fuel costs, volume --

20           there are a lot of factors as you business people, you do

21           understand, we are self insured. From a healthcare

22           standpoint, if we have a good year from -- everyone is

23           healthy, great, we made a little money. If we have a bad

24           year -- a couple premature babies, things like this, it is a

25           very different story.

1 MS. LUCENTE: Your run your own health care system?

2 MR. BAKER: We are self-insured. You get

3 re-insured.

4 CHAIRPERSON SAMONA: Any other questions?

5 MR. GEOFF LONGBONS: Geoff, G-e-o-f-f; Longbons,  
6 L-o-n-g-b-o-n-s. My question was for the representative from  
7 General -- or Great Lakes. I said earlier when I was up  
8 about my split case situation from National, commenting on  
9 the boxes the liquor came to them in. All my boxes from you  
10 come in boxes that you guys purchase, which costs money. And  
11 I assume you are throwing the other ones away, which would be  
12 a waste of money, but you are coming here and asking us for  
13 concessions so you can save money.

14 MR. COOPER: I agree with you; that is an  
15 opportunity that we do have to save money. It is -- there  
16 are some other things that we -- advantages that we do get  
17 out of re-using the boxes -- I mean, of new boxes. We do get  
18 a lot less breakage. We are able to cube out the semi trucks  
19 that we use to cross dock stuff around the state -- a lot  
20 better than when we try to re-use boxes. When we try to  
21 re-use boxes, on that part of our business, and I believe you  
22 were outside of Metro Detroit?

23 MR. GEOFF LONGBONS: Yeah. I am in Battle Creek.

24 MR. COOPER: Your product would go on a semi out of  
25 Highland Park up to Grand Rapids. You get a lot less

1 breakage and are able to effectuate the delivery a lot better  
2 and actually, pretty cost effective by using new boxes  
3 because of how much we can cube out that semi that is going  
4 to Grand Rapids. So there is some other costs that come into  
5 re-using boxes and that is a fine line with the cost of  
6 cardboard and stuff as to how that plays out with fuel prices  
7 and everything else. So obviously, when fuel is \$4 a gallon,  
8 you want to make sure you have as few semis on the road as  
9 possible. It is important to cube those out. As fuel prices  
10 come down -- you know, the price of cardboard, that makes it  
11 another part of the equation you feel out. There is  
12 definitely opportunities that we are looking into, as we  
13 speak, and as we are going through our union negotiations  
14 right now.

15 MR. GEOFF LONGBONS: Thank you. I have been  
16 curious on that.

17 MR. ZYRINI: George --

18 CHAIRPERSON SAMONA: George, hang on one second.  
19 Mr. Robinson, Mr. Zyrini has asked to be recognized two  
20 times. So go ahead.

21 MR. ZYRINI: You want me to go?

22 CHAIRPERSON SAMONA: Yes.

23 COMMISSIONER GAGLIARDI: He doesn't have the mike.

24 CHAIRPERSON SAMONA: That's okay. He can speak up.

25 MR. ZYRINI: My name is George Zyrini and I have,

1 for clarification, I guess, I have a question for the ADAs:  
2 A split case seems to be a pretty big issue and a very hot  
3 button for everybody in the room and the way I read it and  
4 correct me if I am misunderstanding it, but the split cases  
5 are specifically for excluding liters. They are for the top  
6 10 SKU's that are sold through the State of Michigan per ADA.  
7 So I think that for on premises, a lot of that goes by the  
8 way side. For the gentleman who had the question about the  
9 Absolute Raspberry not being at the top 10 SKU's so that  
10 liter not being in stock, not having to go to the 750s, is  
11 not an issue. For a lot of the on-premise people, I think  
12 using the liters becomes a non-issue, but the retailers, that  
13 is really who is going to be concerned about it and it could  
14 be 1.75 or 200 ml's, depending on what that top SKU is for  
15 the retailer. So I think to help answer a lot of questions  
16 people have, do you know what your top 10 SKU's are in your  
17 specific ADAs? Because I think that will give a lot of  
18 clarity to people who are asking the question.

19 CHAIRPERSON SAMONA: Let me just jump in. We  
20 haven't determined it is going to be the top 10. So just  
21 for, hypothetically, if it were the top 10, but it could make  
22 a difference if that gentleman is talking about, if he is  
23 trying to order the top 10 and needs it in a different price  
24 and they don't carry that size, then he has to revert back to  
25 the -- to getting the smaller-sized bottle. So it could, but

1           yes, that is why I said that earlier that, you know, split  
2           cases impact a packaged business liquor store more so than an  
3           on-premise but the increasing of the minimum case orders  
4           impacts on-premise, as well as off-premise.

5                     MR. SINGH: The question both of you: How long --  
6           how many minutes day you do the split case? If I order three  
7           bottles or six bottles, or one half pint, how long your  
8           employee take to do that job? To make that?

9                     MR. BAKER: How much?

10                    MR. SINGH: Very simple question. How much time?

11                    MR. BAKER: Our split case pick rate is about 300  
12           per man hour. So you can work backwards from that, but it is  
13           very efficient. If you look at other markets --

14                    MR. SINGH: You are not answering my question. My  
15           question still stands in place. How long for one case your  
16           employee took?

17                    MR. BAKER: It depends.

18                    COMMISSIONER GAGLIARDI: Wait a second. Let's stop  
19           right, here. Steve, get the mike.

20                    CHAIRPERSON SAMONA: Ask your question; take the  
21           mike away.

22                    COMMISSIONER GAGLIARDI: We have the question: How  
23           long does it take? He answered your question.

24                    CHAIRPERSON SAMONA: About 300 he said. An hour?

25                    MR. BAKER: 300 is the rate we use as our, sort of,

1 best practice.

2 MR. SINGH: An hour?

3 CHAIRPERSON SAMONA: 300 bottles that are picked up  
4 and put in a box per hour.

5 MR. BAKER: I will have to get back to you on the  
6 specifics.

7 CHAIRPERSON SAMONA: Roughly.

8 MR. BAKER: But that is -- is something we can get  
9 the real number for.

10 CHAIRPERSON SAMONA: You can do the math on that.  
11 How about Mr. Zyrini's question? Can you comment on that?

12 MR. COOPER: As far as the top ten items, top 10  
13 SKU's go, excluding liters -- unfortunately, I don't have  
14 those memorized. On the risk of leaving out one of my big  
15 suppliers, I will not answer that at this point. But it is  
16 public record. I can get it for you easily enough.

17 CHAIRPERSON SAMONA: Anyone else?

18 MR. BAKER: I don't know off the top of my head.  
19 It is important to understand it is not brand. It is SKU's,  
20 so it might be 750s of Absolute or something like that. It  
21 is not going to be all Absolute.

22 MR. CHAWLA: Is there --

23 COURT REPORTER: Name, please?

24 CHAIRPERSON SAMONA: Name, please?

25 MR. CHAWLA: Andy Chawla, C-h-a-w-l-a. Is there

1 any way of instead of to going to the split case charges, why  
2 one of the reason State is paying you \$8.32 or \$8.50 or \$8.40  
3 or \$8.60, you have to determine. So I think everybody should  
4 be happy with that because we know that there is base charge  
5 and that the rate is going up 10 cents a bottle or 20 cents a  
6 bottle. I don't think anybody have the problems.

7 CHAIRPERSON SAMONA: I think you are wrong with  
8 that, Mr. Chawla. You, obviously, don't know our business  
9 very well.

10 MR. CHAWLA: I --

11 CHAIRPERSON SAMONA: We don't agree with that; that  
12 that is what they want. That price ultimately comes back  
13 down to you.

14 MR. CHAWLA: That they go down to base price that  
15 means my price go over; that is what I am saying.

16 CHAIRPERSON SAMONA: Your price increases, sir.

17 MR. CHAWLA: That price increase for the customer.  
18 My problem the 17 percent.

19 CHAIRPERSON SAMONA: Right. So we are worried  
20 about the customer a little bit, too, not just the retailer.

21 MR. CHAWLA: Somebody is paying the -- maybe \$10.  
22 He can pay \$10.10. Seven percent of mark-up, that is good.

23 CHAIRPERSON SAMONA: Thank you. I think that is a  
24 flawed argument, but we will take a few more questions and we  
25 will wrap it up.

1                   MR. BUTTS: Kim Butts, from Broad Street Station in  
2 Holly, Michigan. For the gentleman from NWS: I had an issue  
3 not too long ago and I called the company and I managed to  
4 get a name and I got a hold of the person and told them my  
5 situation and all he wanted to say is: How did I get his  
6 name? He was insistent on, like: Where did you get my name  
7 and basically, hung up on me. I left voice mail after voice  
8 mail and for about a week or so and he never called me back  
9 or anything else and --

10                   CHAIRPERSON SAMONA: That is where I say you need  
11 to call.

12                   MS. BUTTS: This is one of the major issues. For  
13 the most part, they have been pretty good, but when you have  
14 a problem, you can't get anywhere with them.

15                   CHAIRPERSON SAMONA: That is why you need to talk  
16 to us. If you are having an issue with your ADA and your  
17 delivery and your product, don't keep calling them back. Say  
18 you are not getting a call back after one or two times, that  
19 should be a red light saying I need to go a step further.

20                   MS. BUTTS: I don't remember, but I do believe I  
21 did call the State on that one, but I don't remember.

22                   CHAIRPERSON SAMONA: We will take a few more  
23 questions related to the three topics we are addressing,  
24 please. All right. Mr. David?

25                   MR. DAVID: Joe David, Michigan Liquor Vendors

1 Association, McCormick Distilling. One thing for a comment I  
2 wanted to make about the split case issue, which effects both  
3 the ADAs and the licensees, is that back in 1996, when the  
4 private companies took over, there were approximately 1,200  
5 products available in the State of Michigan that could be  
6 split. Today there are 5,400 items available in the State of  
7 Michigan that can be split. So it is a double-edged sword.  
8 The majority of the cases that are ordered because of the  
9 quantity available are what cost the private company the  
10 most. In 12 years, they haven't had any way to recover any  
11 of their dollars and you as private business owners, because  
12 of the availability, are ordering more of these split cases.  
13 So if you would just keep that in mind, the suggestion to go  
14 from one bottle of 12 different items in a case to, maybe,  
15 three bottles as a minimum with maybe a price break of  
16 anything over \$20, maybe you could order one bottle. These  
17 are some of the things that are being discussed by the Liquor  
18 Commission. I wanted to make that comment.

19 CHAIRPERSON SAMONA: Thank you, Mr. David.

20 MR. BERT SMITH: Bert Smith, Tally's Bar in  
21 Lewiston, Michigan -- S-m-i-t-h. I am not here to beat you  
22 gentlemen up because you signed onto the service. My  
23 question is to the Liquor Control Commission is that in 1996,  
24 I believe, '97, this is when it went privatized. We did not  
25 ask for it to be privatized. We were guaranteed back in 1997

1 that we would not have a delivery charge. Back in those  
2 days, there was no split case charge. You couldn't order one  
3 bottle back in those days. You could order three, six, or a  
4 case. You could order one bottle, but it had to be at a  
5 price cost. I believe the ADAs and the Liquor Control  
6 Commission have an issue. We are just the retailer, here.  
7 They are the people that handle the money. They make the  
8 profit. Do you not make the profit off us?

9 CHAIRPERSON SAMONA: I think everybody makes a  
10 profit off of the industry, including the retailer.

11 MR. SMITH: My point is this: Back in the day,  
12 when this all came down, it was all about money -- saving the  
13 State money. We weren't paying for any delivery charge at  
14 all. And Mr. Gagliardi, one question or one point is that  
15 there wasn't a State store in every county. I lived in -- I  
16 live in Montmorency County. I went to Otsego County to get  
17 my products. I had no issue with that. I had to take the  
18 system that we had. You guys have a problem, you need to  
19 work it out with the Liquor Control Commission because it is  
20 not my gig. Thank you.

21 CHAIRPERSON SAMONA: Well, then, we will make a  
22 decision and let you know.

23 COMMISSIONER GAGLIARDI: If I can respond to that?  
24 Montmorency is not really a county.

25 CHAIRPERSON SAMONA: Last question. Sir, you

1 haven't had a chance to speak. And then that's it. We're  
2 done.

3 MR. BERG: Okay. The ADA --

4 COURT REPORTER: Name, please?

5 MR. BERG: My name is Richard Berg from Fenton. I  
6 have a bowling center. We are all --

7 CHAIRPERSON SAMONA: What's your last name, please?

8 MR. BERG: Berg, B-e-r-g. All of us, here, are  
9 losing money. All of us people are trying to sell liquor and  
10 losing money. You are losing money by your splits so you are  
11 asking us to come and pay for your losses so you can get in  
12 the black and leave us deeper in the red. Now the only thing  
13 I can see is if you will give us a discount on full cases.

14 CHAIRPERSON SAMONA: So that is an option that has  
15 been posed, here. I want to thank everybody, including our  
16 ADAs who are here and were able to take the questions and  
17 answer them to the best of their abilities. We want to  
18 understand where you come from, but we also wanted you to  
19 understand the issues we are dealing with. None of us were  
20 here when this system was privatized. So we are all dealing  
21 with what we inherited and things have changed in the last  
22 10, 15 years since privatization occurred so just like you  
23 have to change your business plan on a regular basis, just as  
24 any business person does, we have to look at ours. When our  
25 ADAs are coming to us and saying we are bleeding; we need

1 help, we have to look at everything that is on the table.  
2 These three things are things we could control. The other  
3 things, they have to go to the lawmakers. Split case fee, I  
4 keep hearing that mentioned. I just want to make it clear to  
5 you. We cannot add that on. That is by law. The lawmakers  
6 have to determine whether the Liquor Control Commission can  
7 charge or you can allow a split case charge. We cannot do  
8 that. That is why we are looking at top products and saying  
9 maybe if we can't charge and we are trying to save money,  
10 here, for the ADAs, maybe saving them money rather than  
11 tacking on money that you have to pay for is a way to look at  
12 an option. There are many options that we are having to look  
13 -- we have to look at. Every state agency that exists today,  
14 just like every business in the State of Michigan that exists  
15 today, has to think of creative ways of trying to survive and  
16 continue to do what they do. Liquor Control Commission is no  
17 different than any other business that exists in the State of  
18 Michigan and we are part of the hospitality industry. This  
19 Commission has been the biggest voice for small businesses  
20 and the little guys and the mom and pop stores than any  
21 Commission that has existed in a very, very long time -- very  
22 long time. We recognize that you have got Costcos and other  
23 big box stores that you are competing with on a regular  
24 basis. We are cognizant of that with every decision that we  
25 make. So trust me, this is -- you know, I have heard a

1 couple of times saying we are the little guys and maybe  
2 you're not thinking about us, absolutely not. We understand  
3 that; that is the back bone of this State and of this  
4 industry that we exist in. There are big box stores, but the  
5 ADAs will tell you it is the small independent retailers that  
6 are at least 70 percent of their business. If any ADA tells  
7 me that is not true, we will pull the numbers and show them.  
8 So you know, we understand it. We as Commissioners get it.  
9 If we didn't get it, we wouldn't invite you here to say, hey,  
10 come share your thoughts with us. A decision would have been  
11 made and you would have been handed that decision and say  
12 guess what? This is what you have to do from now on, but we  
13 didn't do that. We did not do that. We sat through a  
14 four-hour meeting, which we are obliged to do. I think -- I  
15 believe it is our job and our duty. Somebody even mentioned  
16 another agency that did not do that. So we are trying to  
17 listen to the issues. We are listening to the issues, from  
18 every aspect. We are the ones that have to make the decision  
19 and the balance. We hear from the liquor vendors. We hear  
20 from the ADAs. We hear from the different retailers and the  
21 industry that they represent and a decision ultimately has to  
22 be made. We will probably have at least one more type of  
23 these meetings. It might be a little different in form, but  
24 you need to understand that we are sympathetic. We  
25 understand. We drive around. We hear the issues that come

1 before us on a regular basis when somebody has tried to get  
2 licensed or has a violation before us and giving them that  
3 fine could put them over the edge and lock their doors. We  
4 really get it. So I want you to be comforted in knowing  
5 that. Any decision we make, somebody is going to be upset  
6 about it. We say that in our hearings, too, but I can tell  
7 you that a decision isn't made tomorrow but everything that  
8 you say, here, today gets inputted. But please, you have to  
9 be realistic in some of the decisions we have, as well.

10 COMMISSIONER GAGLIARDI: I would like to mention,  
11 because Bert Smith made a point. Bert, you were there and I  
12 was there. I happened to be in the Legislature, for those of  
13 you that didn't know, in '96 when we re-did this law. There  
14 were many of us that stood up and said we don't want to close  
15 the 70 some liquor stores and you are right. There wasn't  
16 one in every county, essentially one in -- some had two -- in  
17 Mackinac County we had one and in Mackinac Island because it  
18 was such a good place. But at that time, all the retailers,  
19 everybody in this room, every association member in this room  
20 and everybody in this room, if you were in the retail  
21 business would have said the same thing you said back then:  
22 a free delivery to my door? Let's go with it. Nobody --  
23 none of these associations that you had here today stood up  
24 and said no, we want to keep the liquor stores. They all  
25 said, yeah, we will take free and delivered to our door. Now

1 I will challenge you as a good friend, because I have known  
2 you for a long time, but I will challenge you and anybody  
3 else here to tell me since 1996 things haven't changed.  
4 Everything has to change. Government has to change. Who  
5 would have thought we would sit here in Michigan and GM would  
6 be bankrupt? I grew up in this state. GM was as big as U.S.  
7 Steel. They are now -- U.S. Steel is completely gone and GM  
8 is bankrupt. Things change; that is what we are here to do.  
9 Who would have thought everybody in this room would be  
10 sitting here a few years ago and we would be in the worse  
11 economic times -- 16, 17 percent unemployment -- nobody did.  
12 So we are here to address change. But I want to challenge  
13 you, Bert, I heard a number of your members today and your  
14 association person get up saying we would be willing to go  
15 back to State stores. Your group was in front of everybody  
16 else saying we would love to have it delivered to our door  
17 for free, but nothing ever stays the same -- nothing in life  
18 -- very few things in life stay the same. Things have  
19 changed and yes, it is our responsibility to step forward to  
20 it, but I want to remind you, and you, and several of the  
21 other yours in this room, that I knew in 1997, that you wanted  
22 this system. And you wanted it very badly. No, you don't  
23 get to speak again. We are all done.

24 CHAIRPERSON SAMONA: You can talk to anybody  
25 individually afterwards. I want to thank you very much for

1 your time and your attention. We will try to get a brief  
2 synopsis of this meeting online and thank you.

3 (Hearing concluded at about 1:48 p.m.)

4 \* \* \*

5 I HEREBY CERTIFY that I reported stenographically,  
6 the foregoing testimony and proceedings on the date and place  
7 hereinbefore set forth; that the same was later reduced to  
8 typewritten form, and that the foregoing is a true, full and  
9 correct transcript of my stenographic notes so taken.

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Lori K. DeClercq, CSR-3053

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Dated: September 21, 2009

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