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STATE OF MICHIGAN  
**LIQUOR CONTROL COMMISSION**  
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
STANLEY "SKIP" PRUSS, DIRECTOR

NIDA R. SAMONA  
CHAIRPERSON

Bulletin #3152-17

Date: December 21, 2009

To: Authorized Distribution Agents

From: Michigan Liquor Control Commission

Subject: Distilled Spirit Product Returns

The Michigan Liquor Control Commission (MLCC), at its administrative meeting of December 16, 2009 adopted the attached Commission Order as a Business Operating Procedure regarding distilled spirit product returns in accordance with the provisions of Rule 436.1802(14). This new Business Operating Procedure will be effective June 1, 2010.

The December 16, 2009 Business Operating Procedure changes the Commission's distilled spirit product return policy to comply with the U.S. Tax and Trade Bureau (TTB) regulations. Under the Commission's revised product return policy, all retail liquor licensees will be required to pay for all of the distilled spirit products that they order. Authorized Distribution Agents (ADAs) must either collect full payment for all of the spirit products ordered and delivered or must return the entire spirit order to their warehouse. ADAs must immediately inform the MLCC's Financial Management Division of all distilled spirit product returns. The Commission will not permit liquor licensees to order additional spirits if they do not pay for their entire spirit order. ADAs must immediately notify the MLCC's Financial Management Division when a licensee appropriately resolves their spirit return problem.

The TTB regulations do permit the return of spirit products for a limited number of very specific reasons. The Commission will only allow the return of spirit products for the five specific reasons, taken from the TTB regulations, stated in the attached Commission Order.

Please distribute copies of this Bulletin and the December 16, 2009 Business Operating Procedure to the appropriate people in your organization.

If you have any questions please contact the Michigan Liquor Control Commission, Financial Management Division at 517.322.1382.

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STATE OF MICHIGAN

DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
LIQUOR CONTROL COMMISSION

General Wine & Liquor Co.  
373 Victor Avenue  
Highland Park, MI 48203

NWS Michigan, Inc.  
17550 Allen Road  
Brownstown, MI 48192

Chinese Import & Export Co.  
3508 Bristol  
Troy, MI 48083

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ADMINISTRATIVE ORDER

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In accordance with the provisions of Rule 436.1802(14), the following policy is approved and adopted as a Business Operating Procedure regarding product returns:

The Michigan Liquor Control Commission has reviewed its distilled spirit delivery system policies and procedures. Based upon discussions with the United States Tax and Trade Bureau (TTB), the Commission is revising its distilled spirit product return policy effective June 1, 2010. TTB regulations require liquor licensees to pay for all of the distilled spirit products that they order. TTB regulations state in Title 27, Section 11.31 of the Code of Federal Regulations that "it is unlawful to sell, offer to sell, or contract to sell products with the privilege of return for any reason, other than those considered to be "ordinary and usual commercial reasons" arising after the product has been sold."

The TTB regulations include "ordinary and usual commercial reasons" under which spirit products can be returned. These "ordinary and usual commercial reasons" can be located in Title 27, Sections 11.32 through 11.39 of the Code of Federal Regulations. Pursuant to Title 27, Sections 11.32 through 11.36, the Commission will only allow product returns for the following reasons:

- Defective product
- Error in products delivered
- Product which may no longer be lawfully sold
- Termination of business
- Termination of franchise

Effective June 1, 2010 all retail licensees are required to accept the delivery of, and pay for, all spirit products that they order.

TTB regulations, as stated above, will be used to determine allowable reasons for product returns.

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Nida R. Samona, Chairperson

Pat Gagliardi, Commissioner

Dated: December 16, 2009

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Donald B. Weatherspoon, Commissioner