



BUSINESS MEETING OF THE
MICHIGAN LIQUOR CONTROL COMMISSION

Held: Friday, January 10, 2020
Lansing District Office
525 W Allegan
Lansing MI 48933

Present: Dennis Olshove, Commissioner
Geraldyn Lasher, Commissioner
Bradford Jacobsen, Commissioner

Absent: Pat Gagliardi, Chairman

Staff: Kerry Krone, Business Manager
Pam Hamilton, Director of Finance Division
Julie Wendt, Director of Executive Services
Donald McGehee, Chief of Alcohol and Gambling
Enforcement Division
Barb Subastian, Regional Supervisor
Enforcement Division
Erika Hoppes, Licensing Division
Samantha Hayes, Licensing Division
Jeannie Vogel, Public Information Officer
Anita Fawcett, Administrative Assistant

The meeting was called to order by Commissioner Olshove at 10:40 a.m., noting a quorum was present.

- I. **Moved by Commissioner Olshove, supported by Commissioner Lasher that the minutes of the Commission meeting of December 18, 2019, be approved as written and presented, motion carried by unanimous vote.**
- II. Commissioner Olshove advised the meeting was called for an update on the delivery and customer service issues with ADA 321, RNDC/NWS (RNDC). He asked Ms. Hamilton to give a brief overview of where the Commission stands.

Ms. Hamilton advised online complaints are down almost half since the December 18, 2019 meeting, and that phone complaints are down approximately 60%. She stated the complaints are nearly divided in half as they relate to delivery and customer service issues. Ms. Hamilton advised most of the customer service complaints are that licensees can't get through to RNDC by phone or that RNDC fails to return calls when messages are left. She stated we still have complaints

that RNDC is not picking up inventory that was delivered in error or the business has closed. Ms. Hamilton advised the Commission has balanced invoices through the week ending December 21, 2019 and advised the State inventory is approximately \$41.5 million higher than normal meaning about \$68.5 million in gross sales and \$8.2 in spirit taxes remain unreported. Ms. Hamilton had some potential good news – she advised the Commission has received a large number of invoices from RNDC which when reconciled should substantially resolve this issue.

Mr. Joe Gigliotti, Region President for Control State for RNDC spoke on the accounting and reconciliation of the invoices. He stated they are making good progress and have sent over \$30 million to the Commission last week. He advised they do have a subset of invoices that need to be reviewed for clubs, duplicate invoices, products that have been delivered, etc. Mr. Gigliotti stated they have hired an independent accounting firm to do an audit of their accounts to expedite the resolution of the reconciliation issues.

Mr. Gigliotti stated that deliveries are mostly on time and full orders are being delivered. RNDC is currently looking at the issue of the inventory that needs to be picked up. He stated they are in the process of moving more of the delivery routes back to the Livonia warehouse and stated they have the option to keep the Brownstown warehouse open for the foreseeable future which will continue to help with deliveries. He doesn't anticipate moving all inventory to the Livonia warehouse until the system is operating at 100%. He did feel the out of stock issue is vastly improved.

Mr. Gigliotti advised RNDC held an internal staff meeting to discuss these issues and looking ahead at the growth in Michigan. He stated Michigan has a high volume of product and it will take more investments in the future to handle it. Mr. Gigliotti advised the Administrative Orders issued by the Commission last week may affect their business and future investments depending on how they are implemented. He advised we need to look at not only spirit sales but beer and wine also as there are lots of folks with a vested interest in the industry.

Commissioner Olshove and Commissioner Lasher had questions about the customer service issues and the reports of rude drivers.

Mr. Gigliotti spoke on the continuing customer service problems and stated there is no excuse for poor customer service as their staff is representing RNDC and the State. He advised they are creating a position to manage the front office and will have training on handling irate customers, etc. Mr. Gigliotti advised they are creating another position so RNDC has a permanent on-site software person to handle any problems that arise.

Mr. Steve Rochow, EVP of RNDC in Michigan, advised that he had visited some accounts and they were very complementary about the drivers. He stated he meets with the drivers weekly, if not monthly for training.

Commissioner Jacobsen has questions about the delivery issues.

Mr. Gigliotti advised he felt comfortable stating deliveries are 98% resolved and that the rate of out of stocks has dissipated and is close to 100% fill rate (that just throwing extra people at a problem doesn't fix it as they just get in each other's way). We need to fix it at the operational end of it.

Commissioner Olshove advised the next meeting would be held on Friday, February 7, 2020 at 10:30 am in the Lansing office.

Mike Mitchell, Midwest Independent Retailer's Association and a Vice President of Marcum Enterprises, spoke on the delivery issues and stated they have seen a marked improvement over the last 2 weeks and that 23 stores have on time deliveries and full orders. He thanked the Commission for their time and allowing him to speak.

With no further business, moved by Commissioner Olshove, supported by Commissioner Lasher, that the business meeting be adjourned at 11:27 a.m., motion carried by unanimous vote.

Dennis Olshove
Commissioner



BUSINESS MEETING OF THE
MICHIGAN LIQUOR CONTROL COMMISSION

Held: Wednesday, January 15, 2020
Lansing District Office
525 W Allegan
Lansing MI 48933

Present: Pat Gagliardi, Chairman
Dennis Olshove, Commissioner
Geraldyn Lasher, Commissioner

Absent: None

Staff: Kerry Krone, Business Manager
Tom Hagan, Director of Enforcement Division
Jeannie Vogel, Public Information Officer
Anita Fawcett, Administrative Assistant

The meeting was called to order by Chairman Gagliardi at 10:39 a.m., noting a quorum was present.

- I. **Moved by Commissioner Olshove, supported by Commissioner Lasher that the minutes of the Commission meeting of January 10, 2020 be approved as written and presented, motion carried by unanimous vote.**
- II. Ms. Krone presented the E-Quote report for product listings in three categories (see attached report) and requested approval of the following:

That 103 new items with case size exceptions be approved for listing with an effective date of February 2, 2020; and

That 54 regular new items be approved for listing with an effective date of February 2, 2020; and

That 16 new items with special packaging be approved for listing with an effective date of February 2, 2020.

After discussion, the following twenty-six (26) products were denied:

Atlas Distilling Company	375ml Alevri Mill Sngl Brll Rye	12 Bottles/case
E & J Gallo Winery	200ml New Amsterdam Wtrmelon	24 Bottles/case
	50ml New Amsterdam Wtrmelon	60 Bottles/case
Grand Traverse Distillery	375ml Grand Trav Ole George Rye	12 Bottles/case

	750ml Grand Trav Ole George Rye	6 Bottles/case
	750ml Grand Trav Wine Cask BBN	6 Bottles/case
Wm. Grant & Sons	50ml Fistful of Bourbon	60 Bottles/case
	50ml Reyka Vodka	96 Bottles/case
Journeyman Distillery, LLC	200ml Journeyman Field Gin	48 Bottles/case
	200ml Journeyman Field Vodka	48 Bottles/case
MHW Ltd.	100ml Rum Chata Limon	48 Bottles/case
Sanctuary Brewery, LLC	750ml Sanctuary Spir Bttrstch	12 Bottles/case
Sazerac Co., Inc.	50ml Black Haus Blckbrry Schnp	120 Bottles/case
	50ml Grind Espresso Shot	120 Bottles/case
	50ml Parrot Bay Passion Frt	120 Bottles/case
	50ml Parrot Bay Pneapolis Rum	120 Bottles/case
	50ml Parrot Bay Strwbrry Rum	120 Bottles/case
	50ml Ram's Point PB Whiskey	120 Bottles/case
	50ml Romana Blk Liq (IT)	120 Bottles/case
	50ml Sheep Dog PB Whiskey	120 Bottles/case
West Michigan Rum Co.	750ml Burl & Sprig Esencia Spice	12 Bottles/case
	750ml Burl & Sprig Tribus Gin	12 Bottles/case
Working Bugs, LLC	375ml Red Cedar Spirits Cask Rye	12 Bottles/case
	375ml Red Cedar Spirits Ck Wht	12 Bottles/case
	375ml Red Cedar Spirits Wheat	12 Bottles/case
Heaven Hill Sales Co.	375ml Deep Eddy Variety w/50ml	12 Bottles/case

Moved by Commissioner Olshove, supported by Commissioner Lasher that the above actions be taken in accordance with the E-Quote report dated January 13, 2020, as written and presented; motion carried by unanimous vote.

- III. Ms. Krone presented licensee requests for special price reductions on spirit products in accordance with the provisions of the Commission's Order of September 11, 2012 regarding special price reductions on spirit products, which was effective on January 1, 2013. She advised there were seventy-five (75) different licensees requesting price reductions; that 631 product price reductions could be approved; and that 17 product price reductions should be denied.

Moved by Commissioner Olshove, supported by Commissioner Lasher that the 631 special price reductions be approved as indicated on the attached Approval for Price Reduction on Liquor reports, motion carried by unanimous vote.

Moved by Commissioner Olshove, supported by Commissioner Lasher that 17 special price reductions be denied for the reason stated in the attached Notification of Denial for Price Reduction reports, motion carried by unanimous vote.

V. Old Business.

There was no Old Business.

VI. New Business.

There was no New Business.

VII. Public Comments.

Chairman Gagliardi attended a Board of Directors meetings for NABCA and there were numerous questions regarding our ongoing RNDC issues.

Ms. Krone spoke technology issues, that our new Licensing system is very successful, and the Commission has requested funds to update the Finance system.

Chairman Gagliardi introduced our Public Information Officer, Jeannie Vogel and advised the Commission was working on newsletter to be sent to the licensees and industry people.

With no further business, moved by Commissioner Olshove, supported by Commissioner Lasher, that the business meeting be adjourned at 10:58 a.m., motion carried by unanimous vote.

Pat Gagliardi
Chairman

Anita Fawcett
Administrative Assistant



BUSINESS MEETING OF THE
MICHIGAN LIQUOR CONTROL COMMISSION

Held: Wednesday, January 29, 2020
Lansing District Office
525 W Allegan
Lansing MI 48933

Present: Pat Gagliardi, Chairman
Dennis Olshove, Commissioner
Geraldyn Lasher, Commissioner

Absent: None

Staff: Kerry Krone, Business Manager
Pam Hamilton, Director of Finance
Tom Hagan, Director of Enforcement Division
Sara Weber, Director of Licensing
David Marvin, State Administrative Manager
Jeannie Vogel, Public Information Officer
Anita Fawcett, Administrative Assistant

The meeting was called to order by Chairman Gagliardi at 11:06 a.m., noting a quorum was present.

- I. **Moved by Commissioner Olshove, supported by Commissioner Lasher that the minutes of the Commission meeting of January 15, 2020 be approved as written and presented, motion carried by unanimous vote.**

- II. Ms. Hamilton requested approval of a bulletin for the submission of quotations for the Quarterly Price Book, which is effective May 3, 2020. She advised this is a routine bulletin sent out quarterly to Vendors of Spirits and Vendor Representatives to remind them of the deadlines for the next price book.

Moved by Commissioner Olshove, supported by Commissioner Lasher, that Bulletin No. 2020-01, Quarterly Price Book Deadline Dates, be approved as written and presented, motion carried by unanimous vote.

- III. Ms. Hamilton requested approval of two Administrative Orders that would regulate distilled spirit value added packages offered for sale within the state and regulate the Multi-pack and variety cases offered for sale within the state. Ms. Hamilton advised the Liquor Control Commission is making some proposed changes to the

acceptance criteria for products listed in Michigan. She stated these changes are being made for several reasons, the protection of the health and welfare of the citizens of Michigan, a price list that is reasonable to maintain by Commission staff and that is also maintainable by the ADA's to warehouse and deliver. Ms. Hamilton stated with these changes, the state would adhere to the acceptance standards of other control states.

Ms. Hamilton advised Administrative Order 2020-01, Distilled Spirit Value Added Packages, would change the policy by eliminating the discounting of up to 33% of two or more items in a package and if the bonus item for a value-added package is a spirit, it can be no larger than 1 – 50 ml bottle, and gave examples of what would be acceptable and not acceptable.

Ms. Hamilton advised Administrative Order 2020-02, Multi-Pack and Variety Cases, would change the policy to allow only one multipack per brand per size, all multipack items must already be listed with the State, and non-standard bottle sizes can no longer be added together to make a standard size, and gave examples of what would be acceptable and not acceptable.

Ms. Hamilton advised that the orders, once approved by the Commission, will state that products that do not currently comply with the orders will be delisted on May 3, 2020 and not available for pickup by or delivery to licensees on or after that date. She stated products received by licensees prior to the May 3, 2020 date, may continue to be sold by licensees until the product is depleted.

Ms. Hamilton advised that 319 codes will be affected by these orders and the Finance Department will be notifying the vendors once the orders have been approved. She advised the state has over 10,000 SKU's in our price book, with Ohio being the next closest state with approximately 3000 SKU's.

Chairman Gagliardi stated he didn't think these orders are overly strict, and the Commission wants to cut back on the free and/or cheap liquor. He advised the Commission is giving the vendors 3 months to make the adjustments and we are taking baby steps to clean up the price book.

Auday Arabo, President Midwest Independent Retailers Association and Benchmark Beverages Company spoke on the retailers' standpoint. He stated the Commission is doing a good job and that the SKU's are large in Michigan. Mr. Arabo stated we have a large contingent of independent companies driving the count and he suggested conversations ahead of time may help with the confusion. Mr. Arabo would like the Commission to look at reimplementing the ½ mile rule because of the density of licenses in certain areas.

Chairman Gagliardi advised we are making small changes, protecting the health and welfare of the people of Michigan, and that we can always be contacted for any questions. He advised there are more changes in the future to address the number of SKU's in the price book and want to work with the industry to manage the size of the price book.

George Zrinyi of Agave Loco, had questions on the orders and that they will be losing 10% of their business. He stated this makes a difference to the smaller companies. Mr. Zrinyi showed the Commission one of their products 4 - 25ml bottles packaged as one to make a 200ml product and this will not be acceptable under the new policies.

Karl Glarner of Sanctuary Spirits advised they are a small distiller, small winemaker and microbrewer and has questions about the pricing of new products. He advised they do not use the services of our ADA's as all sales are direct sales from their business. Mr. Glarner stated they have always submitted their products with a shelf of price of \$2.00 for a 750ml size product and these low prices help their small business. He advised they do not sell their product at this price and that lowest priced product sells for \$25.00/bottle.

Ms. Hamilton advised the Commission will be visiting this issue in the near future as they want to be fair to all vendors.

Rishi Makkar spoke on being in business for the last 23 years and was shocked at all the businesses that are now able to sell alcohol and personally does not think alcohol should be allowed in gas stations. He asked the Commission to investigate reimplementing the ½ mile rule, felt it was needed and that our Enforcement must be swamped with trying to enforce the rules and regulations of the Commission with the density of licenses in certain cities. Mr. Makkar stated he feels the chain store get special attention and services that the smaller retailer is not receiving. He questioned whether a price book could be printed again as the older store owner is not always good with the computer.

Chairman Gagliardi thanked everyone for their comments. He stated we are partners and we need to hear these comments and it's important for us to know about any concerns.

Moved by Commissioner Olshove, supported by Commissioner Lasher, that Administrative Order 2020-01, Distilled Spirit Value Added Packages, be approved as written and presented, motion carried by unanimous vote.

Moved by Commissioner Olshove, supported by Commissioner Lasher, that

Administrative Order No. 2020-02, Multi-Pack and Variety Cases, be approved as written and presented, motion carried by unanimous vote.

IV. Old Business.

Commissioner Lasher advised that her work group involving the Special Non-Profit Licenses, have been meeting internally and in the near future would be getting invites out to the public and industry for their comments. Commissioner Olshove echoed these comments regarding his work group on ADA issues.

V. New Business.

There was no New Business.

VI. Public Comments.

There were no Public Comments.

With no further business, moved by Commissioner Olshove, supported by Commissioner Lasher, that the business meeting be adjourned at 12:08 p.m., motion carried by unanimous vote.

Pat Gagliardi
Chairman

Anita Fawcett
Administrative Assistant