



BUSINESS MEETING OF THE
MICHIGAN LIQUOR CONTROL COMMISSION

Held: Tuesday, November 5, 2019
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 Division
Sara Weber, Director of Licensing Division
Julie Wendt, Director of Executive Services
Tom Hagan, Director of Enforcement Division
Don McGehee, Division Chief of Alcohol and
Gambling Division
Jeannie Vogel, Public Information Officer
Anita Fawcett, Administrative Assistant

The meeting was called to order by Chairman Gagliardi at 1:08 p.m., noting a quorum was present.

- I. **Moved by Commissioner Olshove, supported by Commissioner Lasher that the minutes of the Commission meeting of October 15, 2019, be approved as written and presented, motion carried by unanimous vote.**
- II. Chairman Gagliardi advised we are meeting regarding the delivery issues with our ADA 321, RNDC/NWS (RNDC).

Ms. Hamilton gave some background on the issue explaining that RNDC moved to a new warehouse this past summer and since July we have been receiving about late deliveries, out of stock product, missing product from the order, or no delivery. She stated in the past month, the situation has progressively gotten worse. Ms. Hamilton stated some of the licensees have said they are on hold for long periods and when they did contact RNDC, that the customer service staffs have been rude and obscene on the phone, and licensees are fearful of retaliation if they say too much. She stated that RNDC is behind in getting their data to the Finance Division, and that licensee's checks are not getting cashed in a timely manner.

Mr. Brian Pizzuti, VP of Sales in Michigan for RNDC spoke on the issues of moving into the new warehouse. He stated they wanted to have the move done in April 2019 as it is a slower time for liquor ordering but had construction delays that held them up. He explained with the growth in spirits sales in Michigan, they would need a larger facility with new and updated technology. Mr. Pizzuti explained they have had ongoing software issues at the new location, and that suppliers are not adequately giving them product to fill all the orders.

Chairman Gagliardi asked him who was in charge of Michigan as the Commission has had no contact with anyone from RNDC about this issue. He stated it showed a lack of respect for what is happening in Michigan. Chairman Gagliardi stated we should have at least had a phone call.

Mr. Pizzuti stated they would set up weekly, bi-weekly calls or emails, whatever the Commission wants so they are kept updated on the problem. He stated they have a plan to move some of the product back to the Brownstown facility and hope to be caught up by the end of November.

Chairman Gagliardi stated that is not good enough. We have over 18,000 licensees and the holiday season is fast approaching. He asked how our licensees can stay in business with no liquor delivery. Commissioners Olshove and Lasher had questions for Mr. Pizzuti.

Mr. Scott Ellis from Michigan Licensed Beverage Association spoke on the number of their members that are having problems. He stated they will be pursuing legislation for an immediate short-term resolution to help alleviate some of the burden on licensees.

Multiple licensees spoke on the delivery problem and their issues with having no stock for sales. They also stated that communication was non-existent with RNDC and if they did reach a person, they had no answer for the problem. They would like something in writing to show their customers that it's not their fault.

Mr. Don McGehee, from the Michigan Attorney General's office advised that ADA's must be certified and approved by the Commission and subject to violation for not doing their job. He advised they will be working with the Commission Enforcement Division and looking into these complaints.

Mr. Michael Clark, Director of Operations in Michigan for RNDC, advised they have used this software system in other states for their company. He stated Michigan has a huge spirit industry and the system is not working. Mr. Clark advised they are trying to get a robo call system up and running, but the sheer volume of calls

is making this very prohibitive. He asked if a message could be placed on the MLCC's On-Line Ordering system to help with the issue.

Chairman Gagliardi stated again this shows a lack of respect for Michigan and our licensees. He advised that no communication from the people at RNDC just show they did not take the problem seriously.

Ms. Krone thanked everyone for attending and stated we need a timeline to fix the problem. We have a lot of holiday dates; we need answers and more communication.

Chairman Gagliardi ended with RNDC should know we are serious about this issue and are looking at fines and sanctions. We are not going into the holiday season without some sort of penalty.

III. Old Business.

There was no Old Business.

IV. New Business.

There was no New Business.

V. 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 2:59 p.m., motion carried by unanimous vote.

Pat Gagliardi
Chairman

Anita Fawcett
Administrative Assistant



BUSINESS MEETING OF THE
MICHIGAN LIQUOR CONTROL COMMISSION

Held: Tuesday, November 12, 2019
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 Division
Julie Wendt, Director of Executive Services
Barb Subastian, Regional Supervisor
Enforcement Division
Don McGehee, Division Chief of Alcohol and
Gambling Division
Jeannie Vogel, Public Information Officer
Anita Fawcett, Administrative Assistant

The meeting was called to order by Chairman Gagliardi at 12:27 p.m., noting a quorum was present.

I. Moved by Commissioner Olshove, supported by Commissioner Lasher that the minutes of the Commission meeting of November 5, 2019, be approved as written and presented, motion carried by unanimous vote.

II. Ms. Hamilton presented the E-Quote report for product listings in three categories (see attached report) and requested approval of the following:

That 43 new items with case size exceptions be approved for listing with an effective date of December 1, 2019, and that 8 new items with case size exceptions be approved for listing with an effective date of December 29, 2019; and

That 72 regular new items be approved for listing with an effective date of December 1, 2019; and that 7 regular new items be approved for listing with an effective date of December 29, 2019; and

That 14 new items with special packaging be approved for listing with an effective date of December 1, 2019.

After discussion, the following ten (10) products were denied:

Gray Skies Distillery, LLC	750ml East Kille American Dry Gin	12 Bottles/case
	750ml East Kille Brll Finish Gin	12 Bottles/case
	750ml East Kille Coffee Liqueur	12 Bottles/case
	750ml East Kille MI Strgt BBN	12 Bottles/case
	750ml East Kille Toasted Brll Fin	12 Bottles/case
	750ml East Kille Toasted Brll-90	12 Bottles/case
	750ml Eastern Utility Vodka	12 Bottles/case
	750ml East Kille MI Sngl Malt	12 Bottles/case
	750ml East Kille MI Strgt Rye	12 Bottles/case
	Keeper's Quest, Inc.	50ml Pickering's Dry Gin PL

Moved by Commissioner Olshove, supported by Commissioner Lasher that the above actions be taken in accordance with the E-Quote report dated November 7, 2019, as written and presented; motion carried by unanimous vote.

- III. Ms. Hamilton 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 eighty-two (82) different licensees requesting price reductions; that 1788 product price reductions could be approved; and that 4 product price reductions should be denied.

Moved by Commissioner Olshove, supported by Commissioner Lasher that the 1788 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 4 special price reductions be denied for the reason stated in the attached Notification of Denial for Price Reduction reports, motion carried by unanimous vote.

- IV. Chairman Gagliardi advised we have requested an update regarding the delivery issues with our ADA 321, RNDC/NWS (RNDC). He asked Ms. Hamilton to give us a brief overview of where we stand.

Ms. Hamilton advised we are still receiving complaints, that we received 345 since last Friday when we created a complaint form on our website for licensees to use to report delivery issues. She stated that RNDC is still behind in getting their data to the Finance Division, and they have not reported approximately \$40 million in gross sales to us.

Mr. Joe Gigliotti, Region President for Control State for RNDC stated they want to apologize on behalf of the company, that they are saddened to disappoint the Commission, our customers, our suppliers and our RNDC associates. This is clearly not what RNDC represents or how we do business. He spoke on the same issues of moving into the new warehouse and the delays that were incurred. Mr. Gigliotti advised with delivery issues comes accounting and paperwork issues, and state their goal is to get caught up by the end of November.

Mr. Gigliotti stated they have increased communications with their customers and the public, by increasing staff for phone operations, providing information to some of the associations that represent our members, and reaching out to the press. He advised in addition to moving inventory back to the Brownstown facility and hiring temporary warehouse workers, they will reset orders of a certain date, eliminating non-processed orders in the system and that this would allow them to catch up on extended delayed deliveries by November 18th, allow time to put server and software fixes in place, allow time to put hardware reconfigurations in place, and allow time to transition customers to the Brownstown facility. Mr. Gigliotti advised they are confident that beginning Monday, November 18th, RNDC will be operating out of Livonia and Brownstown and will be able to deliver on schedule. He believes they will largely be back to normal by mid-December and fully back to normal by January 2020.

Questions from the Commissioners on addressing the rudeness to licensees on the telephones, what training was staff given? Commissioner Olshove stated RNDC should be calling every customer explaining what happened and how the delivery issues are being fixed.

Chairman Gagliardi pointed out that there will be no deliveries for this weekend for the MSU-Michigan game, the beginning of firearms deer season and Thanksgiving is right around the corner. He asked how RNDC will get caught up. Chairman Gagliardi stated the Commission is finally getting attention to this problem but is greatly disappointed with the lack of communications from RNDC. He would like RNDC to present a written corrective plan of action with details on how deliveries will get caught up.

Mr. Steve Rochow, Executive VP of Michigan for RNDC advised he understands the frustration as he sees it on the faces of his staff. He stated they have numerous resources that will be devoted to fixing the problem.

Ms. Krone wanted to be clear the State is not shutting down its on-line ordering system, that the orders would be stopped on RNDC's end of the process. We can put a message on our site, but they should be clear with the licensees on what is happening to the orders.

Mr. Don McGehee, from the Michigan Attorney General's office stated they are the

prosecutorial arm of the Commission, that ADA's must be certified and approved by the Commission and subject to violations for not doing their job. He advised that remedial measures can be taken and will move promptly to supply the Commission with answers.

Mike Mitchell, Midwest Independent Retailer's Association and a licensee, asked questions clarifying the shutting down of orders for November 13 through the November 15. A short discussion was held.

Joe Cekola, President of Imperial Beverage Co. and one of our other ADAs, advised they have respect for RNDC and sorry they are having the delivery issues. He stated they are a Michigan based, family owned operation with 4 locations in the State and while they don't deliver much in the way of spirits at this time, they are willing to expand and help in any way possible.

Chairman Gagliardi advised we will hold another business meeting next week to check on the progress of RNDC.

V. Old Business.

There was no Old Business.

VI. New Business.

There was no New Business.

VII. 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 2:00 p.m., motion carried by unanimous vote.

Pat Gagliardi
Chairman

Anita Fawcett
Administrative Assistant



BUSINESS MEETING OF THE
MICHIGAN LIQUOR CONTROL COMMISSION

Held: Friday, November 22, 2019
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 Division
Julie Wendt, Director of Executive Services
Melinda Leonard, Assistant Division Chief of Alcohol
and Gambling Division
Jeannie Vogel, Public Information Officer
Anita Fawcett, Administrative Assistant

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

- I. **Moved by Commissioner Olshove, supported by Commissioner Lasher that the minutes of the Commission meeting of November 12, 2019, be approved as written and presented, motion carried by unanimous vote.**
- II. Ms. Hamilton requested approval of an Administrative Order that would grant a one-time exception to Administrative Order 2015-04 and extend the 90-day deadline for an Authorized Distribution Agent (ADA) change and that all required information must be received on or before December 6, 2019. She stated this would allow licensees to change their ADA's by the February 2, 2020 pricing schedule.

Moved by Commissioner Olshove, supported by Commissioner Lasher, that Administrative Order No. 2019-01, Distilled Spirit Products Distribution Changes-One Time Exception, be approved as written and presented, motion carried by unanimous vote.
- III. Ms. Hamilton requested approval of an Administrative Order that would grant a one-time exception to Administrative Order 2015-06 and the Commission would forego the delisting of any spirit products that are scheduled to be delisted on December 29, 2019.

Moved by Commissioner Olshove, supported by Commissioner Lasher, that Administrative Order No. 2019-02, Spirit Product Delisting Procedures-One Time Exception, be approved as written and presented, motion carried by unanimous vote.

- IV. Chairman Gagliardi advised we have requested a third update regarding the delivery issues with our ADA 321, RNDC/NWS (RNDC). He asked Ms. Hamilton to give us a brief overview of where we stand.

Ms. Hamilton advised we are still receiving complaints, that we received 762 since we created the complaint form on November 8, 2019. She stated we have received 85 issues on the MLCC help line since November 12, 2019. Ms. Hamilton advised these are for the same issues regarding late or non-deliveries, out of stock, and the no return phone call issues. She stated the State inventory is approximately \$35,000,000 more than it should be, so this means the State has lost approximately \$58,000,000 in gross sales that have not been reported to us in a timely manner and an additional \$7,000,000 in lost liquor tax revenue.

Mr. Joe Gigliotti, Region President for Control State for RNDC stated having been through situations of new warehouse, combing warehouses, one of the lessons he learned, unfortunately the hard way, was that while we are seeing things behind the scenes change, until it resonates with the customers or the end user sees it, it's not real.

Mr. Gigliotti stated they moved about 20% of the inventory back to the Brownstown facility and place senior workers there. He stated they are delivering from the Livonia and Brownstown locations, have added additional routes, they have hired a phone bank to help with customer calls and he feels the reset of order has helped to get deliveries back on schedule. Mr. Gigliotti stated they have rented non-CDL trucks and that sales staff are making deliveries and that RNDC will allow "will call" orders that either a salesperson will deliver, or the licensee may pick up their order. He stated he is troubled by the complaints the Commission is still receiving as that indicates we are still having issues. Mr. Gigliotti stated they are setting up a separate website so they can communicate directly with the licensees. He wants to get changes out to everybody as soon as possible and just over communicate.

Mr. Gigliotti spoke on the accounting and reconciliation of the invoices. He stated for the most part they are caught up through the first week of November except for Grand Rapids which is still behind. He advised they have hired more people and they have been told the target is to have everything up to date by the end of November.

Chairman Gagliardi questioned the delivery schedule and stated we have removed it from our website as we do not trust the information. He asked about the tax loss

from unreconciled invoices.

Mr. Gigliotti advised it's not a loss, that there will be a delay and his expectation is to have them reconciled before the end of the month.

The Commission questioned RNDC about the options of the emergency or "will call" orders and whether licensees are coming and picking up their orders because that is there only option.

Mr. Steve Rochow, Executive VP of Michigan for RNDC advised they have several accounts who just call in their orders and then pick them up. All "will calls" are out of the Livonia facility and they can create a backlog. Mr. Rochow assured the Commission they are not telling licensees they have to pick up their order.

Mr. Gigliotti stated sometimes in a phone conversation with a licensee, it may come up as a topic of discussion, but RNDC is not telling them they have to pick up their orders.

Ms. Melinda Leonard from the Attorney's General office had questions regarding the accounting – whether it's a loss or a delay and how the system works for alcohol sales. She questioned RNDC about who had the benefit of the money right now and how the products were invoices.

Mr. Brian Pizzuti, VP of Sales in Michigan for RNDC explained some of the issues and the delay in the Commission receiving the funds. He spoke on the procedures and on the issues of "will calls" when the order is on a truck for delivery, but the licensee wants to pick up his order.

Mike Mitchell, Midwest Independent Retailer's Association and a Vice President of Marcum Enterprises, spoke on the inventory at their store in Perry and how the shelves are bare. He gave the Commission copies of his invoices showing what products were delivered and how many out of stocks they had. He advised the phone calls are being answered, but always with "we will get back with you." After you get this answer 4 or 5 times, you just stop calling – you feel like you are beating a dead horse. He advised the Commission that this situation is affecting both the big box stores and the small independent retailer.

Mr. Mitchell stated this is impacting our bottom line and how we feed our families, that we had a great year coming in, but at the end of the quarter, we're struggling. He advised he went to pick up a "will call" order on November 21 and he was told the order would be ready in the afternoon. Mr. Mitchell stated he arrived at 12:02

pm and they were closed between 12:00 pm and 1:00 pm. He looked in the breakroom and it's full of people. He advised if he is making the time to pick up an order, then the window should be open all day to get these orders out. Mr. Mitchell doesn't believe the system is working and the retailers are suffering.

Mr. Steve Soka, part owner of Franklin Liquor from Southfield spoke on the issues with RNDC. He spoke on lost revenue that was lost to the State, but also revenue from sales tax and payroll taxes. He advised that they never received an order on November 11th as it was deleted from the system, and that he has money that has not been collected by RNDC. Mr. Soka spoke on how long it will take him to recoup money from lack of alcohol sales. He stated he can't make money if he doesn't have the inventory. He wondered how long is an acceptable amount of time for RNDC to fix these issues?

Chairman Gagliardi stated the Commission hears your frustration and we are trying to get the issues fixed. He advised we are all partners and we are losing money in so many ways.

Mr. Gigliotti responded to some of the issues raised by Mr. Mitchell and Mr. Soka. He stated he had talked with Mr. Mitchell after the last meeting and was feeling some problems had been fixed but was informed that there are still ongoing problems. He stated until the retailers see results in their stores and have their orders, I recognize you are not going to be satisfied.

Chairman Gagliardi advised the Semi-Annual Public Meeting is scheduled for Wednesday, December 4, 2019 at 10:00 am, and ask that RNDC appear to give the Commission a progress report.

With no further business, moved by Commissioner Olshove, supported by Commissioner Lasher, that the business meeting be adjourned at 1:20 p.m., motion carried by unanimous vote.

Pat Gagliardi
Chairman

Anita Fawcett
Administrative Assistant