

Minutes of the Durham ABC Board's Board Meeting February 20th, 2024

The Durham County ABC Board met at the administrative office, located on 3620 Shannon Road, Suite 200, on the 20th day of February 2024.

Chairman, Daniel Edwards called the meeting to order at 5:30 p.m.

In attendance were, Chairman Daniel Edwards, Board Member, Ryan Urquhart, Attorney George Miller, General Manager, Lou Sordel, Assistant General Manager Deborah Warren, Operations Manager Michael Mitchell, Visual Compliance Manager Ikzuri Garcia-Banda and Warehouse Manager Malon Chase. In addition, Board members Donald Lebkes, Gale Adland and Frachele Scott joined us via zoom. ALE Special Agents Tegan Gross, and Jack Cates from the ABC Law Enforcement also attended via Zoom. Paul Young from DTW Architects joined us later in the meeting via phone.

Conflict of Interest Review and Declaration

Chairman Daniel Edwards read the Board's Conflict of Interest Review and Declaration statement and asked Board members if they have an actual conflict or appearance of a conflict of interest with any items coming before the Board and, if so, does the Board member wish to recuse him or herself from deliberating and voting on the matter. All attending Board members verbalized that they have reviewed the agenda and do not have any conflicts.

Consent Item

The consent item approved was for the January 16th, 2024 Board meeting minutes. Donald Lebkes moved to approve the January 16th, 2024. The Board approved the January 16th, 2024 minutes unanimously.

Public Comment

Chairman, Daniel Edwards addressed the public and asked if anyone was present and if they had any comments. No one from the public was in attendance in person or via zoom.

ALE Special Agent, Tegan Gross

The ALE Special Agent, Brandon Teal reviewed the monthly permit checks and activities that happened during the month of December with the Board. The summary of Activities are as follows:

North Carolina Alcohol Law Enforcement Summary of Activities January 2024

Checks at ABC Stores: 20
ABC Outlet Inspections MBX: 42
ABC Outlet Inspections Other: 5
Alcohol Education: 6
ABC Violations submitted to ABCC: 3
Total Arrests: 39
Total Charges at Permitted Outlets: 11
Total Charges at Non- Permitted Outlets: 79
Total Misdemeanor Charges: 90
Total Felony Charges: 0

On Thursday, January 11, 2024, District IV Special Agents assisted the Hillsborough Police Department with the apprehension of a suspect in Durham County who had assaulted a Hillsborough Police Officer the day before which resulted in serious bodily injury. With the assistance of the Durham County Sheriff Office SWAT team, Special Agents located the suspect and arrested him without further incident. As a result of the investigation, the suspect was additionally

charged by Special Agents with Possession of a firearm by convicted felon, and possession of fentanyl.

On Friday, January 12, 2024, District IV Special Agents conducted an ABC inspection at Mixed Karaoke Bar, located at 3400 Westgate Drive, Suite 1, Durham. During the course of the inspection, Special Agents determined the business was selling whole bottles to patrons and those bottles did not bear the required tax stamp. Approximately 20 bottles of spirituous liquor was seized from the business and the owner's vehicle. As a result, the owner was charged with possession of non-tax paid alcohol, and an ABC violation report submitted to the ABC Commission.

On Friday, January 12, 2024, District IV Special Agent conducted an ABC inspection at Red Crab Juicy Seafood, located at 4600 Chapel Hill Road, Durham. During the course of the inspection, Special Agents discovered the business was selling spirituous liquor without bearing the tax stamp and purchasing alcoholic beverages from a place other than a licensed wholesaler. An ABC violation report was subsequently submitted to the ABC commission.

On Thursday, January 18, 2024, District IV Special Agents responded to a request for assistance from the Durham Police Department regarding a large party involving underage Duke students. The party was being held at an off-campus residence in Durham, NC. As a result, Special Agents charged 30 students, to include 24 underage possession/consumption, 5 aid and abet, and 5 give alcoholic beverages to underage person.

On Thursday, January 25, 2024, District IV Special Agents concluded an investigation into employee theft at an ABC Store in Durham, NC. The investigation revealed an employee was stealing large amounts of spirituous liquor resulting in more than \$100,000.00 in losses. During the investigation, it was revealed that the suspect was assisted by another store employee in selling spirituous liquor online. As a result, a search warrant was issued for suspect's residence in Raleigh, NC. Special Agents recovered more than 100 bottles of spirituous liquor, marijuana, NTPL, and a handgun. Both suspects were charged with numerous felony and misdemeanor offenses relating to the larceny and sale of alcoholic beverages.

On Saturday, January 27, 2024, District IV Special Agents conducted an ABC inspection at Rookies Sports Park, located at 4911 Central Drive, Durham. During the course of the inspection, Special Agents discovered the business was selling spirituous liquor from bottles not bearing the tax stamp. An ABC violation report was subsequently submitted to the ABC Commission.

Assistant General Manager, Deborah Warren

Ms. Warren talked about our company theme, which is “It starts with me”. She reviewed our mission statement and talked about what they discussed during the recent Manager’s meeting held on January 31st. She talked about recent employee theft in our stores. She also talked about what we are doing to correct any further issues. We have changed our opening and closing procedures, overall store security and proper staffing techniques. She also talked about how we are changing our inventory process, how we accept our store deliveries, and how to report suspicious activity. These discussions have proven to be successful because we saw fewer recounts and discrepancies compared to the previous inventories. Ms. Warren also reviewed the allocation process for customers and DCABC employees. She also mentioned that we are holding silent releases for some of the highly allocated bourbons and how it will be posted on our website.

Ms. Warren announced the date of our Board Retreat meeting for 2024. The retreat will be held on Saturday March 2nd at the Durham Hotel.

Visual Compliance Manager, Ikzuri Garcia-Banda

Ms. Garcia-Banda talked about how we have seen a significant increase in traffic to our website. We have been monitoring this growth and have noticed about a 12 % growth each month since August. This shows that our initiatives to drive customers to our website is working. Last year on average, we saw about 7,000 visitors a week. During December 2023 and January 2024, we saw an average of

12,000 visitors a week. So far this February, we have seen 30,000 visitors a week visiting our website. Out of the 30,000 visitors, 77 % are using their mobile devices to browse our website. We have added many exciting things to our website recently like drink recipes, in store tasting schedule and surprise allocated drops in our stores. Ikzuri has been updating our website live for these surprise drops, which has really increased our website traffic and click through rate. She is also focusing on making it easier for our customers to use their mobile devices to search our website for any information.

MXB Operations Manager, Mike Mitchell

Mr. Mitchell reviewed four new mixed beverage accounts with the Board. For retail sales during January 2023, we generated \$4,325,893.00 and in January of 2024, we generated \$4,272,631.00. Retail sale decreased by \$53,262.00 or - 1.23%. Our mixed beverage sales were \$944,398.00 during January 2024. Mixed Beverage sales decreased by \$56,901.00 or -5.68% compared to last January. Our current YTD sales are \$36,834,765.00 verse last year's sales at \$36,694,900.00. As you can see, we are exceeding last year's total sales by \$139,864.00.

Mr. Mitchell review the current YTD sales numbers in February and we are treading well above of YTD sale number from last year. We are waiting for a huge account to open called Top Golf. This new account will increase our mixed beverage sales. We may need to add additional personal to store 10 to help accommodate the increase in Mixed Beverage sales.

Warehouse Manager, Malon Chase

Mr. Chase reviewed our warehouse inventory levels with the Board. He stated that our inventory levels in our warehouses are on the higher side right now due to him ordering more high volume products that are currently at a lower cost. He is taking advantage of the lower cost on higher volume items that are on sale during February. Mr. Chase also discussed his plans to increase his inventory levels on other high volume items. This will help increase our profit levels because we are buying in bulk at a lower case cost and selling it at a higher price point during other months when it is not on sale. Buying in bulk like this increases our profit level and insures that we will not run out of inventory if there is a shortage

issue with inventory. We have seen some great profit increases recently and we can keep this increase going providing we strategically plan what we are buying and at a good price. We did a buy-in on Tito's Vodka 1.75 and .750 ml bottles when it was on sale and results show from January of 2023 to January 2024 we increase our profit on the 1.75 by \$28,500.00 and increased profit on the .750ml by \$86,000.00. We used the same techniques on other high volume brands like Lunazul Tequila and the results showed we made an additional \$49,000.00 on Lunazul since the end of August. We also brought in some Lunazul Reposado, which made us an additional \$15,000.00. As you can see this method will allow us to increase our profit levels and insure that we have enough product on hand at all times.

General Manager, Lou Sordel

Mr. Sordel discussed why our sales numbers look flat with the board. He stated we are getting back to pre-covid sale numbers but we are doing everything to help increase sales and product selection. Our store 10 location on NC Highway 55 is still going strong and they are seeing huge MXB sales increases each month.

The repairs done to the leaking pipe at store 10 are completed and our insurance company took care of any damages.

Mr. Sordel discussed our current financial statements and stated that we are managing our cash management funds very well. We are working hard to increase our profit and add more money to our cash management fund.

Mr. Sordel alerted the Board about repairs that were done to store 14 sewer lines. We have run into more damage further up the sewer line before you hit the city line. He is meeting Roto-Rotter soon to go over an estimate to fix the other portion of the sewer line that is severely decade. We are looking to temporarily move store 14, so we can rebuild this location. We have not had much success in finding a temporary location that makes sense. We may move forward and fix the remainder of the pipe because we don't have a specific timeline on when we are going to rebuild store 14.

Mr. Sordel mentioned that the remodeling of the bathrooms at store 11 is done and it is looking good.

We have recently moved staff around to other locations. We want to make sure the right staff is in the right store with balanced skills to help each store run more efficiently.

Our End Cap program is working well. Ikzuri is working hard to make sure the stores have the tools needed to create eye-catching end caps. Mr. Sordel mentioned that our stores are doing well and are clean and well stocked.

A customer has voiced their opinion about the way we handle our Bourbon drops. A letter was sent to us and it stated that we all should be put in jail for doing our Bourbon drops the way we do. We are causing chaos that could cause a crash or could kill someone during these Bourbon drops. During these special events, we have had plenty of staff to watch the entire process. We have never had crazed drivers speeding or causing accidents in our parking lot or around our stores because of these special drops. The person that sent this complaint does not even live in Durham County so we are not sure why he is sending complaints to our Board.

Board Attorney, George Miller, stated that there is possibility that issues around the Bourbon drops could happen and there could be some liability issues. Mr. Miller stated that it is possible that the Board could be sued if an incident happened due to the negligence of a crazed driver looking to get some of these allocated Bourbons. Lou Sordel stated he has confidence in our system and that we are closely monitoring these drops and he asked the Board if they prefer him to end these special Bourbon drops or continue the way we are currently operating. The board had a few suggestions on handling these Bourbon drops. The Board decided that we can continue these allocated drops and that we are doing everything possible to make this process fair and safe for everyone. .

We will start phase two of the racking system in the warehouse at store 10. This store has more potential and we will be adding a phase 3 to add additional

racking in their warehouse. Mike, Malon and Lou will be installing the new racking in the near future.

Mr. Sordel brought up our theft prevention policy. Some stores were not following the theft prevention policy therefore, there were some employee theft incidences in our stores. We have retrained our staff in theft prevention and are holding our security officers accountable for doing their job. Mr. Sordel has also set up a meeting with the representative at the sheriff's dept. to go over what is expected of law enforcement personnel while they are monitoring our stores. We are looking at all aspects of store security in our stores.

Mr. Sordel requested that we move our Board meeting scheduled for May 21st, 2024 to May 14th due to the Board and Admin staff attending the NABCA meeting that will be in Arizona.

Board Member Ryan Urquhart made a motion to change the Board Meeting scheduled for May 21st to May 14, 2024, and Board Member, Donald Lebkes seconded the motion. All of the board members unanimously approved this motion. Mr. Sordel also invited all of the Board members to the NABCA Convention in Arizona May 20-23.

We are working on moving our store 4 location to a property we own on Page Road. We are talking with the people at Food Lion to help move the sewer line and take care of other easements to help move this construction along. We are hoping that Food Lion will sign off on the documents soon so we can put this build out to bid by March 15 and we hope to have the bids finalized by April 16th. Mr. Sordel showed the Board the new designs for the store we are looking to build on Page Rd. He stated that we had to change some of the outside esthetics because we found out Food Lion has to approve this project, which caused us to change a few things like the color of the brick, windows and lighting. They want it matched the Food Lion shopping center. Food Lion also told us that we could not install the big sign we wanted to install. We will now have a sign similar to the sign at our


Sherron Road location. Mr. Sordel showed the board members architectural drawings of what the store will look like once finished.

Mr. Sordel discussed what is on the agenda and other details for the Annual Retreat Board meeting that is being held on March 2nd at the Durham Hotel.

Adjournment

Board Member, Frachele Scott, moved to adjourn the meeting and Donald Lebkes seconded that motion. The meeting was adjourned at 7:11.

All of the Board members and Lou Sordel went into closed session.

Approved by: , Daniel Edwards, Board Member.

