



Food & Beverage **REPORT**

The official publication of the Associated Food Dealers of Michigan

January 2005

Just In



The GREAT Turkey Drive volunteers pose for a picture.

AFD celebrates Thanksgiving with another successful Turkey Drive

Thanksgiving turkeys were given to 1,960 needy families in Metro Detroit, thanks to the AFD Turkey Drive and its hard-working committee. A big THANK YOU to all the volunteers and supporters of this annual event. More photos on pages 28 and 29.

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AFD's Holiday Gift to Liquor Retailers: The right to increase profits!

By Michele MacWilliams

After three years of hard work, AFD succeeded in having legislation passed that allows liquor retailers to increase their profit margins.

The bill could become effective before the end of 2004. Retailers will have the flexibility to raise prices as they deem appropriate, above the state-set minimum price. For the first time in two decades, store owners will be able to adjust for increasing costs. "Retailers can substitute their own sound judgment and knowledge of market conditions for one-size-fits-all mandated prices," said Mike Sarafa, AFD President.

The increased profit opportunity created by the passage of this bill is enormous. According to the Distilled Spirits Council of the United States, if licensees were able to achieve a 25 percent margin on just one quarter of the liquor business, it would mean an additional \$11.5 million in new gross profits – all of which (less six percent sales tax) go directly to the retailer's bottom line.

The battle for the liquor discount increase has been long and hard fought. In October 2003, after years of intense lobbying, House Bill 4458 passed the Michigan House of Representatives. It passed the Senate Economic Development, Small Business & Regulatory

Reform committee on December 9, 2003 before being sent on to the Senate floor where it remained pending the completion of the fiscal year 2004/2005 budget. In November of 2004, the Senate passed the bill and sent it to Governor Granholm.

"As many of you know, increasing liquor profits for our retailers was an objective of mine when I accepted the position of AFD president three years ago," said AFD President Mike Sarafa. "Although it has taken longer and was a much harder battle than anticipated, all our efforts have finally paid off," Sarafa added. "The passage of HB 4458 is a real, tangible benefit that AFD has provided to Michigan retailers."



Sen. Ken Sikkema (top left), Sen. Alan Sanborn (top right) and Rep. Sal Rocca were instrumental in passing HB 4458.

Efforts by AFD members make the difference

By Dan Reeves

When the call to action went out, AFD members really made the difference in winning the fight to increase liquor profits. AFD could not have won without the help of our members.

Winning at the grassroots level can mean the difference in getting favorable legislation passed or unfavorable legislation stopped. The most effective way to influence public policy on behalf of the food and beverage industry is for state legislators to hear from their local businesses.

When House Bill 4458 was first introduced in the House in March, 2003, we called upon our members asking them to write, fax or call their legislators to support passage of the bill. The response was immediate and successful as the bill breezed through the committee on its way to passage by the House of Representatives.

This year, as HB 4458 moved through the Senate Committee and on

to the Senate floor, AFD members were again called upon for their help. I personally heard from nearly two dozen members who wanted to know what else they could do or who else they should contact. Members from all over Michigan called the AFD office asking questions about the process and what they as members could do to help encourage passage of the bill.

AFD President Mike Sarafa spoke to numerous legislators from across the state that said they had received phone calls and letters from their constituents. "It really makes a big difference when you know that you can count on member support when important issues to the industry are at stake," Sarafa added.

We encourage members to take a moment to call the AFD office (248-671-9600) with their fax numbers and email addresses so that when issues come up that need attention, we can communicate quickly and efficiently.

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President's MESSAGE

AFD's Board Leads Liquor Fight; Garners Wide Industry Support

By Mike Sarafa
AFD President

In the June 2004 edition of the *AFD Food and Beverage Report*, I listed the many contributions of AFD Board Members to the organization. Nowhere in the last few years has this been more evident than with the fight to raise the retail liquor discount. For over a decade AFD has been working in some fashion to change the liquor pricing system for retailers. And now, thanks to the leadership of several Board members, SDD licensees around the state may have the opportunity to increase their liquor profits.

Retailers should know the considerable resources in time and expense that several AFD

Board members spent working on this issue. From working on our Political Action Committee (PAC) to strategizing to making personal phone calls to legislators to facilitating the support of the liquor industry, the AFD Board was involved in every facet of the process over the last two years. I would especially like to thank Ronnie Jamil, Thom Welch, Fred Dally, Joe Bellino and John Pardington for their leadership and efforts.

These men and many others understood the importance of this issue to our industry and put their time and money where their mouths were. Because of them liquor retailers could earn millions more in profits in 2005.

This victory would also not

have been possible without strong support from the other two tiers of the liquor industry. I would especially like to thank Dave Holiday of the Distilled Spirits Council of the United States and Syd Ross, head of the Michigan Liquor Vendors. The passage of this legislation would not have been possible without their strong support. This issue is a good example of manufacturers, distributors and retailers working together for the good of the industry. Again, AFD Board Members were instrumental in bringing these other groups to the table.

The ability to achieve a greater profit margin for liquor is good news for our industry during this time of year. I am proud of the accomplishment and hope that everyone's Holiday Season is filled with other good news as well. On behalf of the entire AFD family, I would like to wish all of you a blessed and joyous Holiday and a healthy, prosperous New Year!

The Grocery Zone

By David Coverly



Clockwise, from left:
Ronnie Jamil,
Thom Welch,
Fred Dally,
John Pardington,
Joe Bellino



Thank you Michigan State Legislators

These Michigan State Legislators believe in retaining and creating more Michigan jobs. They support efforts to spur investment in Michigan's small businesses. That's why these state legislators were willing to put their good name on the line to support Michigan retailers and pass HB 4458, which allows SDD licensees to increase their profit margins.

Michigan's 4,000 liquor retailers who are members of the Associated Food Dealers of Michigan have one thing to say to the Michigan State Legislators: Thank you! We will not forget your efforts!

- Sen. Jason Allen, R-Traverse City
- Sen. Raymond Basham, D-Taylor
- Sen. Virg Bernero, D-Lansing
- Sen. Patricia Birkholz, R-Saugatuck
- Sen. Michael Bishop, R-Rochester
- Sen. Cameron Brown, R-Sturgis
- Sen. Nancy Cassis, R- Novi
- Sen. Irma Clark-Coleman, D-Detroit
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- Sen. Mike Goschka, R-Brant
- Sen. Beverly Hammerstrom, R-Temperance
- Sen. Bill Hardiman, R-Kentwood
- Sen. Gilda Jacobs, D-Huntington Woods
- Sen. Ron Jelinek, R-Three Oaks
- Sen. Shirley Johnson, R-Royal Oak
- Sen. Wayne Kuipers, R-Holland
- Sen. Burton Leland, D-Detroit
- Sen. Michelle McManus, R-Lake Leelanau
- Sen. Bruce Patterson, R-Canton
- Sen. Alan Sanborn, R-Richmond
- Sen. Martha Scott, D-Highland Park
- Sen. Kenneth Sikkema, R-Wyoming
- Sen. Buzz Thomas, D-Detroit
- Sen. Laura Toy, R-Livonia
- Sen. Gerald Van Woerkom, R-Muskegon
- Rep. Daniel Acciavatti, R-Chesterfield
- Rep. Fran Amos, R-Waterford
- Rep. Clark Bisbee, R-Jackson
- Rep. Kenneth Bradstreet, R-Gaylord
- Rep. Jack Brandenburg, R-Harrison Township
- Rep. Tom Caspersen, R-Escanaba
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- Rep. Sandy Caul, R-Mt. Pleasant
- Rep. Paul Condino, D-Southfield
- Rep. Craig DeRoche, R- Novi
- Rep. Leon Drolet, R-Clinton Twp.
- Rep. Judy Emmons, R-Sheridan
- Rep. David Farhat, R-Muskegon
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- Rep. Scott Hummel, R-DeWitt
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- Rep. Tupac Hunter, D-Detroit
- Rep. Rick Johnson, R-LeRoy
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- Rep. Larry Julian, R-Lennon
- Rep. James Koetje, R-Walker
- Rep. Jerry Kooiman, R-Grand Rapids
- Rep. Phil LaJoy, R-Canton
- Rep. Charles LaSata, R-79
- Rep. Tom Meyer, R-Bad Axe
- Rep. Mary Ann Middaugh, R-Paw Paw
- Rep. Matt Milosch, R-Lambertville
- Rep. John Moolenaar, R-Midland
- Rep. Gary Newell, R-Saranac
- Rep. Neal Nitz, R-Baroda
- Rep. Mike Nofs, R-Battle Creek
- Rep. Brian Palmer, R-Romeo
- Rep. David Palsrok, R-Manistee
- Rep. John Pappageorge, R-Troy
- Rep. John Pastor, R-Livonia
- Rep. Mike Pumford, R-Newaygo
- Rep. Randy Richardville, R-Monroe
- Rep. David Robertson, R-Grand Blanc
- Rep. Sal Rocca, R-Sterling Heights
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- Rep. Joanne Voorhees, R-Grandville
- Rep. Howard Walker, R-Traverse City
- Rep. Christopher Ward, R-Brighton
- Rep. Lorence Wenke, R-Richland
- Rep. Gary Woronchak, R-Deerhorn

Calendar

February 8-12, 2005

National Grocers Association
Annual Convention
Bally's Las Vegas
Las Vegas, NV
(703) 516-0700

February 11, 2005

AFD Annual Trade Dinner and Ball
Penna's of Sterling
Sterling Heights, MI
(248) 671-9600

April 4-5, 2005

40th Annual Food Marketing Conference
Western Michigan University
Kalamazoo, MI
(202) 452-8444
www.hcob.wmich.edu/fmk

April 19 & 20, 2005

AFD Spring Trade Show
Burton Manor
Livonia, MI
(248) 671-9600

July 13, 2005

AFD Scholarship Golf Outing
Fox Hills
Plymouth, MI
(248) 671-9600

Statement of Ownership

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AFD works closely with the following associations:



AFD member responds

Here is a letter that Jerry Crete of Ideal Party Store sent to Sen. Robert Emerson, D-Flint, in response to his NO vote on HB 4458.

Dear Senator Emerson,

I just wanted to respond to your comments regarding the legislation passed in the Senate allowing liquor retailers to raise prices on liquor. The reality of the matter is competition will not allow us to raise prices very much if at all. Retailers like myself (and many in your district) have lived with much higher costs of doing business

including higher liquor liability costs, healthcare costs, taxes and liquor license costs. When you factor in all of the costs retailers pay just to sell liquor (licenses, liability insurance and additional state taxes) we really don't make 17% which is our discount. The margin is more like 12-13%. Factor in the fact that up to 50% of our businesses like ours are also suffering dramatically from the increase in the cigarette tax. Our customers are now buying cigarettes out of state, on the internet and from major gasoline companies.

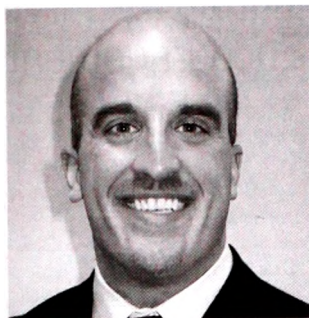
The legislation will help us but it

is still not enough. Your comments that this is only to pad retailer's pockets are totally off base. I think you need to better understand our industry and the challenges that we face. Most of us are not getting "rich" but struggling just to make a living. I think if you knew more about our industry your NO vote would have been a YES vote.

Support of small business is good for everyone in the state. This bill supports small businesses, your vote did not.

Jerry Crete
Ideal Party Store

Distribute assets according to your plan ... not Uncle Sam's



By: Randall A. Denha, Esq.
Cox, Hodgman & Giarmarco
Attorney at Law

With the holidays just around the corner, you might be feeling generous — and for estate planning purposes, now might be a good time to turn your generosity into tax savings.

From now until the end of the year, you can take advantage of the gift tax exclusion. Currently, you're entitled to make an unlimited number of \$11,000 gifts each year. Your spouse can do the same thing so jointly, you can give \$22,000 to each recipient.

By giving away assets while you're alive, you can significantly trim the value of your taxable estate. That's beneficial if you've accumulated a fair amount of wealth. In 2004, the estate tax went into effect when an estate has assets of more than \$1.5 million and the tax rate is a whopping 48 percent. (Imagine your loved ones having to forfeit nearly half of your hard-earned savings to Uncle Sam!)

Under current law, the amount of assets subject to the estate tax and the tax rate are scheduled to be gradually phased out by 2010 and reinstated by 2011.

So at this point, there are many unknown factors in estate planning. You don't know when you'll die, how big your estate will be — and, of course, what the tax law will be at that time. To make matters worse, even though the estate tax is being phased-out, the gift tax is scheduled to remain in force with a \$1 million exemption.

What will happen to the estate tax after 2010 is anyone's guess, but

many people expect Congress to reinstate it in some form. After all, 2010 is around the time the first baby boomers turn 65 and the demand on government resources such as Social Security and Medicare will increase.

In short, affluent individuals must still plan for the possibility of an estate tax and lifetime gifting can be part of a wise plan.

Some Advantages of Gifting

In addition to reducing your taxable estate, here are some other benefits of gifting:

Future appreciation in the value of the gift will be excluded from your taxable estate. So if you give away an asset worth \$10,000 now and at your death the asset is worth \$50,000, a grand total of \$50,000 escapes taxes.

You can evaluate your heirs' ability to manage money. Lifetime gifting gives you an opportunity to see how your children handle wealth. If they manage it well, you may feel more comfortable passing on more — either during your lifetime or when you die.

If you want to take maximum advantage of the annual exclusion in the near future, the approaching year-end is a perfect time. Let's say you and your spouse want to give your son at least \$40,000 to help with a down payment on a house. Together, you give him \$22,000 in December (\$11,000 each for 2004). Then, on New Year's Day, you can give him another \$22,000 for the 2005 tax year.

Keep in mind that exceptions to the gifting rules do exist. For example, paying education or medical costs for another person is generally not a taxable transfer.

If you're interested in year-end gifts, don't wait until the very last minute. If a gift is made by check, it should be delivered and deposited by the recipient by December 31 to qualify for the 2004 annual exclusion. (However, the check can be paid by your bank in 2005.)

Assets,
continued on page 31.

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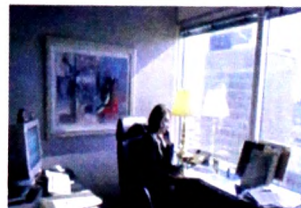
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which now range from 0% to 44%, and the savings can be substantial. For more information and to take advantage of these reduced rates, please call Melissa at AFD at (248) 671-9600. She can then refer you to the proper AAA agent.

Farewell Franco-American

The Boston Globe reports that Campbell Soup Co. is retiring the Franco-American brand under which it sells products such as SpaghettiOs, and will begin using the Campbell's brand name for these products. The goal, according to reports, is to position the brand to compete better with Chef Boyardee and Heinz.

Letters

Marathon Encouragement

Editor's Note: This letter was sent to Mike Sarafa following his run in the Detroit Free Press/Flagstar Bank Marathon (see article Nov/Dec 2004, page 3).

Dear Mike,

Having already congratulated you for your "conquering" of the Detroit Marathon, you will find enclosed my check made payable to "The AFD Foundation" in the amount of \$545.

There was never a doubt in my mind that you were going to finish the race, and that's coming from someone who has run over 20 marathons. I can only imagine what it felt like mentally running down the slope (I know how it felt like physically) and knowing that you were within view of accomplishing something that is a once in a lifetime memorable experience; your first marathon. Very few people have a true appreciation for the number of miles you have ran, or the pain you went through, or all of the wondering of what it was going to be like and then, of course, eventually running the marathon itself. It will certainly be an experience you will not forget ever in your life.

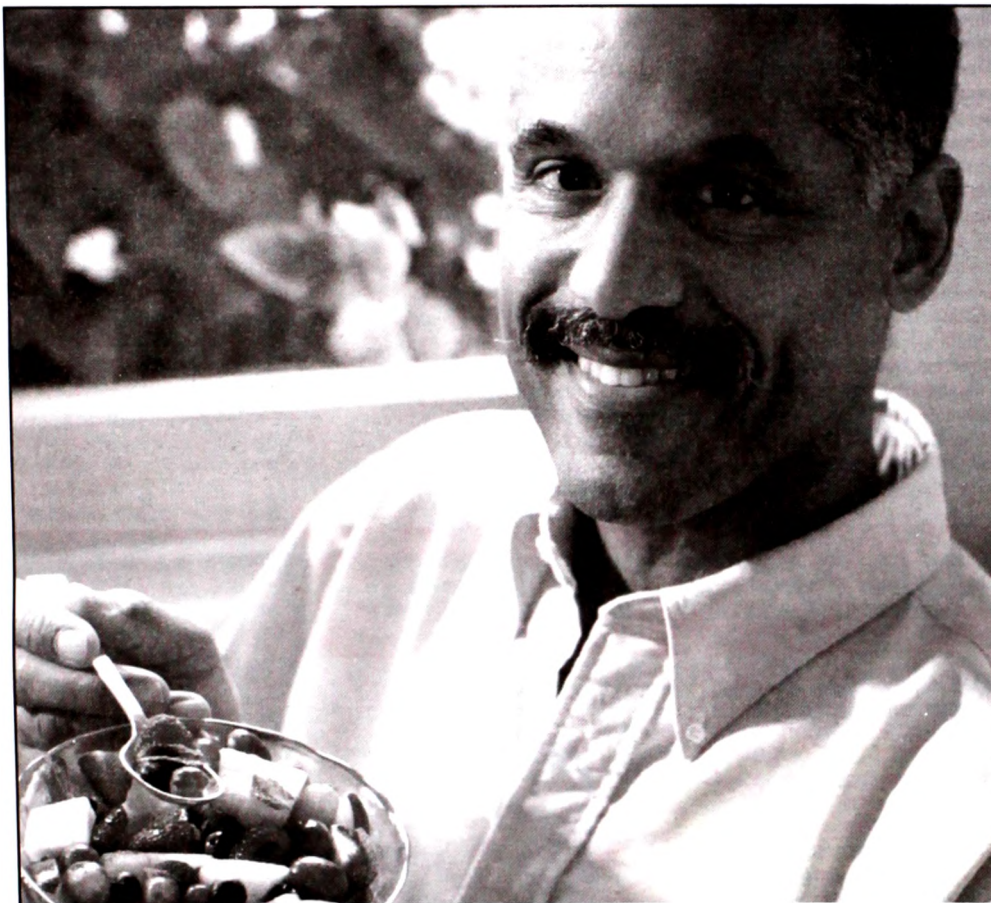
I can tell you almost mile by mile, the events of my first marathon in Canton, Ohio, how I felt during the race, after the race and for the next week immediately following the race. While it is a tremendous time commitment to train for the marathon, now that you have trained for one, the second one will be "easy" to train for.

As I discussed with you when I committed to my contribution, I would pay you \$10 for the first 26 miles and \$1 for the next 285 yards, equaling the \$545 in my contribution. I give it knowing that this is a small price for what you paid personally over the course of the last six months in your training.

Congratulations and I look forward to running with you again next summer.

Sincerely,

Patrick J. Gregory
UHY Advisors



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750ml = 9625-0
1000ml = 9652-0
1750ml = 148-2

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375ml = 122-2
750ml = 115-9
1000ml = 122-3
1750ml = 148-5

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1000ml = 16-8
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What is personal protection worth?

By Doug Saroki, owner of Vests, L.L.C.

Sometimes we don't like to admit it, but we live and work in often threatening times. The retail food employee, gas station attendant, convenience store operator, ATM loader and delivery personnel are some of the most dangerous occupations in America. Preparing yourself and your employees for the worst is something that employers must accept. Body armor is one defensive option for high-risk areas or occupations.

An item used for hundreds of years to protect everyone from Roman warriors, to law

enforcement officers, to hunters — body armor can be quite effective.

In the 1960s, engineers developed a reliable bullet-resistant armor that a person could wear and still be somewhat comfortable. However, it was still bulky and cumbersome. Now there is soft body armor, formed from advanced woven fibers that can be sewn into soft shielding vests. It is thin, lightweight, comfortable, and easily concealable and is prepared to get in the way of bullets.

Soft body armor is a lean piece of bulletproof material that converts to a strong net. To understand how this strong net

works, think of a hockey or soccer goal. The side and back of the goal consists of a net formed by many long lengths of tether, interlaced with each other and secured to the goal frame. When the ball or puck hits the net, it disperses the energy from the point of impact over a wide area. The whole net works to absorb the ball's inertial energy, no matter where the ball hits.

When examining a piece of bulletproof material under a microscope, you would see a similar configuration. Long strands of fiber are interlaced to form a defensive net. The most prominent material used in body armor is

DuPont's Kevlar fiber. Kevlar is lightweight and five times stronger than a piece of steel of the same weight. When interwoven into a dense net, this material can absorb a great amount of energy.

Let technology work for you.

Editor's Note: Doug Saroki is the owner of Vests, L.L.C., a company that specializes in providing the proper body armor for each individual and situation. He is offering a special program for AFD members only. Please refer to his ad on this page for details or call Doug Saroki directly at 248-258-3900.

Red wine has anti-bacterial impact

Red wine has potent bacteria fighting properties, suggests new research from scientists in the U.S. that examined the impact both red and white wines could have on a range of common food pathogens.

Researchers at the department of food science and technology at Oregon State University found that all the wines tested had bactericidal activity against *Escherichia coli* O157:H7, *Listeria monocytogenes*,

Salmonella Typhimurium, and *Staphylococcus aureus*. With red wine the most potent.

The report, published in the *Journal of Food Science*, says "When different combinations of ethanol,

organic acids, and acidity were tested against the pathogens, it was found that a composition of 0.15 percent malic acid, 0.6 percent tartaric acid, 15 percent ethanol, and pH 3.0 had a strong bactericidal effect."



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Miller

Good call.

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NewsNotes

Researchers say high Vitamin E doses can be risky

A group of 19 studies involving more than 135,000 people found that when Vitamin E is taken in high doses, it can increase the risk of death, albeit only slightly. Researchers not involved in the study, however, expressed skepticism of the findings.

-The New York Times

Survey finds consumers more willing to spend

The University of Michigan consumer-sentiment index is at 95.5, up from October and September readings. The survey's leader said consumers appear to be reacting favorably to the post-election economy and dropping oil prices.

-The Wall Street Journal

Supervalu looks to premium private labels

A Supervalu official said the company was developing premium private label products to help distinguish itself from competitors. The line will include pet food, ice cream and carbonated soft drinks. "They're not going to be 'me too,'" said Craig Espelien, Supervalu's head of store brand and strategic sourcing.

-Supermarket News

Comfort food, eaten with a spoon

In a front page story in Sunday's *New York Times*, the paper reported on the fact that "whatever the reason, students these days are consuming breakfast cereal as if their grade-point averages depended on it - for breakfast, yes, but also for lunch, dinner and in between."

It appears to be a great reason for buying stock in Kellogg, General Mills or Quaker Oats. The *New York Times* writes, "While affection for cereal among the young is certainly not new, anecdotal evidence suggests that they are eating it like never before, and industry analysts say that such pervasive consumption by teenagers and young adults makes that age group one of the strongest markets for manufacturers. While their parents' generation may be shunning carbohydrates as part of the Atkins diet phenomenon, young people are devouring almost as much cereal as elementary-school children."

One level of proof of the cereal boom: the Cereality restaurant that opened at Arizona State University, selling nothing but cereal, milk and toppings, has been so successful that another one is opening at the University of Pennsylvania.

The big seller on college campuses? Anecdotal evidence suggests that it is Cap'n Crunch... though other sugary sweet cereals such as Trix, Froot Loops, Coco Puffs and Cinnamon Toast Crunch also are extremely popular.

Study: Innovation Helps Independents

The *Chicago Sun Times* reports that a new study done in conjunction with the National Retail Federation says that independent retailers can survive in an increasingly cutthroat competitive environment by:

- Establishing a value that has nothing to do with price, focusing on speed, convenience or service.
- Using technology where possible to be more customer-focused, and using tools such as email to establish strong customer relationships.
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NewsNotes

Scotch Lite

The Wall Street Journal noted that in an effort to lure younger drinkers not familiar or comfortable with the full-bodied taste of scotch, some distillers are coming up with what in essence is "scotch lite" – "versions redolent of citrus and vanilla that they hope will appeal to younger drinkers and women."

The goal isn't to totally remake scotch's image – such a radical move would run the risk of alienating the liquor's core consuming audience. But there is a sense that a careful image adjustment, together with a leavening of scotch's taste profile, could help establish a broader long-term audience for the drink that could trade up as they get older and more sophisticated.

Resveratrol may be drug of future for youth

Tests on Resveratrol show it has the ability to assist cells of the body to repair themselves and even hasten the burning of the fat within the cells. Scientists believe the drug, based on the Resveratrol found in grape skins and red wine, also can protect against heart disease and cancer, enough to make some call it the wonder drug of the future.

-The Times of India

Frito-Lay, Coke pump money into brand advertising

An influx of private label brands is putting pressure on companies, such as Coca-Cola, PepsiCo's Frito-Lay and Unilever, to redouble marketing efforts for their established brands in hopes of justifying premium pricing. "It's not enough to spend more. You have to spend wisely," an industry consultant says.

-The New York Times

A fish a day may keep Alzheimer's away

Since fish contains an omega-3 called docosahexaenoic acid – which helps with memory – some experts say a regular diet of fish, low-fat foods and vegetables may stave off the onset of Alzheimer's. "If you can delay the disease until you're in your mid-80s, then you've won the battle," the director of the New York Memory Services says.

-USA TODAY

Report: Wrigley to buy Kraft candy brands

Wm. Wrigley Jr. Co. has agreed to purchase Kraft Foods' Altoids and Life Savers brands for \$1.5 billion, as well as two smaller brands, according to people close to the sale. Kraft is focusing its efforts on its core products.

-The Wall Street Journal

Spending on pets continues to climb

The market for pet-related products, including luxury items traditionally associated with human vanity, has now surpassed that of the toy and candy industry. Omaha Steaks is now marketing Steak Treats for Dogs and Cats, and luxury goods companies as diverse as Gucci, Ralph Lauren, Paul Mitchell and Harley-Davidson all make products for pets.

-The New York Times

Debit cards popular among consumers

Consumers are getting more practical, opting to pay with debit cards for everyday purchases and pay down debt, according to a STORES 2004 Consumer Credit Survey. While the use of PIN-based debit cards brings in more cash for retailers, cautious spending patterns make it difficult for retailers to "cross sell" and "up sell," experts say.

-STORES Magazine

Kroger opens first 'Marketplace' store

Kroger Marketplace, a 109,000-square-foot store selling food and general merchandise, opened in Columbus, Ohio. The new concept is already operating in Arizona and Utah under different names.

-Supermarket News

Kmart and Sears merge

The retailers' boards of directors unanimously agreed to merge, creating the nation's third-largest retailer under the name Sears Holdings. The merged company, still subject to shareholder and regulatory approval, will have a combined annual revenue of approximately \$55 billion and operate more than 3,400 stores. "The merger will enable us to manage the businesses of Sears and Kmart to produce a higher return than either company could achieve on its own," said Edward Lampert, the current Kmart chairman who will retain the title at Sears Holdings. "This will clearly be a win for both companies' customers," said current Sears, Roebuck and Co. CEO Alan Lacy, who will be vice chairman and CEO of the merged company.

According to published reports, the two brand names will continue to operate separately, owned by a holding company named Sears Holdings. The companies say that a merger will create synergies that will result in annual savings of \$500 million for the two companies.

However, according to *Crain's Detroit Business*, one of the driving reasons behind the decision to merge Troy-based Kmart Holding Corp. with Sears, Roebuck and Co. is the opportunity to convert several hundred Kmart stores into a version of Sears' new off-mall store called Sears Grand.

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Representative Gary Newell forges relationships for public service

By Kathy Blake

State Representative Gary Newell (R-Saranac) changed careers but stayed in the business of public service. He was on the Michigan State Police Force for over 26 years prior to becoming elected to represent the 87th Michigan House district.

He began his career with the state police by working as a state trooper and through the years he moved up to higher levels of responsibility including special operations officer and post commander for Hastings and Adrian counties. As post commander, he managed the staff and coordinated efforts with municipal law enforcement agencies.

He became acquainted with a co-worker who was also a state representative and Newell decided he would be well-suited for that job after retiring from the police force.

In 2000, at the age of 55, he ran for his first political office and won the 87th district seat representing all of Barry and most of Ionia counties. His constituents evidently agree that he is suited for the position and have re-elected him to a second and now his third and final term in office. Rep. Newell said he will probably retire when his term is over.

One of Newell's main principals of success has been his dedication to building relationships. On the police force, he forged alliances of cooperation with police, sheriffs, fire departments, staff and community members with the goal of providing the best coverage and response to citizens. Rep. Newell believes getting acquainted with people is as



important for a police officer as it is for a legislator. "People are more approachable when they are familiar." Not only that, he added, "Getting people to see things your way is easier when they are familiar with you."

Newell has become acquainted with colleagues in the legislature by helping them get elected. By building relationships with them, he says he feels he can count on them when looking for support on an issue. "If people trust you, they're willing to work with you," he said.

Newell grew up in a rural, conservative, Christian home where he learned the importance of helping others. After high school, Newell served in the United States Air Force from 1963 through 1967.

After that, he began his career with the state police force, where he was prepared to respond to emergencies. Currently, as Appropriations Subcommittee Chair of Community Health, he is addressing a different kind of emergency: the lack of funding. "There's been a 30 to 40 percent increase in people using

Medicaid, a greater demand than we expected." Representative Newell explains that due to the rise in unemployment, more people qualify for Medicaid. In 1999, there were 1,070,000 (or 1.07 million) people using Medicaid in Michigan. In August, 2004, that number grew to 1.4 million. Medicaid is funded jointly by the federal and state government. The federal government matches 45 percent of every dollar of state funds for Medicaid, according to Newell. Medicare, on the other hand, is funded solely by the federal government.

Newell said the Community Health budget at approximately \$10 billion, is the largest general fund of the state; it uses 30 percent of the general funds budget. He has worked with his colleagues to reduce the cost of the Medicaid program.

Rep. Newell also serves on the subcommittees of General Government; Natural Resources and Environmental Quality plus the State Police/Military and Veterans Affairs.

He persuaded Governor Granholm to fund a trooper school when he saw that there was a severe drop in number of troopers due to retirement. He sponsored the State Emergency Management Act. He was working on it when tragedy struck our country on September 11, 2001 and so it became even more of a priority. The act is designed to improve the organization of state government by reducing the response time to major emergencies.

He recently co-sponsored bills allowing Michigan consumers to receive direct rebates or discounts from drug manufacturers or distributors. "If Michigan consumers can use rebates for cars and computers, they should be able to use them when buying medicine." He said the effort started when a consumer reported he was denied a \$10 rebate from a pharmaceutical company that said the offer was void in Michigan because of its kickback provisions law. "Medicines cost enough already without the state of Michigan preventing consumers from saving every dollar they can. This effort makes a common-sense change to state law," explained Newell.

Rep. Newell is married with three grown children and seven grandchildren whom he enjoys spending time with. When time permits, he enjoys golf, fishing and hunting. To reach Rep. Newell, call (517) 373-0842, email repgarynewell@house.mi.gov or write The Honorable Gary Newell, State Representative, State Capitol, PO Box 30014, Lansing, Michigan, 48909-7514.

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States Struggling With Internet Cigarette Sales

"The Internet problem didn't look like a big one a year and a half or two years ago," said Oregon Revenue Department Director Elizabeth Harchenko commenting on the state's budget shortfall created by the drop in cigarette purchases and taxes as smokers log online to buy cigarettes.

Harchenko told the *Associated Press* that she takes responsibility for the cigarette-tax shortfall, which may result in layoffs among the Revenue Department's 950 staff members.

When Oregon lawmakers were attempting to balance the state budget in 2003, a team of state workers said the state could garner more money by targeting smokers, retailers and others trying to evade the state's cigarette tax.

The State Legislature created an 18-person strike force at a cost of \$2.1 million in 2001. The strike force, consisting of revenue collectors, state police and prosecutors, managed to bring in \$8 million in additional tobacco taxes in 2001-2003.

When debating the budget in 2003, lawmakers asked what effect tripling

the strike force would have on tax collection.

Harchenko, who had to come up with a number in less than two days, said a beefed-up strike force could produce \$30 million in added tobacco taxes, reports the *Associated Press*. However, cigarette taxes for 2003-2005 are expected to be \$25 million less than anticipated.

Analysts had said that the 60-cent increase in the per-pack cigarette tax would result in a decrease in cigarette sales in Oregon, but Harchenko said the drop was even greater than predicted.

In addition, the Revenue Department did not adequately calculate the number of smokers who would turn to the Internet for their cigarette purchases, according to Randy Evers, administrator of the department's Business Tax Division. Evers said that it seems Oregon is losing as much as \$20 million or more per biennium from Internet tobacco sales.

Although Oregon residents are required to pay state taxes on their

online cigarette purchases, they must download the appropriate form from the Revenue Department. Thus far, less than 100 people have paid taxes on their Internet cigarette purchases, Evers told the *Associated Press*.

More New Jersey smokers also are turning to the Internet to buy their cigarettes, according to a recent study by the University of Medicine and Dentistry of New Jersey's (UMDNJ) School of Public Health.

"People who might have quit smoking because the price of cigarettes was getting too high now have an alternative. The Internet sales really do have the ability to offset the impact of excise taxes, which is one of the best ways to get smokers to quit," said the study's lead researcher Mary Hrywna.

The study separated smokers into two categories—smokers who have ever bought cigarettes via the Internet and smokers who usually do. From 2000 to 2002, sales in New Jersey in the "ever buy" category increased 500 percent—from 1.1 percent to 6.7 percent, reports North Jersey Media

Group. The increase among smokers who "usually" purchase cigarettes online was 300 percent, rising from 0.8 percent to 3.1 percent.

New Jersey's cigarette tax is the second-highest in the nation at \$2.40 per pack. The tax constitutes almost half the cost of a pack of cigarettes at \$5.80. Some Internet sites sell 10-pack cartons for \$21, while traditional vendors must charge about \$45.

According to North Jersey, "That low cost is possible because Internet sellers generally ignore taxes. Federal law requires Internet tobacco businesses to report the names of buyers to their home state's tobacco-tax collector, who then bills the buyer for taxes owed. But most Internet sellers don't bother, and some even brag on their Web sites that they don't share buyers' names with anyone."

Hrywna said that most online buyers don't realize that they must still pay state taxes, adding, "If you knew you were going to get a \$200 bill for back taxes, you might think twice." -NACS

*And it was said of him
that he knew how to
spend Christmas well, if
any man alive possessed
the knowledge. And may
it be said of us,
and all of us. And so,
as Tiny Tim
exclaimed, God
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—A Christmas Carol

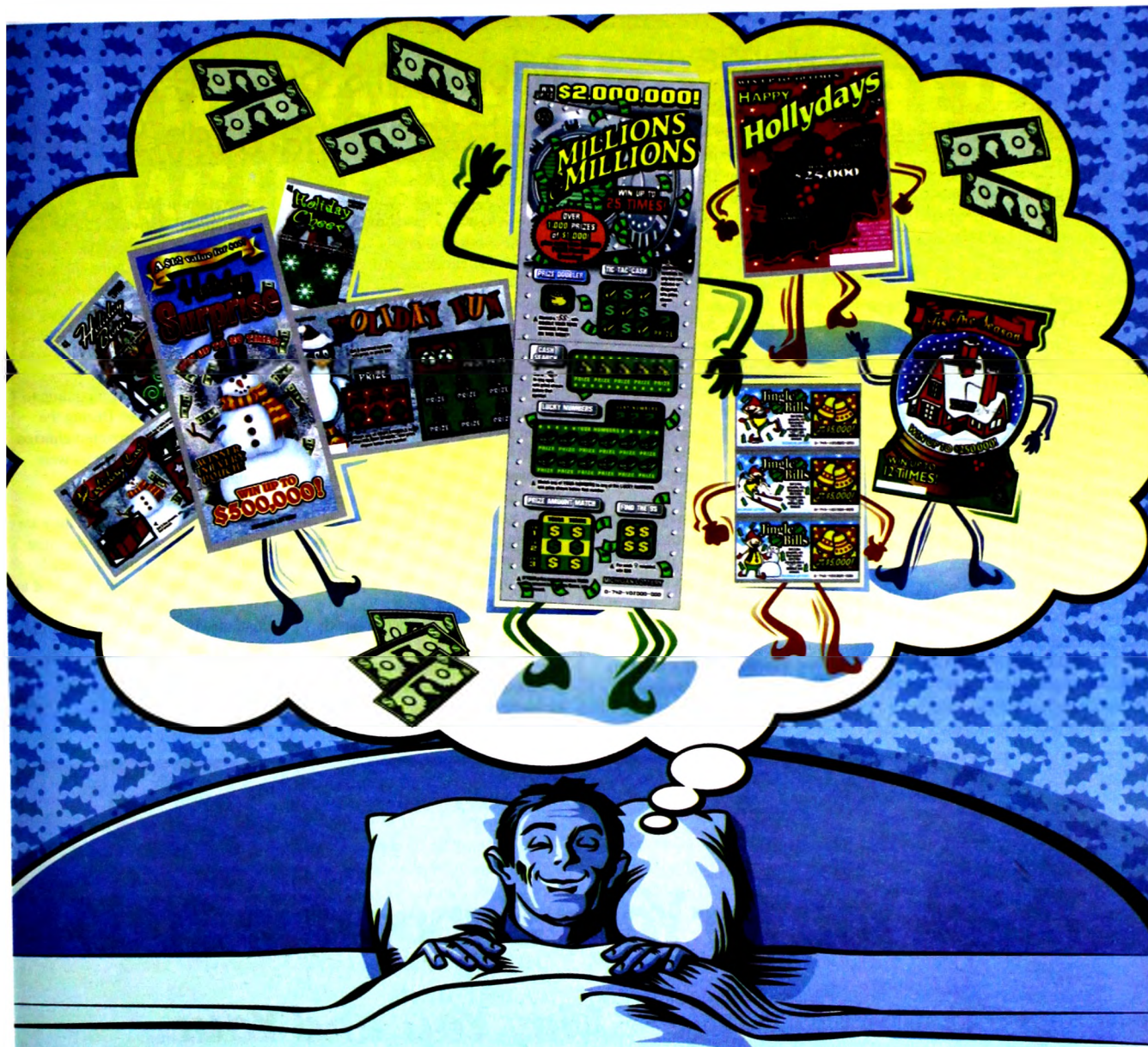
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Constellation buys Mondavi

The world's biggest wine conglomerate, Constellation Brands, has purchased Robert Mondavi Corp. of Oakville for more than \$1 billion, saving Napa Valley's best-known winery from its own plan to split in two and sell off its luxury brands piecemeal.

The deal will keep all Robert Mondavi brands – from the \$5 Woodbridge by Robert Mondavi to the \$125 Robert Mondavi Cabernet Sauvignon Reserve – under the same roof instead of splitting them among multiple owners.

Mondavi Corp.'s board of directors, including two Mondavi family members, voted unanimously in November to accept Constellation's offer for \$1.03 billion in cash and \$325 million in assumed debt.

The billion-dollar offer significantly exceeded the \$749 million to \$939 million in equity value Mondavi Corp. executives had said they could achieve with their restructuring plan, which was announced in September.

The acquisition further

consolidates Constellation's position as the largest global wine company, boosting its annual production to 80 million cases from 70 million. The next largest producer, E&J Gallo Winery of Modesto, sells about 70 million cases.

Mondavi Corp. was founded by Robert Mondavi and his eldest son Michael in 1966, a time when Napa was best known as the home of what was then the Napa County Sanitarium. The Mondavis no longer will own any of the company.

Until just a few years ago, Constellation was known as Canandaigua and peddled mostly low-end wines such as Inglenook and Almaden.

But under Constellation chairman Richard Sands, who inherited the company from his father, it has become known as a respectful steward of other premium acquisitions such as Franciscan Oakville Estates, Mount Veeder, Simi and Ravenswood in California and Australia's BRL Hardy and Blackstone.

Michigan's Seizure of Untaxed Cigarettes Stands

The U.S. Supreme Court has declined to hear a case brought by a Native American-owned company regarding Michigan's 2001 seizure of a truckload of untaxed cigarettes, upholding a lower court's dismissal of the case.

The Associated Press reports that the federal lawsuit arose because the Shinnecock and Ojibwa nations say Michigan cannot impose its tobacco tax on them due to their sovereign status.

Keweenaw Bay Tribal Councilman Fred Dakota said the state law ends at the Keweenaw Bay Indian Community (KBIC) border, adding, "We don't care if the state gets the [tobacco] tax, but we're not going to collect it for them."

L'Anse Post state police stopped and searched a rental truck in 2001 being driven by Andrew Arch, president of International Native Co. located on the Shinnecock

reservation in New York.

International Native Co. distributes wholesale cigarettes to the American Indian nations, including the KBIC reservation in Baraga County, Mich.

The state troopers stopped Arch's truck after receiving a bulletin telling officers to be on the lookout for trucks smuggling cigarettes throughout Michigan, according to the Associated Press. During the search, troopers discovered untaxed cigarettes that they contend were smuggled from New York to Michigan tribes.

Although the tribes claim they are exempt from paying taxes because of their sovereign status, officials say that all cigarettes are required to have a Michigan tax stamp. The cigarettes found in Arch's truck did not bear the stamp.

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Fair Power Legislation protects Michigan jobs more effectively than the current laws can.

Senate Bills 1331-1336 are carefully designed to protect small businesses from skyrocketing future rate hikes ... thus ensuring that more businesses will stay in business, and more workers will be hired and stay hired in Michigan. The current law makes no such commitment to our state or its citizens.

Senate Bills 1331 - 1336 will assure real competition for all electricity suppliers and customers. That's why CLEAR supports Fair Power Legislation. And that's why you should, too. Urge the Governor and legislature to support Fair Power Legislation. To learn more call CLEAR at 1-866-99-Clear or visit us at clearmichigan.com.

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Lottery contributes record amount to School Aid Fund



By Commissioner Gary C. Peters

The Michigan Lottery has an important role in state government, and that is to generate revenue for public education. Thanks to a strong player base and a network of dedicated retailers, the Lottery closed fiscal year 2004 by making a record contribution of \$644.5 million to public education in

Michigan. This is an incredible achievement and far surpassed the 2003 contribution of \$586 million.

State law requires that 100 percent of the Lottery's net profits go to the state School Aid Fund to support Michigan schools. The amount of money needed to fund public education is enormous—this year it is expected to be \$12.4 billion—and the Lottery's \$644.5 million represents just 5.2 percent of that. I know—it is hard to think of \$644.5 million as in terms of "just" 5.2 percent, because these dollar amounts are so large that it is almost impossible for the average individual to comprehend them. Nonetheless, the \$644.5 million is definitely significant to the state's education funding.

While the substantial increase over last year's amount is credited in large part to the highly successful launch of Club Keno in October, 2003, we would not have had a

record year without your continued support and sales. Our biggest sellers were the Daily 3 and 4 Games, at 38 percent of our total sales, followed close behind by instant games at 35 percent. Mega Millions and Club Keno each represented 11 percent of sales, and Pull Tabs, Winfall and Rolldown (now Fantasy 5) were in the single digits.

Public education is clearly a big winner. The Lottery contributes a whopping 33 percent of the Lottery's overall \$1.97 billion FY 2004 revenue to the School Aid Fund. Ever wonder where the rest of the money goes? Commissions to you, our retailers, accounted for 7 percent, or \$145.3 million. The balance of the revenue was used for prizes (\$1.1 billion, 55 percent); operating expenses (\$33.7 million, 2 percent), and direct game expenses (\$54.1 million, 3 percent).

The Lottery and the entire state are

grateful for the work our retailers do as part of our network. Without you, this historic record would not have been set, and we thank you!

New Instant Games:

The Michigan Lottery has a full lineup of holiday theme-based tickets. The \$10 "Holiday Surprise" features four game tickets inside a foil pack, and there is at least one winner inside each pack. The \$2 "Happy Hollydays" ticket has a top prize of \$25,000, and the \$5 "'Tis the Season" ticket hits the mark with a \$250,000 top prize. Or how about the \$1 "Jingle Bells" ticket, where winners can score \$5,000? And don't forget about "Snow Bank", a \$2 ticket that carries a top prize of \$15,000. The \$20 "Millions and Millions", with a \$2 million cash prize, and the \$1 "Cash Tripler"

Lottery,

Continued on page 25.

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FOR SALE—Liquor store, approx. 3800 sq. ft. 18 doors of cooler space. Lenawee County. Call 517-456-7249 for details.

FOR SALE—Liquor, Lotto, Deli, Pizza. 10 miles west of Flint, buy 4-lane highway. Doing over \$8,000/week. Excellent Lotto sales. Building and business/apartment. Large parking lot. Owner retired. This is a well-established business (50 years at this location). Price: \$245,000. Call 810-621-3663.

FOR SALE—Magazine rack, 6 feet long, 2 tier with 4 rows per tier. Bought new, used only 6 months. Beige color. Asking \$100.00 or best offer. Call 810-985-8261 and ask for Dave.

PARTY STORE, EASTSIDE LOCATION—Beer, Wine, Deli, Lotto. Only Serious, interested buyers. 1-586-777-2463 (Warren Location). With equipment.

FOR SALE—Store fixtures with compressor and shelving. Call (734) 285-9633 and ask for Neil of Butch.

FAST FOOD DRIVE THROUGH—Open 86 hours/week. gross \$500,000 per year. \$250,000 with \$100,000 down. Reasonable rent with option to buy (land). (734) 428-9628.

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BANQUET HALL & RESTAURANT FOR SALE—Hamtramck. Includes: real estate & everything. 10,000 sq. ft. + Good money maker. \$560K. Call for FREE recorded info. 24 hours—877-533-8360. ID#2018.

Lottery,

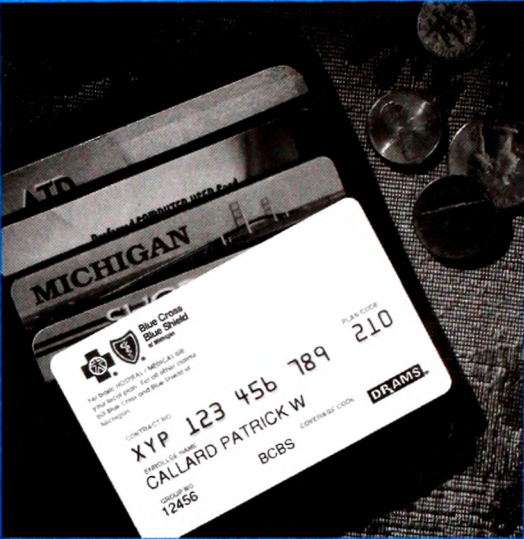
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with a \$3,333 top prize, are also available, as well as "Roll Out the Cash", with a top prize of \$250,000.

The Michigan Lottery will wind up 2004 with a great selection of new Instant tickets. Look for "Magic 21", a \$2 game that allows you to win as much as \$21,000. The "Super Deuces" game, at \$1, has a super

top prize of \$2,000. Players will also have a chance to strike it rich with the "Pure Gold" ticket, a game with chances to win a whopping \$200,000! And keep an eye out for "Million Dollar Wish", "Cash-O-Rama" and "Silver Streak", with prizes ranging from \$5,000 to \$1 million.

At the end of December we saw the return of the popular "Detroit Pistons" game. This \$3 ticket's big prize is \$50,000, and it offers second chance opportunities for all expense paid trips to see the NBA All Star game and prize packs of official NBA licensed merchandise.



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An unforgettable store in the town that time forgot

By Michele MacWilliams

In the fall, when I was a child, my parents would pack us kids in the car and take us out for a drive in the country to a small town called Franklin. We would eat fresh donuts and sip on cider at the cider mill that was just down the hill from the very small shopping district. My mom said that Franklin was known as the "town that time forgot." Well, here it is, 40 years later, and time hasn't touched this small town, located on Franklin Road near 14 Mile. Franklin looks like it did when I was a kid. It's just that the suburbs have grown up around it.

In the center of Franklin is an old building that has been a food store as long as anyone can remember. A limestone brick on its front facade proclaims that it was built in the mid 1800's.

The store that occupies the 3,000 square-foot building is called Market Basket and it is clear that this store is the center of all activity in Franklin. Everyone that walks into the store seems to know each other...or at the least they know the employees inside, particularly Chef Carl. The reason, according to Chef Carl (Carl Hakim) is that "no one cooks in Franklin." They leave that up to the crew at Market Basket. It's easy to see why. Chef Carl just looks like the kind of person that you would want preparing your food. His broad smile and welcoming personality make his customers feel like the store is an extension of their home. He also has that "chef" stature, which shows that he enjoys the food he prepares!

Stop in any day at lunch or dinner and you'll find a line of Franklinites waiting for their meals to go.

"We make everything from scratch," Chef Carl says proudly. Although the store is only 3,000 square feet, they have 25 employees that work constantly stocking shelves, preparing salads, baking desserts, preparing orders for their large catering business and shipping unique gift baskets.

Market Basket's limited floor space is occupied primarily by long

counters that flank each side of the store displaying the beautiful prepared food, salads, scrumptious looking desserts and meat and seafood (that can be cooked to order on the spot). In the center of the store is a small but extensive produce section, a nice selection of wines and a 15-foot grocery aisle.

Groceries aren't the main draw to the store however Chef Carl says that his sole grocery aisle is stocked with just about everything that his customers need. "If I don't have it on the shelves, I usually have it in bulk in the back," he says, meaning that if someone wants a certain spice, or something like stone-ground wheat flour, peanut oil, yeast or other item that isn't on his shelf, most of the time he can produce it from his cooking supplies in the back.

Market Basket is owned by Chef Carl and his partners Christopher Thomas and Robert Esshaki. The trio also own a similar store in Clarkston called Rudy's. Although both stores employ numerous local residents, Market Basket is quite a family affair. Chef Carl's five sisters, three brothers and numerous other relatives work there. His sister Joanne Thomas is in charge of operations, including catering and invitations, while cousin Cindy Denha oversees gift baskets. His niece Marlo Thomas (cuter than the actress) prepares the salads and sister Pat McCracken works as a chef. Co-owner and nephew Chris Thomas bakes his famous macaroons, which, along with Chef Carl's shortbread, will soon be available at wholesale.

The trio purchased Market Basket five years ago and remodeled its interior in 2001. Because the business is housed in an historic building, the exterior and interior walls and floors must remain original. The result is a quaint store with porcelain floors, stone and brick walls and new, beautiful display cases that showcase Chef Carl's cuisine.

In addition to the historical



Chef Carl Hakim & his niece Marlo Thomas

significance of the Market Basket building, the Hakim family too has a long history in the food business. Chef Carl's father owned Vic's Market on Tireman in Detroit. The family also owned Hakim's Food & Drug Center on Second Avenue and Delaware in the New Center area. It was the first combination grocery store/drugstore in Detroit.

Chef Carl went to culinary school at Oakland Community College, but says that he received most of his training from his mother, Norma Hakim. "She started me peeling potatoes, and I've loved cooking

ever since," he adds.

It is obvious that Chef Carl is in his element when he is working at Market Basket.

"It's always been my dream to have a prepared food shop," says Chef Carl. "This store is perfect for me. I only live five minutes away, I know the area and the tastes of the people that live here," he adds.

Now that he has established himself as the unofficial chef of Franklin, Chef Carl says that it would be very hard for him to leave. "The Franklin wives won't let me!"



ALL ABOARD THE S.S. AFD!

*The 89th Annual
Trade Dinner and Ball
of the Associated
Food Dealers
of Michigan*

SETTING SAIL FEB. 11, 2005

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- 30-second video or fifteen company images for media presentation
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Gold Sponsor: \$7,000

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Silver Sponsor: \$4,000

- One table of 10 for dinner (Preferential seating)
- Five company images for media presentation
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Bronze Sponsor: \$2,500

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TABLE OF 10—\$1,250 • COUPLE—\$275 • INDIVIDUAL—\$150
Attention Sponsor: New video presentation will feature footage shot on location at your place of business. Excellent marketing tool!

AFD members provide 1,960 turkeys to needy families during 24th Annual Turkey Drive of the Associated Food Dealers of Michigan

AFD and Detroit-area neighborhood grocers, once again provided turkeys to needy families across Metro Detroit. With the help of the Turkey Drive Co-chairs Harley Davis and Chris Zebari and the Turkey Drive committee, AFD raised enough money to purchase 1,960 turkeys this year. Turkeys were picked up by representatives of charitable organizations on Monday, November 22 and AFD delivered turkeys to additional charitable organizations on Tuesday, November 23.

Heartfelt thanks to our Turkey Drive Committee and volunteers for a job well done!
Wendy R. Acho
Stephanie Beau
Sam Dallo
Gary M. Davis
Harley Davis
John Denha
Terry Farida
Jamal Garmo
Chip Gerlach
Rocky Husaynu

Ronnie J. Jamil
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Brian S. Yaldoo
Chris Zebari
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Tom Zeer

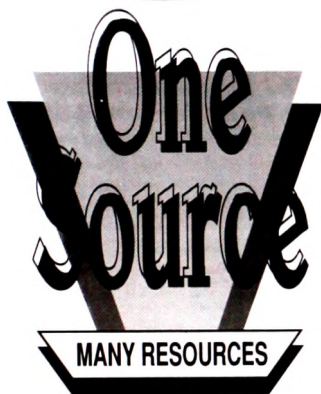
A special thanks to Spartan Stores, Standard Federal Bank, Value Center Market, Prairie Farms, and Interstate Brands/Wonder Bread Hostess. We couldn't have done it without you!



A big thanks to Prairie Farms Dairy and Interstate Brand/Wonder Bread Hostess!



Volunteers worked hard and fast!



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The Associated Food Dealers of Michigan, and the Chaldean Federation of America thank the individuals and the businesses below for their generous donations to AFD's 24th Annual Turkey Drive

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Special thanks to Interstate Brands – Wonder Bread/Hostess, Spartan Stores Inc., Value Center Market, Standard Federal Bank, and Prairie Farms/Tom Davis and Sons Dairy!



AFD President Mike Sarafa hands out turkeys



Dr. Mansour, Jim Garmo and Rocky Husaynu hand out turkeys



AFD Vice President Dan Reeves



Standard Federal's Sonya Haio and Kelley Mires



Volunteers worked hard and fast!



Toni McIlwain and Teresa McCormick of Ravendale Ed. Center, where AFD delivered turkeys



Turkey Drive Co-Chair Harley Davis with his granddaughter and volunteer Bethany Line.



Turkey Drive co-chair Chris Zeban

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Milenek-Energy Conservation Service (248) 932-1222
National Processing Services, LLC (248) 540-7900
Nordic Electric, L.L.C. (734) 973-7700
Paul Meyer Real Estate (248) 398-7285
POS Systems Management (248) 689-4608
Preferred Merchant Credit Resources (616) 794-3271
Premier Energy Marketing (866) 348-7605
Prepaid Legal Services (586) 777-9700
REA Marketing (989) 386-9666
Sagemark Consulting, Inc. (248) 948-5124
Shmoun, Yaldo & Associates, P.C. (248) 851-7900

Salim Abraham, Broker (248) 349-1474
Secure Checks (586) 758-7221
Security Express (248) 304-1900
Southfield Funeral Home (248) 569-8080
T & L Acquisition (313) 381-2266
T.D. Rowe Corp. (248) 280-4400
Travelers ExpressMoney Gram (248) 584-0644
UHY Advisors, Inc. (248) 355-1040
Varatee Wireless (248) 658-5000
Vix-Kersch Vending Co. (248) 548-1300
Western Union Financial Services (513) 248-4900
Westside Cold Storage (313) 961-4783
Whitley's Concessions (313) 278-5207

STORE SUPPLIES/EQUIPMENT:

Alarm-Medic (248) 349-9144
Belmont Paper & Bag Supply (313) 491-6550
Brehm Broaster Sales (989) 427-5858
Bunzl USA (810) 714-1040
Culinary Products (989) 754-2457
DCI Food Equipment (313) 369-1666
Envipco (248) 471-4770
Four Seasons Beverage & Equip. (734) 254-0886
Hobart Corporation (313) 272-4900
Martin Snyder Product Sales (313) 272-4900
MSI/Bocar (248) 399-2050
National Food Equipment & Supplies (248) 960-7292
Taylor Freezer (734) 525-2535
TOMRA Michigan 1-800-610-4866

WHOLESALE/FOOD DISTRIBUTORS:

Amendi Corp. (734) 242-2411
Brownwood Acres (231) 599-3101
Capital Distributors (800) 447-8180
Central Foods Wholesale (313) 862-5000
Chef Foods (248) 789-5319
Consumer Egg Packing Co. (313) 871-5095
CS & T Wholesalers (248) 582-0865
D&B Grocers Wholesale (734) 513-1715
Dearborn Sausage (248) 842-2375
EBY-Brown, Co. 1-800-532-9276
Economy Wholesale (313) 922-0001
Elegance Distributors (517) 663-8152
Epstein Distributing Co. (248) 646-3508
Food Services Resources (248) 738-6759
George Enterprises (248) 851-6990
Great North Foods (989) 356-2281
Hamilton Quality Foods (313) 728-1900
I & K Distributing (734) 513-8282
International Ice (313) 841-7711
International Wholesale (248) 544-8555
Interstate Brands/
Wonder Bread/Hostess (586) 792-7580
Jerusalem Foods (313) 538-1511
Kaps Wholesale Foods (313) 567-6710
Karr Foodservice Distributors (313) 272-4000
Kay Distributing (616) 527-0120
Liberty Wholesale (586) 755-3629
Lipan Foods 1-586-447-3500
Metro D Sales (734) 416-8969
Mexico Wholesale (313) 554-0310
Michigan Quality Sales (313) 255-7333
MJC Distributors (248) 360-1005
Nash Finch (989) 777-1891
Nat Sherman (248) 202-7339
Nikhlas Distributors (Cabana) (248) 582-8830
Norquick Distributing Co. (734) 254-1000
Potok Packing (313) 893-4228
Robert D. Arnold & Assoc. (810) 635-8411
Roundy's (419) 228-3141
S. Abraham & Sons (616) 453-6358
Shaw-Ross International Importers (313) 873-7677
Sherwood Foods Distributors (313) 366-3100
Spartan Stores, Inc. (734) 455-1400
Suburban News, Southfield (248) 945-9000
Flint (810) 785-4200
SuperValu Central Region (937) 374-7874
Tiseo's Frozen Pizza Dough (586) 566-5710
Tom Maceri & Son, Inc. (313) 568-0557
Tony's Pizza Service (616) 795-0220
U.S. Ice Corp. (313) 862-3344
United Wholesale Group (517) 267-9600
Value Wholesale (248) 967-2900
Weeks Food Corp. (586) 727-3535
Wine Institute (313) 882-7630

ASSOCIATES:

American Synergetics (313) 427-4444
Canadian Consulate General (313) 567-2208
Wliden & Associates (248) 588-2358
Wolverine Golf Club, Inc. (586) 781-5544

Stock Gifts

Gifts of securities have somewhat different rules, but the \$11,000 annual exclusion still applies. If the stock has appreciated, when the recipient sells the shares, there will most likely be some capital gains tax. But if your tax rate is considerably higher than the recipient's, the tax bill will be a great deal lower.

With the new lower capital gains tax rates that went into effect last year, now is a great time to give away appreciated securities to relatives in low tax brackets.

For instance, let's say your children or grandchildren are approaching college age. You can give each of them up to \$11,000 worth of appreciated securities this year without any gift or estate tax consequences. If you're married, your spouse can give away \$11,000 to each child too. The recipients of your generosity can then sell the appreciated securities and pay only 5 percent capital gains tax, if they're in

the 10 or 15 percent tax brackets. The sales proceeds can be used to cover college expenses. For this to work, however, you and the gift recipient must have a combined ownership period of more than one year.

Warning: This strategy can backfire if the child is under age 14. Why? Under the "Kiddie Tax" rules, some or all of the youngster's capital gains may be taxed at the parents' higher rate. Of course, that defeats the whole purpose.

If you're considering giving stock, you should know this: A gift of stock can be a wonderful thing, but it will be more wonderful if you provide a few facts the recipient will need later. If this information isn't known, it can create problems when the recipient tries to sell the stock, which could be decades after you die. Take the time to provide these details with your gift:

- Your tax basis (cost basis) in the stock and the purchase date.
- The fair market value on the day you make the gift.
- The amount of any gift tax you might have paid on the appreciation of the stock.

As you can see, gifts made during your lifetime can make a great deal of tax-sense if your estate is large enough, compared with letting the assets be eaten away by estate tax. Still, not everyone is comfortable with the idea of giving away assets. You might be worried that you'll need them someday or you may feel your children aren't ready to manage the assets. Both are legitimate concerns. You may want to maintain your lifestyle years from now and not watch your children squander your savings.

Planned gift giving is not a do-it-yourself project. You worked hard to accumulate assets and you want to make sure they're handled properly. Consult with your estate planning adviser to help achieve the greatest tax savings while maximize your wealth.

What's in Store for the Estate Tax?

Wasn't the estate tax repealed? Technically yes, but there are several strings attached to the repeal that might result in your estate eventually owing tax.

Under a tax law passed in 2001, the estate tax is scheduled to

gradually be phased out by 2010. But there's a "sunset provision" that calls for everything in the law to revert back to prior law on January 1, 2011 — unless Congress acts to extend the estate tax repeal.

So if you die before 2010, or lawmakers decide not to make the estate tax repeal permanent, your estate could be liable for tax. Here are the important figures to remember for 2004 and later years:

In 2004 the exemption is \$1.5 million and the highest marginal estate tax bracket is 48%;

In the years 2006 through 2008 the exemption increases to \$2 million and the estate bracket is 46%;

In 2009 the exemption increases to \$3.5 million and the top estate tax bracket is 45%;

In 2010 there is no limit to the amount of estate transfers as the estate tax is repealed for only that one year period.

Randall A. Denha of Cox, Hodgman & Giarmarco is an attorney specializing in the areas of estate planning, wealth transfer planning and asset protection planning for high net worth individuals.



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The most important investment decision you may ever make won't be the choice of a stock, bond or mutual fund. It will be how you decide to allocate your assets. Most industry experts believe that up to 90% of long-term returns are directly attributable to this one decision. Asset allocation helps reduce volatility, minimize risk and optimize return. Sagemark Consulting can help you and your advisors develop and maintain a personalized, long-term asset allocation plan—one that balances things just the way you want. Find out more. Call us today.

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At Spartan Stores, we understand that when retailers can buy competitively, you can sell and compete more effectively. That's why we do everything we can to give you that competitive edge. We aggressively utilize our buying leverage, distribution capabilities and unique programs to provide consumer focused selling solutions.

Spartan Stores distributes over 40,000 products, including national and private label brands of grocery, frozen, dairy, meat, seafood, deli, bakery, produce, floral, general merchandise and health and beauty care items.

"The strong customer loyalty to Spartan branded products, coupled with the profitability they provide us, are a key part of our ability to succeed as an independent retailer against stores 4-5 times our size."

**—Plumb's Valu-Rite Foods
Muskegon, MI**



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**—Tom's Food Center
Traverse City, MI**



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