

## Vintage System

### Big Liquor Wholesaler Finds Change Stalking Its Very Private World

#### Southern Wine & Spirits Is A Mandated Middleman Under Increasing Attack

#### A Vineyard Breaks the Mold

By ALIX M. FREEDMAN  
And JOHN R. EMSHWILLER

Staff Reporters of THE WALL STREET JOURNAL

In 1995, Mel scrawled a question to Wayne: "Is there any way to stop this?"

Mel Dick, a senior vice president of Southern Wine & Spirits of America Inc., directed his query to company president Wayne Chaplin on an advertising flier that had been mailed inadvertently to Southern's Miami headquarters. The flier came from a California wine retailer that was shipping mail-order wine directly to Florida consumers, thus audaciously bypassing the middleman.

The middleman was Southern, the nation's largest wine and liquor wholesaler. And the middleman was mad.

Florida was already among the 30 states that made it illegal to ship alcohol without the involvement of a local wholesaler. But enforcement was too weak for Southern's taste — in Florida, purchasing directly from an out-of-state manufacturer was a mere misdemeanor — and legal cases were rarely brought.

#### A Felony Now

Joining with smaller wholesalers and other local allies, Southern unleashed a lobbying torrent in Tallahassee. Within two years, their forces had succeeded in pushing through legislation making direct shipment of wine and liquor a third-degree felony in Florida after the first offense. From 1997 on, shipping a case of Merlot from a winery in California to a home in Fort Lauderdale could carry roughly the same penalty — up to five years in prison — as burglary of a home.

Since Florida acted, five other states have passed their own felony legislation, and others are considering such statutes. Another state, Kentucky, enacted a felony law earlier, in 1996.

Southern is accustomed to getting what it wants. Privately held and secretive, it has an eight-state operation that brings in about \$2.8 billion in annual revenue, making it bigger than such industry giants as the E&J Gallo winery and the Adolph Coors brewery. Southern's market share of about 11.8% of all domestic wine and liquor consumption is far above that of any other wholesaler. The 3,000 brands it handles include such status symbols as Absolut, Dom Perignon and Opus One.

## Industry Whispers

With a flair for the outsize gesture, Southern's owners have spent heavily to buy or best their competitors and enhance their political clout. They also have a distinctive reputation: suspicions within industry and regulatory circles that Southern has or once had friends in the underworld. It is a notion that company officials firmly deny. "Unequivocally, Southern has never had any ties to, nor any dealings with, organized crime," says Harvey Chaplin, Wayne's father and the company's chairman and chief executive. (See related article on page A8.)

With Southern's help, liquor wholesalers maintain a unique status among the nation's middlemen: In many places, their existence is actually required by law.

But this hegemony is now under unprecedented attack, and Southern's lobbying game is becoming as much defensive as offensive. In five states, laws have been proposed that would repeal the bans on direct shipping.

One reason for the campaign is that wine aficionados — a well-heeled group whose resources and influence exceed its numbers — are becoming fed up with limits on how they obtain their favored vintages. "I can buy an assault weapon at a gun show more easily than I can order a coveted bottle of Chardonnay," fumes a noted wine writer Robert Parker, one of those opposing the status quo.

#### E-Commerce

Another factor is the growth of catalog sales and electronic commerce, forces that are changing — and typically simplifying — relationships between producer and consumer. Supporters of direct shipping say it could reduce the price of alcoholic drinks. Wholesalers' cut typically amounts to about 18% to 25% of the price to the retailer, for wine, and 15% to 25% for liquor.

Southern's top officials declined repeated interview requests for this article but responded to written questions. Robert Breier, a lawyer for the company, says Southern's owners are quite "private." He says this is "for no surreptitious reasons" but simply because they want to shield their families.

Juanita Duggan, chief executive of the Wine and Spirits Wholesalers Association, says Southern and other members face challenges that are "being raised in a more high-profile way than ever before." But she disputes any notion that they are becoming superfluous. Wholesalers reduce costs for suppliers, retailers and restaurateurs by consolidating orders and providing frequent delivery, Ms. Duggan says, and they have become important as "selling agents" for liquor brands as distillers have consolidated and cut their own sales forces.

The fight over the future of Southern's empire is occurring in the con-

Please Turn to Page A8, Column 1

# Change Stalks the World of a Big Private V

*Continued From First Page*  
 text of the industry's very colorful past. The modern liquor-wholesaling system sprang from the ruins of Prohibition and reflected concerns about the role of mobsters who had run illegal liquor empires.

To keep such figures from gaining dominance after Prohibition ended in 1933, many states adopted a three-tier system under which alcohol had to flow from manufacturer to wholesaler/distributor to retailer, and generally no owner could invest in more than one tier.

The system seemed to work well: By the mid-1960s, it had spawned more than 10,000 separate wholesalers, who distributed liquor locally. Wine, not widely popular, was just an afterthought.

Southern changed all that. In 1968, the modern company emerged from the takeover of a small Miami distributor by a small group of investors. The new leaders included Jay Weiss, an established Miami liquor-store operator, and Harvey Chaplin, who had started in the mailroom of Schenley Industries Inc.'s New York-based distilling business and moved up the ranks there. The 70-year-old Mr. Chaplin and his family, including son Wayne, control a majority of Southern's shares. Mr. Weiss, at 72, is a senior adviser to the company, having retired from top executive positions and sold his shares.



Harvey Chaplin

## Ordering Wine

Seeking a way to break from the pack in the late 1960s, Messrs. Weiss and Chaplin gambled that, as people dined out more and developed more sophisticated tastes, they could be weaned away from their martinis. The sales staff mounted a big effort to persuade retailers, restaurants and bars to stock more wine. R. Michael Mondavi, head of the California winery that bears his family's name, pitched in to train Southern's salesmen in the art of hawking wine.

At first, Mr. Mondavi recalls, they were bored by his presentations that some fell asleep. But Southern persevered, educating restaurant and bar staffs at seminars and tastings. At the same time, the company introduced its products to elite tastemakers by donating wine to glitzy galas and charity events.

Before too long, sales of higher-quality big wine such as Almaden and Paul Masone were up in Southern's home territory. Soon, Southern was putting premium wines such as Georges Dubouef, Louis L'abour and Chateau Montelena on the map as well.

With a huge sales force, the wholesaler was in an influential position to reshape America's tastes, and reverberations from its efforts soon were felt. The U.S. wine market surged to 201.3 million cases in 1980, up nearly 80% in a decade, according to Impact, a newsletter that is the industry's statistics keeper. Southern says that since 1975, wine has gone from being a niche product to accounting for roughly half of its sales.

The wholesaler "created a new market," says Patrick "Chip" Cassidy, a wine merchant and professor at Florida International University in Miami. "Everyone else followed the leader, and the ones that didn't are out of business."

## Exclusive Deals

laws and regulations. "We are still operating like it's 1933, while the rest of the world is worrying about the millennium," he said.

What ultimately happens to wholesalers such as Southern will affect the price consumers pay to imbibe. Booz Allen & Hamilton Inc., the consulting firm, says that wine and spirits have the most expensive distribution system of any packaged-goods industry by far, with margins more than twice those in the food business. The "increased cost to the retailer is, in turn, passed to the consumer," says Larry Lowry, a Booz Allen senior partner. "Regulation is intervening where the free-market economy would have driven a very different business solution."

Some big suppliers are pushing wholesalers to do more brand promotion in return for this cut. "Their warehouses and trucks are worth something," but not the margins being charged, says Tom Shelton, president of Joseph Phelps Vineyards in St. Helena, Calif.

## Going It Alone

In a potentially more chilling development for wholesalers, California's Kendall-Jackson Winery has replaced Southern with its own distribution system for in-state sales. California law lets a winery distribute in-state without an independent wholesaler.

Kendall-Jackson made its move in 1996. Believing its brands were suffering from a lack of attention from Southern, says Michael Haarstad, senior vice president, the Santa Rosa winery instructed its sales force to compete directly with Southern's for new accounts in California. In response, Southern dropped Kendall-Jackson's wines there and publicly labeled its

annually, which is about 3% of the total. Michael Ballard, owner of the small Savannah-Chanel winery, Saratoga, Calif., says that by cutting out the middleman, he has been able to double his profit.

Southern, however, says that bypassing wholesalers "would cause a severely fragmented, ineffective market" in which it would be difficult to collect taxes. The result has been a political donnybrook.

In the Byzantine world of liquor regulation, different states treat direct sales in different ways. The range is broad, all the way from states that permit such shipments, within certain limits, to the seven states where bypassing wholesalers is sometimes a felony.

Southern's home state of Florida has been perhaps the most contentious battleground.

In 1995, the state attorney general's office sued several California companies in Tallahassee Federal court for allegedly violating the state's ban on direct shipping of wine. John Harris, a former director of Florida's division of alcoholic beverages and alcohol, says the attorney general took that step instead of bringing misdemeanor charges against consumers because it was "an impossible task" to track down those receiving the wine. And his agency wanted to "go after the bigger problem of the companies that were filling the orders and avoiding taxes."

In a court hearing, the defendants' at-

we were in favor of state was at the time illegal impact our business."

As for the political arena notes that such do says they are "simply regulated industry."

Though nobody has the toughened law, and state officials say Florida have fallen off people are willing to reflecting the flux in the state legislatures, in New York, New Jersey and are considering both shipping legal and bite a felony.

## Nevada C

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Jay Weiss

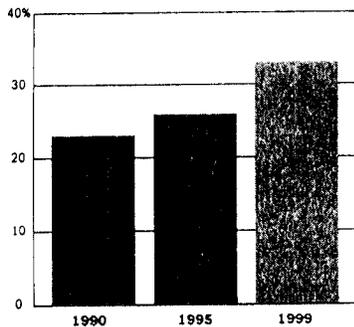
## Setting Them Up Five Big Wine and Spirits Wholesalers Dominate

WHOLESALER	HEADQUARTERS	PROJECTED 1999 REVENUE (billions)	1999 MKT. SHARE	MARKETS
Southern Wine & Spirits of America	Miami	\$2.82	11.8%	California, Florida, Nevada, South Carolina, Kentucky, Arizona, Hawaii, Pennsylvania
Charmar Industries/Sunbelt Beverage*	New York	1.57	6.6	New York, Connecticut, Washington, D.C., Florida, Maryland, South Carolina, Arizona
National Distributing	Atlanta	1.37	5.7	Florida, Georgia, Colorado, Maryland, New Mexico, Washington, D.C., South Carolina, Virginia
Young's Market	Orange, Calif.	1.09	4.5	California, Hawaii
Glazer's Wholesale Distributors	Dallas	1.09	4.5	Texas, Louisiana, Arizona, Indiana, Arkansas, Ohio, Missouri, Iowa

\*Charmar is owned and operated by the Mernoff family, which also has a majority interest in Sunbelt.

## And Their Share Grows

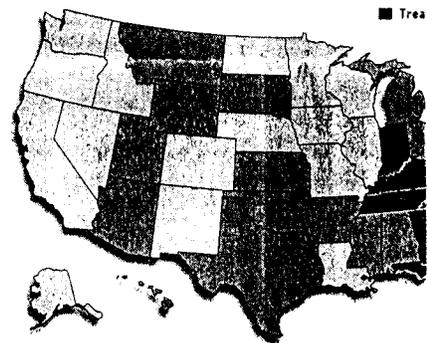
Top five wholesalers' share of U.S. wine and spirits market



Sources: Impact Newsletter, Wine Institute

## While Some States Protect Them

How the states treat direct shipping of alcohol to consumers:



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### Exclusive Deals

Southern's strategy, besides stimulating interest in wine, was growth and more control. The company began pushing into states beyond Florida. By the mid-1990s it is also the largest player in California, where the most liquor is sold, and in Nevada, which has the highest alcohol consumption per capita.

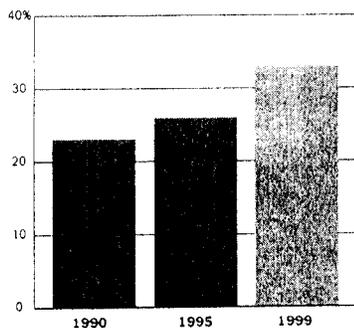
Its expansion fit the needs of big distributors such as Joseph E. Seagram & Sons Co., Allied-Domecq Spirits & Wine and B WorldWide Inc., which were looking for wholesalers that could handle their sole product line in a state or region. Southern says its deals with suppliers—like those of its peers—are mostly exclusive arrangements; these, it says, foster competition between brands and allow for better tracking of product sales.

Such deals also make things tough for competitors. Once Southern and other big wholesalers locked up brands in various regional markets, they were helped by states' passage of so-called franchise laws, which made it all but impossible for a supplier to drop a wholesaler. Wholesalers argue that such laws, now in force in 14 states, protect them from being terminated arbitrarily after they have spent heavily to build up a brand. Although Southern has blocked franchise legislation in the past, its company lawyer says it now believes that "the marketplace will determine who is best able to distribute" products.

Increasingly, smaller wholesalers had sold out. The Wine Institute, a vintners' group based in San Francisco, cites figures showing that the number of wholesalers has shrunk 97% since 1963, to about 300. The top five now account for a third of the market, according to newsletter Impact. The frenzy of consolidation, which gave wholesalers pricing power and leverage, appears to have contributed to the ongoing rebellion against the three-tier system.

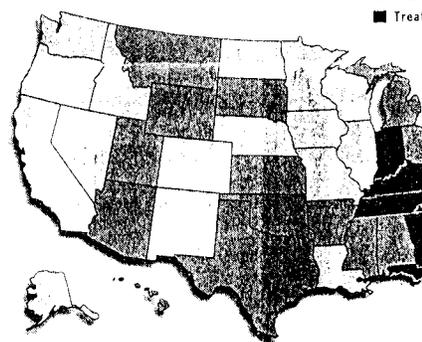
This was brought home to wholesalers last year when the system was attacked at its own convention in a speech by Charles Phillips, chief executive of U.S. options for London-based United Distributors & Vintners, the world's largest distributor. Mr. Phillips jolted the wholesalers by decrying "unnecessary costs" created by the three-tier system and calling for changes in the industry's "antiquated"

Top five wholesalers' share of U.S. wine and spirits market



Sources: Impact Newsletter, Wine Institute

How the states treat direct shipping of alcohol to consumers:



actions "unwarranted." Mr. Haarstad says that some restaurant and bar owners told him Southern was urging them not to stock Kendall-Jackson's wines, and that some complied. Southern's only comment on the Kendall-Jackson matter is that it is an "example of the ever-changing relationship between suppliers and wholesalers."

Three years later, Kendall-Jackson's California business is booming, Mr. Haarstad says. While he stresses that the winery wants to use the three-tier system "wherever possible," he doesn't rule out the possibility of challenging it in other markets. In May, Kendall-Jackson said it was dropping its Illinois distributor. That firm and the state liquor commission blocked the move, calling it a violation of state law; litigation is pending. Kendall-Jackson also has taken boutique brands, though not its flagship line, away from its exclusive distributor in Arizona and is peddling them itself.

Kendall-Jackson's radical steps have gotten attention. "If Jess Jackson shows he can do a better job of distribution on his own, that will open a lot of people's eyes," says Mr. Mondavi, though the vintner adds that he isn't ready to break with his long-time distributor, Southern.

Ms. Duggan of the wholesaler trade group dismisses Kendall-Jackson officials as "activists who have their own agenda" to dismantle the three-tier system. She doubts many other suppliers will try to set up their own distribution because of the costs, legal difficulties and complexity.

Some smaller wineries, though, also are balking at the three-tier system, again in part because of the Southern-led consolidation of wholesalers. These wineries' complaint is that big distributors ignore them because of their small volume. In a Wine Institute survey of 176 members, 37% said they were shut out of certain states because they couldn't find a wholesaler to handle their products.

### Direct Shipping Grows

It is in this environment, in which a growing cadre of small wine makers finds itself at the mercy of huge wholesalers, that direct shipping is gaining ground. Industry officials estimate that in the past five years, sales of wine shipped directly have roughly doubled to about \$500 million

torney, Robert Wright Jr., claimed Southern's agenda was "driving the suit." He noted that the state's own court filings included the advertising brochure with Mr. Dick's handwritten note inquiring how to stop direct shippers. "Well, the distributor sure figured out a way," Mr. Wright told the court, referring to the state's lawsuit. Southern says its lawyers forwarded the brochure to state alcoholic-beverage regulators and requested action; it says it doesn't know how the attorney general obtained the flier.

Eric Taylor, an assistant Florida attorney general who helped handle the case, says that Southern "screamed bloody murder," and brought the direct-shipping issue "to the attention of a lot of people." But he says the state made the decision to sue on its own. Ultimately, the judge ruled that Florida didn't have standing to enforce its state law in federal court.

### Felony Legislation

The struggle shifted to the Florida Legislature, where wholesalers, especially Southern, have long been active players. Southern gave about \$60,000 to Florida legislators and their parties during the 18 months prior to the state's passage of legislation making direct shipping a possible felony. (The law says the first offense draws a cease-and-desist order; the second, if within two years, can be a felony for all involved—producer, delivery service and even the consumer.) The 11 members who unanimously passed the bill through the Florida House's Committee on Regulated Services each received the top permissible donation of \$500 from Southern in recent years.

Despite opposition from state Attorney General Robert Butterworth, the felony bill cleared the Legislature easily and became law. "The wholesalers of Florida obviously wanted every bottle of wine or can of beer to be wholesaled through them," Mr. Butterworth says. "That's what it came out to be."

Southern says it didn't care whether direct shipping was treated as a felony or a misdemeanor. "The driving force behind the bill was the state's concern over direct shipments to underage individuals and the state's noncollection of taxes," Southern says. But, the company adds, "obviously,

how often.

Under the revised bill late May, a Nevada court ruled in many as 12 cases of y from the vintner, but it ships more than 25 cases state has to use a wholesaler the bill was softened. sees it as a big victory.

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# Big Private Wine and Liquor Wholesaler

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we were in favor of stopping a practice that was at the time illegal and could negatively impact our business."

As for the political contributions, Southern notes that such donations are legal and says they are "simply good business" in a regulated industry.

Though nobody has been charged under the toughened law, industry participants and state officials say direct shipments to Florida have fallen off sharply because few people are willing to risk a felony rap. Reflecting the flux in this market, some other state legislatures, including those of New York, New Jersey and Massachusetts, now are considering both bills to make direct shipping legal and bills to make the practice a felony.

## Nevada Challenge

Despite the political muscle that leading wholesalers display locally, the direct-shipping forces have had some recent successes, owing in part to wine-loving legislators. About a year ago, Nevada state Sen. Mike Schneider was looking to stock his new wine cellar and was amazed to learn that he couldn't legally order a certain hard-to-get Merlot from an out-of-state retailer. He introduced a bill to let residents of Nevada, a Southern stronghold, ship as much wine into the state as they wanted for personal consumption.

The effort "ran into Southern right away," as its representative lobbied heavily against the bill, Sen. Schneider says. The lobbyist buttonholed him in the hallway "every day for weeks," the senator says. He says he finally agreed to water down his bill after getting a guarantee the company wouldn't put its weight behind trying to kill it. Southern says its lobbyist spoke to Sen. Schneider but it can't say

As a "child of the '60s," Mr. Davis says, he has been an activist on issues such as nuclear power and the environment, so why not the grape? Three Texans have filed a similar suit challenging their state's direct-shipping ban.

But James Mattson, a wine-loving lawyer from Key Largo, Fla., decided the best way to fight the wholesalers was to join them. When Florida's stiffened direct-shipping law cut off his mail-order flow of expensive wine, Mr. Mattson got a wholesaler's license to restore it.

Soon, he saw a business opportunity. His firm, newly renamed GHWine.com Inc., offers out-of-state suppliers a way around the law. A consumer buys wine by mail order, phone or the Internet and then the winery hires Mr. Mattson's company to arrange delivery. Because the shipment fleetingly passes through the hands of a co-operating retailer that gets a small fee, the three-tier requirement is satisfied.

Mr. Mattson says that his cut is usually far less than what wholesalers receive, so

that even with shipping costs added in, the wineries and customers get a better deal. His firm expects to handle 6,000 cases of wine this year and be profitable by year-end. Referring to insurgents like himself, he says, "If Southern doesn't see us as a long-term threat, they're stupid."

Southern may still have the last word. The Florida Division of Alcoholic Beverages and Tobacco has charged Mr. Mattson's firm with failing to comply with a 1996 law requiring wholesalers to maintain a certain minimum inventory. Mr. Mattson contends he meets the inventory requirement.

Even if someday all the industry ferment dooms the system separating producers, wholesalers and retailers, Southern figures its skills and contacts will stand it in good stead. "We think the current system works best, but if it were to change, the company would have significant opportunities," says Mr. Breier, the lawyer for Southern. "Who would be better able to be in the retail business?"

## Early Relationships Help Shape Southern Wine & Spirits' Image

By JOHN R. EMSHWILLER  
And ALIX M. FREEDMAN

Staff Reporters of THE WALL STREET JOURNAL

Thirty-one years ago, a New York liquor executive named Walter Jahn bought out a small Miami liquor distributor known as Southern Wine & Spirits. Competitors still talk about the circumstances of the deal—the genesis of a powerful wholesaler Southern Wine & Spirits of America Inc.—and its possible implications.

The buyout was largely financed by a \$200,000 loan from Miami National Bank, an institution described in a later indictment as a conduit for mob money. The bank's chairman, Samuel Cohen, was a longtime business associate of Meyer Lansky, and Miami National was the bank, a 1972 federal indictment alleged, where Lansky confederates deposited money skimmed from a Las Vegas casino in the 1960s. Mr. Lansky never went to trial because of ill health, but Mr. Cohen pleaded guilty to conspiracy and was sentenced to a year in prison. The bank eventually became insolvent.

After taking over the liquor distributor, Mr. Jahn, a former Schenley Industries executive, brought in several people to help run it, among them a hard-charger from Brooklyn, N.Y., named Jay Weiss. Six years later, Mr. Weiss and another official of Southern Wine & Spirits became limited partners in a film venture with Miami National's Mr. Cohen, who by then was a felon.

### Persistent Questions

Southern's and Mr. Weiss's connection to Miami National and its chairman have contributed to questions in industry and

relations and once with stock fraud. He was acquitted in the tax case; charges were dismissed in the stock case.

In 1980, the New Jersey Casino Control Commission found Mr. Malnik to be an "unsuitable character" to set foot in any of the state's casinos because he "associated with persons who engaged in organized criminal activities," a position the commission reaffirmed in 1993. A report to the commission in connection with its 1980 decision quoted Vincent Teresa, a mobster-turned-informant, as saying that "it was a known fact among the criminal underworld that dealing with Al Malnik was the same as dealing with Meyer Lansky."

In written responses to questions, Mr. Malnik says he never had any relationship with Mr. Lansky—that his only connection to Mr. Lansky was to represent him "in a civil case . . . nearly four decades ago." Mr. Malnik also says that he never had any contact with Mr. Teresa, whom he calls a "career criminal" whose assertion was "false and totally absurd." Mr. Malnik adds that the New Jersey commission never allowed him to defend himself.

Messrs. Malnik and Weiss participated in various business entities together, according to public records. One in the 1960s was Scopitone Inc., which marketed jukeboxes. Mr. Malnik formed Scopitone and Mr. Weiss was an officer of it.

'Good Friends'  
Vincent Alo, whom law-enforcement officials described as a Lansky associate and top member of New York's Genovese crime family, was convicted in 1970 for obstructing a federal investigation into his sus-

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### NETS

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Georgia, Colorado, Maryland, New Mexico, Virginia, D.C., South Carolina, Virginia  
Hawaii  
Louisiana, Arizona, Indiana, Arkansas, Missouri, Iowa  
Sunbelt.

### How States Protect Them

Direct direct shipping of alcohol

- ☐ Allow some
- Prohibit
- Treat as felony



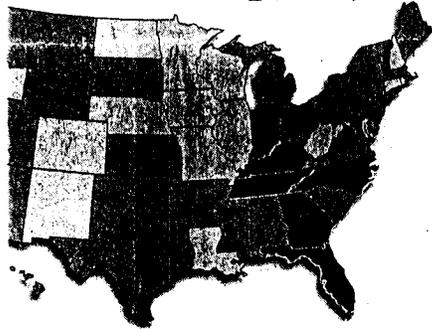
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Southern has long been viewed as "an edifice that will never crumble," says Peter Granoff, co-founder of wine.com, an online wine retailer. But, he adds, "a lot of people said that about the Berlin Wall, too." In reality, he says, "there are all kinds of forces gnawing away at its foundation."

The battle has reached Washington. The wholesalers' trade group has created an organization called Americans for Responsible Alcohol Access, which is trying to convince Congress and the public that direct shipping plus the Internet equal all kinds of opportunity for minors to get their hands on alcohol. The wholesalers' association has also thrown its support behind several online retailers who go through the three-tier system.

Earlier this year, Democratic Sen. Robert Byrd of West Virginia and Utah Republican Orrin Hatch proposed allowing states to take out-of-state companies to federal court to enforce states' direct shipping bans. The House has already passed a version of that. House-Senate conferees are likely to consider direct shipping as part of negotiations over a juvenile-justice bill, to which the provision was appended in the Senate.

## Flak From Consumers

Southern and its fellow wholesalers are finding that some of their legislative crusades are creating new headaches. One is a rebellion from the rich and furious. After Indiana made direct shipping of wine and liquor a felony in 1998, Garfield cartoonist Jim Davis, an Indiana resident, discovered he could no longer legally order Screaming Eagle Cabernet or other rare California wines not readily available in the Hoosier state. Instead of just buying a jug of Gallo, he and 12 other wine aficionados filed suit challenging the direct-shipping ban, claiming it unconstitutionally interferes with interstate commerce.

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## Persistent Questions

Southern's and Mr. Weiss's connection to Miami National and its chairman have contributed to questions in industry and government circles about whether Southern is, or once was, somehow related to the mob. Neither Southern nor Mr. Weiss has ever been accused of any mob-related activity. In written responses to questions, Southern says that it has "never benefited nor knowingly had a business relationship with any official who has or had ties to organized crime."

Southern says further that the Miami National Bank loan was repaid; that "any other circumstances regarding the loan were personal to Mr. Jahn"; and that the officials "don't believe" the company had "any significant banking relationship" with Miami National after Mr. Jahn died in 1970.

As for the film investment—Film Enterprises & Distributors Ltd.—Southern says it was a "tax-shelter-type investment" and "strictly personal matter." It adds that Mr. Weiss and the other Southern official who invested, Elliot Dinnerstein, had "no knowledge" that Mr. Cohen was involved. Mr. Cohen and Mr. Lansky are now dead.

## Now a Philanthropist

Mr. Weiss spent most of the past 30 years as a top executive and stockholder at closely held Southern Wine & Spirits. In Miami these days, the 72-year-old is known for his philanthropy. For instance, in 1993 he was the first recipient of Jackson Memorial Hospital's humanitarian award, given to him before a big crowd at halftime in a Dolphins game. "Everybody knows Jay Weiss," says Alex Villalobos, a Florida state legislator.

After growing up in Brooklyn, Mr. Weiss attended Tulane University in New Orleans, then moved to Miami to work in a liquor business his family had there. He ran "a bunch of cruddy package stores in five or six ghetto areas," says Sy Chadroff, a lawyer for Southern.

Law-enforcement interest in Mr. Weiss dates back more than a quarter of a century. A 1974 Justice Department memorandum said that Mr. Weiss was called that year to testify before a federal grand jury investigating public corruption in the Miami area. The memo, written by the then-chief of the Miami Strike Force against organized crime, called Mr. Weiss the "closest friend and associate" of the Dade County state attorney, Richard Gerstein, and cited this friendship in support of its contention that Mr. Gerstein was "a knowing handmaiden of organized crime." Neither Mr. Weiss nor the late Mr. Gerstein was charged as a result of this probe.

Southern, speaking on behalf of Mr. Weiss, says he wasn't "in any way, even peripherally, implicated by the grand jury" in wrongdoing and doesn't know what the grand jury concluded.

## Lansky Lawyer

One reason law-enforcement authorities suspected that Mr. Gerstein and Mr. Weiss had organized-crime ties was their relationship with Alvin I. Malnik. The 66-year-old Mr. Malnik is an attorney and owner of The Forge, a landmark Miami restaurant. Mr. Malnik was twice indicted in the 1960s, once charged with tax-law vio-

lance with Mr. Teresa, whom he calls a "career criminal" whose assertion was "false and totally absurd." Mr. Malnik adds that the New Jersey commission never allowed him to defend himself.

Messrs. Malnik and Weiss participated in various business entities together, according to public records. One in the 1960s was Scopitone Inc., which marketed jukeboxes. Mr. Malnik formed Scopitone and Mr. Weiss was an officer of it.

## 'Good Friends'

Vincent Alo, whom law-enforcement officials described as a Lansky associate and top member of New York's Genovese crime family, was convicted in 1970 for obstructing a federal investigation into his suspected hidden ownership of Scopitone shares. The 95-year-old Mr. Alo says he wasn't a Scopitone shareholder, a statement echoed by Mr. Malnik. Mr. Alo also denies having been in the Mafia, although he says Mr. Lansky was a "good friend."

Mr. Malnik says that he and Mr. Weiss have been "good friends for over 40 years," but haven't had any business relations for decades.

Responding to questions about Mr. Weiss's ties to people including Messrs. Gerstein and Malnik, Southern says that Mr. Weiss has "met and developed relationships with a wide assortment of people without judging them or submitting them to a rigorous character assessment." It adds: "These relationships should not be a basis for assumptions about Mr. Weiss' character or business affairs."

In more recent years, Mr. Weiss has drawn regulatory attention in the savings-and-loan investigations. In 1990, the Resolution Trust Corporation sued him and other directors over their roles at Miami-based CenTrust Savings Bank, a large thrift institution whose failure cost taxpayers \$1.4 billion. In the civil suit in Miami federal court, Mr. Weiss and other CenTrust directors were accused of "gross negligence" and "conscious disregard" of CenTrust's interests. Mr. Weiss settled the case for \$2 million in 1995 without admitting wrongdoing. Southern says Mr. Weiss did nothing wrong but settled rather than continue with time-consuming litigation.

## Licensing Struggle

In 1991, Arizona regulators said they were rejecting Southern Wine & Spirits for an interim state liquor license, in part because of concern over Mr. Weiss's troubles at CenTrust. A short time later, Southern notified Arizona officials that Mr. Weiss had sold his stake in Southern and resigned as a senior vice president and a director.

Southern says the dispute involved nothing more than "ordinary due diligence questions." Mr. Weiss's sale of his stake in the company and his resignation weren't related to its effort to get the Arizona license, it adds, but were steps he took for "personal reasons," including to "immerse himself in philanthropic efforts."

Several months later, Arizona regulators twice called Southern headquarters without identifying themselves and asked about Mr. Weiss. Both times, according to a transcript of the calls, they were put through to his office and told that he was still a senior vice president of Southern. At a 1992 hearing before the Arizona liquor board, Mr. Weiss said he really had quit but simply hadn't informed his secretary of the change, saying he didn't think it was her business. In the end, the liquor board voted 5-to-0 to grant Southern a license.

Southern says that while Mr. Weiss takes whatever time he needs for charity work, "his primary duties for Southern have not changed since he sold his stock." As a senior adviser for the past seven years, Southern says, "he has been active... and continues to be so."