

**From:** [Jared Cure](#)  
**To:** [Calder, John P. \(CED\)](#)  
**Subject:** ABC Rule change comment  
**Date:** Saturday, June 18, 2016 2:02:43 PM  
**Importance:** High

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I'd like to comment on the rule changes pending on alcohol licenses. I'm in the process of buying a BDL license for a significant sum of money. It would seem unfair to someone like myself that others are able to get in to a liquor license with fancy upside down lease tricks and the false claims of tourism related activity. As the newest license holder in the market these changes will effect me the most and devalue all licenses.

Jared Curé  
Juneau, Alaska

**From:** [Eric Forst](#)  
**To:** [Calder, John P. \(CED\)](#)  
**Subject:** proposed alcohol regulation changes  
**Date:** Wednesday, June 08, 2016 2:56:35 PM  
**Attachments:** [image002.png](#)  
**Importance:** High

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Dear ABC board members,

I would like to give public comment on the following proposed alcohol regulations: MANAGEMENT AGREEMENTS AND PROHIBITED FINANCIAL INTEREST, DISTILLERY LICENSES, and ALTERNATING LICENSED PREMISES FOR CERTAIN LICENSE TYPES.

Management agreements:

If this regulation is going to address the upside down licenses that have happened recently (Goldbelt Hotel) then I am all for it. However, I am not sure this clarifies the issue. Does this regulation prevent someone from leasing a whole hotel to get the tourism license and then simply leasing back the hotel portion to the actual owners?

This issue needs to be CLEARLY addressed in the regulations so licenses are not issued for premises that have outstanding violations and or fines as has happened recently. This practice is contributing to the devaluing of BDL licenses and must be prevented in the future.

Distillery licenses:

Again, is this regulation going to clearly define what a distillery can and can't do? I spent a significant sum of money to acquire a BDL to sell alcohol. I cannot turn around and change the product, or add to or infuse the product I sell. If you allow distillery's to do this you are devaluing my license. Is that your intention? Similarly, if I wanted to sell a few different types of whiskey or have my own private label whiskey to sell, I cannot do that without a package store license and significant investment. If you allow distillery's to sell their product at retail, you are devaluing the package store license owners investment. Is that your intention?

Alternating licensed premises:

I don't understand what the purpose of this is. It looks like you are creating more loopholes to the existing regulations. Anytime you are relaxing the regulations for alcohol that we as license owners have invested in, you are devaluing our investment. Why would anyone pay for these expensive licenses if you are creating loopholes to make it simply a matter of "semantics" as to what you are doing to get approval from the ABC board?

Please address the REASON you are proposing these changes and what affect they will have on EXISTING license holders who have significant investments in these licenses.

Thank you for your time,

**Eric Forst**

*General Manager/Partner*  
*Red Dog Saloon and Mercantile*  
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**From:** [Leeann Thomas](#)  
**To:** [Calder, John P. \(CED\)](#)  
**Subject:** ABC comments for proposed changes  
**Date:** Tuesday, June 07, 2016 11:18:00 AM  
**Attachments:** [ABC\\_board.doc](#)  
**Importance:** High

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Dear John,

The attached document is public comment which was due by June 8th. Please send to all members of the ABC Board. I feel it is important of all members to read concerns from public.

thank you,

Leeann Thomas  
Triangle Club Inc  
907-586-3140

To: State of Alaska  
Alcoholic Beverage Control Board  
john.cader@alaska.gov  
Fax 907-334-2285  
907-269-0350

From: Leeann Thomas  
251 Front Street  
triangleclubbar@hotmail.com  
907-209-5656

I would like to inquire and give public comment on the following proposed alcohol regulations: MANAGEMENT AGREEMENTS AND PROHIBITED FINANCIAL INTEREST, DISTILLERY LICENSES, and ALTERNATING LICENSED PREMISES FOR CERTAIN LICENSE TYPES.

**MANAGEMENT AGREEMENTS AND PROHIBITED FINANCIAL INTEREST:**

Why is this change needed? Does this stop the Upside Down Leases which in the last couple of years have happened with Tourism (hotel) licenses? Where a person can lease the hotel, get the tourism liquor license in their name. Then lease back the hotel to the true owners of the hotel. The bar is then run totally separate and by totally different people with no financial tie to the hotel. This situation allows a person with debt and/or a license violation to walk away since they don't have any financial interest in the tourism liquor license. After they walk away, the owners of the hotel can then simply apply for a new tourism license and get it. An example of this happened this past February in Juneau. The old license still owed debts but was dropped and a new one created. Meanwhile, others in the industry have paid upwards of \$250,000 for their license. Debt and violations are never wiped clean for a BDL holder. If the proposed regulation stops Upside Down Leases I'm in favor of it, if not I need to know why this regulation is being added. It is hard to comment on proposed language if there is not a clear reason of what said language is fixing or changing with the law.

Is there a standard definition for "management" or "manager"? Is giving a staff person the title of Day Manager or Night Manager going to become a problem for liquor businesses? What happens if the ABC Board decides a licensed premise has a manager and did not submit a contract with the ABC Board? What are the penalties?

**DISTILLERY LICENSES:**

I'm concerned if this allows a distillery to open up with a small distillery. Making only a couple of gallons of alcohol. But, since they make some alcohol then they infuse alcohol (perhaps hundreds of gallons) which is not made in their distillery. Others in the industry cannot alter any product they sell for retail. Why would a distillery be allowed to alter alcohol (infusing, changing the bottle, perhaps adding an Alaskan label) which a BDL or package store cannot? They should only be allowed to sell the alcohol they 100% make. I also feel strongly their tasting rooms should only be allowed to give samples away, not sell to consume on premises. Others in the industry has spent a lot of money buying the right (BDL) to sell retail alcohol. The value of their license was based on population, which was determined by the State of Alaska. Distillery license are not part of that formula of population, yet they are still

adding more alcohol retail locations. Therefore, diluting current value of other retail license holders.

**ALTERNATING LICENSED PREMISES FOR CERTAIN LICENSE TYPES:**

Once again, what is the reason this is needed? Can only a caterer's permit under a AS 04.11.090 (BDL) cater to a premises that has altered its license? When would this be used? Would an example be a Restaurant Eating Place License wanting to have a wedding with full alcohol so then unlicensed their premise and then have a BDL cater? Or is a better example a licensed premise wants to have underage people come to a concert. They can alter their license (by temporarily unlicensed their premise) and then catering with their own BDL which allows them to have underage people come to a concert at the same premise where alcohol is being served? I would be interested to learn if the second example would be allowed under this proposed change. If so, I would be against it. If these proposed regulations are allowed how many times will it be allowed at a premise?

Please answer the questions above and provide reason the proposed changes are needed.

Thank you,

Leeann Thomas

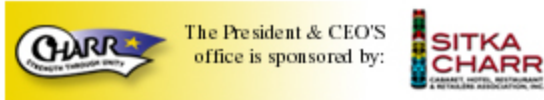
**From:** [Dale Fox](#)  
**To:** [Calder, John P. \(CED\)](#)  
**Subject:** Regulations Questions and Comments  
**Date:** Tuesday, June 07, 2016 9:37:51 AM  
**Attachments:** [image001.png](#)  
[ABC Regulations Comments Draft.docx](#)  
**Importance:** High

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John:

Attached are several Questions and Comments on the proposed regulation from the ABC Board.

Dale Fox  
President & CEO  
Alaska CHARR  
1503 W 31st Ave Ste 202  
Anchorage, AK 99503  
907-274-8133 or Toll Free in Alaska 800-478-2427  
[www.alaskacharr.com](http://www.alaskacharr.com)



To: ABC Board

From: Alaska CHARR

Re: Comments and Questions on 3 AAC 304.225 Alternating Licensed Premise for Certain Licensed Types

We would like to encourage a dialog with the industry when new regulations are proposed. We frankly do not know what problem this new regulation is proposing to fix. If there was a discussion, we missed it.

Comments:

a.

**Question:** Why does this provision not cover all license types?

a.1 The wording to allow this altering of the premises if you will stimulate tourism or promote activities open to the general public fits almost all commercial operations, all of the time.

**Question:** Why would this option not be available for a private event or convention?

**Question:** Why have the wording that this must stimulate tourism?

a.4 Catering: This appears to contradict section 5 of this regulation. 5 says unlicensed premises must remove all alcohol and section 4 seems to allow catering.

**Question:** Does Section 5 conflict with section 4? Please explain.

**Question:** Why would an operator designate their premise as unlicensed and then set up a catering operation in the formerly licensed area?



To: ABC Board

From: Alaska CHARR

Re: Comments & Questions on 3 AAC 304.340 Common Carrier Dispensary License

We would like to encourage a dialog with the industry when new regulations are proposed. We frankly do not know what problem this new regulation is proposing to fix. If there was a discussion we missed it.

Comments:

e. This seems to be an attempt to allow 12-pack or, more appropriately, 100-ton vessels, to have alcohol if there are 3 or more staterooms. Larger tour vessels do not need staterooms; we do not understand how or why the 3 staterooms requirement was developed.

**Question:** Should this be written as 100 ton vessel instead of 12 pack?

**Question:** Why is a 3 stateroom requirement proposed?

We do not believe the proposed regulation deals with problems like the Kodiak boat anchored in the bay with a common carrier permit acting as a full beverage dispensary license in a fixed location. In fact, he probably had 3 staterooms but the key was he was not taking anyone anywhere.

**Question:** Why does this common carrier license regulation change not address problems like those in Kodiak?

**Question:** Why don't we define common carrier as a vessel that actually transports people?

To: ABC Board

From: Alaska CHARR

Re: Comments & Questions on 3 AAC 304.375 Distillery License

We would like to encourage a dialog with the industry when new regulations are proposed. We frankly do not know what problem this new regulation is proposing to fix. If there was a discussion we missed it.

Comments:

a.

**Question:** Is there a minimum size operation in terms of number of gallons for a distillery?

b. Flavoring ethanol or alcohol: It appears that the market is wide open for those who want to ship in the majority of their alcohol, add a flavor and call it an Alaskan-made product. If b was adopted this would not prevent this activity. A licensee would get a license for the smallest distilling process allowed under a. Then, while they may be producing low volumes of their own distilled product, the outside alcohol could still be brought in with no problem under this description.

**Question:** Could a person put in a very small distillery operation to get a license?

**Question:** Wouldn't allowing a flavor to be added to outside spirits kill the local distillery businesses?

**Question:** If Alaskan Blueberries were added to a distilled spirit from outside would the resulting product be Alaskan made?

To: ABC Board

From: Alaska CHARR

Re: Comments on 3 AAC 304.980 Prohibited Financial Interest

We would like to encourage a dialog with the industry when new regulations are proposed. We frankly do not know what problem this new regulation is proposing to fix. If there was a discussion we missed it.

Comments:

This entire section seems to be administrative dotting of i's and crossing of t's but it does not address some of the real issues related to prohibited financial interest.

B1.

**Question:** Are these agreements open to public inspection?

B6.

For example: The recent ill-advised decision to allow for lease and lease-back provisions on hotels. The statute 04.11.400 and the original intent were to allow hotels that support the visitor industry to have a beverage dispensary license. These licenses were clearly directly associated with the rooms of the hotel.

Now we have hotel owners leasing their entire property to a bar and restaurant operator with a lease-back of the rooms to the hotel owner. This is all done to meet the needs of the prohibited financial interest regulations.

The public is harmed by this creative practice. Instead of issuing new licenses, as was recently done, the hotel owner should be responsible for clearing up debts caused by the bar and restaurant owner. After all, this Beverage Dispensary License was given to the hotel as a result of the hotel rooms.

The public is harmed as a result of creative operators being allowed to break the intent of the prohibited financial interest law. The result is that a bad restaurant and bar operator under these lease-back arrangements is allowed to run up debts for alcohol, services and taxes and simply walk away. This causes no problem for the hotel as they just apply for another new license. We believe the granting of a license to a hotel is tied to the rooms and the owner of the rooms should be responsible if their leasing arrangement does not work.

**Question:** Why doesn't this rewrite address the real problems of lease backs as described above?

**Question:** Why would we not tie the Hotel Tourism license to the hotel, so that debts on the license would be paid before a transfer to a new operator?

**From:** [Reecia Wilson](#)  
**To:** [Calder, John P. \(CED\)](#)  
**Subject:** Notification of Changes  
**Date:** Wednesday, June 08, 2016 3:10:45 PM  
**Importance:** High

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To whom it may concern,

I was notified by an industry stakeholder yesterday that comments for the below highlighted message received from the ABC office on May 16th 2016 needed to be submitted by the end of today in order to receive a response to a question or inquiry. I was under the impression industry stakeholders had until June 18th for such inquiries so my apologies for not having time to draft a formal letter for your records and hoping this email message will qualify for a response.

**Today we posted proposed alcohol regulations for public comment related to ALTERNATING LICENSED PREMISES FOR CERTAIN LICENSE TYPES, COMMON CARRIER DISPENSARY LICENSES, DISTILLERY LICENSES, MANAGEMENT AGREEMENTS AND PROHIBITED FINANCIAL INTEREST, INCLUSION OF PERMITTEES IN SERVER EDUCATION COURSE REQUIREMENTS and RESTAURANT DESIGNATION PERMITS.**

We expect the public notice to be advertised in tomorrow's paper. The public comment period ends June 18, 2016. The proposed regulations may be found in the online public notice system and on our website by COB today. You should comment during the time allowed if your interests could be affected.

**QUESTIONS BELOW:**

**ALTERNATING LICENSED PREMISES FOR CERTAIN LICENSE TYPES**

What is the intent of this change in regulation? Allow under age events on BDL premises? Allow Restaurant Eating Place Licensees to have a BDL caterers permit?

**DISTILLERY LICENSES**

What is the intent of this change in regulation? Allow a distillery to sell alcohol not made on the premises?

**MANAGEMENT AGREEMENTS AND PROHIBITED FINANCIAL INTEREST**

What is the intent of this change in regulation? Does the language allow management agreements known as upside down leases to be approved for a license transfer or new application at a hotel property?

Thank you in advance for a response that you received this inquiry and public comment.

Reecia Wilson  
2 Marine Way Ste 106  
Juneau, AK 99801  
Tailwind Inc  
Up the Creek Inc  
Catapult Inc  
Cell 907-723-4658  
[reecia@gmail.com](mailto:reecia@gmail.com)

**From:** [Midnight Sun Brewing Company](#)  
**To:** [Calder, John P. \(CED\)](#)  
**Subject:** MSBC: Question about Prohibited Financial Interest  
**Date:** Wednesday, June 08, 2016 2:33:57 PM

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Hi John,

We have a question about the proposed regulation changes to AAC 304.980.

### Prohibited Financial Interest

Regarding:

#### (b) Management agreements

(1) When a liquor licensee enters into a management agreement with a person who does not have an ownership interest in the liquor license, for the purpose of giving that person responsibility for the day-to-day operations of a liquor license, the agreement must be in writing and signed by the licensee, a majority shareholder of a corporate licensee, **or a majority member of a LLC licensee**, and by the non-licensee agreeing to manage the operation of the business.

Our brewery license is held by Midnight Sun Brewing, LLC. We have sixty-plus members and not a "majority member" per se. We are organized to manage by a Member Committee with a President, VP and Secretary/Treasurer and two other members. The three of us (officers) run the daily operations of the business but we also have non-member managers that run particular departments. We understand that we'll need to submit management agreements to ABC for our non-member managers but could any one of the 3 officers sign on behalf of the business? We three sign for federal and state licensing, banking and all other business transactions.

Maybe this regulation could be modified to include "managing member or officer of a LLC license"?

Thanks for your attention to this query.

Cheers,  
Barb Miller  
VP/Sales, Marketing, Business and Brand Development  
[barb@midnightsunbrewing.com](mailto:barb@midnightsunbrewing.com)

Cheers,  
Barb Miller  
VP/Sales, Marketing, Business and Brand Development  
barb@midnightsunbrewing.com

**From:** [Paul Thomas](#)  
**To:** [Calder, John P. \(CED\)](#)  
**Subject:** Proposed Regulation 3 ACC 304.980  
**Date:** Tuesday, June 07, 2016 10:52:28 AM  
**Importance:** High

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Proposed ABC Regulation  
Comments and Questions for the Board

Attn: John Calder / ABC Board

### **3 AAC 304.980. Prohibited Financial Interest**

**Question: What is 3 ACC 302.205? I can't find it anywhere, so I can't comment constructively during the comment period.**

**Question: What clarification is this trying to accomplish or what is it accomplishing? Is it just to acquire agreements for the file as due diligence? Is regulation really needed to do that?**

**Question: Is this to clarify the Lease/Lease Back Agreements going on now? There is a lot of confusion in the industry now as to how this can happen and I don't believe the proposed language clarifies this.**

**Question: What is the difference between a Lease/Lease Back Agreement where a party is allowed to derive all the profit from the sale of alcohol under a hotel license but in the case of a management agreement the manager's pay cannot be tied to the profits earned from the sale of alcohol?**

Paul J. Thomas  
Alaska Cache Liquor Inc.  
P.O. Box 20977  
Juneau, Alaska 99801  
Ph 907-586-2232  
Fax 888-517-5531

**From:** [icharr](#)  
**To:** [Calder, John P. \(CED\)](#)  
**Cc:** [Dale Fox](#)  
**Subject:** Questions on ABC Board proposed regulation 3 AAC 304.980 Prohibited Financial Interest  
**Date:** Monday, June 06, 2016 2:05:32 AM  
**Attachments:** [ABC Regs P Financial Interest 1.doc](#)  
**Importance:** High

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I have attached a letter with questions on the above-referenced regulation under the guidelines for doing so in the public notice.

I await your response.

Larry J. "Hack" Hackenmiller  
I-CHARR Sec./Treas





President Dick Ellsworth  
Vice-president Gary Falls  
Secretary/Treasurer  
Larry Hackenmiller

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388-4677 Fax 457-1328

icharrfbks@hotmail.com

June 6, 2016

John Calder  
Alcoholic Beverage Control Board  
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Anchorage, Alaska 99501

[john.calder@alaska.gov](mailto:john.calder@alaska.gov)

**NOTICE OF PROPOSED REGULATIONS – QUESTIONS**  
**3 AAC 304.980 Prohibited Financial Interest**

Question #1. Under (b) (4) there is a reference to 3 AAC 302.205. There is no such administrative code. Is this a typo? There is a 3 AAC 304.205.

Question #2. Formal transfer of a license example.

I own a liquor license and am selling it. I have a certified agreement as the seller to sell and the new purchaser to purchase. On the date of this certified agreement I wish to turn over the management of the business to the new purchaser. The new purchaser will be responsible for all profits and all debits/liabilities from the sale of alcoholic beverages under my license until the license has been legally transferred to the purchaser.

To allow ample time for the license transfer to take place the management agreement terminates at six months or on the date in which the license is in the name of the purchaser. If the ABC Board rejects the license transfer the profits and debits/liabilities are terminated under the management agreement on the date of formal rejection.

Would this be in violation of the proposed regulations and, if so, could language in the administrative code be changed to allow a six month management agreement under these circumstances?

Larry J. "Hack" Hackenmiller  
Sec. /Treasurer I-CHARR

Cc: I-CHARR Board, Alaska CHARR