



MEMORANDUM

TO: Robert Klein, Chair, and
Members of the ABC Board

DATE: July 11, 2017

FROM: Erika McConnell
Director, ABC Board

RE: Three Bears #4165
Package Store

This renewal was brought before the Board in April 2017 for a protest and for lack of minimum operations.

The City of Valdez protested the renewal for the following reasons (3 AAC 304.145(a) and (e)):

- Not open during normal business hours.
- No operational or physical business in Valdez associated with license.
- If this package store license (and Acres Beverage Center #1441) remains unused, there can be no investment or development of a fully functional package store due to population limits. (AS 04.11.400)
- City of Valdez does not support long-term holding of inactive licenses.

However, on April 4, 2017, the Valdez City Council voted to rescind their protest with the condition that Three Bears sell or transfer the license within a period not to exceed six months (by October 4, 2017).

Investigator Hamilton determined that the licensee did not provide sufficient information to show that they met minimum operating requirements found in 3 AAC 304.170(j) for 2015 and 2016. One major problem is that the licensee moved the location of the store but did not apply for or receive board approval for a transfer of location—a violation for which NOV AB16-0628 was issued on December 21, 2016. In the subsequent back and forth between the licensee and various directors, additional information was requested but not provided, and meetings with the director were requested but not accommodated.

At the April 6, 2017, meeting, the Board tabled the item to give time for the licensee and the director to meet.

I met with Three Bears on April 21, 2017. I asked the licensee to provide additional information required to satisfy 3 AAC 304.170(j).

3 AAC 304.170

(j) If a license is exercised only to satisfy the minimum operating requirement under AS 04.11.330(a)(3) or 3 AAC 304.107(c)(1), a licensee has the burden of proof to show that the licensed premises was operated in a similar fashion to other licensed premises of the same type and shall, at a minimum,

(1) provide signage, of sufficient size and visibility to show that the premises is open for business, stating business name and hours of operations;

Three Bears admits that after the store was moved to a non-authorized location, the logo sign and hours sign were lost, so there were no signs in 2015 and 2016.

(2) offer for sale at the licensed premises, as appropriate to the type of license, a variety of malt beverages, wines, and distilled spirits;

A photo labeled "2015/2016" is provided showing a variety of alcoholic beverages.

(3) visibly display the alcoholic beverages stock in a licensed package store premises;

A photo labeled "2015/2016" is provided showing a variety of alcoholic beverages.

(4) provide seating in beverage dispensary licensed premises for at least one-half of the maximum number allowed by the occupancy permit;

Not applicable to a package store license.

(5) comply with all state or municipal health, fire, and zoning laws or ordinances required for the operation of business;

Unclear if the new, unauthorized location complied with these laws.

(6) maintain a record of all purchases of alcoholic beverages for resale on the licensed premises; and
Records of purchases for this store have been provided. Records show purchases from Odom Corporation and Southern Glazer's of Alaska made in November of 2015. No records showing purchases in 2016 were provided.

(7) record sales with a cash register that retains a record of transactions.

No cash register records were provided.

It is impossible to conclude that Three Bears has met the requirements of 3 AAC 304.170(j) proving that they operated for at least 30 eight-hour days in 2015 and 2016. They claim as mitigating circumstances that previous ABC Board staff direction indicated that a minimal amount of information was sufficient to meet the standard.

As noted in correspondence from Three Bears, they are in negotiations to sell the license.

Recommendation: Deny the renewal based on lack of compliance with minimum operating requirements.

Should the Board consider renewing the license, I recommend that the Board direct me to prepare an accusation and a civil fine for board consideration at the September meeting, for a violation of AS 04.11.150(a) which authorizes a package store licensee to sell alcoholic beverages to a person present on a licensed premises, and require a transfer application be submitted by September 30, 2017.

Attachments: June 23, 2017, Information provided by Three Bears
January 13, 2017, Information provided by Three Bears



THREE BEARS ALASKA, INC.

445 N. Pittman Road, Suite B
Wasilla, Alaska 99623
☎ (907) 357-4311 📠 (907) 357-4312

June 23, 2017

Via email and hand delivery mail

erika.mcconnell@alaska.gov
amco.enforcement@alaska.gov
sarah.oates@alaska.gov
james.hoelscher@alaska.gov
craig.douglas@alaska.gov
alcohol.licensing@alaska.gov

Erika McConnell, Director
Alcohol & Marijuana Control Office
550 W. 7th Avenue, Suite 1600
Anchorage, Alaska 99501

Re: Third Written Response to Notice of Violation AB16-0628 (12-21-16)

Dear Director McConnell,

This letter is in response to the requests that you made at the April 21, 2017 meeting in your offices between you, David Weisz, and me and this letter is also in preparation for Three Bears' appearance before the ABC Board at the upcoming July 11, 2017 meeting in Fairbanks.

Responses to Requests from April 21, 2017 Meeting

At our April meeting, you requested documentation regarding alcoholic beverages purchased for resale during our operation of License 4165 in 2015 and 2016. Records of those purchases are attached as Exhibit 1. At our meeting you also asked for a list of all personnel who were involved in operating License 4165 in 2015 and 2016, and that list consists of one person, Curt Wilson.

Items in Preparation for Appearance Before the ABC Board on July 11, 2017

During the course of our addressing Notice of Violation AB16-0628 (the "*Notice*"), the question has come up more than once as to why we did not submit a transfer application in accordance with the next to last paragraph of Director Franklin's January 3, 2017 email (please see Exhibit 2).

As we discussed at our April meeting, the reason we did not file the transfer application for a location change as described in Director Franklin's email was because we thought it was very likely that we would soon be filing a transfer application for a change of ownership. And this is partly why in both our first response letter to Director Franklin and then in our second response we requested the meeting with the Director that we are entitled to per the last paragraph of the Notice.

Of course, we know that through various circumstances, that meeting did not take place with Director Franklin and it did not take place with Acting Director Chambers. Rather, your meeting with David Weisz and me on April 21, 2017 was when Three Bears was finally able to have the meeting provided for in the last paragraph of the Notice.

Re: Notice of Violation AB16-0628 (12-21-16)
June 23, 2017
Page 2

And at that meeting, we discussed with you how several parties in Valdez have expressed interest in purchasing License 4165 from us and that we thought we were close to reaching an agreement with one particular individual name Ryan Sontag. We also related how there had been some delays along the way as he first wanted to secure a location before he entered into a purchase agreement with us. Finally, though, just this Tuesday, June 20, 2017, we entered into a Purchase and Sale Agreement with Ryan (please see Exhibit 3—price information blacked out as proprietary information per AS 40.25.120(a)(12)). Also, attached as Exhibit 4 is email correspondence with another individual (David Verfaillie) who's interested in purchasing License 4165 from us if our deal with Ryan somehow falls through.

Also, please note that when we appeared before the Valdez City Council on April 4, 2017 regarding their protest of our renewal of License 4165, we told them that we thought we were close with Ryan and they related how Ryan had also told several of them that he was close to a deal with us. However, we also told the Council that other individuals had expressed interest and that we didn't necessarily want to be tied to doing a deal with Ryan but we instead asked for six months to enter into a deal with Ryan or someone else if the deal with Ryan fell through. And as you know, it is with those contingencies that the City of Valdez suspended its protest of our renewal of License 4165.

Finally, in order to make sure that the complete record of our responses to the Notice is before the Board at its July 11, 2017 meeting, we're also including a copy of our response to Acting Director Chambers together with all of the attachments to that response (the "**Second Response**"). And we request that both this letter with its three exhibits and the Second Response be part of the package given to the Board in relation to our appearance at the July 11, 2017 meeting.

Thank you again for your help with this matter.

Best regards,



Stephen D. Mierop
Vice President/CFO

Exhibits: as stated

Enclosure: response to Acting Director Chambers with Attachments (sequentially numbered)

THE Odom CORPORATION

A/R Copy

REPRINT

INVOICE: 2883597 3118
 PAGE: 1 999
 DATE: 11/19/15
 NO./SALESMAN: 3151 Lutz, Jerry
 TERMS: 30 Charge Account

REMIT TO Odom Corp - Anchorage
 90 Box 84044 800-767-6366
 Seattle, WA 98124-8444

CUSTOMER NO. 19683 / 301/ 31
 SOLD TO: THREE BEARS ALASKA #30
 ATTN: PAYABLES
 445 N PITTMAN ROAD, STE B
 WASILLA, AK 99654

SHIP TO: THREE BEARS #30 - VALDEZ
 129 EGAN
 VALDEZ, AK 99686

DEL. TIME 09:00
 DRIVER INITIAL CLW

CUST. ORDER NO.		SPECIAL INSTRUCTIONS								
3172039609		valdez store								
ITEM NO.	QUANTITY	PACK	DESCRIPTION	PRICE	DISC.	NET	TOTAL			
	CASES	EACH								
532133	1	24 12Z	ANGRY ORCHARD GREEN APPLE 4/6/ 08769200149200	30.2000	3.40	26.80	26.80			
491148	1	18 16Z	COORS LIGHT ALUM PINT 2/9/16 B 07199030104000	27.9900	5.24	22.74	22.74			
546012	1	24 14.9Z	GUINNESS DRAUGHT 3/8/14.9 CAN 08382012368500	43.0000	1.57	41.43	41.43			
492514	1	2 5L	HEINEKEN 2/5L CAN 07289000174000	41.8500	2.30	39.55	39.55			
499033	5	24 12Z	PABST 2/12/12 CAN 6P3504 02210000170100	23.8000	5.50	18.30	91.50			
499007	5	24 12Z	RAINIER 2/12/12 CAN 1P-350 07262002030000	22.4400	4.15	18.29	91.45			
PLEASE EXAMINE YOUR ORDER. WE WILL NOT BE RESPONSIBLE FOR BREAKAGE OR SHORTAGE AFTER OUR DRIVER LEAVES YOUR PREMISES. ALL CLAIMS MUST BE MADE WITHIN 7 DAYS. CLAIMS AND RETURNED MERCHANDISE MUST BE ACCOMPANIED BY A COPY OF THE INVOICE.										
TOTAL		LIQUOR	WINE OVER	WINE UNDER	BEER	TOTAL WEIGHT	SALES TAX	LITER TAX	TOTAL	313.47
CASE	EACH	GALLONS	GALLONS	GALLONS	GALLONS					
14	0	.00	.00	.00	32.43	301	.00	.00		

2883597

313.47
 AMOUNT DUE

CREDITS & RETURNS				
ITEM	QTY.	DESCRIPTION	UNIT PRICE	CREDIT AMOUNT
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.

X  DATE 11-20-15

Southern Glazer's of Alaska A/R Copy

REPRINT

INVOICE: 2883598 3118

PAGE: 1 999

DATE: 11/19/15

NO./SALESMAN: 3151 Lutz, Jerr

TERMS: 30 Charge Account

REMIT TO Southern Glazer's of Alaska
P.O. BOX 24663 800-767-6366
Seattle, WA 98124-0663

CUSTOMER NO. 196839 / 301/ 31

SOLD TO: THREE BEARS ALASKA #30
ATTN PAYABLES
445 N PITTMAN ROAD, STE B
WASILLA, AK 99654

SHIP TO: THREE BEARS #30 - VALDEZ
129 BGM
VALDEZ, AK 99686

DEL. TIME 09:00
DRIVER INITIAL CLW

GUST. ORDER NO.	SPECIAL INSTRUCTIONS
3172039608	valdez store

ITEM NO.	QUANTITY	PACK	DESCRIPTION	PRICE	DISC	NET	TOTAL
	CASES	EACH					
614005	6	12 750ML	ABSOLUT 80 12/750ML	287.6400	84.00	203.64	101.82
152531	6	12 750ML	KENWOOD JACK LONDON SYRAN SV 1	276.9600	41.04	235.92	117.96
168002	6	12 750ML	ROD STRONG CAB SON 12 12/750ML	220.4400	40.80	179.64	89.82
010710	6	12 750ML	TANQUERAY GEN 12/750ML	312.8400	42.00	270.84	135.42
010431	1	6 750ML	CROWN GLASS GIFT SET 6/750ML	189.9600	38.04	151.92	151.92
010441	1	12 750ML	CROWN STD CYN 12/750ML	311.6400	33.96	277.68	277.68
010423	1	6 1.75L	CROWN 6/1.75L	353.7000	34.02	319.68	319.68
613231	1	6 1.75L	JIM BEAM PET 6/1.75L	210.9000	29.40	181.50	181.50

PLEASE EXAMINE YOUR ORDER. WE WILL NOT BE RESPONSIBLE FOR BREAKAGE OR SHORTAGE AFTER OUR DRIVER LEAVES YOUR PREMISES. ALL CLAIMS MUST BE MADE WITHIN 7 DAYS. CLAIMS AND RETURNED MERCHANDISE MUST BE ACCOMPANIED BY A COPY OF THE INVOICE.

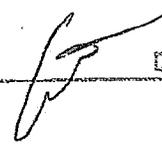
TOTAL	LIQUOR	WINE OVER	WINE UNDER	BEER	TOTAL WEIGHT	SALES TAX	OPER TAX	TOTAL	1375.80
4	24	11.49	.00	2.38	.00	.00			

2883598

1375.80
AMOUNT DUE

CREDITS & RETURNS

ITEM	QTY	DESCRIPTION	UNIT PRICE	CREDIT AMOUNT
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.

X  DATE 11-20-15

REV 11/12

Southern Glazer's of Alaska

REPRINT

INVOICE: 2880192 3118
 PAGE: 1 999
 DATE: 11/18/15
 NO./SALESMAN: 3151 Lutz, Jerr
 TERMS: 30 Charge Account

REMIT TO Southern Glazer's of Alaska
 P.O. BOX 24663 800-767-6366
 Seattle, WA 98124-0663

CUSTOMER NO. 196839 / 301 / 31
 SOLD TO: THREE BEARS ALASKA #30
 ATTN: PAYABLES
 445 N PITTMAN ROAD, STE B
 WASILLA, AK 99654

SHIP TO: THREE BEARS #30 - VALDEZ
 129 EGAN
 VALDEZ, AK 99686

DEL. TIME 09:00
 DRIVER INITIAL CLW

CUST. ORDER NO. 3172039597	SPECIAL INSTRUCTIONS hard copy invoices Sep Inv - Special <i>Valdez store</i>
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ITEM NO.	QUANTITY	PACK	DESCRIPTION	PRICE	DISC.	NET	TOTAL
CASES	EACH	SIZE					
613957	2	12 750ML	JIM BEAM APPLE BOURBON 12/750M 08068600655800	220.4400	42.01	178.43	29.74

PLEASE EXAMINE YOUR ORDER. WE WILL NOT BE RESPONSIBLE FOR BREAKAGE OR SHORTAGE AFTER OUR DRIVER LEAVES YOUR PREMISES. ALL CLAIMS MUST BE MADE WITHIN 7 DAYS. CLAIMS AND RETURNED MERCHANDISE MUST BE ACCOMPANIED BY A COPY OF THE INVOICE.

TOTAL	LIQUOR	WINE OVER	WINE UNDER	BEER	TOTAL	SALES TAX	LITER TAX	TOTAL
CASE	EACH	GALLONS	GALLONS	GALLONS	WEIGHT			
0	2	.40	.00	.00	5	.00	.00	29.74

2880192

CREDITS & RETURNS

ITEM	QTY.	DESCRIPTION	UNIT PRICE	CREDIT AMOUNT
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.

29.74
 AMOUNT DUE

X *[Signature]* DATE 11-18-15

Southern Glazer's of Alaska

REPRINT

INVOICE: 2880191 3118
 PAGE: 1 999
 DATE: 11/18/15
 NO./SALESMAN: 3151 Lutz, Jerry
 TERMS: 30 Charge Account

REMIT TO Southern Glazer's of Alaska
 P.O. BOX 24663 800-767-6366
 Seattle, WA 98124-0663

CUSTOMER NO. 196839 / 301/ 31
 SOLD TO: THREE BEARS ALASKA #30
 ATTN PAYABLES
 445 N PITTMAN ROAD, STE B
 WASILLA, AK 99654

SHIP TO: THREE BEARS #30 - VALDEZ
 129 EGAN
 VALDEZ, AK 99686

DEL TIME 09:00
 DRIVER INITIAL CLW

CUST. ORDER NO.		SPECIAL INSTRUCTIONS							
3172039596				hard copy invoices Sep Inv - Custome <i>Valdez Store</i>					
ITEM NO.	QUANTITY	PACK	DESCRIPTION	PRICE	DISC.	NET	TOTAL		
	CASES	EACH	SIZE						
019030	2		12 750ML BV COAST MERLOT 12/750 08069609267100	58.7000	.00	58.70	117.40		
019070	1		12 750ML BV COAST P GRIGIO 12/750 08069692050900	.0000	.00	.00	.00		
019032	1		12 750ML BV COAST ZIN 12/750 08069663666800	58.7000	.00	58.70	58.70		
PLEASE EXAMINE YOUR ORDER. WE WILL NOT BE RESPONSIBLE FOR BREAKAGE OR SHORTAGE AFTER OUR DRIVER LEAVES YOUR PREMISES. ALL CLAIMS MUST BE MADE WITHIN 7 DAYS. CLAIMS AND RETURNED MERCHANDISE MUST BE ACCOMPANIED BY A COPY OF THE INVOICE.									
TOTAL		LIQUOR	WINE OVER	WINE UNDER	BEER	TOTAL WEIGHT	SALES TAX	LITER TAX	TOTAL
CASE	EACH	GALLONS	GALLONS	GALLONS	GALLONS				176.10
4	0	.00	.00	9.52	.00	133	.00	.00	

2880191

CREDITS & RETURNS

ITEM	QTY.	DESCRIPTION	UNIT PRICE	CREDIT AMOUNT
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.
				\$.

176.10
 AMOUNT DUE

X *[Signature]* DATE 11-19-15

Steve Mierop

From: Franklin, Cynthia A (CED) <cynthia.franklin@alaska.gov>
Sent: Tuesday, January 3, 2017 14:45
To: Steve Mierop; CED AMCO Enforcement (CED sponsored); Hoelscher, James C (CED)
Cc: David Weisz; Oates, Sarah D (CED)
Subject: RE: Three Bears Alaska, Inc. - Response to Notice of Violation AB16-0628

Dear Mr. Mierop,

I have received and reviewed your response to our Notice of Violation. I have some issues with it that I hope you are able to address. First, you never revealed where it is exactly that you have been operating the license to meet minimum operating requirements. Our investigation found that the periodic sale of alcohol was not occurring on the original licensed premises, which is a major problem. As you are well aware, a liquor license is not something you pick up and set down wherever you like, it is attached to a physical premises.

Second, operating to meet the minimum requirements after having filed waivers indicates an intention to hold onto a license even though there is nowhere to operate it. That is essentially what your response said. It was very vague on any details regarding how you intend to fix this. I think that the board will not like to see that having exhausted waivers and determined to hold on to the license anyway, you have minimally operated the license in the method you have chosen.

I am copying the regulation regarding operating only the minimum operating requirements here. As you can see, you as the licensee have the burden of proof to prove each and every one of these things to the board. Nothing in your letter tells me how you are going to do that. In fact, much of the information gathered by our enforcement team about your operations in Valdez speaks to the exact opposite of these requirements:

3 AAC 304.170. Waiver of annual operating requirement and minimum operating requirements (a) Except as provided in this section, the board will deny an application for renewal of a license if the licensed premises were not operated for the time required by AS 04.11.330(a)(3) or (d). . .

- (j) If a license is exercised only to satisfy the minimum operating requirement under AS 04.11.330(a)(3) or 3 AAC 304.107(c)(1), a licensee has the burden of proof to show that the licensed premises was operated in a similar fashion to other licensed premises of the same type and shall, at a minimum,
- (1) provide signage, of sufficient size and visibility to show that the premises is open for business, stating business name and hours of operations;
 - (2) offer for sale at the licensed premises, as appropriate to the type of license, a variety of malt beverages, wines, and distilled spirits;
 - (3) visibly display the alcoholic beverages stock in a licensed package store premises;
 - (4) provide seating in beverage dispensary licensed premises for at least one-half of the maximum number allowed by the occupancy permit;
 - (5) comply with all state or municipal health, fire, and zoning laws or ordinances required for the operation of business;
 - (6) maintain a record of all purchases of alcoholic beverages for resale on the licensed premises; and (7) record sales with a cash register that retains a record of transactions.

I will allow you 10 days from the date of this email to provide me with a revised response to the NOV which explains exactly how and where you have been operating the license since you ran out of waivers and provide me with the evidence required as above. I will allow you 30 days to file a transfer of location to where ever it is in Valdez that you intend to operate the license on a seasonal basis, including proof of right to possession of the proposed premises, such as a lease.

If I do not receive these responses as outlined above, my recommendation will be to proceed to an accusation requesting that the board take action against this license which could include suspension, denial, a fine, or any combination thereof.

Thank you,

Cynthia Franklin, Director
Alcohol & Marijuana Control Office
907-269-0351

From: Steve Mierop [mailto:steve@threebearsalaska.com]
Sent: Friday, December 30, 2016 1:46 PM
To: Franklin, Cynthia A (CED); CED AMCO Enforcement (CED sponsored)
Cc: David Weisz
Subject: Three Bears Alaska, Inc. - Response to Notice of Violation AB16-0628

Dear Director Franklin,

Please see the attached letter responding to Notice of Violation AB16-0628.

Thanks for your help, and Happy New Year!

All the best,

Steve

VP/CFO
907-357-4311 x22 Voice
907-357-4312 Fax
907-980-0721 Mobile
Steve@ThreeBearsAlaska.com



PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this "*Agreement*") is entered into and made effective as of June 20, 2017 by and between Three Bears Alaska, Inc. (an Alaska corporation, the "*Seller*") Ryan H. Sontag (a natural person and resident of Alaska, the "*Buyer*").

RECITALS

A. The Seller currently owns Alaska Package Store License No. 4165 (the "*License*").

B. The Seller wishes to sell to the Buyer, and the Buyer wishes to purchase from the Seller, the License.

AGREEMENT

Now therefore, in consideration of the premises and the promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. *Sale of License; Purchase Price.*

1. Subject to the Closing Conditions defined and set forth below, the Seller hereby agrees to sell, transfer and forever remise the License either to the Buyer or, upon the request of the Buyer, to an entity owned and controlled by the Buyer.
- 1.2 The Purchase Price shall be \$ [REDACTED] ([REDACTED] Dollars) (in full or in part, the "*Purchase Price*")
- 1.3 Within seven (7) days of the full execution of this Agreement, the Buyer shall pay to the Seller a refundable deposit of \$ [REDACTED] ([REDACTED] Dollars) (the "*Deposit*").
- 1.4 At the Closing defined and described below, the Buyer shall pay to the Seller \$ [REDACTED] ([REDACTED] Dollars) (the remainder of the Purchase Price) as final payment for the License.

2. **Conditions to Closing.** The Closing shall not take place and there shall be no transfer of the License from the Seller to the Buyer until all of the following conditions (the “*Closing Conditions*”) shall have been satisfied:

2.1 The Seller and the Buyer shall have complied with all requirements of laws and regulations applicable to the transfer of the License, including the requirements of the Alaska Alcoholic Beverage Control Board (the “*ABC Board*”) and any other authority administering such laws.

2.2 The ABC Board and any other applicable authority shall have approved the transfer of the License from the Seller to the Buyer.

3. **Closing; Return of Deposit.** Upon, and only upon, the satisfaction of the Closing Conditions, the Buyer shall pay the Purchase Price to the Seller and the Seller shall sell, transfer and forever remise the License to the Buyer. If the Seller becomes subject to a final nonappealable order from the Alcoholic Beverage Control Board or another authority of competent jurisdiction, which order either directly or effectively prohibits the Seller from transferring the License to the Buyer, the Seller shall promptly refund the Deposit to the Buyer.

4. **Representations and Warranties of the Buyer.** In order to induce the Seller to enter into this Agreement, the Buyer hereby represents and warrants to the Seller as follows:

4.1 The execution and delivery of this Agreement by the Buyer and the performance by the Buyer of his obligations under this Agreement have been duly and validly authorized by all necessary action on the part of the Buyer. This Agreement has been duly executed and delivered by the Buyer and (assuming that this Agreement constitutes a legal, valid, and binding obligation of the Seller) constitutes a legal, valid, and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms.

4.2 The execution and performance of this Agreement by the Buyer does not conflict with any agreement by which the Buyer is legally bound.

5. **Representations and Warranties.** In order to induce the Buyer to enter into this Agreement, the Seller hereby represents and warrants to the Buyer as follows:

- 5.1 The execution and delivery of this Agreement by the Seller and the performance by the Seller of its obligations under this Agreement have been duly and validly authorized by all necessary action on the part of the Seller. This Agreement has been duly executed and delivered by the Seller and (assuming that this Agreement constitutes a legal, valid, and binding obligation of the Buyer) constitutes a legal, valid, and binding obligation of the Seller, enforceable against the Seller in accordance with its terms.
- 5.2 The execution and performance of this Agreement by the Seller does not conflict with any agreement by which the Seller is legally bound.
6. **Notices.** All notices or communication hereunder shall be in writing and shall be deemed to be duly given if sent by registered mail, return receipt requested, express courier or facsimile transmission, as follows:

If to the Seller:

Three Bears Alaska, Inc.
445 N. Pittman Road, Suite B
Wasilla, Alaska 99623
Attn: President
Facsimile: 9073574312

If to the Buyer:

Ryan H. Sontag
2018 South Meals Avenue
Valdez, Alaska 99686
Facsimile: 907835-4273

or at such other address as any of the above may have furnished to the other party in writing by registered mail, return receipt requested, express courier or by facsimile transmission, with a confirmation sent by registered mail, return receipt requested, and any such notice or communication given in the manner specified in this Section 6 shall be deemed to have been effectively given (a) three days after deposit with the U.S. Postal Service, postage prepaid, registered or certified with return receipt requested, (b) one business day after deposit with a reputable express courier, prepaid for

overnight delivery, or (c) upon confirmation of receipt by fax by the party to be notified.

7. **Waiver.** The provisions of this Agreement may be waived, altered, amended or supplemented, in whole or in part, only by a writing signed by each of the parties hereto.
8. **Assignment; Binding Effect.** Except as provided in Section 1.1 above, neither this Agreement nor any right or interest hereunder may be assigned in whole or in part by any party without the prior written consent of each other party. This Agreement will be binding upon the parties hereto and their respective successors and permitted assignees.
9. **Governing Law.** This Agreement, including, without limitation, the interpretation, construction, validity and enforceability hereof, shall be governed by the internal laws of the State of Alaska, without regard to the principles of conflict of laws thereof.
10. **Submission to Jurisdiction**
 - 10.1 Any legal action or proceeding with respect to this Agreement or any document related thereto shall be brought solely in the courts of the State of Alaska or of the United States of America for the District of Alaska, and, by execution and delivery of this Agreement, each party hereto hereby accepts for itself, himself or herself and in respect of its, his or her property, generally and unconditionally, the jurisdiction of such courts. The parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of *forum non conveniens*, which any of them may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions.
 - 10.2 Each party hereto irrevocably consents to the service of process of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to such party at its, his or her address provided herein.

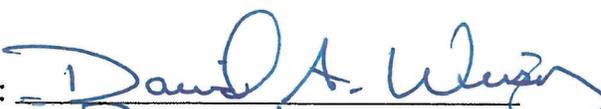
- 10.3 Nothing contained in this Section 10 shall affect the right of any party hereto to serve process in any other manner permitted by law.
11. ***Waiver of Jury Trial.*** Each party hereto hereby waives any right such party may have to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Agreement or any course of conduct, course of dealing, verbal or written statement or action of any party hereto.
12. ***Headings, Gender, etc.*** The headings used in this Agreement have been inserted for convenience and do not constitute matter to be construed or interpreted in connection with this Agreement. Unless the context of this Agreement otherwise requires, (a) words of any gender will be deemed to include each other gender, (b) words using the singular or plural number also will include the plural or singular number, respectively, (c) the terms "hereof," "herein," "hereunder," "hereto," and "Section" will refer to the specified Section of this Agreement, and (d) the conjunction "or" will denote any one or more, or any combination or all, of the specified items or matters involved in the applicable list.
13. ***Invalid Provisions.*** If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid, or unenforceable provision or by its severance herefrom, and (d) in lieu of such illegal, invalid, or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid, and enforceable provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible.
14. ***Counterparts.*** This Agreement may be executed (including by facsimile) simultaneously in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[SIGNATURES CONTAINED ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Purchase and Sale Agreement as of the date first written above.

Seller:

THREE BEARS ALASKA, INC.

By: 
Name: DAVID A. WEISZ
Title: PRESIDENT / CEO

Buyer:


Ryan H. Sontag

Steve Mierop

Subject: FW: LICENSE

From: David Weisz [<mailto:david@threebearsalaska.com>]
Sent: Wednesday, June 21, 2017 2:52 PM
To: 'Darryl Verfaillie' <dverfaillie@ci.valdez.ak.us>
Subject: RE: LICENSE

Hello Darryl,

Good to hear from you, sorry I haven't gotten back to you sooner, just extremely busy with summer. We do have a signed purchase agreement for the Liquor License, so at this time it is off the market. If something happens to fall through I will reach out.

Have a Great Summer.

Thank You,

David A Weisz
President/CEO
Three Bears Alaska INC.
Ph. (907) 357-4311
Fax (907) 357-4312
Cell (907) 322-1008

From: Darryl Verfaillie [<mailto:dverfaillie@ci.valdez.ak.us>]
Sent: Wednesday, June 14, 2017 3:26 PM
To: 'David A Weisz' <david@threebearsalaska.com>
Cc: Darryl Verfaillie <dverfaillie@ci.valdez.ak.us>; Chris Farmer <cfarmer@ci.valdez.ak.us>
Subject: LICENSE

Hey Dave,

Apologize for the long delay but I wanted to touch base and see where you were with your potential sale. I know you had a prospective local buyer and wanted to know if any official action was taken towards the transfer?

If not, I would love to have a final discussion on a potential deal.

Obviously no rush, but would appreciate any info you may feel appropriate to provide.

Take care and hope all is well.

D



THREE BEARS ALASKA, INC.

445 N. Pittman Road, Suite B
Wasilla, Alaska 99623
☎ (907) 357-4311 ☎ (907) 357-4312

January 13, 2017

Via email and U.S. mail

sara.chambers@alaska.gov
amco.enforcement@alaska.gov

Sara Chambers, Acting Director
Alcohol & Marijuana Control Office
550 W. 7th Avenue, Suite 1600
Anchorage, Alaska 99501

Re: Second Response to Notice of Violation AB16-0628 (12-21-16)

Dear Acting Director Chambers,

This letter is in response to an email sent by Cynthia Frankin, Director, and received by Three Bears on January 3rd, 2017 (please see Attachment A).

As in our initial correspondence with the prior Director regarding Notice of Violation AB16-0628 (the "*Notice*") (please see Attachment B), we believe it is very important to set everything in context because how we operated in Valdez since 2011/2012 and what happened in 2015/2016 did not take place in a vacuum. Rather, there is much mutual history between the ABC Board and Staff and Three Bears that has led up to where we are today.

How Three Bears Came to Operate License 4165 on a "Minimal Basis"

Up until the point that we shut down our grocery store in Valdez in October 2007 and accordingly stopped operating License 4165 full time, Three Bears had acquired package store liquor licenses and then almost immediately put them into full-time operation. Thus, when market conditions forced us to close our Valdez store, we had no experience with the ways to keep a package store liquor license alive for future use at a new location.

So, shortly after we closed in Valdez, we asked ABC Staff what we could do. And Staff told us about waivers and helped us familiarize ourselves with the required forms and procedures and even, at times, walked us through the process a bit (please see Attachments C and D—2010 correspondence with Staff regarding 2nd and 3rd Waiver Applications).

Once we got to the point where we had obtained a third non-operating waiver and the Board told us that there would be no more waivers when we appeared before them to get our third, we again found ourselves in unfamiliar territory and again turned to Staff to find out what, if anything, we could do next to keep License 4165 while we waited for an opportunity to return to the Valdez market with another grocery store or other store that would include a liquor store.

Staff told us that there was a provision—"minimal operation"—that was designed and meant exactly for our situation. And Staff pointed us to 3 AAC 304.170.

But the conversation with Staff did not stop there because we were still very much in unfamiliar territory. So, we went through 3 AAC 304.170 point-by-point on the phone and in person with Staff (our recollection is mostly with Christine Lambert and at least twice with Shirley Coté (Shirley Gifford then)) in order to understand exactly what Staff wanted to see us do in order for us to be in compliance. When we asked what it meant to operate “in a similar fashion to other licensed premises of the same type,” we were told that the “type” was other licenses that we being minimally operated. But Staff emphasized multiple times that they didn’t want to see us operating out of a hotel room (as other minimally-operating licensees had apparently done). Rather, they wanted to see us operate out of a location that had a direct entrance for the public and wasn’t inside another building, up three floors by elevator, and down the second hall on the left.

We told Staff how we intended to cover the requirements for two years by operating for at least a little over two months spanning the end of one year and the beginning of the next (thus our references to 2011/2012, 2013/2014, and 2015/2016). We also told Staff how we would be renting space from Wilson Brothers and that they’d be helping us operate the store. Staff said that they were fine with all of this. When we discussed the sales records and cash register requirements with Staff, they said that even a simple written record would suffice. And then Staff emphasized that they wanted our records to include a record of the days and hours that we were open. They stressed that even if we had little or even no sales, it was very important that we actually operated the number of days and hours required.

So, to recap, the two things that Staff stressed most to us were 1) that we operate in a space where the main entrance gave the public direct access and 2) that we make sure to meet the requirement of operating for at least 30 8-hour days each year. And we have always done this. Further, when a question arose regarding whether we had actually operated at the end of 2011 and the beginning of 2012, we sent our daily records to Christine and she replied back to us that those records were fine (please see Attachments E, F, G, and H—2012 correspondence with Staff regarding minimal operations in 2011/2012).

Further, after we had worked our way through 3 AAC 304.170 with Staff and learned what they actually wanted to see happen in real-world terms, we asked if there was anything else we needed to do, and Staff said “No” and further said that if we did what we discussed with Staff “everything will be fine.”

What Happened in 2015/2016

We all know now that we had problems in Valdez in 2015/2016. However, in 2015/2016, we still fully complied with the two items Staff had always stressed the most: 1) we operated in a space where the main entrance gave the public direct access and 2) we operated for at least 30 8-hour days each year and kept the operating records we had always kept and that Staff had always been okay with. We also stocked a meaningful quantity and variety of product (please see Attachment I—2015/2016 product photos) and complied with health, fire, and zoning laws or ordinances for operating a business in Valdez (please see Attachment J—2015/2016 photo of licenses). But we fell short on some of the premises location requirements and on the signage requirements. This happened because, unknown to us, our operator, Curt Wilson, moved the store from the building he owns at 1900 Airport Way (where the store operated in 2011/2012 and 2013/2014) to an adjacent building that he owns at 1800 Mineral Creek Loop Road. Also, the Three Bears logo sign and the hours sign that had always been used at 1900 Airport Way got lost in the move. So, there was no sign in 2015/2016, although members of the public went in and out of the

Re: Notice of Violation AB16-0628 (12-21-16)
January 13, 2016
Page 3

location almost every day and the store operation was plain to see once inside (please see Attachment K— shows 2015/2016 product right inside public entrance).

Now, Curt Wilson did move the store for a good reason as they were no longer manning 1900 Airport Way. Thus, he moved the store so that it could in fact be operated. Of course, if we had known of the move in advance and that the old signs had been lost, we would have applied to change the location and we would have provided new signs. But at this point, all that we can do is fix things going forward.

Fixing Things Moving Forward

Now we come to the Notice and specifically to the first sentence of the third full-sized paragraph that says, “You are directed to respond to the Director of the Alcohol & Marijuana Control Office in writing to this Notice of Violation within 10 days of receipt to explain what *action you have taken to prevent the reoccurrence of this violation*” (emphasis added).

First, we note that we sent an initial response in a letter dated December 30, 2016 and delivered via email and U.S. mail (the “*Response Letter*”) (please see Attachment L). We note also that the prior Director responded by email to the Response Letter and that this current letter is in response to the prior Director’s January 3rd, 2017 email.

Second, we apologize if our initial response to how we intend to fix things going forward may have seemed vague. That was not our intent. Rather, the simple fact is that properly fixing this particular situation in the way that we intend to (by operating License 4165 seasonally in Valdez) is not the easiest process. As we mentioned in our Response Letter, we’ve already made, and are continuing to make, inquiries about new locations in Valdez. However, as we all know, it’s the middle of winter, and we’re finding that this is not necessarily the best time to be scouting properties in Valdez, especially because a final selection will require at least one trip to Valdez. Still, we are committed and are sticking to the task and would just ask for more than the 30 days we’ve initially been given to find a new location.

Third, as we’ve been talking with folks in Valdez and working to find a location (and perhaps as a result of those talks), we have been approached about selling License 4165. And dealing with a potential sale is another situation where we would ask for more than 30 days to finalize things.

Fourth, regarding the exact “season” we will operate (if we don’t sell), we’re currently planning on being open from mid-May to mid-September and plan to submit the exact dates when we apply to move License 4165 to a new location and to change it to a seasonal license.

Fifth, regarding timing as a general matter, we would respectfully ask that you allow us to work on a permanent fix until the date for the closing of the Agenda for the Board’s April meeting. And we promise that by that time, we will have either submitted everything required for changing locations and operating seasonally in Valdez or we will have submitted a transfer application.

Sixth, regarding the letter that accompanied the Notice and requested additional information, we are attaching as much of that information as is readily available (please see Attachments M, N, O, and P) and will continue working to locate the rest. However, we ask for some patience here as our fiscal year ends on April 30th, and after our outside auditors have been and gone in our offices each year (generally by sometime in June or July), we box up all our accounting records pertaining to that year and send them

Re: Notice of Violation AB16-0628 (12-21-16)
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off site. Unfortunately, not all the boxes are fully indexed as to contents or location and the records pertaining to Valdez are very small. So, we're continuing to work on locating and producing everything requested, and would again just ask for your understanding and patience.

Preserving the Potential for Competition in Valdez

As we mentioned in our Response Letter, it pained us greatly to see the Eagle Food Center in Valdez unreasonably raise their prices within minutes of hearing that we were closing our Valdez store. One of the many reasons that this was so disturbing is Eagle was a Safeway brand (today the store is simply branded as a Safeway), which means they have far greater buying power than Three Bears and have a much lower cost of goods. So, raising prices like they did was just monopolistic abuse.

Further, it should be noted that Tok is a remote community on the State's road system just like Valdez. Also, Tok has about half the population of Valdez, and thus one might expect to see higher prices given that there is only one store and that the market is considerably smaller. But while Safeway in Valdez charges some of the highest grocery prices in a community on the State's road system, folks living in Tok can purchase groceries at prices competitive with Anchorage and the Valley. This is because as Three Bears has grown and our buying power has increased, we have passed the benefits along to the communities we serve.

Now, when we recently reviewed the spreadsheet that lists all Alaska liquor licenses on AMCO's website, we noted that only three package store licenses are listed in Valdez: Safeway's Oaken Keg, Acres Beverage Center, and Three Bears. However, it appears from the Agenda and Minutes from the Board's April 26, 2016 meeting (select pages attached) that the Acres Beverage license has gone away as the Board voted down a fourth waiver.

Thus, if Three Bears or someone we sell to in Valdez doesn't continue to operate License 4165 there, then Eagle/Safeway's Oaken Keg liquor store will be the only package store in town and will be able to charge even higher prices. Further, with Valdez' population hovering around 3,000, there's the possibility that there will never be another package store liquor license in town and that Safeway's Oaken Keg could potentially have a permanent monopoly.

"Alaskans Serving Alaskans Since 1980"

Finally, we want to stress that while Three Bears has grown over the last 36 years from one store and a handful of employees in Tok to nine Alaska stores (and one in Montana) with over 500 employees, we are still a small, family-run company at heart, headquartered in Alaska and run by everyday Alaskans. And even during some of our more rapid growth spurts, we've always worked as hard as we can to be a good operator and to serve our communities as well as possible.

As a small part of striving to be a good operator and striving to best serve our communities, we started "carding hard" and requiring ID for all alcohol and tobacco purchases over 15 years ago, well before practically anyone else in the State did this voluntarily.

Further, in our dealings with the ABC Board and Staff, we have always worked as hard as we can to be open, honest, proactive, and transparent. And we have appreciated the responsiveness and professionalism of the Board and Staff helping us navigate the alcohol laws and regulations for over 20

Re: Notice of Violation AB16-0628 (12-21-16)
January 13, 2016
Page 5

years now. We believe it's been a good relationship and want to do everything we can to keep it that way. And that's why we again ask for the opportunity to work together to resolve the problems that popped up in Valdez. As noted above, if given the opportunity, we believe we can have a solution by the time of the closing of the Agenda for the Board's April meeting.

Finally, over the past 36 years and through all of our growth, we've come to appreciate the amount of progress that can be made when folks sit down and have a face-to-face meeting. So, as we requested in our Response Letter, we once again request (per the last paragraph of the Notice) to meet with you in your Anchorage office to be heard regarding the Notice. In terms of scheduling the meeting, we are available during the period starting January 23rd and ending February 14th, 2017 and on any date starting from March 6th, 2017 and going forward.

Thank you for your help with this matter.

Best regards,



Stephen D. Mierop
Vice President/CFO

Attachments: as stated

Attachment A - email from Cynthia Franklin, Director (6)

Steve Mierop

From: Franklin, Cynthia A (CED) <cynthia.franklin@alaska.gov>
Sent: Tuesday, January 3, 2017 14:45
To: Steve Mierop; CED AMCO Enforcement (CED sponsored); Hoelscher, James C (CED)
Cc: David Weisz; Oates, Sarah D (CED)
Subject: RE: Three Bears Alaska, Inc. - Response to Notice of Violation AB16-0628

Dear Mr. Mierop,

I have received and reviewed your response to our Notice of Violation. I have some issues with it that I hope you are able to address. First, you never revealed where it is exactly that you have been operating the license to meet minimum operating requirements. Our investigation found that the periodic sale of alcohol was not occurring on the original licensed premises, which is a major problem. As you are well aware, a liquor license is not something you pick up and set down wherever you like, it is attached to a physical premises.

Second, operating to meet the minimum requirements after having filed waivers indicates an intention to hold onto a license even though there is nowhere to operate it. That is essentially what your response said. It was very vague on any details regarding how you intend to fix this. I think that the board will not like to see that having exhausted waivers and determined to hold on to the license anyway, you have minimally operated the license in the method you have chosen.

I am copying the regulation regarding operating only the minimum operating requirements here. As you can see, you as the licensee have the burden of proof to prove each and every one of these things to the board. Nothing in your letter tells me how you are going to do that. In fact, much of the information gathered by our enforcement team about your operations in Valdez speaks to the exact opposite of these requirements:

3 AAC 304.170. Waiver of annual operating requirement and minimum operating requirements (a) Except as provided in this section, the board will deny an application for renewal of a license if the licensed premises were not operated for the time required by AS 04.11.330(a)(3) or (d) . . .

(j) If a license is exercised only to satisfy the minimum operating requirement under AS 04.11.330(a)(3) or 3 AAC 304.107(c)(1), a licensee has the burden of proof to show that the licensed premises was operated in a similar fashion to other licensed premises of the same type and shall, at a minimum,

- (1) provide signage, of sufficient size and visibility to show that the premises is open for business, stating business name and hours of operations;
- (2) offer for sale at the licensed premises, as appropriate to the type of license, a variety of malt beverages, wines, and distilled spirits;
- (3) visibly display the alcoholic beverages stock in a licensed package store premises;
- (4) provide seating in beverage dispensary licensed premises for at least one-half of the maximum number allowed by the occupancy permit;
- (5) comply with all state or municipal health, fire, and zoning laws or ordinances required for the operation of business;
- (6) maintain a record of all purchases of alcoholic beverages for resale on the licensed premises; and (7) record sales with a cash register that retains a record of transactions.

I will allow you 10 days from the date of this email to provide me with a revised response to the NOV which explains exactly how and where you have been operating the license since you ran out of waivers and provide me with the evidence required as above. I will allow you 30 days to file a transfer of location to where ever it is in Valdez that you intend to operate the license on a seasonal basis, including proof of right to possession of the proposed premises, such as a lease.

If I do not receive these responses as outlined above, my recommendation will be to proceed to an accusation requesting that the board take action against this license which could include suspension, denial, a fine, or any combination thereof.

Thank you,

Cynthia Franklin, Director
Alcohol & Marijuana Control Office
907-269-0351

From: Steve Mierop [mailto:steve@threebearsalaska.com]
Sent: Friday, December 30, 2016 1:46 PM
To: Franklin, Cynthia A (CED); CED AMCO Enforcement (CED sponsored)
Cc: David Weisz
Subject: Three Bears Alaska, Inc. - Response to Notice of Violation AB16-0628

Dear Director Franklin,

Please see the attached letter responding to Notice of Violation AB16-0628.

Thanks for your help, and Happy New Year!

All the best,

Steve

VP/CFO
907-357-4311 x22 Voice
907-357-4312 Fax
907-980-0721 Mobile
Steve@ThreeBearsAlaska.com





Alcohol & Marijuana Control Office
 550 W. 7th Ave, Suite 1600
 Anchorage, AK 99501

Date: 12-21-16
 Number AB16-0628
 Page 1 of 1 Page

Notice of Violation

(3AAC 304.525)

Licensee Three Bears Alaska, Inc.	License Number 4165	Type of License Package Store
D.B.A. Three Bears 1900 Airport Way	How Delivered Certified Mail 7013 2250 0000 9617 5064	Law Enforcement Agency Valdez Police
Street or P.O. Box 445 N. Pittman Road, Ste B	City, State Wasilla, AK	Zip 99623

This is a notice to you as licensee that an alleged violation has occurred. If the Alcoholic Beverage Control Board decides to act against your license, under the provisions of AS 44.62.330 - AS 44.62.630 (Administrative Procedures Act) you will receive an Accusation and Notice of your right to an Administrative Hearing.

Note: This is not an accusation or a criminal complaint.

VIOLATION: On 10-19-16 an inspection was conducted at your establishment in Valdez. At the time of the inspection, it was learned that you operated your license at 1800 Mineral Creek Loop Road. Records indicate you were supposed to operate it at 1900 Mineral Creek Road Loop Road. Conditions for minimal operating procedures were not complied with. This is a violation of Title 04.

Your attention is directed to AS04.11.430: Person and location, 04.11.330: Operating Requirements, minimum, 3AAC304.170: Waiver of annual operating requirement and minimum operating requirements, AS04.11.290: Application for transfer of licensed premises, 3AAC304.185: Licensed premises

You are directed to respond to the Director of the Alcohol & Marijuana Control Office in writing to this Notice of Violation within 10 days of receipt to explain what action you have taken to prevent a reoccurrence of this violation. FAILURE TO RESPOND TO THIS NOTICE OF VIOLATION WITHIN 10 DAYS WILL RESULT IN YOUR APPEARANCE, EITHER IN PERSON OR TELEPHONICALLY, BEFORE THE ABC BOARD OF DIRECTORS AT THEIR NEXT REGULARLY SCHEDULED BOARD MEETING.

*Please include your Alcohol License Number in your response.

Cynthia Franklin, Director
 Alcohol & Marijuana Control Office
 550 W. 7th Ave, Suite 1600
 Anchorage, Alaska 99501

A Response is Required

3 AAC 304.525 (B) provides that upon receipt of a Notice of Violation, a licensee may request to appear before the Director and be heard regarding the Notice of Violation. The request must be made within ten days after receipt of the Notice and the Director must grant an appearance within ten days after receipt of a request. A Licensee shall respond, either orally or in writing, to the Notice.

Receipt:	Violation Observed By: F.R. Hamilton
Filed By: <i>FR Hamilton</i>	Title: Investigator III



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of Commerce, Community,
and Economic Development**

ALCOHOL & MARIJUANA CONTROL OFFICE
550 West 7th Avenue, Suite 1600
Anchorage, AK 99501
Main: 907.269.0350

Subject: Possible Denial at Renewals

To:
Three Bears Alaska, Inc.
License # 4165
Regulatory_Compliance@threebearsalaska.com

From:
Alcohol & Marijuana Control Office
550 W. 7th Ave, Ste. 1600
Anchorage, AK 99501

Good Afternoon,

It has come to the attention of AMCO staff that Three Bears Valdez has been operating minimum requirements for the past few years. When operating like this there are some requirements that must be met; such as:

Your attention is directed to 3AAC304.170: Waiver of annual operating requirement and minimum operating requirements. Subsection (j) If a license is exercised only to satisfy the minimum operating requirements under AS 04.11.330(a)(3) or 3AAC304.107(c)(1), a licensee has the burden of proof to show that the licensed premises was operated in a similar fashion to other licensed premises of the same type of and shall, at a minimum,

- (1) provide signage, of sufficient size and visibility to show that the premises is open for business, stating business name and hours of operations;
- (2) offer for sale at the licensed premises, as appropriate to the type of license, a variety of malt beverages, wines, and distilled spirits;
- (3) visibly display the alcoholic beverages stock in a licensed package store premises;
- (6) maintain a record of all purchases of alcoholic beverages for resale on the licensed remises; and
- (7) record sales with a cash register that retains a record of transactions

It has also come to the attention of AMCO staff that year 2015 to 2016 operations were conducted at 1800 Mineral Creek Loop Road. The issued license indicates the license should have been operated at 1900 Airport Way.

I am requesting you provide AMCO Enforcement Investigators the following records for the past three years of operation,

- 1 any photographs depicting the layout of the store which depict hours of operations, where signage was posted and display of stock
- 2 cash register receipts recording sales of stock and a record of all purchases
- 3 inventory orders for stock purchased for each year and canceled checks which depict Three Bears paid the invoices
- 4 personnel roster for employees operating the license

If you have any questions or concerns regarding this issue, please don't hesitate to contact us using the email listed below:

Alcohol.Licensing@alaska.gov

Sincerely,



Cynthia Franklin
Director, ABC Board

Attachment C - 2010 Correspondence with Staff
Regarding 2nd & 3rd Waiver Applications

11

Steve Mierop

From: Steve Mierop <Steve@ThreeBearsAlaska.com>
Sent: Wednesday, September 29, 2010 10:15
To: Chris Lambert (christine.lambert@alaska.gov)
Subject: Three Bears Alaska - Draft Waiver Applications for Package Store License 4165
Attachments: WaiverApp - 2009 - DRAFT - 20100927-1631.pdf; WaiverApp - 2010 - DRAFT - 20100927-1650.pdf

Chris,

Here are the two draft (2nd & 3rd) Waiver Applications.

We REALLY appreciate all your help.

Have a good and safe trip to Kotzebue.

All the best,

Steve

VP/CFO
907-357-4311 x22 Voice
907-357-4312 Fax
907-980-0721 Mobile
Steve@ThreeBearsAlaska.com



12

Alcoholic Beverage Control Board
5848 E Tudor Rd
Anchorage, Alaska 99507
(907) 269-0350
FAX (907) 272-9412

Waiver of Operation Application

AS 04.11.330(a)(3)
15 AAC 104.170

License Information		Fees*	
Liquor License Number: 4165		Waiver Fee	\$ 1,500.00
License Type: Package Store		Penalty (If applicable)	\$ 1,000.00
Local Governing Body: (City, Borough or Unorganized) Valdez City Council P.O. Box 307 Valdez, AK 99686		Total Submitted	\$ 2,500.00
Name of Licensee: Three Bears Alaska, Inc.		*The fee is non-refundable [15 AAC 104.170(c)]	
Doing Business As (Business Name) Three Bears		Telephone Number: (907) 357-4311	
Mailing Address: 445 N. Pittman Road, Suite B Wasilla, AK 99654		Street Address or Location of Business 129 Egan Street (former location - now closed)	
		City: Valdez, AK	

Waiver Request Information	
This waiver application is the: <input type="checkbox"/> 1 st Request <input checked="" type="checkbox"/> 2 nd Request <input type="checkbox"/> 3 rd Request <input type="checkbox"/> Other _____	
Waiver Request for Calendar Year: 2009	Is this license for sale? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Explanation of the circumstances for non-operation of license. Include relevant information as to why the license was not operated, any future plans for operating the license and projected timelines. Attach additional sheets if necessary.

We closed our Valdez store in October 2007. Ever since then, we have received multiple requests from the Valdez community for us to return and open another store in town. In both 2008 and 2009 we had substantive discussions with landowners and developers in Valdez about our either taking over an existing building or having a new building built specifically for us. We tried very hard to make one existing building work for us, but we eventually determined that even if we did extensive remodeling and added on some space, we still would not have had enough space to properly serve the community. When it came to a new building, we were interested in leasing, and it turned out that the folks who were interested in being our landlord could not get their projects financed. Still, we continue talking with both community leaders and interested individuals in Valdez about how we can all work together so that Three Bears can return to town and give the community a choice of places to shop for groceries (right now there is only one grocery store in town). Returning to Valdez continued to be a topic at all of our Board of Directors Meetings in 2009 and company personnel made multiple trips to Valdez in 2009.

Our operation of any new store in Valdez would include the operation of the package store license.

Signature of Licensee(s)	
Signature	Signature
Name (Please Print) Stephen D. Mierop, Vice President	Name (Please Print)
Date September 27, 2010	Date

Alcoholic Beverage Control Board
5848 E Tudor Rd
Anchorage, Alaska 99507
(907) 269-0350
FAX (907) 272-9412

Waiver of Operation Application

AS 04.11.330(a)(3)
15 AAC 104.170

License Information		Fees*	
Liquor License Number: 4165		Waiver Fee	\$ 3,000.00
License Type: Package Store		Penalty (If applicable)	\$ 1,000.00
Local Governing Body: (City, Borough or Unorganized) Valdez City Council P.O. Box 307 Valdez, AK 99686		Total Submitted	\$ 3,000.00
Name of Licensee: Three Bears Alaska, Inc.		*The fee is non-refundable [15 AAC 104.170(c)]	
Doing Business As (Business Name) Three Bears		Telephone Number: (907) 357-4311	
Mailing Address: 445 N. Pittman Road, Suite B Wasilla, AK 99654		Street Address or Location of Business 129 Egan Street (former location - now closed)	
		City: Valdez, AK	

Waiver Request Information	
This waiver application is the: <input type="checkbox"/> 1 st Request <input type="checkbox"/> 2 nd Request <input checked="" type="checkbox"/> 3 rd Request <input type="checkbox"/> Other _____	
Waiver Request for Calendar Year: 2010	Is this license for sale? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Explanation of the circumstances for non-operation of license. Include relevant information as to why the license was not operated, any future plans for operating the license and projected timelines. Attach additional sheets if necessary.

We closed our Valdez store in October 2007. Ever since then, we have received regular requests from the Valdez community for us to return and open another store in town. In each of 2008, 2009, and 2010 we had substantive discussions with landowners and developers in Valdez about our either taking over an existing building or having a new building built specifically for us. We tried very hard to make several existing buildings work and even got pretty close with one until we determined that even if we did extensive remodeling and added on some space, we still would not have had enough space to properly serve the community. So far, when it has come to a new building, we have been interested in leasing, and so far it has always turned out that the folks who have been interested in being our landlord could not get their projects financed. Still, we continue talking with both community leaders and interested individuals in Valdez about how we can all work together so that Three Bears can return to town and give the community a choice of places to shop for groceries (right now there is only one grocery store in town). Returning to Valdez was discussed at each of our Board of Directors Meetings so far in 2010. Further, at our next Board Meeting in October we will be discussing the steps we are taking to operate the license in 2011. In fact, we are already looking for locations to operate and working out personnel and other logistical issues.

Our operation of any new store in Valdez would include the operation of the package store license. And if we could not operate the license as part of a new grocery store, our prospects of returning to Valdez would be significantly diminished because not having a package store license would both deny us significant sales of package goods and put us at a general competitive disadvantage. Thus, we will operate the license in Valdez in 2011 in order to preserve the opportunity for us to return to Valdez and once again offer the community greatly increased grocery shopping competition and variety.

Signature of Licensee(s)	
Signature	Signature
Name (Please Print) Stephen D. Mierop, Vice President	Name (Please Print)
Date September 27, 2010	Date

Attachment 3 - Correspondence with Staff
Regarding 2nd & 3rd Waiver Applications

(14)

Steve Mierop

From: Lambert, Christine C (DPS) <christine.lambert@alaska.gov>
Sent: Wednesday, September 29, 2010 14:45
To: Steve Mierop
Subject: RE: Three Bears Alaska - Draft Waiver Applications for Package Store License 4165

Steve,

I think these waivers are well done. I believe you can submit them as written and the ABC Board will be able to review them before the November meeting. I will schedule you a time to appear in person or telephonically at the November meeting. At the meeting the Board members will have a chance to ask you questions and make their decision. If I can be of further assistance, let me know. Otherwise you will be hearing from me in late October or early November.

Chris

Christine C. Lambert
Licensing & Records Supervisor
ABC Board
(907) 269-0359 phone
(907) 272-9412 fax

From: Steve Mierop [mailto:Steve@ThreeBearsAlaska.com]
Sent: Wednesday, September 29, 2010 10:15 AM
To: Lambert, Christine C (DPS)
Subject: Three Bears Alaska - Draft Waiver Applications for Package Store License 4165

Chris,

Here are the two draft (2nd & 3rd) Waiver Applications.

We REALLY appreciate all your help.

Have a good and safe trip to Kotzebue.

All the best,

Steve

VP/CFO
907-357-4311 x22 Voice
907-357-4312 Fax
907-980-0721 Mobile
Steve@ThreeBearsAlaska.com



No virus found in this incoming message.
Checked by AVG - www.avg.com
Version: 9.0.856 / Virus Database: 271.1.1/3164 - Release Date: 09/28/10 21:37:00

Attachment E - Correspondence with Staff regarding Minimal Operations in 2011/2012

16

Steve Mierop

From: Steve Mierop <steve@threebearsalaska.com>
Sent: Tuesday, August 7, 2012 15:00
To: Chris Lambert (christine.lambert@alaska.gov)
Cc: 'dan@threebearsalaska.com'
Subject: Three Bears - Valdez Package Store
Attachments: Three Bears #35 - Valdez Package Store - Info Re 2011 and 2012 Operations - 20120807-1329.pdf

Tracking:	Recipient	Read
	Chris Lambert (christine.lambert@alaska.gov)	
	'dan@threebearsalaska.com'	Read: 8/7/2012 15:03

Chris,

As you and I discussed, Three Bears operated package store license #4165 in Valdez at the end of 2011 and the beginning of 2012 such that we were open for 30 days in each year.

Also as discussed, I've attached some of the paperwork related to the store and its operation. The only thing I'd note is that the sheets that show the days that we were open say "Monday-Friday" at the top, but because things got tight in terms of time when we were doing the relocation (from no premise to 1900 Airport Way), we just decided to operate 7 days/week and carried that through into 2012.

Please let me know if you have any questions or need anything else on this.

All the best,

Steve

VP/CFO
907-357-4311 x22 Voice
907-357-4312 Fax
907-980-0721 Mobile
Steve@ThreeBearsAlaska.com



THREE BEARS ALASKA

Month: November 2011

Hours Of Operation: 8am-5pm, Monday-Friday

Location: Valdez

Additional Notes:

Date:	Day:	Sales:
1st	Tue	
2nd	Wed	
3rd	Thu	
4th	Fri	
5th	Sat	
6th	Sun	
7th	Mon	
8th	Tue	
9th	Wed	
10th	Thu	
11th	Fri	
12th	Sat	
13th	Sun	
14th	Mon	
15th	Tue	
16th	Wed	
17th	Thu	OPEN
18th	Fri	OPEN
19th	Sat	OPEN
20th	Sun	OPEN
21st	Mon	OPEN
22nd	Tue	OPEN
23rd	Wed	OPEN
24th	Thu	Closed
25th	Fri	OPEN
26th	Sat	OPEN
27th	Sun	OPEN
28th	Mon	OPEN
29th	Tue	OPEN
30th	Wed	OPEN
Monthly Total:		

First Day - E-mailed Pictures

Thanksgiving

13 days in November open!

THREE BEARS ALASKA

Month: December 2011

Hours Of Operation: 8am-5pm, Monday-Friday

Location: Valdez

Date:	Day:	Sales:
1st	Thu	OPEN
2nd	Fri	OPEN
3rd	Sat	OPEN
4th	Sun	OPEN
5th	Mon	OPEN
6th	Tue	OPEN
7th	Wed	OPEN
8th	Thu	OPEN
9th	Fri	OPEN
10th	Sat	OPEN
11th	Sun	OPEN
12th	Mon	OPEN
13th	Tue	OPEN
14th	Wed	OPEN
15th	Thu	OPEN
16th	Fri	OPEN
17th	Sat	OPEN
18th	Sun	OPEN
19th	Mon	OPEN
20th	Tue	OPEN
21st	Wed	OPEN
22nd	Thu	OPEN
23rd	Fri	OPEN
24th	Sat	OPEN
25th	Sun	OPEN
26th	Mon	OPEN
27th	Tue	OPEN
28th	Wed	OPEN
29th	Thu	OPEN
30th	Fri	OPEN
31st	Sat	closed - new year
Monthly Total:		

Additional Notes:

THREE BEARS ALASKA

Month: January 2012

Hours Of Operation: 8am-5pm, Monday-Friday

Location: Valdez

Date:	Day:	Sales:
1st	Sun	closed
2nd	Mon	OPEN
3rd	Tue	OPEN
4th	Wed	OPEN
5th	Thu	OPEN
6th	Fri	OPEN
7th	Sat	OPEN
8th	Sun	OPEN
9th	Mon	OPEN
10th	Tue	OPEN
11th	Wed	OPEN
12th	Thu	OPEN
13th	Fri	OPEN
14th	Sat	OPEN
15th	Sun	OPEN
16th	Mon	OPEN
17th	Tue	OPEN
18th	Wed	OPEN
19th	Thu	OPEN
20th	Fri	OPEN
21st	Sat	OPEN
22nd	Sun	OPEN
23rd	Mon	OPEN
24th	Tue	OPEN
25th	Wed	OPEN
26th	Thu	OPEN
27th	Fri	OPEN
28th	Sat	OPEN
29th	Sun	OPEN
30th	Mon	OPEN
31st	Tue	OPEN
Monthly Total:		

Additional Notes:

closed on
 New years - 2 days
 OPEN on Christmas!

2-1-2012 - OPEN > February
 2-2-2012 - OPEN

W



STATE OF ALASKA
Department of Public Safety
Alcoholic Beverage Control Board



TEMPORARY APPROVAL

To: Shirley A. Gifford, Executive Director
 Alcoholic Beverage Control Board
From: Sarah D. Oates
 Business Registration Examiner
Date: November 4, 2011

Request temporary approval for transfer of a liquor license:

D.B.A.: Three Bears
OWNER: Three Bears Alaska, Inc.
TYPE: Package Store
LOCATION: 1900 Airport Way
CITY/BOROUGH: Valdez/Unorganized
FROM: Three Bears Alaska, Inc.
D.B.A. Three Bears
LOCATION: No Premises
LICENSE NO.: 4165 (2011/12)

TEMPORARY APPROVAL PENDING FINAL ABC BOARD APPROVAL

Under delegation of authority granted to the director by the board at its meeting of April 8 and 9, 1998, under AS 04.06.080, I request temporary approval of the above application. All statutory requirements have been fulfilled, there is no protest under AS 04.11.480, and no objections under AS 04.11.470 have been received.

Shirley A. Gifford for Christine Lambert

 Licensing Supervisor Date 11/04/11

Concur: *[Signature]*

 Enforcement Supervisor Date 11/04/11

Approved: *Shirley A. Gifford*

 Executive Director Date 11/04/11

EFFECTIVE: November 4, 2011

PLEASE POST THIS MEMO IN LIEU OF LICENSE UNTIL FINAL APPROVAL BY THE ABC BOARD.



CITY OF VALDEZ, ALASKA

BUSINESS REGISTRATION # 785

THIS IS TO CERTIFY THAT

THREE BEARS #35

NAME OF FIRM

Three Bears Alaska Inc

OWNER

445 N Pittman Rd Ste B, Wasilla AK 99623

ADDRESS

is a registered business in compliance with Section 5.04 of the Valdez City Code.

Wendy R. Paul

Business Registrar
City of Valdez, Alaska

December 31, 2011

Expiration Date

Home Occupations:

Above business is also in compliance with Section 17.48.060 of the Valdez City Code and is duly authorized to operate as a home occupation.

Approved: N/A or N/A

NOTE:

Business Registrations are required to be renewed yearly. The \$5.00 fee is paid when registering for the first time only. Another \$5.00 fee is required only if there are any changes on the registration.

Home Occupation businesses must renew their permit applications yearly.

STATE OF ALASKA - ALCOHOLIC BEVERAGE CONTROL BOARD

LICENSE NUMBER

FORM CONTROL

1123

LIQUOR LICENSE

4165

2011 - 2012

THIS LICENSE EXPIRES MIDNIGHT DECEMBER 31 UNLESS DATED BELOW

[Empty box for expiration date]

TYPE OF LICENSE: Package Store

LICENSE FEE: \$1,500.00

FILING FEE: \$200.00

CITY / BOROUGH: Valdez
Unorganized Borough

This license cannot be transferred without permission of the Alcoholic Beverage Control Board

[] Special restriction - see reverse side

ISSUED BY ORDER OF THE ALCOHOLIC BEVERAGE CONTROL BOARD

Shirley A. Dufford
DIRECTOR

D/B/A:

Three Bears
1900 Airport Way

Mailing Address:

Three Bears Alaska Inc
445 N Pittman Rd., Suite B
Wasilla, AK 99654

THIS LICENSE MUST BE POSTED IN A VISIBLE PLACE ON THE PREMISES
04-900 (REV 9/09)

Alaska Business License # 9 65385

Alaska Department of Commerce, Community, and Economic Development
Division of Corporations, Business and Professional Licensing
P.O. Box 110806 Juneau, Alaska 99811-0806

This is to certify that

THREE BEARS #35

445 N. PITTMAN ROAD WASILLA AK 99623

owned by

THREE BEARS ALASKA, INC.

is licensed by the department to conduct business for the period
November 07, 2011 through December 31, 2013
for the following line of business:

42 Trade

This license shall not be taken as permission to do business in the state without having complied with the other requirements of the laws of the State or of the United States.

This license must be posted in a conspicuous place at the business location. It is not transferable or assignable.

Susan K. Bell
Commissioner



Attachment F - Correspondence with Staff Regarding Minimal Operations in 2011/2012 (25)

Steve Mierop

From: Lambert, Christine C (CED) <christine.lambert@alaska.gov>
Sent: Tuesday, August 7, 2012 15:04
To: Steve Mierop
Subject: RE: Three Bears - Valdez Package Store

Steve,

Thanks for the quick reply. I will print the email and attachments for the file. Chris

Christine C. Lambert

*Records & Licensing Supervisor | Alcoholic Beverage Control Board
269-0359 phone | 272-9412 fax | Christine.lambert@alaska.gov*

From: Steve Mierop [mailto:steve@threebearsalaska.com]
Sent: Tuesday, August 07, 2012 3:00 PM
To: Lambert, Christine C (CED)
Cc: dan@threebearsalaska.com
Subject: Three Bears - Valdez Package Store

Chris,

As you and I discussed, Three Bears operated package store license #4165 in Valdez at the end of 2011 and the beginning of 2012 such that we were open for 30 days in each year.

Also as discussed, I've attached some of the paperwork related to the store and its operation. The only thing I'd note is that the sheets that show the days that we were open say "Monday-Friday" at the top, but because things got tight in terms of time when we were doing the relocation (from no premise to 1900 Airport Way), we just decided to operate 7 days/week and carried that through into 2012.

Please let me know if you have any questions or need anything else on this.

All the best,

Steve

VP/CFO
907-357-4311 x22 Voice
907-357-4312 Fax
907-980-0721 Mobile
Steve@ThreeBearsAlaska.com



Attachment C - Correspondence with Staff regarding ⁽²⁷⁾ Minimal Operations in 2011/2012

Steve Mierop

From: Steve Mierop <steve@threebearsalaska.com>
Sent: Thursday, August 9, 2012 11:33
To: Chris Lambert (christine.lambert@alaska.gov)
Cc: 'dan@threebearsalaska.com'
Subject: Three Bears - Valdez Package Store License #4165
Attachments: 20120806 ABC Letter Re Three Bears Valdez Package Store License #4165.pdf

Tracking:

Recipient	Read
Chris Lambert (christine.lambert@alaska.gov)	
'dan@threebearsalaska.com'	Read: 8/13/2012 10:45

Christine,

I just want to make sure that the attached letter and your and my recent correspondence about package store license #4165 passed each other in the night and that we are good on this issue and there is nothing else to do.

Thanks!

All the best,

Steve

VP/CFO
907-357-4311 x22 Voice
907-357-4312 Fax
907-980-0721 Mobile
Steve@ThreeBearsAlaska.com





THE STATE
of ALASKA

GOVERNOR SEAN PARNELL

Department of Commerce, Community,
and Economic Development

ALCOHOLIC BEVERAGE CONTROL BOARD

5848 E. Tudor Road
Anchorage, Alaska 99507
Main: 907.269.0350
Chris Lambert: 907.269.0359
TDD: 907.465.5437
Fax: 907.272.9412

August 6, 2012

Three Bears Alaska, Inc.
Attn: Stephen D. Mierop
445 N Pittman Road, Ste. B
Wasilla, AK 99654

VIA CERTIFIED LETTER
7009 2820 0001 7253 0794

Dear Mr. Mierop:

On a recent trip, our investigators noted that the Three Bears package store license #4165, 1900 Airport Way was closed. The first letter I sent to you on July 5, 2012 regarding this matter was unanswered (copy enclosed).

This license was granted its third and final waiver for operating year 2010 at the September 27, 2010 ABC Board meeting. Please provide the dates of operation for operating years 2011 and 2012. In addition, please provide receipts or accounting records to demonstrate the dates of operation.

If you have any questions or concerns regarding this request, please feel free to contact me.

Sincerely,

SHIRLEY A. COTÉ
Director

/s/Christine C. Lambert
Christine C. Lambert
Licensing & Records Supervisor
Christine.lambert@alaska.gov

Attachment H - Correspondence with Staff Regarding Minimal Operations in 2011/2012 ⁽²⁹⁾

Steve Mierop

From: Lambert, Christine C (CED) <christine.lambert@alaska.gov>
Sent: Thursday, August 9, 2012 11:49
To: Steve Mierop
Subject: RE: Three Bears - Valdez Package Store License #4165

Steve,

I did receive the documents you sent to show your operation dates. They are in the license file. All is good on my end. Thanks for checking, Chris

Christine C. Lambert

*Records & Licensing Supervisor | Alcoholic Beverage Control Board
269-0359 phone | 272-9412 fax | Christine.lambert@alaska.gov*

From: Steve Mierop [mailto:steve@threebearsalaska.com]
Sent: Thursday, August 09, 2012 11:33 AM
To: Lambert, Christine C (CED)
Cc: dan@threebearsalaska.com
Subject: Three Bears - Valdez Package Store License #4165

Christine,

I just want to make sure that the attached letter and your and my recent correspondence about package store license #4165 passed each other in the night and that we are good on this issue and there is nothing else to do.

Thanks!

All the best,

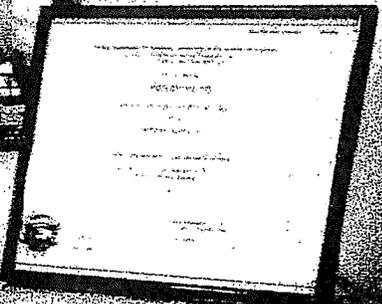
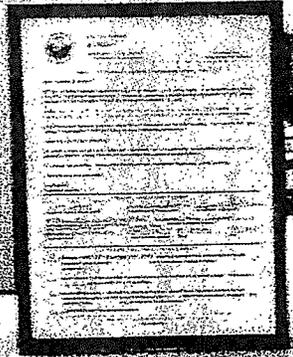
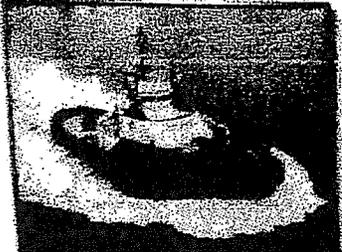
Steve

VP/CFO
907-357-4311 x22 Voice
907-357-4312 Fax
907-980-0721 Mobile
Steve@ThreeBearsAlaska.com



5/2016 Product Photos



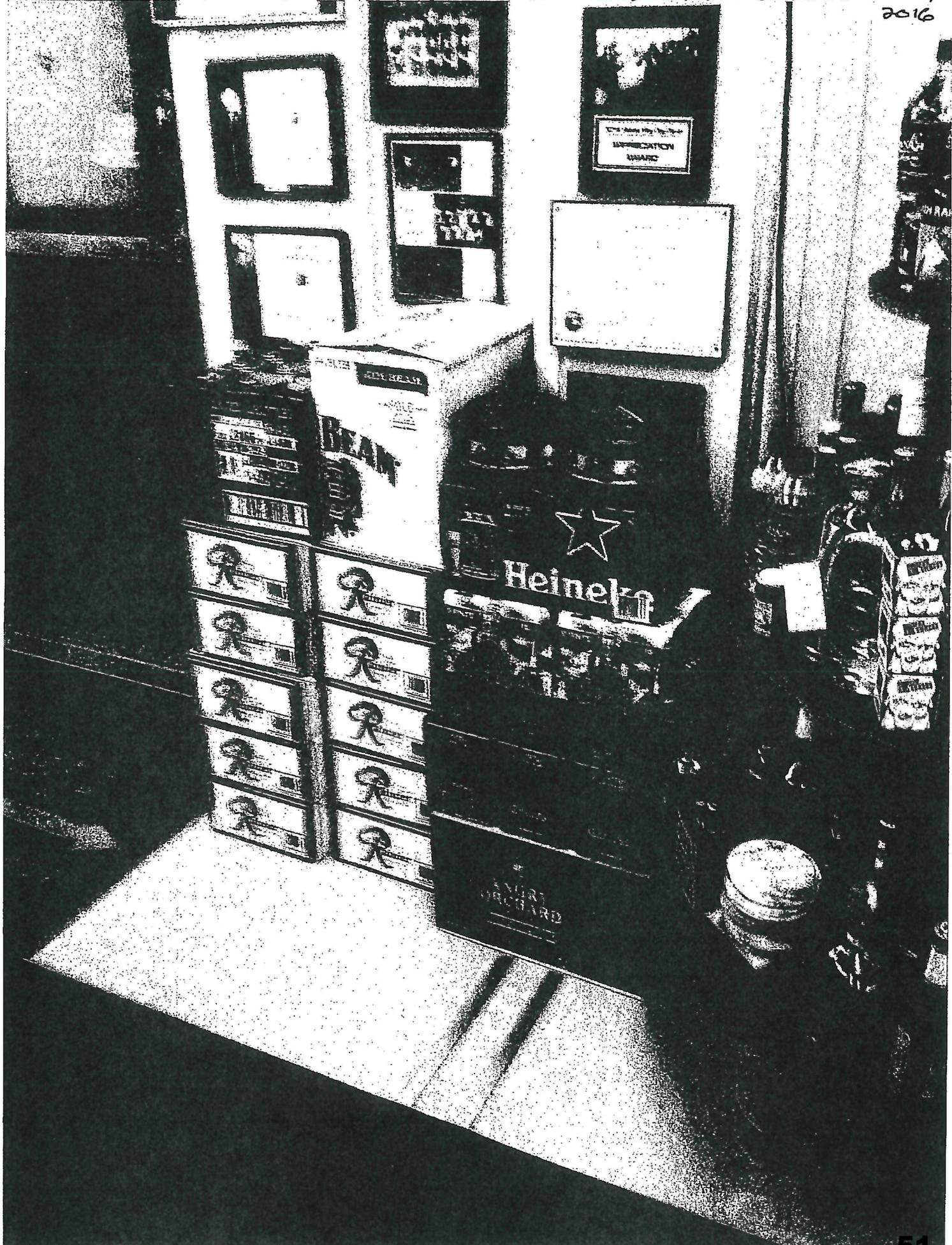


Attachment I - Photo Showing Liguar, Valdez, and State Licenses - 2015/2016



Attachment K - Photo Showing Product Just Inside Public Entrance - 2015/2016

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Attachment L - Response Letter (Initial)

35



THREE BEARS ALASKA, INC.

445 N. Pittman Road, Suite B
Wasilla, Alaska 99623
☎ (907) 357-4311 ☏ (907) 357-4312

December 30, 2016

Via email and U.S. mail
cynthia.franklin@alaska.gov
amco.enforcement@alaska.gov

Cynthia Franklin, Director
Alcohol & Marijuana Control Office
550 W. 7th Avenue, Suite 1600
Anchorage, Alaska 99501

Re: Notice of Violation AB16-0628 (12-21-16)

Dear Director Franklin,

In order to address the issues raised in Notice of Violation AB16-0628, we at Three Bears believe it's helpful to put our current operations in Valdez in context.

First, our only current operations in Valdez are related to the actions we periodically undertake to operate license 4165 for at least 30 days each year and 8 hours for each of those 30 or more days.

Second, while Three Bears today operates a chain of nine stores in Alaska and one in Montana and is in fact the largest Alaskan-owned retailer in Alaska, this was not always the case. The company started in Tok in 1980 with a store named Gateway Food Center. Further, it was only with the opening of the company's second store in Valdez in 1989 that there was "a second link in the chain." The Valdez store was called "Three Bears" and is where the current name for the company and all of our stores originated. Plus, the Valdez store was our first store with a package store liquor license.

Now we fast-forward to late 2007, and we see that Three Bears had grown to six stores and was working on opening its seventh. But while most of the company was growing strong, there was a problem. In a nutshell, the problem was that both the City of Valdez and its economy had been shrinking for years and our Valdez store had been losing money for several years. And despite our best efforts, we just didn't see a way to turn things around in Valdez in any practical timeframe. So, in October 2007, as a company deeply committed to the communities we live in and serve, we took the very difficult step of closing our Valdez store.

Accordingly, it pained us greatly when we saw the only other grocery store in town raise all of its prices within minutes of hearing that we were closing. And, of course, they didn't do this because the cost of any of the products on their shelves suddenly increased. No, they did this because they no longer had any competition and knew that they could effectively charge whatever they wanted.

Seeing how the Valdez community was being taken advantage of and listening to the pleas from folks in Valdez (both at the time we closed and through the years since) for us to either stay or at least come back someday, we resolved that if we ever saw how we could make it work financially, Three Bears would return to Valdez.

Re: Notice of Violation AB16-0628 (12-21-16)
December 30, 2016
Page 2

That brings us back to license 4165. Because from day one of our thoughts of returning to Valdez, we have always known that we would need to have a package store in order to be competitive so that we could survive and serve the community again.

So, in order to keep license 4165 for a potential return to Valdez, we applied for and received non-operating waivers. Then, after receiving our third waiver, we faced the prospect of either operating enough to keep the license alive or potentially forever giving up our hopes of someday returning to Valdez. The solution we chose was to operate the license for at least 30 8-hour days each year.

However, operating for just 30 8-hours days each year has not been without difficulties and has unfortunately brought us to the place where we received the Notice of Violation. And that has brought us again to that other place—namely, the place where we once more have to decide how committed we are to preserving the viability of a future return to Valdez.

As a company strongly committed to Alaska and the communities we serve and the ones we may one day serve (or serve again), we have decided to prevent the recurrence of the violations noted in Valdez by committing additional resources to the Valdez market. Specifically, we intend to operate license 4165 in the future as a seasonal license where we make and meet all the commitments required to give Valdez a solid choice of package stores for the several months that we will be operating in Valdez each year in the future.

We have already started to inquire about available locations and will apply to the ABC Board to change the premises for license 4165 just as soon as we secure a location. And we will also take the necessary steps to convert license 4165 to a seasonal license.

Finally, we note that in the Notice it says that we may request to appear before you to be heard regarding the Notice. And in terms of setting a date for that appearance, we would ask that our appearance at your offices in Anchorage be scheduled for either the week of January 2nd, 2017 or the period starting January 23rd and ending February 14th, 2017.

Thank you very much for your help with this matter, and Happy New Year!

Best regards,



Stephen D. Mierop
Vice President/CFO

Attachment M - Operating Records for 2011/2012

THREE BEARS ALASKA

Month: November 2011

Hours Of Operation: 8am-5pm, Monday-Friday

Location: Valdez

Additional Notes:

Date:	Day:	Sales:
1st	Tue	
2nd	Wed	
3rd	Thu	
4th	Fri	
5th	Sat	
6th	Sun	
7th	Mon	
8th	Tue	
9th	Wed	
10th	Thu	
11th	Fri	
12th	Sat	
13th	Sun	
14th	Mon	
15th	Tue	
16th	Wed	
17th	Thu	OPEN
18th	Fri	OPEN
19th	Sat	OPEN
20th	Sun	OPEN
21st	Mon	OPEN
22nd	Tue	OPEN
23rd	Wed	OPEN
24th	Thu	Closed
25th	Fri	OPEN
26th	Sat	OPEN
27th	Sun	OPEN
28th	Mon	OPEN
29th	Tue	OPEN
30th	Wed	OPEN
Monthly Total:		

- First Day - E-mailed Pictures

- Thanksgiving

- 13 days in November open!

THREE BEARS ALASKA

Month: December 2011

Hours Of Operation: 8am-5pm, Monday-Friday

Location: Valdez

Date:	Day:	Sales:
1st	Thu	OPEN
2nd	Fri	OPEN
3rd	Sat	OPEN
4th	Sun	OPEN
5th	Mon	OPEN
6th	Tue	OPEN
7th	Wed	OPEN
8th	Thu	OPEN
9th	Fri	OPEN
10th	Sat	OPEN
11th	Sun	OPEN
12th	Mon	OPEN
13th	Tue	OPEN
14th	Wed	OPEN
15th	Thu	OPEN
16th	Fri	OPEN
17th	Sat	OPEN
18th	Sun	OPEN
19th	Mon	OPEN
20th	Tue	OPEN
21st	Wed	OPEN
22nd	Thu	OPEN
23rd	Fri	OPEN
24th	Sat	OPEN
25th	Sun	OPEN
26th	Mon	OPEN
27th	Tue	OPEN
28th	Wed	OPEN
29th	Thu	OPEN
30th	Fri	OPEN
31st	Sat	closed - New year
Monthly Total:		

Additional Notes:

THREE BEARS ALASKA

Month: January 2012

Hours Of Operation: 8am-5pm, Monday-Friday

Location: Valdez

Date:	Day:	Sales:
1st	Sun	closed
2nd	Mon	OPEN
3rd	Tue	OPEN
4th	Wed	OPEN
5th	Thu	OPEN
6th	Fri	OPEN
7th	Sat	OPEN
8th	Sun	OPEN
9th	Mon	OPEN
10th	Tue	OPEN
11th	Wed	OPEN
12th	Thu	OPEN
13th	Fri	OPEN
14th	Sat	OPEN
15th	Sun	OPEN
16th	Mon	OPEN
17th	Tue	OPEN
18th	Wed	OPEN
19th	Thu	OPEN
20th	Fri	OPEN
21st	Sat	OPEN
22nd	Sun	OPEN
23rd	Mon	OPEN
24th	Tue	OPEN
25th	Wed	OPEN
26th	Thu	OPEN
27th	Fri	OPEN
28th	Sat	OPEN
29th	Sun	OPEN
30th	Mon	OPEN
31st	Tue	OPEN
Monthly Total:		

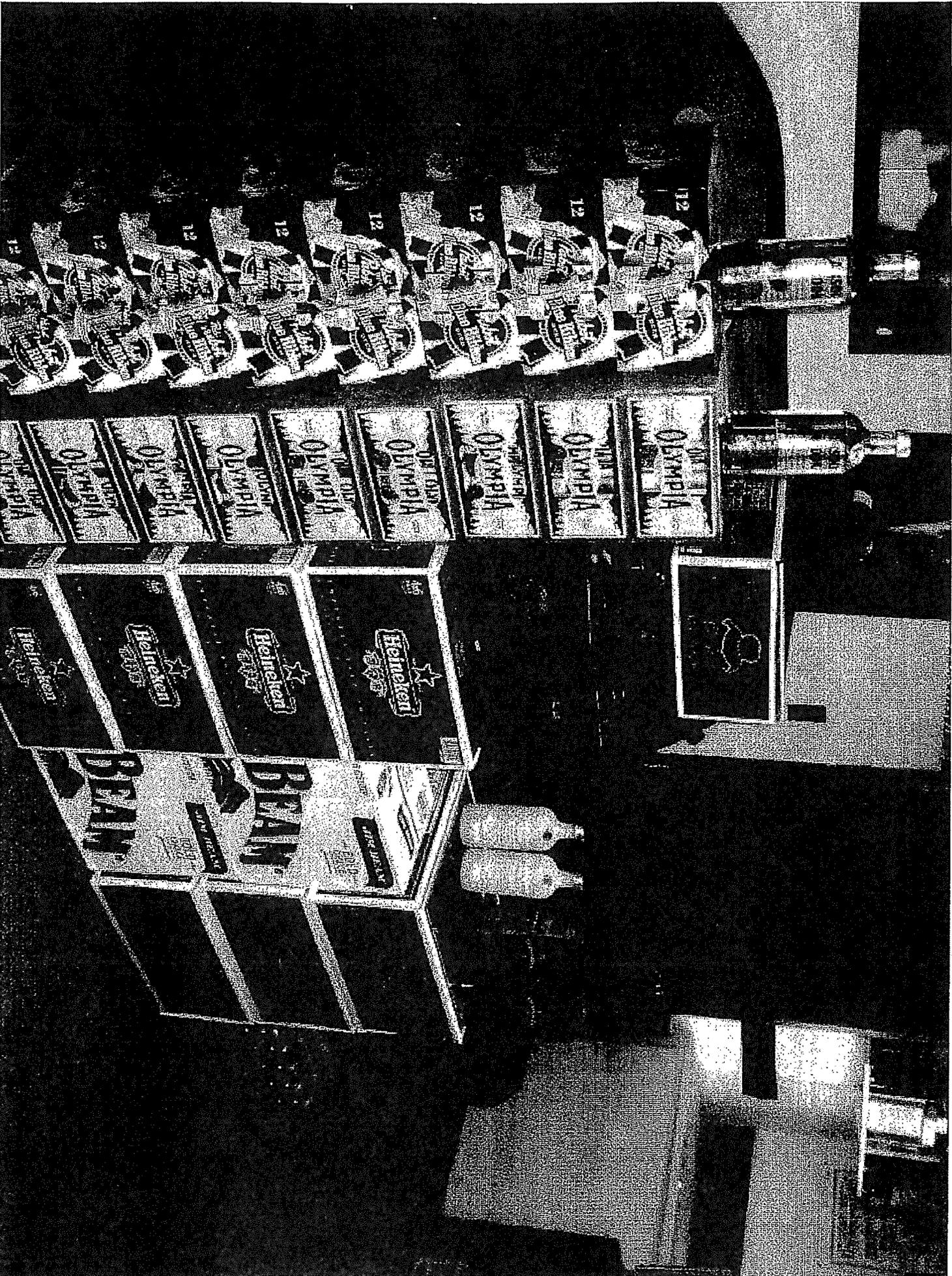
Additional Notes:

closed on
 New years - 2 days
 OPEN on Christmas!

2-1-2012 - OPEN 7 February
 2-2-2012 - OPEN

✓

Attachment N - 2011/2012 Product For Sale



Attachment O - Operating Records
for 2013/2014

THREE BEARS ALASKA

Month: November 2013

Hours Of Operation: 8am-5pm

Location: Valdez

Date:	Day:	Sales:
1st	Fri	OPEN - First Day
2nd	Sat	
3rd	Sun	
4th	Mon	
5th	Tue	
6th	Wed	
7th	Thu	
8th	Fri	
9th	Sat	
10th	Sun	
11th	Mon	
12th	Tue	
13th	Wed	
14th	Thu	
15th	Fri	
16th	Sat	
17th	Sun	
18th	Mon	
19th	Tue	
20th	Wed	
21st	Thu	
22nd	Fri	
23rd	Sat	
24th	Sun	closed Thanksgiving
25th	Mon	
26th	Tue	
27th	Wed	
28th	Thu	
29th	Fri	
30th	Sat	
Monthly Total:		

Additional Notes:

THREE BEARS ALASKA

Month: December 2013

Hours Of Operation: 8am-5pm

Location: Valdez

Additional Notes:

Date:	Day:	Sales:
1st	Sun	
2nd	Mon	
3rd	Tue	
4th	Wed	
5th	Thu	
6th	Fri	
7th	Sat	
8th	Sun	
9th	Mon	
10th	Tue	
11th	Wed	
12th	Thu	
13th	Fri	
14th	Sat	
15th	Sun	
16th	Mon	
17th	Tue	
18th	Wed	
19th	Thu	
20th	Fri	
21st	Sat	
22nd	Sun	
23rd	Mon	
24th	Tue	<i>closed at noon</i>
25th	Wed	<i>closed christmas</i>
26th	Thu	
27th	Fri	
28th	Sat	
29th	Sun	
30th	Mon	
31st	Tue	<i>closed at noon</i>
Monthly Total:		

THREE BEARS ALASKA

Month: January 2014

Hours Of Operation: 8am-5pm

Location: Valdez

Date:	Day:	Sales:
1st	Wed	
2nd	Thu	
3rd	Fri	
4th	Sat	
5th	Sun	
6th	Mon	
7th	Tue	
8th	Wed	
9th	Thu	
10th	Fri	
11th	Sat	
12th	Sun	
13th	Mon	
14th	Tue	
15th	Wed	
16th	Thu	
17th	Fri	
18th	Sat	
19th	Sun	
20th	Mon	
21st	Tue	
22nd	Wed	
23rd	Thu	
24th	Fri	
25th	Sat	
26th	Sun	
27th	Mon	
28th	Tue	
29th	Wed	
30th	Thu	
31st	Fri	
Monthly Total:		

Additional Notes:

closed new years

THREE BEARS ALASKA

Month: February 2014

Hours Of Operation: 8am-5pm

Location: Valdez

Additional Notes:

Date:	Day:	Sales:
1st	Sat	
2nd	Sun	
3rd	Mon	
4th	Tue	
5th	Wed	
6th	Thu	
7th	Fri	
8th	Sat	
9th	Sun	
10th	Mon	
11th	Tue	
12th	Wed	
13th	Thu	
14th	Fri	
15th	Sat	
16th	Sun	
17th	Mon	
18th	Tue	
19th	Wed	
20th	Thu	
21st	Fri	
22nd	Sat	
23rd	Sun	
24th	Mon	
25th	Tue	
26th	Wed	
27th	Thu	
28th	Fri	Last Day closed
Monthly Total:		1233.00

close-out sale
 Wilson Purchased all
 Product!

Attachment P - Operating Records
for 2015/2016

45

THREE BEARS ALASKA

Month: November 2015

Hours Of Operation: 8am-5pm

Location: Valdez

Date:	Day:	Sales:
1st	Sun	
2nd	Mon	
3rd	Tue	
4th	Wed	
5th	Thu	
6th	Fri	
7th	Sat	
8th	Sun	
9th	Mon	
10th	Tue	
11th	Wed	
12th	Thu	
13th	Fri	
14th	Sat	
15th	Sun	
16th	Mon	
17th	Tue	
18th	Wed	
19th	Thu	
20th	Fri	Open 8-5
21st	Sat	Open 8-5
22nd	Sun	Open 8-5
23rd	Mon	Open 8-5
24th	Tue	Open 8-5
25th	Wed	Open 8-3:30
26th	Thu	Closed
27th	Fri	Open 8-5
28th	Sat	Open 8-5
29th	Sun	Open 8-5
30th	Mon	Open 8-5
Monthly Total:		0

Additional Notes:

10

THREE BEARS ALASKA

Month: December 2015

Hours Of Operation: 8am-5pm

Location: Valdez

Date:	Day:	Sales:
1st	Tue	Open 8-5
2nd	Wed	Open 8-5
3rd	Thu	Open 8-5
4th	Fri	Open - 8-5
5th	Sat	Open 8-5
6th	Sun	Open - 8-5
7th	Mon	Open - 8-5
8th	Tue	Open 8-5
9th	Wed	Open 8-5
10th	Thu	Open 8-5
11th	Fri	Open 8-5
12th	Sat	Open 8-5
13th	Sun	Open 8-5
14th	Mon	Open 8-5
15th	Tue	Open 8-5
16th	Wed	Open 8-5
17th	Thu	Open 8-5
18th	Fri	Open 8-5
19th	Sat	Open 8-5
20th	Sun	Open 8-5
21st	Mon	Open 8-5
22nd	Tue	Open 8-5
23rd	Wed	Open 8-5
24th	Thu	Open 8-10am
25th	Fri	Closed
26th	Sat	Open 8-5
27th	Sun	Open 8-5
28th	Mon	Open 8-5
29th	Tue	Open 8-5
30th	Wed	Open 8-5
31st	Thu	Open 8-1:30
Monthly Total:		0

Additional Notes:

30

THREE BEARS ALASKA

Month: January 2016

Hours Of Operation: 8am-5pm

Location: Valdez

Additional Notes:

Date:	Day:	Sales:
1st	Fri	closed
2nd	Sat	open - 8-5
3rd	Sun	open 8-5
4th	Mon	open 8-5
5th	Tue	open 8-5
6th	Wed	open 8-5
7th	Thu	open 8-5
8th	Fri	open 8-5
9th	Sat	open - 8-5
10th	Sun	open 8-5
11th	Mon	open 8-5
12th	Tue	open 8-5
13th	Wed	open 8-5
14th	Thu	open 8-5
15th	Fri	open 8-5
16th	Sat	open 8-5
17th	Sun	open 8-5
18th	Mon	open 8-5
19th	Tue	open 8-5
20th	Wed	open 8-5
21st	Thu	open 8-5
22nd	Fri	open 8-5
23rd	Sat	open 8-5
24th	Sun	open 8-5
25th	Mon	open 8-5
26th	Tue	open 8-5
27th	Wed	open 8-5
28th	Thu	open 8-5
29th	Fri	open 8-5
30th	Sat	open 8-5
31st	Sun	open 8-5
Monthly Total:		

30