

**LIQUOR COMMISSION  
CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL  
MAYOR



February 16, 2016

Representative Angus L.K. McKelvey, Chair  
Representative Justin H. Woodson, Vice Chair  
Committee on Consumer Protection & Commerce

MICHAEL S. YAMAGUCHI  
CHAIRMAN

WESLEY F. FONG  
CO-VICE CHAIR

JOSEPH V. O'DONNELL  
CO-VICE CHAIR

NARSI A. GANABAN  
COMMISSIONER

MALAMA MINN  
COMMISSIONER

FRANKLIN DON PACARRO, JR.  
ADMINISTRATOR

ANNA C. HIRAI  
ASSISTANT ADMINISTRATOR

**Hearing:** Wednesday, February 17, 2016  
2:00 P.M.; Room 325

**Position:** Providing Comments on HB 2422, Relating to Liquor

Dear Chair McKelvey, Vice Chair Woodson, and Members:

The Liquor Commission, City and County of Honolulu (Commission), appreciates the opportunity to provide comments on House Bill 2422, Relating to Liquor.

The proposed measure would amend two (2) sections of Chapter 281, Hawaii Revised Statutes (HRS), to clarify and fine-tune procedures applicable to a narrow category of licensee or liquor license applicant. The Commission feels that the proposed amendments both **provide clarification and efficiencies for these types of licensees or liquor license applicants, but without impeding or decreasing the quality of our regulatory oversight.** Specifics follow:

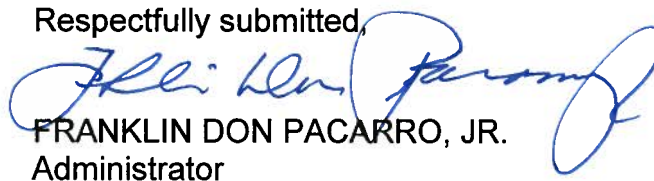
1. Section 1 would amend HRS 281-41(i) to specify that changes in outstanding *voting* capital stock is the appropriate type of capital stock that would determine whether a change in ownership of stock requires that the licensee get *pre-approval* of the change from the Commission. As corporate ownership structures frequently contain classes of stock that are *non-voting*, it is **reasonable from a regulatory standpoint to only consider changes in voting stock**, as only the voting stock classes can effect changes in a corporation's corporate behavior.
2. Section 2 would amend HRS 281-53(1) to specify that if a licensee or liquor license applicant is a publicly-traded company, or an entity that is ultimately solely owned by a publicly-traded company, that only those officers designated as the primary decisionmakers regarding the licensee's or applicant's liquor sales and service activities need to be identified and submit personal history information for applications, renewals, and transfers. Section 1 makes a conforming amendment to HRS 281-41(i).

For the past ten years, licensees and applicants who meet this publicly-traded criteria **have requested the same relief as that described in House Bill 2422, and the Commission routinely has granted this relief.** The Section 1 and 2 amendments would eliminate this extra step. The reasons expressed for granting the relief are as follows:

- (a) Publicly-traded companies are subject to oversight from the Securities & Exchange Commission, which imposes corporate governance, disclosure, and accountability requirements far more extensive than that imposed by the Commission.
- (b) Publicly-traded companies frequently have corporate officers that number in the dozens, many of whom have no knowledge of or responsibility for liquor sales and service activities taking place in the City and County of Honolulu. Identifying and reviewing personal history information from those with no knowledge of or responsibility for liquor sales and service activities taking place in the City and County of Honolulu does not further regulatory oversight over the licensee or the applicant.
- (c) In a similar vein, requiring the identification and personal history information from those with no knowledge of or responsibility for liquor sales and service activities taking place in the City and County of Honolulu is burdensome for both the licensee or the applicant and Commission staff, without a corresponding improvement in regulatory oversight.

Thank you for the opportunity to testify.

Respectfully submitted,

  
FRANKLIN DON PACARRO, JR.  
Administrator

FDP:ACH



**Executive Officers:**  
Derek Kurisu, KTA Superstores - Chairperson  
John Erickson, Young's Market Company – Vice Chair  
Bob Stout, Times Supermarkets – Secretary/Treasurer  
Lauren Zirbel, Executive Director

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TO: COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
Representative Angus L.K. McKelvey, Chair  
Representative Justin H. Woodson, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: Wednesday, February 17, 2015  
TIME: 2:00 p.m.  
PLACE: Conference Room 325

RE: HB2422

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

We support this measure. In addition to being practical, it increases accountability and helps to simplify a cumbersome process. Since many companies, both here and on the mainland, have multiple owners and numerous locations, it makes sense that the executive responsible for the corporation should be able sign for transfers.

Thank you for the opportunity to testify.



Time: 2:00 p.m.

Date: February 17, 2016

Committee: House Consumer Protection & Commerce Committee

Location: Capitol Room 325

Bill: HB 2422 Relating to Liquor

Aloha Chair McKelvey, Vice Chair Woodson and members of the committee:

On behalf of Kona Brewing Company, we are writing to support HB 2422, relating to liquor. This bill would amend liquor license application and operating procedures. We believe that this bill is an important step toward ensuring adequate and efficient administration of the application process.

Kona Brewing Company runs its flagship brewery in Kailua-Kona on Hawaii's Big Island, which produces more than 12,000 barrels of beer annually and is complimented by pubs on 'Oahu and Hawaii islands. Kona Brewing Company was started by a father and son team who had a dream to create fresh, local island brews made with spirit, passion, and quality. It recently announced that it will expand its brewery operations in Hawaii to include a new state-of-the-art, 30,000 square-foot brewery, increasing annual production capacity to 100,000 barrels per year. Kona Brewing Company is an integral part of its community, and thus feels passionate about giving back to its community.

Thank you for the opportunity to testify.

Sincerely,

Andy Thomas  
President  
Kona Brewing Company

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**TORKILDSON, KATZ, MOORE,  
HETHERINGTON & HARRIS**

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February 16, 2016

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Representative Angus L.K. McKelvey, Chair  
Representative Justin H. Woodson, Vice Chair  
House Committee on Consumer Protection & Commerce  
Hawaii State Capitol  
415 South King Street  
Honolulu, Hawaii 96813

Re: H.B. No. 2422 relating to Liquor – **LETTER OF SUPPORT**

Dear Chair McKelvey, Vice Chair Woodson, and Committee Members:

This letter is in support of H.B. No. 2422, which would amend the liquor license procedures to allow publicly owned companies, and entities they solely own, to provide information for only those officers designated as primary decision makers regarding the purchase and sale of liquor. This bill also would clarify that only a transfer of twenty-five per cent or more of outstanding voting capital stock would require a corporation to secure the approval of the transfer.

As a practicing attorney, I represent numerous publicly and privately owned companies in connection with liquor issues in all counties and believe this bill would benefit the application process in each county.

This bill would streamline the liquor license application process for publicly owned companies which typically have a multitude of officers and directors, by title, even though only a select few are involved in the purchase, sale and service aspect of the liquor licensee's business. Requiring all officers, e.g. whether first, second, third, executive, senior, or assistant vice presidents, to undergo the criminal clearance and personal history process is unduly burdensome, redundant, and unnecessary for these companies and their solely owned entities, when just a select few directly supervise the liquor sale and purchase. This bill would create a more business friendly environment, without jeopardizing the original purpose of ensuring that ex-felons are not involved in the sale of liquor in Hawaii, since it would only apply to publicly owned companies, who are already subject to strict regulation and oversight by the Securities and Exchange Commission and other government agencies.

The amendment to require only a transfer of twenty-five per cent or more of outstanding voting capital stock to secure the approval of the transfer reflects the realities of the modern

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business world where companies often issue nonvoting stock or other nonvoting equity instruments to finance its operations. The vetting of stockholders who control the company, because of their voting rights, would continue. This would allow corporations to obtain financing and other capitalization faster and more efficiently.

For the foregoing reason, I respectfully support H.B. No. 2422. Thank you for your consideration of the foregoing.

Very truly yours,

TORKILDSON, KATZ, MOORE,  
HETHERINGTON & HARRIS  
Attorneys At Law / A Law Corporation



Newton J. Chu

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As a practicing attorney, I have processed numerous liquor license applications for publicly and privately owned companies in counties and believe this bill would benefit the application process in each county.

This bill would streamline the liquor license application process for publicly owned companies which typically have a multitude of officers and directors, by title, even though only a select few are involved in the purchase, sale and service aspect of the liquor licensee's business. Requiring all officers, e.g. whether first, second, third, executive, senior, or assistant vice presidents, to undergo the criminal clearance and personal history process has been burdensome, redundant, and unnecessary for these companies and their solely owned entities, when just a select few directly supervise the liquor sale and purchase. This bill would create a more business friendly environment, without jeopardizing the original purpose of vetting officers and directors, since it would only apply to publicly owned companies, who are already subject to strict regulation and oversight by the Securities and Exchange Commission and other government agencies.

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Vaughn G.T. Cook