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## A BILL FOR AN ACT

RELATING TO LIQUOR.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Section 281-41, Hawaii Revised Statutes, is  
2 amended by amending subsection (i) to read as follows:  
3           "(i) If the licensee is a corporation, a change in  
4 ownership of any outstanding capital stock shall not be deemed a  
5 transfer of a license; provided that in the case of a change in  
6 ownership of twenty-five per cent or more of the stock or in the  
7 case of change in ownership of any number of shares of the stock  
8 that results in the transferee thereof becoming the owner of  
9 twenty-five per cent or more of the outstanding voting capital  
10 stock, the corporate licensee shall, prior to the date of the  
11 transfer, apply for and secure the approval of the transfer from  
12 the commission in writing. If the commission finds that the  
13 proposed transferee is an unfit or improper person to hold a  
14 license in the proposed transferee's own right pursuant to  
15 section 281-45, it shall not approve the proposed transfer. If  
16 any transfer is made without the prior approval of the  
17 commission, the commission may in its discretion revoke or



1 suspend the license until it determines that the transferee is a  
2 fit and proper person, and if the commission finds that the  
3 transferee is not a fit and proper person, until a retransfer or  
4 new transfer of the capital stock is made to a fit and proper  
5 person pursuant to section 281-45. In addition, the corporate  
6 licensee shall, within thirty days from the date of election of  
7 any officer or director, notify the commission in writing of the  
8 name, age, and place of residence of the officer or director[-];  
9 provided that if the licensee is a publicly-traded company, or  
10 an entity ultimately solely owned by a publicly-traded company,  
11 the licensee shall, within thirty days from the date of election  
12 of any replacement of an officer designated as a primary  
13 decisionmaker regarding the purchase and sale of liquor, notify  
14 the commission in writing of the name, age, and place of  
15 residence of the officers. If the commission finds the  
16 transferee, officer, or director an unfit or improper person to  
17 hold a license in the transferee's, officer's, or director's own  
18 right pursuant to section 281-45, it may in its discretion  
19 revoke the license or suspend the license until a retransfer or  
20 new transfer of the capital stock is effected to a fit or proper  
21 person pursuant to section 281-45 or until the unfit or improper



1 transferee, officer, or director is removed or replaced by a fit  
2 and proper person pursuant to section 281-45."

3 SECTION 2. Section 281-53, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 "§281-53 Application; penalty for false statements. Every  
6 application for a license or for the renewal of a license or for  
7 the transfer of a license shall be in writing, signed and,  
8 except for the renewal of a license, verified by the oath of the  
9 applicant, or in the case of a corporation or unincorporated  
10 association by the proper officer or officers thereof, or if a  
11 partnership by a general partner thereof, or if a limited  
12 liability partnership by a partner thereof, or if a limited  
13 liability company by a member thereof, made before any official  
14 authorized by law to administer oaths, and shall be addressed to  
15 the liquor commission, and set forth:

16 (1) The full name, age, and place of residence of the  
17 applicant; if a copartnership, the names, ages, and  
18 respective places of residence of all the partners; if  
19 a limited liability company, its full name and the  
20 names of all its members; if a corporation or joint-  
21 stock company, its full name and the names of its



1 officers and directors, and the names of all  
2 stockholders owning twenty-five per cent or more of  
3 the outstanding capital stock; if a publicly traded  
4 company, or an entity ultimately solely owned by a  
5 publicly-traded company, the names of the officers  
6 designated as the primary decisionmakers regarding the  
7 purchase and sale of liquor; and if any other  
8 association of individuals, the names, ages, and  
9 respective places of residence of its officers and the  
10 number of its members;

11 (2) A particular description of the place or premises  
12 where the proposed license is to be exercised, so that  
13 the exact location and extent thereof may be clearly  
14 and definitely determined therefrom;

15 (3) The class and kind of license applied for; and

16 (4) Any other matter or information pertinent to the  
17 subject matter which may be required by the rules of  
18 the commission.

19 If any false statement is knowingly made in any application  
20 which is verified by oath, the applicant, and in the case of the  
21 application being made by a corporation, limited liability



# H.B. NO. 2422

1 company, association, or club, the persons signing the  
 2 application, shall be guilty of perjury, and shall be subject to  
 3 the penalties prescribed by law for such offense. If any false  
 4 statement is knowingly made in any application which is not  
 5 verified by oath, the person or persons signing the application  
 6 shall be guilty of a misdemeanor and upon conviction thereof  
 7 shall be punished as in section 281-102 provided."

8 SECTION 3. Statutory material to be repealed is bracketed  
 9 and stricken. New statutory material is underscored.

10 SECTION 4. This Act shall take effect upon its approval.

11

INTRODUCED BY:

JAN 25 2016



# H.B. NO. 2422

**Report Title:**

Liquor License; Liquor Commission

**Description:**

Amends liquor license application and operating procedures to allow publicly-owned companies, and entities they solely own, to provide information for only those officers designated as primary decisionmakers regarding the purchase and sale of liquor and specifies that only a transfer of twenty-five per cent or more of outstanding voting capital stock requires a corporation to secure the approval of the transfer from the commission.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*



**Bernard P. Carvalho, Jr.**  
Mayor

**Nadine K. Nakamura**  
Managing Director



**Gerald T. Rapozo**  
Director

**DEPARTMENT OF LIQUOR CONTROL**

**County of Kaua'i, State of Hawai'i**

4444 Rice Street, Suite 120, Lihue, Hawai'i 96766

TEL. (808) 241-4966 FAX (808) 241-6585

February 3, 2016

Representative Derek S. K. Kawakami, Chair  
Representative Sam Satoru Kong, Vice Chair  
Committee on Economic Development & Business

**Hearing:** Friday, February 5, 2016  
9:01 a.m.; Room 312

**Position:** Support HB 2422 Relating to Liquor

Dear Chair Kawakami, Vice Chair Kong and Members:

The Department of Liquor Control, County of Kauai, supports House Bill 2422 relating to Liquor Licenses.

The bill as written clarifies the requirements in the liquor license application process and makes the process more efficient for both applicants and commission and doesn't diminish the oversight in the process.

The Department of Liquor Control, County of Kauai urges you to support House Bill 2422, Relating to liquor licenses.

Thank-you for the opportunity to testify on this matter.

Respectfully Submitted,

  
GERALD T. RAPOZO  
Director

**LIQUOR COMMISSION  
CITY AND COUNTY OF HONOLULU**

711 KAPIOLANI BOULEVARD, SUITE 600, HONOLULU, HAWAII 96813-5249  
PHONE (808) 768-7300 or (808) 768-7333 • FAX (808) 768-7311  
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KIRK CALDWELL  
MAYOR

MICHAEL S. YAMAGUCHI  
CHAIRMAN

WESLEY F. FONG  
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MALAMA MINN  
COMMISSIONER

FRANKLIN DON PACARRO, JR.  
ADMINISTRATOR

ANNA C. HIRAI  
ASSISTANT ADMINISTRATOR

February 4, 2016

Representative Derek S.K. Kawakami, Chair  
Representative Sam Satoru Kong, Vice Chair  
Committee on Economic Development & Business

**Hearing:** Friday, February 5, 2016  
9:01 A.M.; Room 312

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

Dear Chair Kawakami, Vice Chair Kong, 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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1050 Bishop St. PMB 235  
Honolulu, HI 96813  
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Telephone : 808-533-1292

TO:  
COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS  
Representative Derek S.K. Kawakami, Chair  
Representative Sam Satoru Kong, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: Friday, February 5, 2015  
TIME: 9:01am  
PLACE: Conference Room 312

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.

kong2 - Christie

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From: mailinglist@capitol.hawaii.gov  
Sent: Wednesday, February 03, 2016 7:19 AM  
To: edbtestimony  
Cc: bobs@times-supermarket.com  
Subject: Submitted testimony for HB2422 on Feb 5, 2016 09:01AM

**HB2422**

Submitted on: 2/3/2016

Testimony for EDB on Feb 5, 2016 09:01AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Bob Stout	Times Supermarkets	Support	No

Comments: Times Supermarkets supports this bill as it is very practical, has accountability, and eases the cumbersome process. With many companies having multiple owners and various locations, both here and the mainland, the responsible executive for the corporation should be able sign for transfers. Mahalo for your consideration.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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TORKILDSON, KATZ, MOORE,  
HETHERINGTON & HARRIS

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**LATE**

NEWTON J. CHU  
DIRECT DIAL: (808) 961-0406  
E-MAIL: NEWTONC@TORKILDSON.COM

February 4, 2016

Via Facsimile (808) 586-8459

Representative Derek S.K. Kawakami, Chair  
Representative Sam Satoru Kong, Vice Chair  
House Committee on Economic Development & Business  
Hawaii State Capitol  
415 South King Street  
Honolulu, Hawaii 96813

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

Dear Chair Kawakami, Vice Chair Kong, 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

Representative Derek S.K. Kawakami, Chair  
February 4, 2016  
Page 2

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

kong2 - Christie

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From: mailinglist@capitol.hawaii.gov  
Sent: Thursday, February 04, 2016 8:08 AM  
To: edbtestimony  
Cc: wfujio@abcstores.com  
Subject: Submitted testimony for HB2422 on Feb 5, 2016 09:01AM

**HB2422**

Submitted on: 2/4/2016

Testimony for EDB on Feb 5, 2016 09:01AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Wendy	Individual	Support	No

Comments: HB2422 We are in support of the Amendments written in this bill. It just makes sense. Thank you!

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**LATE**

TO: HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS  
Representative Derek S.K. Kawakami, Chair  
Representative Sam Satoru Kong, Vice Chair

FROM: Richard Parry  
President and Chief Executive Officer of Aloha Petroleum, Ltd.

HEARING

DATE: Friday, February 5, 2016  
TIME: 9:01 a.m.  
PLACE: State Capitol, Conference Room 312

**RE: Testimony on H.B. No. 2422 Relating to Liquor**

Chair Kawakami, Vice Chair Kong, and Members of the House Committee on Economic Development & Business, I am Richard Parry, President and Chief Executive Officer of Aloha Petroleum, Ltd. ("Aloha Petroleum").

HB No. 2422 seeks to amend liquor license application and operating 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 and specifies that only a transfer of twenty-five percent or more of outstanding voting capital stock requires a corporation to secure the approval of the transfer from the commission.

Aloha Petroleum supports this bill. We are a wholly owned subsidiary of a publicly traded company, but our Hawaii business is primarily managed by local management. These amendments will help streamline the work of the Liquor Commission and licensees, such as Aloha Petroleum.

Thank you for the opportunity to testify in support of HB No. 2422.



**LATE**

Time: 9:01 a.m.  
Date: February 5, 2016  
Committee: House Economic Development & Business Committee  
Location: Capitol Room 312  
Bill: HB 2422 Relating to Liquor

Aloha Chair Kawakami, Vice Chair Kong 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