

GREY EAGLE  
DISTRIBUTORS, INC.

August 7, 2003

Attn: TTB Notice #4  
Chief, Regulations and Procedures Division  
Alcohol and Tobacco Tax and Trade Bureau  
Washington, DC 20091-0221

Dear Sir or Madam:

Grey Eagle Distributors supports the proposed rule issued in March of this year by the Tax and Trade Bureau (TTB) setting forth the alcohol content requirements for flavored malt beverages (FMB) to be classified as beer. We agree with the TTB proposal that, for a FMB to be classified as beer, its alcohol content from distilled alcohol cannot exceed 0.5%.

Beer is unique among alcoholic beverages in that it has been regulated and taxed differently than other forms of alcohol since the nation was founded. The proposed TTB rule is consistent with the historical interpretation of what constitutes beer and other malt beverages.

Beer regulations are based on its age-old production process, and its definition in the Internal Revenue Code dates back to the 1800s when Congress first imposed the beer excise tax. Adoption of the TTB "0.5 by volume standard" would ensure the integrity of beer and the brewing process. Consistent regulatory policy is important because, while states enjoy regulatory power over alcohol, most follow federal regulatory guidelines. This proposed rule would help maintain an orderly marketplace and avoid costly and confusing disruptions in state licensing, taxation and distribution policies, any of which would be major problems for beer wholesalers like us.

In addition, equating beer and beverages that derive a majority of their alcohol content from distilled spirits could weaken the important distinctions between beer and products with higher alcohol content. These distinctions impact state and federal policies regarding the regulation and taxation of beer and other alcohol beverages.

If traditional distinctions disappear, other producers of alcohol beverages will quickly attempt to categorize themselves as beer products.

Beer is not distilled spirits or fortified wine. Beer is brewed, not distilled. The 0.5% standard will ensure that the integrity of beer remains.

Grey Eagle encourages the TTB to give final approval to the proposed 0.5% standard on FMBs.

Sincerely,

Jerry G. Clinton  
President  
Chairman of the Board