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From: Martin Kelly  
Sent: Monday, August 04, 2003 8:45 AM  
To:  
Subject: "Support of TTB Notice #4."

August 4, 2003

Chief, Regulations and Procedures Division  
Tax and Trade Bureau  
Washington, D.C. 20031-0221

RE: TTB Notice #4

Dear Sir or Madam:

I am the Chairman and CEO of Pyramid Breweries Inc. We are a publicly traded (NASDAQ) Washington corporation, with breweries in Washington and California. We also operate four Pyramid Alehouses, which are full service dining establishments featuring our own beers. We are proud members of the Brewers Association of America (BAA), which is the trade association for America's small breweries. I am also a director of that association.

As a brewer, and an operator of brewpubs, we (Pyramid Breweries Inc.) unequivocally support the proposed standard of composition for Flavored Malt Beverages ("FMB's"), as set forth by the Tax and Trade Bureau ("TTB") in TTB Notice No. 4 of March 2003. This proposal is essential to the beer industry as it clearly delineates the difference between beer and other alcohol beverages, requiring that the alcohol content in FMB's derived from distilled alcohol not exceed 0.5% in order to be classified as "beer."

The United States has, in the past quarter of a century, experienced a revival in the brewing industry, from a low of 41 breweries to today's high of more than 1,400 breweries. The revival is predicated on renewed commitment to traditional processes and beer styles. This dedication to the art of beer has produced extensive investment in small businesses and the emergence of a group of consumers who appreciate the unique properties of beer. Many of our customers do understand the attributes of beer and the consequences of this rulemaking process.

Continued success in the small brewing industry requires maintenance of an even playing field for all industry members claiming to produce beer or other malt beverages. Our company regards this proposed rule as a critical step towards consistent classification of alcoholic beverages. An orderly marketplace and

consistency of laws and regulations establishing alcohol beverage categories are primary concerns of the brewing industry.

Federal leadership in this area is critical as state definitions of "beer," "malt beverage," and "spirits" are generally consistent with the definitions found in federal laws and regulations. Thus, the proposed rule will likely be followed at the state level, helping to maintain clear and distinct definitions that will guarantee consistent tax, licensing, and distribution policies for each category.

Furthermore, any alternative to the TTB proposal will likely trigger disruptive state legislative and regulatory actions. These measures could have significant ramifications for the more than 1,400 small breweries and for thousands of alcohol beverage licensees, most of which are also small businesses.

We reaffirm our company's support for the proposed "0.5% standard" for FMBs. Its consistency with historical interpretations of federal regulations will help maintain an orderly marketplace and the integrity of the beer category.

Sincerely,

Martin Kelly

Martin Kelly  
Chairman & CEO  
Pyramid Breweries Inc.