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SEP-88-20~3 09:13 FROM: SOUTHERN BEVERAGE YZ i2854~3~583 TO: 2029276662 P. 013'017

September 3, 2003

Attn: TTB Notice No. 4
Chief, Regulations and Procedures Division
Alcohol and Tobacco Tax and Trade Bureau
P.O. Box 50221
Washington, D.C. 20091-0221

Dear Sir or Madam:

I am an employee of Southern Beverage Company and support the proposed rule recently outlined by the Tax and Trade Bureau (TTB) in which Flavored Malt Beverages (FMB) would be classified as beer. The proposed standard would require that in order for an FMB to be classified as beer, its alcohol content derived from distilled alcohol cannot exceed 0.5%.

Throughout our nation's history, beer has been regulated and taxed differently than other alcohol beverages. The distinction that beer enjoys from other alcohol products is based on its age-old production process. Its definition in the Internal Revenue Code dates back to the 1800's when the beer excise tax was first imposed by Congress. The proposed rule by the (TTB) is consistent with the historical interpretation of what constitutes beer and other malt beverages.

Given states have regulatory power over alcohol, it has been customary for most states to follow federal regulatory guidelines. The proposed rule by (TTB) would help maintain an orderly marketplace, thus avoiding costly and confusing disruptions in state licensing, taxation and distribution policies. Any of which would deal a severe blow to beer wholesalers.

It is of grave importance that a distinction between beer and beverages deriving a majority of their alcohol content from distilled spirits be outlined by the (TTB). Not coming to a conclusion could weaken the important distinctions between beer and products with a higher alcohol content. These distinctions impact state and federal policies regarding the regulation and taxation of beer and other alcohol beverages. If these distinctions disappear, it will only be a matter of time before other producers of alcohol beverages attempt to categorize themselves as beer products.

Once again, as an employee of Southern Beverage Company, I encourage the TTB to give a final approval to the proposed "0.5% standard" on all FMB's.

Sincerely,

Steven Grayer