

*Testimony of Anya Trundy, Chief of Legislative and Strategic Operations  
Department of Administrative and Financial Services  
Testifying In Support*

**LD 2069, An Act to Amend the Ownership Disclosure Requirements for Applicants for  
Liquor Licenses and Certificates of Approval**  
Presented by Senator. Craig Hickman  
*Before the Joint Standing Committee on Veteran and Legal Affairs*

Representative Supica and members of the Joint Standing Committee on Veteran and Legal Affairs, I am Anya Trundy, Chief of Legislative and Strategic Operations for the Department of Administrative and Financial Services. I present to you DAFS department bill LD 2069 on behalf of the Bureau of Alcoholic Beverages and Lottery Operations, which we submitted to propose a commonsense solution to an emerging issue.

Existing statute requires applicants for license or certificate of approval under the Bureau, to disclose the entire ownership or any interest in the person or establishment for which a license or certificate of approval is sought. "Entire" has always been construed by the Bureau to mean 100% of ownership, down to the individual level. In the late-spring/early-summer of last year, after some training of new staff and retraining of existing staff, the Bureau identified that especially among certificate of approval applicants' compliance had not been consistent nor had it been enforced prior to issuance of the certificate of approval. The Bureau issued a guidance memo directed toward all applicants for license or certificate of approval simply reminding them of current law. Guidance memos are intended to stimulate self-correction in lieu of the Bureau taking enforcement action.

The guidance memo elicited consternation from certain certificate of approval holders organized as large multi-member LLCs or family trusts, that was consistent with grumblings the Bureau had begun to hear from license applicants who'd raised business capital from private equity funds or real-estate investment trusts. In the past, most licensees tended to be sole-proprietorships and partnerships, but business ownership structures have become more complicated, and financing is often obtained by offering equity in the business as an alternative to traditional bank loans. We recognize that the existing requirement may be onerous and tedious for some applicants because it entails naming hundreds or thousands of trust members or shareholders with minor ownership interests in the license or certificate of approval. Furthermore, these individuals are not of substantive interest to the Bureau, and disclosure of them only buries Bureau staff in superfluous information and paper.

As a commonsense solution to directly address the issue explained, the Department proposes amending statute to require disclosure of all individuals possessing a 5% or greater ownership interest in the license or certificate of approval. This maintains the Bureau's insight into licensees' beneficial ownership in order to ensure against conflicts of interest or other disqualifying factors, and preserves the ability to know who is truly responsible for the license or certificate of approval. However, what this does not do, is

allow licensees or certificate of approval holders to conceal the individual identities of their true ownership within complex, multi-layer business entities.

The Department arrived at 5% because it is consistent with the SEC's beneficial ownership disclosure requirements for publicly traded companies. (There was some concern that the Bureau exempted publicly traded companies from the ownership disclosure requirements; that is not the case, that information is simply already publicly accessible for publicly traded companies.) At 5%, the greatest number of individual owners that an applicant would need to list is 20. This list should be readily available to applicants as this level of ownership detail would need to be known to issue K-1s to partners or shareholders and in filing their Federal Tax return. 5% is also in line with similar ownership disclosure requirements in other control states.

Thank you for your time and consideration. I will do my best to answer any questions the Committee may have at this time and can come back to you at the work session with any answers I can't provide today.