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Mike Frohlich
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Chairmen Lefor and Members of the House IBL Committee,

I am submitting testimony in support of Senate Bill 2321. This bill represents a community of brewers across the state, making their communities better places to live, providing jobs, supporting farmers, growers, and maltsters across the state. We use a local maltster in Lincoln, that partners with farmers near Goodrich, Belfield, and Dickinson for 98% of our beer production. Just a small example of the synergy of the industry in North Dakota, that contributes more than \$250 million dollars to the economy of the state.

We opened in 2012 in downtown Bismarck. In 2013, we licensed as a taproom after legislation passed in the 2013 session. As a taproom, we were allowed to sell up to 5.16 gallon containers out the door to consumers. In 2018, we expanded to a new, larger location with a canning line, BBQ restaurant, catering business, and a second BBQ restaurant in Mandan. We had to license back as a brewpub because our second location did not have a brewery attached, and as a taproom, we were not allowed to own another retail alcohol establishment. With that license change, we had to limit our sales to three gallons. In 2019, a change was made to eliminate the minimum container size, but a discrepancy was created when the limit went to 288 ounces, or three gallons. Those ounces do not match the three gallon limit. This has created a lot of confusion with our customers and with the tax department. SB2321 makes this language consistent across the taproom brewer and brewpub licenses, eliminating confusion for all, allowing both licenses to sell up to 5.16 gallon container sizes.

This past year has been challenging for the taproom and brewpub industry, with restrictions on seating capacities, in-store dining, and limitations on hours of operation. Our beer production shifted entirely to cans during the spring and summer of 2020. During times like these, we learned to pivot, offer online takeout options, third-party delivery sources, and focus on our canning operations. Smaller breweries don't always have the option to put their product in cans.

SB2321 specifically lays out contract brewing language in century code. If a smaller brewer was allowed to contract another brewery to brew and package their beer at a larger facility, that could be the difference in surviving a pandemic. It can be a way to grow your business without the massive investments in equipment required, and often that space limitations prohibit. It's a

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way larger facilities can fill surplus capacity during slower times. Businesses need flexibility, and any added revenue sources are invaluable, especially with recent events.

SB2321 levels the playing field and creates more flexibility in the brewing industry by clearing up direct-to-consumer shipping in the state. Breweries outside of the state are already allowed to ship to consumers in North Dakota. We feel that the playing field should be level for in-state breweries as well. SB2321 further levels the playing field for breweries in the state by allowing them to apply for 40 event permits per year, equal to the number that wineries and distilleries are currently allowed. All sources of revenue are crucial to on-premise locations looking to keep their doors open.

SB2321 is critical to the survival and growth of the brewing industry in North Dakota. Five breweries went out of business in 2020. We need to ensure the industry is strong in North Dakota, and SB2321 helps make that a reality. I urge you to support the passage of SB2321. Thank you for your time.

Sincerely

Mike Frohlich
Founder/Brewmaster
Laughing Sun Brewing Company