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## HOUSE BILL NO. 1901

Offered January 11, 2017

Prefiled January 10, 2017

*A BILL to amend and reenact § 4.1-215 of the Code of Virginia, relating to alcoholic beverage control; tied house exception.*

Patron—Heretick

Referred to Committee on General Laws

**Be it enacted by the General Assembly of Virginia:****1. That § 4.1-215 of the Code of Virginia is amended and reenacted as follows:****§ 4.1-215. Limitation on manufacturers, bottlers and wholesalers; exemptions.**

A. Unless exempted pursuant to subsection B, no retail license for the sale of alcoholic beverages shall be granted to any (i) manufacturer, bottler or wholesaler of alcoholic beverages, whether licensed in the Commonwealth or not; (ii) officer or director of any such manufacturer, bottler or wholesaler; (iii) partnership or corporation, where any partner or stockholder is an officer or director of any such manufacturer, bottler or wholesaler; (iv) corporation which is a subsidiary of a corporation which owns or has interest in another subsidiary corporation which is a manufacturer, bottler or wholesaler of alcoholic beverages; or (v) manufacturer, bottler or wholesaler of alcoholic beverages who has a financial interest in a corporation which has a retail license as a result of a holding company, which owns or has an interest in such manufacturer, bottler or wholesaler of alcoholic beverages. Nor shall such licenses be granted in any instances where such manufacturer, bottler or wholesaler and such retailer are under common control, by stock ownership or otherwise.

Notwithstanding any other provision of this title, a manufacturer of malt beverages or wine, whether licensed in the Commonwealth or not, may obtain a banquet license for a special event as provided in § 4.1-209 upon application to the Board provided that such event is (a) at a place approved by the Board and (b) conducted for the purposes of featuring and educating the consuming public about malt beverage or wine products. Such manufacturer shall be limited to no more than four banquet licenses for such special events per year. Where the event occurs on no more than three consecutive days, a manufacturer need only obtain one such license for the event.

Notwithstanding any other provision of this title, a manufacturer of distilled spirits, whether licensed in the Commonwealth or not, may obtain a banquet license for a special event as provided in subdivision A 4 of § 4.1-210 upon application to the Board, provided that such event is (1) at a place approved by the Board and (2) conducted for the purposes of featuring and educating the consuming public about the manufacturer's spirits products. Such manufacturer shall be limited to no more than four banquet licenses for such special events per year. Where the event occurs on no more than three consecutive days, a manufacturer need only obtain one such license for the event. Such banquet license shall authorize the manufacturer to give samples of spirits to any person to whom alcoholic beverages may be lawfully sold in designated areas at the special event, provided that (A) no single sample shall exceed one-half ounce per spirits product offered, unless served as a mixed beverage, in which case a single sample may contain up to one and one-half ounces of spirits, and (B) no more than three ounces of spirits may be offered to any patron. Nothing in this paragraph shall prohibit such manufacturer from serving such samples as part of a mixed beverage.

**B. This section shall not apply to:**

1. Corporations operating dining cars, buffet cars, club cars or boats;
2. Brewery, distillery, or winery licensees engaging in conduct authorized by subdivision A 5 of § 4.1-201;
3. Farm winery licensees engaging in conduct authorized by subdivision 5 of § 4.1-207;
4. Manufacturers, bottlers or wholesalers of alcoholic beverages who do not (i) sell or otherwise furnish, directly or indirectly, alcoholic beverages or other merchandise to persons holding a retail license or banquet license as described in subsection A and (ii) require, by agreement or otherwise, such person to exclude from sale at his establishment alcoholic beverages of other manufacturers, bottlers or wholesalers;
5. Wineries, farm wineries, or breweries engaging in conduct authorized by § 4.1-209.1 or 4.1-212.1;
6. One out-of-state winery, not under common control or ownership with any other winery, that is under common ownership or control with one restaurant licensed to sell wine at retail in Virginia, so long as any wine produced by that winery is purchased from a Virginia wholesale wine licensee by the

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59 restaurant before it is offered for sale to consumers; or

60 7. *Manufacturers of distilled spirits located within the Commonwealth, not under common control or*  
61 *ownership with any other distillery, that are under common control or ownership with a restaurant*  
62 *licensed to sell spirits at retail in the Commonwealth, provided that such manufacturer produces no*  
63 *more than 5,000 gallons of spirits annually and does not require, by agreement or otherwise, the retail*  
64 *licensee to exclude from sale at the restaurant alcoholic beverages of other manufacturers, bottlers, or*  
65 *wholesalers.*

66 C. The General Assembly finds that it is necessary and proper to require a separation between  
67 manufacturing interests, wholesale interests and retail interests in the production and distribution of  
68 alcoholic beverages in order to prevent suppliers from dominating local markets through vertical  
69 integration and to prevent excessive sales of alcoholic beverages caused by overly aggressive marketing  
70 techniques. The exceptions established by this section to the general prohibition against tied interests  
71 shall be limited to their express terms so as not to undermine the general prohibition and shall therefore  
72 be construed accordingly.