



# HOUSE BILL 363: Craft Beer Distribution & Modernization Act.

2019-2020 General Assembly

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<b>Committee:</b> Senate Rules and Operations of the Senate	<b>Date:</b> May 16, 2019
<b>Introduced by:</b> Reps. Lewis, Bell, Jackson, Reives	<b>Prepared by:</b> Shawn Middlebrooks
<b>Analysis of:</b> Second Edition	Staff Attorney*

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**OVERVIEW:** *House Bill 363 would allow brewery permittees that sell fewer than 100,000 barrels of malt beverages produced by the brewery each year to self-distribute up to 50,000 barrels of malt beverages manufactured by the brewery per year to unaffiliated retail permittees. The bill would also provide that only breweries that sell fewer than 25,000 barrels of malt beverages produced by the brewery per year may terminate a franchise agreement in the absence of good cause.*

[As introduced, this bill was identical to S246, as introduced by Sen. Rabon, which is currently in Senate Commerce and Insurance.]

**CURRENT LAW:** Under current law, only a brewery permittee that sells fewer than 25,000 barrels of malt beverages per year may obtain a malt beverage wholesaler permit to distribute the malt beverages manufactured by the brewery. A brewery not exceeding the 25,000 barrel limit may also sell the malt beverages manufactured by the brewery, and malt beverages produced under a contract brewing arrangement, at not more than three other locations in the State. Additionally, a brewery permittee that holds a malt beverage wholesaler permit may terminate a franchise agreement with a wholesaler in the absence of good cause after giving written notice and paying the wholesaler fair market value for the distribution rights for the affected brand.

## BILL ANALYSIS:

**Section 1** would add a savings clause to Chapter 18B of the General Statutes (Regulation of Intoxicating Liquors) and express the intent of the General Assembly for the Chapter to be construed to limit rather than expand commerce in alcoholic beverages and enhance regulation of malt beverages, unfortified wine, and fortified wine through the three-tier regulatory system.

**Section 2** would allow a brewery permittee that sells fewer than 100,000 barrels of malt beverages per year to obtain a malt beverage wholesaler permit to sell, deliver, and ship at wholesale up to 50,000 barrels of malt beverages per year to unaffiliated retail permittees. The barrelage limitation would apply regardless of the number or type of permits that may be issued to a brewery. Malt beverages manufactured by a supplier permittee that owns five percent or more of a brewer permittee would be included in determining whether the brewery permittee complies with the barrelage limitations.

This section would also prohibit the Alcoholic Beverages Control Commission from granting an exemption to or otherwise allowing a brewery permittee to have more than three additional retail locations, except as provided in Section 3 of this act.

Karen Cochrane-Brown  
Director



Legislative Analysis  
Division  
919-733-2578

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**Section 3** would provide that if the Commission enters an exemption in which any brewery or any officer, director, or affiliate of the brewery has a financial interest in the business of any retailer beyond the three additional retail locations allowed by the brewery permit, the exemption must prohibit the brewery's malt beverages from being sold to or purchased by that retailer.

**Section 4** would add seven new purposes for which the General Assembly finds that regulation of business relations between malt beverage manufacturers and importers and malt beverage wholesalers is necessary.

**Section 5** would provide that only a brewery that sells fewer than 25,000 barrels of malt beverages per year may terminate a franchise agreement with a malt beverage wholesaler in the absence of good cause. Malt beverages manufactured by a supplier permittee that owns five percent or more of a brewer permittee would be included in determining whether the brewery permittee complies with the barrelage limitations.

**Section 6 and 7** contain a severability clause and provide that this act does not apply to any exemption order or amendment to an exemption order entered by the Alcoholic Beverage Control Commission prior to the effective date of this act, or any exemption order or amendment renewed or reissued after the effective date of this act.

**EFFECTIVE DATE:** This act would be effective when it becomes law.

*Chris Saunders, Staff Attorney, substantially contributed to this summary.*