House Engrossed Senate Bill

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KEN BENNETT
SECRETARY OF STATE

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CHAPTER 253

SENATE BILL 1397

AN ACT

AMENDING SECTIONS 4-101, 4-112, 4-201.01, 4-203, 4-203.01, 4-203.02, 4-203.03, 4-203.04, 4-205.02, 4-205.03, 4-205.04, 4-205.05 AND 4-205.08, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 4-205.10 AND 4-205.11; AMENDING SECTIONS 4-206.01, 4-207, 4-207.01, 4-209, 4-210, 4-212, 4-222, 4-226 AND 4-227, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-227.01; AMENDING SECTIONS 4-229, 4-241, 4-242, 4-243, 4-243.01, 4-244, 4-244.04, 4-244.05, 4-250.01, 42-3001, 42-3355 AND 42-3356, ARIZONA REVISED STATUTES; RELATING TO SPIRITUOUS LIQUOR LICENSES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 4-101, Arizona Revised Statutes, is amended to read:

4-101. Definitions

In this title, unless the context otherwise requires:

1. "Act of violence" means an incident consisting of a riot, a brawl or a disturbance, in which bodily injuries are sustained by any person and such injuries would be obvious to a reasonable person, or tumultuous conduct of sufficient intensity as to require the intervention of a peace officer to restore normal order, or an incident in which a weapon is brandished, displayed or used. Act of violence does not include the use of nonlethal devices by a peace officer.

2. "Aggrieved party" means a person who resides at, owns or leases property within a one mile radius of a premises proposed to be licensed and who filed a written request with the department to speak in favor of or opposition to the issuance of the license no later than sixty days after the filing of the application or fifteen days after action by the local governing body, whichever is later.

3. "Beer" means any beverage obtained by the alcoholic fermentation, infusion or decoction of barley malt, hops, or other ingredients not drinkable, or any combination of them.

4. "Board" means the state liquor board.

5. "Bona fide guest" means:

(a) An individual who is personally familiar to the member, WHO is personally sponsored by the member and whose presence as a guest is in response to a specific and personal invitation.

(b) In the case of a club that meets the criteria prescribed in paragraph 7, subdivision (a) of this section, a current member of the armed services of the United States who presents proper military identification and any member of a recognized veterans' organization of the United States and of any country allied with the United States during current or past wars or through treaty arrangements.

6. "Broken package" means any container of spirituous liquor on which the United States tax seal has been broken or removed, or from which the cap, cork or seal placed thereupon by the manufacturer has been removed.

7. "Club" includes any of the following organizations where the sale of spirituous liquor for consumption on the premises is made to members only:

(a) A post, chapter, camp or other local unit composed solely of veterans and its duly recognized auxiliary ~~which~~ THAT has been chartered by the Congress of the United States for patriotic, fraternal or benevolent purposes and ~~which~~ THAT has, as the owner, lessee or occupant, operated an establishment for that purpose in this state.

(b) A chapter, aerie, parlor, lodge or other local unit of an American national fraternal organization ~~which~~ THAT has, as the owner, lessee or occupant, operated an establishment for fraternal purposes in this state. An

American national fraternal organization as used in this subdivision shall actively operate in not less than thirty-six states or have been in active continuous existence for not less than twenty years.

(c) A hall or building association of a local unit mentioned in subdivisions (a) and (b) of this paragraph, all of the capital stock of which is owned by the local unit or the members, and ~~which~~ THAT operates the clubroom facilities of the local unit.

(d) A golf club ~~which~~ THAT has more than fifty bona fide members and ~~which~~ THAT owns, maintains or operates a bona fide golf links together with a clubhouse.

(e) A social club with more than one hundred bona fide members who are actual residents of the county in which it is located, that owns, maintains or operates club quarters, that is authorized and incorporated to operate as a nonprofit club under the laws of this state, and that has been continuously incorporated and operating for a period of not less than one year. The club shall have had, during this one year period, a bona fide membership with regular meetings conducted at least once each month, and the membership shall be and shall have been actively engaged in carrying out the objects of the club. The club's membership shall consist of bona fide dues paying members paying at least six dollars per year, payable monthly, quarterly or annually, which have been recorded by the secretary of the club, and the members at the time of application for a club license shall be in good standing having for at least one full year paid dues. At least fifty-one per cent of the members shall have signified their intention to secure a social club license by personally signing a petition, on a form prescribed by the board, which shall also include the correct mailing address of each signer. The petition shall not have been signed by a member at a date earlier than one hundred eighty days before the filing of the application. The club shall qualify for exemption from the payment of state income taxes under title 43. It is the intent of this subdivision that a license shall not be granted to a club ~~which~~ THAT is, or has been, primarily formed or activated to obtain a license to sell liquor, but solely to a bona fide club, where the sale of liquor is incidental to the main purposes of the club.

(f) An airline club operated by or for airlines ~~which~~ THAT are certificated by the United States government and ~~which~~ THAT maintain or operate club quarters located at airports with international status.

8. "Company" or "association", when used in reference to a corporation, includes successors or assigns.

9. "Control" means the power to direct or cause the direction of the management and policies of an applicant, licensee or controlling person, whether through the ownership of voting securities or a partnership interest, by agreement or otherwise. Control is presumed to exist if a person has the direct or indirect ownership of or power to vote ten per cent or more of the outstanding voting securities of the applicant, licensee or controlling person or to control in any manner the election of one or more of the

directors of the applicant, licensee or controlling person. In the case of a partnership, control is presumed to mean the general partner or a limited partner who holds ten per cent or more of the voting rights of the partnership. For the purposes of determining the percentage of voting securities owned, controlled or held by a person, there shall be aggregated with the voting securities attributed to the person the voting securities of any other person directly or indirectly controlling, controlled by or under common control with the other person, or by an officer, partner, employee or agent of the person or by a spouse, parent or child of the person. Control is also presumed to exist if a creditor of the applicant, licensee or controlling person holds a beneficial interest in ten per cent or more of the liabilities of the licensee or controlling person.

10. "Controlling person" means a person directly or indirectly possessing control of an applicant or licensee.

11. "CRAFT DISTILLER" MEANS A DISTILLER IN THE UNITED STATES OR IN A TERRITORY OR POSSESSION OF THE UNITED STATES THAT HOLDS A LICENSE PURSUANT TO SECTION 4-205.10.

~~11.~~ 12. "Department" means the department of liquor licenses and control.

~~12.~~ 13. "Director" means the director of the department of liquor licenses and control.

~~13.~~ 14. "Distilled spirits" includes alcohol, brandy, whiskey, rum, tequila, mescal, gin, absinthe, a compound or mixture of any of them or of any of them with any vegetable or other substance, alcohol bitters, bitters containing alcohol, fruits preserved in ardent spirits, and any alcoholic mixture or preparation, whether patented or otherwise, ~~which~~ THAT may in sufficient quantities produce intoxication.

~~14. "Domestic farm winery" means a winery in the United States or in a territory or possession of the United States that holds a license pursuant to section 4-205.04.~~

~~15. "Domestic microbrewery" means a brewery in the United States or in a territory or possession of the United States that meets the requirements of section 4-205.08.~~

~~16.~~ 15. "Employee" means any person who performs any service on licensed premises on a full-time, part-time or contract basis with consent of the licensee, whether or not the person is denominated an employee, independent contractor or otherwise. Employee does not include a person exclusively on the premises for musical or vocal performances, for repair or maintenance of the premises or for the delivery of goods to the licensee.

16. "FARM WINERY" MEANS A WINERY IN THE UNITED STATES OR IN A TERRITORY OR POSSESSION OF THE UNITED STATES THAT HOLDS A LICENSE PURSUANT TO SECTION 4-205.04.

17. "Government license" means a license to serve and sell spirituous liquor on specified premises available only to a STATE AGENCY, STATE BOARD, STATE COMMISSION, county, city, town, community college or state university

or the national guard or Arizona coliseum and exposition center on application by the governing body of a STATE AGENCY, STATE BOARD, STATE COMMISSION, county, city, town, community college or state university or the national guard or Arizona exposition and state fair board.

18. "Legal drinking age" means twenty-one years of age or older.

19. "License" means a license or an interim retail permit issued pursuant to this title.

20. "License fees" means fees collected for license issuance, license application, license renewal, interim permit issuance and license transfer between persons or locations.

21. "Licensee" means a person who has been issued a license or an interim retail permit pursuant to this title or a special event licensee.

22. "Manager" means a natural person who meets the standards required of licensees and who has authority to organize, direct, carry on, control or otherwise operate a licensed business on a temporary or full-time basis.

23. "MICROBREWERY" MEANS A BREWERY IN THE UNITED STATES OR IN A TERRITORY OR POSSESSION OF THE UNITED STATES THAT MEETS THE REQUIREMENTS OF SECTION 4-205.08.

~~23.~~ 24. "Off-sale retailer" means any person operating a bona fide regularly established retail liquor store selling spirituous liquors, wines and beer, and any established retail store selling commodities other than spirituous liquors and engaged in the sale of spirituous liquors only in the original unbroken package, to be taken away from the premises of the retailer and to be consumed off the premises.

~~24.~~ 25. "On-sale retailer" means any person operating an establishment where spirituous liquors are sold in the original container for consumption on or off the premises or in individual portions for consumption on the premises.

~~25.~~ 26. "Person" includes a partnership, limited liability company, association, company or corporation, as well as a natural person.

~~26.~~ 27. "Premises" or "licensed premises" means the area from which the licensee is authorized to sell, dispense or serve spirituous liquors under the provision of the license. Premises or licensed premises includes a patio that is not contiguous to the remainder of the premises or licensed premises if the patio is separated from the remainder of the premises or licensed premises by a public or private walkway or driveway not to exceed thirty feet, subject to rules the director may adopt to establish criteria for noncontiguous premises.

~~27.~~ 28. "Registered mail" includes certified mail.

~~28.~~ 29. "Registered retail agent" means any person who is authorized pursuant to section 4-222 to purchase spirituous liquors for and on behalf of himself and other retail licensees.

~~29.~~ 30. "Repeated acts of violence" means two or more acts of violence occurring within seven days, three or more acts of violence occurring within

thirty days or acts of violence occurring with any other similar frequency which the director determines to be unusual or deserving of review.

~~30.~~ 31. "Sell" includes soliciting or receiving an order for, keeping or exposing for sale, directly or indirectly delivering for value, peddling, keeping with intent to sell and trafficking in.

~~31.~~ 32. "Spirituous liquor" includes alcohol, brandy, whiskey, rum, tequila, mescal, gin, wine, porter, ale, beer, any malt liquor or malt beverage, absinthe, a compound or mixture of any of them or of any of them with any vegetable or other substance, alcohol bitters, bitters containing alcohol, any liquid mixture or preparation, whether patented or otherwise, which produces intoxication, fruits preserved in ardent spirits, and beverages containing more than one-half of one per cent of alcohol by volume.

~~32.~~ 33. "Vehicle" means any means of transportation by land, water or air, and includes everything made use of in any way for such transportation.

~~33.~~ 34. "Vending machine" means a machine that dispenses merchandise through the means of coin, token, credit card or other nonpersonal means of accepting payment for merchandise received.

~~34.~~ 35. "Veteran" means a person who has served in the United States air force, army, navy, marine corps or coast guard, as an active nurse in the services of the American red cross, in the army and navy nurse corps in time of war, or in any expedition of the armed forces of the United States, and who has received a discharge other than dishonorable.

~~35.~~ 36. "Voting security" means any security presently entitling the owner or holder of the security to vote for the election of directors of an applicant, licensee or controlling person.

~~36.~~ 37. "Wine" means the product obtained by the fermentation of grapes or other agricultural products containing natural or added sugar or any such alcoholic beverage fortified with grape brandy and containing not more than twenty-four per cent of alcohol by volume.

Sec. 2. Section 4-112, Arizona Revised Statutes, is amended to read:

4-112. Powers and duties of board and director of department of liquor licenses and control; investigations; county and municipal regulation

A. The board shall:

1. Grant and deny applications in accordance with the provisions of this title.

2. Adopt rules in order to carry out the provisions of this section.

3. Hear appeals and hold hearings as provided in this section.

B. Except as provided in subsection A of this section, the director shall administer the provisions of this title, including:

1. Adopting rules:

(a) For carrying out the provisions of this title.

(b) For the proper conduct of the business to be carried on under each specific type of spirituous liquor license.

(c) To enable and assist state officials and political subdivisions to collect taxes levied or imposed in connection with spirituous liquors.

(d) For the issuance and revocation of certificates of registration of retail agents, including provisions governing the shipping, storage and delivery of spirituous liquors by registered retail agents, the keeping of records and the filing of reports by registered retail agents.

(e) To establish requirements for licensees under section 4-209, subsection B, paragraph 12.

2. Subject to title 41, chapter 4, article 4, employing necessary personnel and fixing their compensation pursuant to section 38-611.

3. Keeping an index record which shall be a public record open to public inspection and shall contain the name and address of each licensee and the name and address of any person having an interest, either legal or equitable, in each license as shown by any written document, which document shall be placed on file in the office of the board.

4. Providing the board with such supplies and personnel as may be directed by the board.

5. Responding in writing to any law enforcement agency that submits an investigative report to the department relating to a violation of this title, setting forth what action, if any, the department has taken or intends to take on the report and, if the report lacks sufficient information or is otherwise defective for use by the department, what the agency must do to remedy the report.

6. Taking such steps as are necessary to maintain effective liaison with the department of public safety and all local law enforcement agencies in the enforcement of this title including the laws of this state against the consumption of spirituous liquor by persons under the legal drinking age.

7. Providing training to law enforcement agencies in the proper investigation and reporting of violations of this title.

C. The director shall establish within the department a separate investigations unit which has as its sole responsibility the investigation of compliance with this title including the investigation of licensees alleged to have sold or distributed spirituous liquor in any form to persons under the legal drinking age. Investigations conducted by this unit may include covert undercover investigations.

D. All employees of the department of liquor licenses and control, except members of the state liquor board and the director of the department, shall be employed by the department in the manner prescribed by the department of administration.

E. The director may enter into a contract or agreement with any public agency for any joint or cooperative action as provided for by title 11, chapter 7, article 3.

F. The board or the director may take evidence, administer oaths or affirmations, issue subpoenas requiring attendance and testimony of witnesses, cause depositions to be taken and require by subpoena duces tecum

the production of books, papers and other documents which are necessary for the enforcement of this title. Proceedings held during the course of a confidential investigation are exempt from title 38, chapter 3, article 3.1. If a person refuses to obey a subpoena or fails to answer questions as provided by this subsection, the board or the director may apply to the superior court in the manner provided in section 12-2212. The board or director may serve subpoenas by personal service or certified mail, return receipt requested.

G. The director may:

1. Examine books, records and papers of a licensee.

2. Require applicants, licensees, employees who serve, sell or furnish spirituous liquors to retail customers, managers and managing agents to take training courses approved by the director in spirituous liquor handling and spirituous liquor laws and rules. The director shall adopt rules that set standards for approving training courses. The department's licensed investigators may participate and receive compensation as lecturers at approved training courses within this state's jurisdiction that are conducted by other entities but shall not participate in in-house training programs for licensees.

3. Delegate to employees of the department authority to exercise powers of the director in order to administer the department.

4. Regulate signs that advertise a spirituous liquor product at licensed retail premises.

5. Cause to be removed from the marketplace spirituous liquor that may be contaminated.

6. Regulate the age and conduct of erotic entertainers at licensed premises. The age limitation governing these erotic entertainers may be different from other employees of the licensee.

7. Issue and enforce cease and desist orders against any person or entity that sells beer, wine or spirituous liquor without an appropriate license or permit.

8. Confiscate wines carrying a label including a reference to Arizona or any Arizona city, town or place unless at least seventy-five per cent by volume of the grapes used in making the wine were grown in this state.

9. Accept and expend private grants of monies, gifts and devises for conducting educational programs for parents and students on the repercussions of underage alcohol consumption. State general fund monies shall not be expended for the purposes of this paragraph. If the director does not receive sufficient monies from private sources to carry out the purposes of this paragraph, the director shall not provide the educational programs prescribed in this paragraph. Grant monies received pursuant to this paragraph are nonlapsing and do not revert to the state general fund at the close of the fiscal year.

10. Procure fingerprint scanning equipment and provide fingerprint services to license applicants and licensees. ~~Until January 1, 2015,~~ The department may charge a fee for providing these services.

11. Accept electronic signatures on all department and licensee forms and documents and applications. The director may adopt requirements that would require facsimile signatures to be followed by original signatures within a specified time period.

H. A county or municipality may enact and enforce ordinances regulating the age and conduct of erotic entertainers at licensed premises in a manner at least as restrictive as rules adopted by the director.

Sec. 3. Section 4-201.01, Arizona Revised Statutes, is amended to read:

4-201.01. Extending time limits

A. In the event any decision, hearing, or other action by the department, including the board, is alleged to be untimely, an aggrieved person may file a demand that the department take action within fifteen days. In the event the department does not then act, the aggrieved person may file an action in superior court seeking an order requiring the department to act.

B. Notwithstanding the provisions of subsection A of this section, if the director determines that it is in the public interest to extend the time limits for action by the department, including the board, in connection with a license issuance or transfer or acquisition of control, ~~he~~ THE DIRECTOR may extend ~~such~~ THE time limits by up to one hundred five days. The director may further extend ~~such~~ THE time limits as the director deems necessary if special circumstances such as litigation affecting the ownership of the license, bankruptcy, probate or other circumstances deemed meritorious by the director prevent the department from completing its action or the director requires additional time to complete an investigation of an applicant's qualifications for licensure pursuant to section 4-202. In no event shall the director extend the time limits more than one year except as necessary in the event of litigation affecting the ownership of the license, bankruptcy or probate OR EXCEPT ON A WRITTEN REQUEST OF THE APPLICANT OR LICENSEE THAT THE DIRECTOR DETERMINES IS SUPPORTED BY GOOD CAUSE.

Sec. 4. Section 4-203, Arizona Revised Statutes, is amended to read:

4-203. Licenses; issuance; transfer; reversion to state

A. A spirituous liquor license shall be issued only after satisfactory showing of the capability, qualifications and reliability of the applicant and, with the exception of wholesaler, producer, government or club licensees, that the public convenience requires and that the best interest of the community will be substantially served by the issuance. If an application is filed for the issuance of a TRANSFERABLE OR nontransferable license, other than for A CRAFT DISTILLER LICENSE, a microbrewery license or a ~~domestic~~ farm winery license, for a location that on the date the application is filed has a valid license of the same series, OR IN THE CASE OF A RESTAURANT LICENSE APPLICATION FILED FOR A LOCATION WITH A VALID

HOTEL-MOTEL LICENSE, issued at that location, there shall be a rebuttable presumption that the public convenience and best interest of the community at that location was established at the time the location was previously licensed. The presumption may be rebutted by competent contrary evidence. The presumption shall not apply once the licensed location has not been in use for more than one hundred eighty days and the presumption shall not extend to the personal qualifications of the applicant.

B. The license shall be to manufacture, sell or deal in spirituous liquors only at the place and in the manner provided in the license. A separate license shall be issued for each specific business, and each shall specify:

1. The particular spirituous liquors that the licensee is authorized to manufacture, sell or deal in.

2. The place of business for which issued.

3. The purpose for which the liquors may be manufactured or sold.

C. A spirituous liquor license issued to a bar, a liquor store or a beer and wine bar shall be transferable as to any permitted location within the same county, provided such transfer meets the requirements of an original application. ~~Such~~ A spirituous liquor license may be transferred to a person qualified to be a licensee, provided such transfer is pursuant to either judicial decree, nonjudicial foreclosure of a legal or equitable lien, including security interests held by financial institutions pursuant to section ~~4-204~~ 4-205.05, a sale of the license, a bona fide sale of the entire business and stock in trade, or such other bona fide transactions as may be provided for by rule. Any change in ownership of the business of a licensee, directly or indirectly, as defined by rule is deemed a transfer.

D. All applications for a new license pursuant to section 4-201 or for a transfer to a new location pursuant to subsection C of this section shall be filed with and determined by the director, except when the governing body of the city or town or the board of supervisors receiving ~~such~~ AN application pursuant to section 4-201 orders disapproval of ~~such~~ THE application or makes no recommendation or when the director, the state liquor board or any aggrieved party requests a hearing. ~~Such~~ THE application shall then be presented to the state liquor board, and the new license or transfer shall not become effective unless approved by the state liquor board.

E. A person who assigns, surrenders, transfers or sells control of a liquor license or business ~~which~~ THAT has a spirituous liquor license shall notify the director within thirty business days after the assignment, surrender, transfer or sale. No spirituous liquor license shall be leased or subleased. A concession agreement entered into under section 4-205.03 is not considered a lease or sublease in violation of this section.

F. If a person other than those persons originally licensed acquires control over a license or licensee, the person shall file notice of the acquisition with the director within thirty business days after ~~such~~ THE acquisition of control and a list of officers, directors or other controlling

persons on a form prescribed by the director. All officers, directors or other controlling persons shall meet the qualifications for licensure as prescribed by this title. On request, the director shall conduct a preinvestigation before the assignment, sale or transfer of control of a license or licensee, the reasonable costs of which, not to exceed one thousand dollars, shall be borne by the applicant. The preinvestigation shall determine whether the qualifications for licensure as prescribed by this title are met. On receipt of notice of an acquisition of control or request of a preinvestigation, the director shall forward the notice within fifteen days to the local governing body of the city or town, if the licensed premises is in an incorporated area, or the county, if the licensed premises is in an unincorporated area. The local governing body of the city, town or county may protest the acquisition of control within sixty days based on the capability, reliability and qualification of the person acquiring control. If the director does not receive any protests, the director may protest the acquisition of control or approve the acquisition of control based on the capability, reliability and qualification of the person acquiring control. Any protest shall be set for a hearing before the board. Any transfer shall be approved or disapproved within one hundred five days of the filing of the notice of acquisition of control. The person who has acquired control of a license or licensee has the burden of an original application at the hearing, and the board shall make its determination pursuant to section 4-202 and this section with respect to capability, reliability and qualification.

G. A licensee who holds a license in nonuse status for more than five months shall be required to pay a one hundred dollar surcharge for each month thereafter. The surcharge shall be paid at the time the license is returned to active status. A license automatically reverts to the state after being held in continuous nonuse in excess of thirty-six months. The director may waive the surcharge and may extend the time period provided in this subsection for good cause. A license shall not be deemed to have gone into active status if the license is transferred to a location that at the time of or immediately before the transfer had an active license of the same type, unless the licenses are under common ownership or control.

H. A restructuring of a licensee's business is an acquisition of control pursuant to subsection F of this section and is a transfer of a spirituous liquor license and not the issuance of a new spirituous liquor license if both of the following apply:

1. All of the controlling persons of the licensee and the new business entity are identical.

2. There is no change in control or beneficial ownership.

I. If subsection H of this section applies, the licensee's history of violations of this title is the history of the new business entity. The director may prescribe a form and shall require the applicant to provide the necessary information to ensure compliance with this subsection and subsections F and G of this section.

J. Notwithstanding subsection B of this section, the holder of a retail license having off-sale privileges may deliver spirituous liquor off of the licensed premises in connection with the sale of spirituous liquor. The licensee may maintain a delivery service and shall be liable for any violation committed in connection with any sale or delivery of spirituous liquor, provided that such delivery is made by an employee who is at least twenty-one years of age. The retail licensee shall collect payment for the price of the spirituous liquor no later than at the time of delivery. The director shall adopt rules that set operational limits for the delivery of spirituous liquors by the holder of a retail license having off-sale privileges. For the purposes of this subsection, an independent contractor or the employee of an independent contractor is deemed to be an employee of the licensee when making a sale or delivery of spirituous liquor for the licensee.

K. Except as provided in subsection J of this section, Arizona licensees may transport spirituous liquors for themselves in vehicles owned, leased or rented by such licensee.

L. Notwithstanding subsection B of this section, an off-sale retail licensee may provide consumer tasting of wines off of the licensed premises.

M. The director may adopt reasonable rules to protect the public interest and prevent abuse by licensees of the activities permitted such licensees by subsections J and L of this section.

N. Failure to pay any surcharge prescribed by subsection G of this section or failure to report the period of nonuse of a license shall be grounds for revocation of the license or grounds for any other sanction provided by this title. The director may consider extenuating circumstances if control of the license is acquired by another party in determining whether or not to impose any sanctions under this subsection.

O. If a licensed location has not been in use for two years, the location must requalify for a license pursuant to subsection A of this section and shall meet the same qualifications required for issuance of a new license except when the director deems that the nonuse of the location was due to circumstances beyond the licensee's control.

P. If the licensee's interest is forfeited pursuant to section 4-210, subsection L, the location shall requalify for a license pursuant to subsection A of this section and shall meet the same qualifications required for issuance of a new license except when a bona fide lienholder demonstrates mitigation pursuant to section 4-210, subsection K.

Q. The director may implement a procedure for the issuance of a license with a licensing period of two years.

Sec. 5. Section 4-203.01, Arizona Revised Statutes, is amended to read:

4-203.01. Interim permit; fee; rules

A. The director may issue an interim permit to the applicant for a license of the same series, OR FOR THE REPLACEMENT OF A HOTEL-MOTEL LICENSE

WITH A RESTAURANT LICENSE, at the same premises whether that license is transferrable or nontransferable and any of the following conditions exists:

1. The director has good cause to believe the licensee is no longer in possession of the licensed premises.

2. The license for such premises was surrendered pursuant to rules of the department.

3. The applicant for the interim permit filed with the department an application for the issuance of a license of the same series of nontransferable license or the transfer or replacement of a transferable license of the same series, OR FOR THE REPLACEMENT OF A HOTEL-MOTEL LICENSE WITH A RESTAURANT LICENSE, at the same premises.

B. The application for the interim permit shall be accompanied by an interim permit fee of one hundred dollars.

C. An interim permit issued by the director pursuant to this section shall be for a period of not ~~to exceed~~ MORE THAN one hundred five days and shall not be extended except as provided in subsection D of this section. An interim permit is a conditional permit and authorizes the holder to sell such alcoholic beverages as would be permitted to be sold under the privileges of the license for which application has been filed with the department.

D. Notwithstanding subsection C of this section, if the director extends the time limit for action by the department in connection with a license issuance or transfer pursuant to section 4-201.01, subsection B, the director shall issue an additional interim permit for a period equal to such extension unless either:

1. No interim permit has previously been issued.

2. For good cause shown the director denies the additional interim permit.

E. Notwithstanding any other ~~provision of~~ law, an interim permit may be canceled or suspended summarily at any time, if the director determines that good cause for such cancellation or suspension exists. There shall be no appeal from such cancellation or suspension of an interim permit to the board. The board may cancel an interim permit on applications that have been disapproved by the board. The cancellation or suspension of an interim permit may be appealed directly to the superior court.

F. Application for an interim permit shall be on such form as the director shall prescribe. If an application for an interim permit is withdrawn before issuance or is refused by the director, the fee ~~which~~ THAT accompanies such application shall be refunded.

G. If an application for transfer of a license, person to person, or nontransferable spirituous liquor license is denied or an interim permit is revoked, suspended or expires, the licensee may request the return of the surrendered license that has been issued for such premises.

H. The director may prescribe rules governing the issuance of interim permits under this section.

I. The director may deny an interim permit in situations in which a current licensee holds a license described in section 4-209, subsection B, paragraph 12 and the current license is not in compliance with section 4-205.02.

Sec. 6. Section 4-203.02, Arizona Revised Statutes, is amended to read:

4-203.02. Special event license; rules

A. The director may~~, subject to the approval of the board of supervisors of a county for events to be held in an unincorporated area or the governing body of a city or town for events to be held in a city or town,~~ issue on a temporary basis:

1. A daily on-sale special event license authorizing the sale of spirituous liquor for consumption on the premises where sold. The fee for the license is twenty-five dollars per day. The director shall transfer the monies collected to the department of health services for the purpose prescribed in title 36, chapter 18, article 2.

2. A daily off-sale special event license authorizing a charitable auction for the sale of spirituous liquor for consumption off premises.

B. BEFORE THE DIRECTOR MAY ISSUE A TEMPORARY SPECIAL EVENT LICENSE, A SPECIAL EVENT THAT IS TO OCCUR AT AN OTHERWISE UNLICENSED LOCATION OR BY A LICENSEE AT A LOCATION THAT IS NOT FULLY WITHIN THE LICENSEE'S EXISTING LICENSED PREMISES MUST BE APPROVED BY THE BOARD OF SUPERVISORS OF A COUNTY IF THE EVENT IS TO BE HELD IN AN UNINCORPORATED AREA OR BY THE GOVERNING BODY OF THE CITY OR TOWN IF THE EVENT IS TO BE HELD IN A CITY OR TOWN.

C. THE APPROVAL PROCESS PRESCRIBED IN THIS SECTION DOES NOT APPLY TO PHYSICAL LOCATIONS THAT ARE FULLY WITHIN PREMISES LICENSED PURSUANT TO THIS TITLE.

D. A PHYSICAL LOCATION, OTHER THAN A PHYSICAL LOCATION THAT IS OWNED, OPERATED, LEASED, MANAGED OR CONTROLLED BY THE UNITED STATES, THIS STATE OR A CITY, TOWN OR COUNTY OF THIS STATE, THAT IS NOT LICENSED PURSUANT TO THIS TITLE MAY NOT BE ISSUED MORE THAN TWELVE SPECIAL EVENT LICENSES DURING THE SAME CALENDAR YEAR. ALL APPLICATIONS FOR A SPECIAL EVENT LICENSE ISSUED PURSUANT TO THIS SUBSECTION MUST BE SUBMITTED TO THE DEPARTMENT AT LEAST TEN DAYS BEFORE THE SCHEDULED EVENT.

~~B.~~ E. The director may only issue the special event license to a political party or campaign committee supporting a candidate for public office or a ballot measure, an organization formed for a specific charitable or civic purpose, a fraternal organization in existence for over five years with a regular membership or a religious organization.

F. THE DIRECTOR MAY ISSUE A SPECIAL EVENT LICENSE CONCURRENTLY WITH A WINE FESTIVAL LICENSE AND A CRAFT DISTILLERY FESTIVAL LICENSE AND MAY APPROVE THE LOCATION OF THE WINE FESTIVAL LICENSE WITHIN AN EXCLUDED AREA OF A SPECIAL EVENT LICENSE SPECIFICALLY DESCRIBED IN EACH LICENSE. NOTWITHSTANDING SECTION 4-244, PARAGRAPHS 13 AND 19, BOTH LICENSES SHALL

PERMIT THE PRESENCE OF PURCHASED SPIRITUOUS LIQUOR IN THE POSSESSION OF THE PURCHASER.

~~C.~~ G. An organization selling spirituous liquor under a special event license ~~pursuant to subsection A, paragraph 1 of this section~~ shall purchase ~~such~~ THE spirituous liquor from the holder of a license authorized to sell off-sale OR A LICENSED WHOLESALER. ~~, or,~~ In the case of a nonprofit organization ~~which~~ THAT has obtained a special event license for the purpose of charitable fund-raising activities, the nonprofit organization may receive the spirituous liquor from a wholesaler, FARM WINERY, MICROBREWERY OR PRODUCER as a donation, except that a licensee licensed pursuant to subsection A, paragraph 2 of this section may receive spirituous liquor from a donor when the donor receives no remuneration or payment of any kind, directly or indirectly, other than any tax benefits that might result.

~~D.~~ H. An organization that is issued a license pursuant to subsection A, paragraph 2 of this section shall receive at least seventy-five per cent of the gross receipts of the auction. Up to twenty-five per cent of the gross receipts of a special event auction conducted pursuant to subsection A, paragraph 2 of this section may be used to pay reasonable and necessary expenses incurred in connection with the auction. All expenses shall be supported by written contracts, invoices or receipts, which shall be made available to the director on request.

~~E.~~ I. The director may adopt those rules the director determines are necessary to implement and administer this section including a limitation on the number of times during a calendar year a qualified organization may apply for and be issued a license under this section. The qualified organization issued a license pursuant to subsection A, paragraph 1 of this section must receive at least twenty-five per cent of the gross revenues of ALL SPIRITUOUS LIQUOR SOLD AT the special events, which shall be supported by a contract between the parties to be supplied at the time of application.

~~F.~~ J. An organization that is issued a license pursuant to subsection A, paragraph 2 of this section shall not sell more than twenty cases of spirituous liquor annually under a special event license.

~~G.~~ K. Section 4-201 does not apply to the licenses provided for under this section.

~~H.~~ L. A licensed wholesaler may donate spirituous liquor directly to an organization that is issued a license pursuant to subsection A OF THIS SECTION. The licensed wholesaler shall in such instances issue a net zero cost billing invoice in the name of the special event licensee. All licensees making or receiving spirituous liquor donations remain subject to the applicable limitations and requirements set forth in this title and in the rules ~~promulgated~~ ADOPTED by the department.

~~I.~~ M. A licensed wholesaler may temporarily leave a delivery vehicle and other items of equipment necessary for the sale or service of spirituous liquor on the premises of a licensed special event for the duration of the event and up to one business day before and after the event.

~~J.~~ N. A licensed wholesaler may leave spirituous liquor products at a special event if the products are properly described on a preliminary billing invoice from the wholesaler that is issued in the name of ~~the off-sale retailer which also names~~ the special event licensee. The licensed wholesaler has up to five business days after the special event ends to make any necessary billing adjustments and issue a final billing invoice to ~~the off-sale retailer which also names~~ the special event licensee.

Sec. 7. Section 4-203.03, Arizona Revised Statutes, is amended to read:

4-203.03. Wine festival license; wine fair license; fee

A. The director, subject to the approval of the board of supervisors for events to be held in an unincorporated area or the governing body of a city or town for events to be held in a city or town, may issue up to ~~twenty-five~~ FIFTY wine festival licenses for each calendar year for each licensed ~~domestic~~ farm winery, for up to a total of ~~seventy-five~~ ONE HUNDRED FIFTY calendar days per winery, authorizing sampling of ~~domestic~~ farm winery products on the wine festival premises, the sale of ~~such~~ THE products for consumption on the wine festival premises and the sale of ~~such~~ THE products in original containers for consumption off the wine festival premises. The fee for a ~~domestic~~ farm winery wine festival license is fifteen dollars PER DAY for each event.

B. Any ~~domestic~~ farm winery may apply for a wine festival license pursuant to this section.

C. With the permission of the fair organizers, any ~~domestic~~ farm winery is authorized to allow sampling of ~~domestic~~ farm winery products on the fair premises, the sale of ~~such~~ THE products for consumption on the fair premises and the sale of ~~such~~ THE products in original containers for consumption off of the fair premises at any sanctioned county or state fair. The fee for a ~~domestic~~ farm winery fair license is fifteen dollars PER DAY for each event.

D. Section 4-201 does not apply to the licenses provided for under this section.

Sec. 8. Section 4-203.04, Arizona Revised Statutes, is amended to read:

4-203.04. Direct shipment license; issuance; fee; requirements; penalties; cease and desist orders

A. The director may issue a direct shipment license to a person who is engaged in business as a distiller, vintner, brewer, rectifier, blender or other producer of spirituous liquor if the person is licensed in the state where the person's principal place of business is located and the director determines that the person is capable and reliable and is qualified to hold a direct shipment license.

B. A person shall apply for a direct shipment license on a form prescribed by the director. The director may charge an application fee. In addition to other matters required by the director, an application for a direct shipment license shall include:

1. The address of the premises where the applicant's principal place of business is located and a copy of the applicant's spirituous liquor license in that state.

2. The name, address and telephone number of an officer of the applicant who is authorized to represent the applicant before the director.

3. A complete and full disclosure by the applicant and by any officer, director, administrator or controlling person of the applicant of any criminal convictions in any state or foreign jurisdiction within the five years immediately preceding the application.

4. The names and addresses of the wholesalers licensed in this state through which the applicant will ship spirituous liquor into or within this state.

5. The number of individual orders of spirituous liquor, if any, that the applicant shipped to wholesalers in this state during the previous three years and the names and addresses of each wholesaler ~~who~~ THAT received the shipments.

6. A statement that the applicant acknowledges that shipments by the applicant of spirituous liquor into or within this state contrary to this section will result in the immediate suspension of the applicant's direct shipment license.

C. The director may refuse to issue a direct shipment license for good cause. After a hearing, the director may suspend or revoke a direct shipment license for good cause. The director shall not issue a direct shipment license to any person who:

1. Has had a direct shipment license or any license to deal in spirituous liquor revoked in this state or any other state within one year preceding the application.

2. Has been convicted of a felony in this state or any other state or has been convicted of an offense in another state that would be a felony if convicted in this state within five years preceding the application.

D. A direct shipment license is valid for three years. Direct shipment licenses may not be renewed or transferred. A person who holds a direct shipment license may apply for a new license not more than ninety days before expiration of the person's current license.

E. A resident of this state who is twenty-one years of age or older may place an order in person, by telephone, mail or catalog or on the internet for spirituous liquor for the person's own personal use with a person who holds a direct shipment license.

F. A person who holds a direct shipment license shall ensure that shipments of spirituous liquor pursuant to this section are made in conformance with all applicable provisions of this title and rules adopted

pursuant to this title. A direct shipment licensee who violates this title or rules adopted pursuant to this title is subject to a civil or criminal penalty and suspension or revocation of the person's license.

G. A person who holds a direct shipment license shall deliver spirituous liquor ordered pursuant to subsection E of this section to a wholesaler ~~who~~ THAT is licensed in this state. The wholesaler shall pay all luxury taxes imposed on the shipment pursuant to title 42, chapter 3 to the department of revenue and shall deliver the liquor to a retailer with off-sale privileges ~~who~~ THAT is licensed in this state.

H. The licensed retailer shall deliver the spirituous liquor or shall arrange for the delivery of the spirituous liquor to the person who placed the order and shall collect and pay to the department of revenue all transaction privilege taxes imposed pursuant to title 42, chapter 5. The retailer shall:

1. Ensure that:

(a) The person making the delivery is twenty-one years of age or older.

(b) The delivery occurs only during the hours that spirituous liquor may be lawfully served in this state.

(c) Deliveries are not made to persons who are obviously intoxicated or are otherwise disorderly.

(d) The person accepting the delivery is twenty-one years of age or older and exhibits an acceptable written instrument of identification pursuant to section 4-241.

2. Make a record of the delivery at the time of delivery on a form approved by the director of the department of liquor licenses and control. The record shall be retained by the retailer for at least two years and shall include the following information:

(a) The business name, address and license number of the retailer.

(b) The date and time of delivery.

(c) The address where the delivery occurred.

(d) The type, brand and amount of the spirituous liquor delivered.

(e) The printed name and signature of the person making the delivery.

(f) The printed name and signature of the person accepting the delivery, along with the type and serial number of the written identification the person accepting delivery presented.

(g) The age of the person accepting delivery.

3. Refuse to complete a delivery if the retailer believes that the delivery would violate any applicable provision of this title.

I. If the director has reasonable cause to believe that a person who is licensed pursuant to this section is acting in violation of this section, the director may serve a cease and desist order requiring the person to cease and desist the violation. The director may impose a civil penalty of not more than one hundred fifty thousand dollars PER VIOLATION against a person

who knowingly violates a cease and desist order issued pursuant to this section.

J. Notwithstanding any other law, a person may ship wine as long as all of the following apply:

1. The wine was purchased while the purchaser was physically present at the winery.

2. The purchaser of the wine provided the winery verification of legal age to purchase alcohol.

3. The shipping container in which the wine is shipped is marked to require the signature on delivery of an adult who is of legal age to purchase alcohol and delivery confirmation.

4. The wine is for personal use only and not for resale.

5. The winery ships to a residential or business address other than a premises licensed pursuant to this title.

6. The purchaser could have carried the wine lawfully into or within this state.

7. The winery ships not more than two cases of wine per winery to the purchaser in any calendar year.

K. Section 4-201 does not apply to licenses issued pursuant to this section.

L. COMMON CARRIERS OTHER THAN RAILROADS AS DEFINED IN SECTION 40-201 THAT SHIP SPIRITUOUS LIQUOR IN THIS STATE SHALL:

1. KEEP RECORDS OF SPIRITUOUS LIQUOR SHIPPED TO PERSONS IN THIS STATE, INCLUDING THE SHIPPER'S COMPANY AND ADDRESS, THE RECIPIENT'S NAME AND ADDRESS, THE SHIPMENT AND DELIVERY DATES AND THE WEIGHT OF SPIRITUOUS LIQUOR SHIPPED.

2. REMIT THE RECORDS ON REQUEST OF THE DEPARTMENT.

Sec. 9. Section 4-205.02, Arizona Revised Statutes, is amended to read:

4-205.02. Restaurant license; issuance; regulatory provisions; expiration; definitions

A. The director may issue a restaurant license to any restaurant in this state that is regularly open for the serving of food to guests for compensation and that has suitable kitchen facilities connected with the restaurant for keeping, cooking and preparing foods required for ordinary meals.

B. The director shall issue the license in the name of the restaurant upon application for the license by the owner or lessee of the restaurant, provided the applicant is otherwise qualified to hold a spirituous liquor license. The holder of such license is subject to the penalties prescribed for any violation of the law relating to alcoholic beverages.

C. The holder of a restaurant license may sell and serve spirituous liquors solely for consumption on the licensed premises. For the purpose of this subsection, "licensed premises" may include rooms, areas or locations in which the restaurant normally sells or serves spirituous liquors pursuant to

regular operating procedures and practices and that are contiguous to the restaurant or a noncontiguous patio pursuant to section 4-101, paragraph 26. For the purposes of this subsection, a restaurant licensee must submit proof of tenancy or permission from the landowner or lessor for all property to be included in the licensed premises.

D. In addition to other grounds prescribed in this title on which a license may be revoked, the director may require the holder of a restaurant license issued pursuant to this section to surrender the license in any case in which the licensee ceases to operate as a restaurant, as prescribed in subsection A of this section. The surrender of a license pursuant to this subsection does not prevent the director from revoking the license for other grounds prescribed in this title or for making deliberate material misrepresentations to the department regarding the licensee's equipment, service or entertainment items or seating capacity in applying for the restaurant license.

E. Neither the director nor the board may initially issue a restaurant license if either finds that there is sufficient evidence that the operation will not satisfy the criteria adopted by the director for issuing a restaurant license described in section 4-209, subsection B, paragraph 12. The director shall issue a restaurant license only if the applicant has submitted a plan for the operation of the restaurant. The plan shall be completed on forms provided by the department and shall include listings of all restaurant equipment and service items, the restaurant seating capacity and other information requested by the department to substantiate that the restaurant will operate in compliance with this section.

F. The holder of the license described in section 4-209, subsection B, paragraph 12 who intends to alter the seating capacity or dimensions of a restaurant facility shall notify the department in advance on forms provided by the department.

G. ~~Until January 1, 2015,~~ The director may charge a fee for site inspections conducted before the issuance of a restaurant license.

H. For the purposes of this section:

1. "Gross revenue" means the revenue derived from all sales of food and spirituous liquor on the licensed premises, regardless of whether the sales of spirituous liquor are made under a restaurant license issued pursuant to this section or under any other license that has been issued for the premises pursuant to this article.

2. "Restaurant" means an establishment that derives at least forty per cent of its gross revenue from the sale of food, including sales of food for consumption off the licensed premises if the amount of these sales included in the calculation of gross revenue from the sale of food does not exceed fifteen per cent of all gross revenue of the restaurant.

Sec. 10. Section 4-205.03, Arizona Revised Statutes, is amended to read:

4-205.03. Government license; issuance; regulatory provisions; agreements with coliseum concessionaires; definitions

A. The department may issue a government license to any STATE AGENCY, STATE BOARD, STATE COMMISSION, county, city, town, community college or state university ~~or~~, THE national guard or the Arizona exposition and state fair board on application authorized by the governing body of the STATE AGENCY, STATE BOARD, STATE COMMISSION, county, city, town, community college or state university ~~or~~, THE national guard or the Arizona exposition and state fair board.

B. If the department ~~decides to issue~~ ISSUES the license, it shall be issued in the name of the STATE AGENCY, STATE BOARD, STATE COMMISSION, county, city, town, community college or state university ~~or~~, THE national guard or THE Arizona coliseum and exposition center. No application shall be filed unless authorized by the respective governing body. The application shall designate for each location a manager or other individual responsible for administering the license. The STATE AGENCY, STATE BOARD, STATE COMMISSION, county, city, town, community college or state university ~~or~~, THE national guard or THE Arizona exposition and state fair board shall give notice to the department within ten days of any change in the designee. The STATE AGENCY, STATE BOARD, STATE COMMISSION, county, city, town, community college or state university ~~or~~, THE national guard or THE Arizona coliseum and exposition center to which a license is issued is subject to the fine or penalty prescribed for any violation of the statutes relating to alcoholic beverages.

C. The holder of a government license may sell and serve spirituous liquors solely for consumption on the premises for which the license is issued. A separate license is required for each premises on which spirituous liquors are served. A single premises licensed under this section may consist of not more than one dock area that is designated by a city or town and that is situated on a lake owned by the city or town and not more than thirty boats that are operated on the lake. A dock and boats that comprise a premises under this subsection shall be operated in compliance with subsection G of this section.

D. A governing body in possession of a government license may by appropriate legislation or rule authorize the use of the license pursuant to a concession agreement approved by the governing body.

E. The department may adopt rules in order to administer this section.

F. Any agreement entered into by the Arizona exposition and state fair board allowing an indicated concessionaire to serve alcoholic beverages pursuant to this section shall contain a provision requiring the concessionaire to do both of the following:

1. Fully indemnify and hold harmless this state and any of its agencies, boards, commissions, officers and employees against any liability for loss or damage incurred either on or off state property and resulting from the negligent serving of alcoholic beverages by the concessionaire or the concessionaire's agents or employees.

2. Post a surety bond in favor of this state in an amount determined by the Arizona exposition and state fair board to be sufficient to indemnify this state against the potential liability or name this state as an additional insured in a liability policy that provides sufficient coverage to indemnify this state as determined by the Arizona exposition and state fair board.

G. The following apply to the operation of a dock and boats as a licensed premises pursuant to subsection C of this section:

1. Liquor may be sold only for consumption on the premises in conjunction with consumption of food.

2. Liquor shall not be served or consumed on the dock. Liquor shall not be served on a boat earlier than fifteen minutes before the boat is scheduled to depart from the dock and shall not be served after a boat returns to the dock.

3. A person shall not be served more than thirty-two ounces of beer, one liter of wine or four ounces of distilled spirits while the person is on a boat.

4. A person shall not bring spirituous liquor onto a boat other than liquor purchased by the licensee or a concessionaire for resale under the provisions of this title.

5. The pilot of each boat, all crew members and all persons who sell or serve spirituous liquor on each boat are deemed employees of the licensee for purposes of this title.

6. The pilot of each boat shall either have a current and valid coast guard operator's license or shall have successfully completed a safety and operator training course approved by the city or town.

7. Spirituous liquor shall not be served, consumed or possessed by a customer on the boat between the hours of 11:00 p.m. and 5:00 p.m.

8. All provisions of this title and rules adopted pursuant to this title that are not inconsistent with this section apply to sales and consumption of spirituous liquor on the licensed premises.

H. For the purposes of this section:

1. "Arizona coliseum and exposition center" includes all property under the control of the Arizona exposition and state fair board as provided in section 3-1001.

2. "Boat" means a seaworthy vessel that is designed to carry and that is capable of carrying not less than fifteen nor more than forty-five passengers, that has a displacement of not more than ten tons and that possesses a current coast guard certificate.

3. "Community college" has the same meaning prescribed in section 15-1401.

4. "State university" means institutions as described in section 15-1601.

Sec. 11. Section 4-205.04, Arizona Revised Statutes, is amended to read:

4-205.04. Farm winery license; issuance; regulatory provisions; retail site; fee

A. The director may issue a ~~domestic~~ farm winery license to any person who meets the requirements of subsection C of this section. Each location that engages in producing ~~and bottling~~ OR MANUFACTURING these products must obtain a separate ~~domestic~~ farm winery license. The licensee may not transfer the ~~domestic~~ farm winery license from person to person or from location to location.

B. An applicant for a ~~domestic~~ farm winery license, at the time of filing the application for the license, shall accompany the application with the license fee. Persons holding a ~~domestic~~ farm winery license shall report annually at the end of each ~~fiscal~~ CALENDAR year, at such time and in such manner as the director may prescribe, the amount of wine PRODUCED OR manufactured by them during the ~~fiscal~~ CALENDAR year. IN ADDITION TO ANY PROVISION OF THIS TITLE, if the total amount of wine PRODUCED OR manufactured during the year exceeds the amount permitted annually by the license, the licensee shall apply for and receive a producer's license ONLY UPON SURRENDER OF THE FARM WINERY LICENSE OR LICENSES.

C. A person may be licensed as a ~~domestic~~ farm winery to sell wine produced or manufactured if in a calendar year it produces at least two hundred gallons and not more than forty thousand gallons of wine and IF THE WINERY EITHER HOLDS A WINERY PERMIT ISSUED BY THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU OR HAS A CONTRACT PURSUANT TO SUBSECTION E OF THIS SECTION FOR THE PRODUCTION OR MANUFACTURING OF WINE FROM GRAPES OR OTHER FRUIT GROWN ON AT LEAST FIVE PRODUCING ACRES OF LAND OWNED OR CONTROLLED BY THE APPLICANT AND THE LAND HAS BEEN DEVOTED TO FRUIT GROWING FOR AT LEAST THREE CONSECUTIVE CALENDAR YEARS. A LICENSED FARM WINERY may make sales and deliveries of wine only as specifically provided in this section and as follows:

1. A licensed ~~domestic~~ farm winery may make sales and deliveries of wine to wholesalers licensed to sell wine under this title.

2. A licensed ~~domestic~~ farm winery may serve wine produced or manufactured on the premises for the purpose of sampling the wine. THE WINE MAY INCLUDE WINE PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

3. A representative of the licensed ~~domestic~~ farm winery may consume small amounts of the products of the licensed ~~domestic~~ farm winery ON THE PREMISES for the purpose of sampling the wine. THE WINE MAY INCLUDE WINE PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

4. A licensed ~~domestic~~ farm winery may sell to a consumer physically present on the premises wine produced or manufactured on the premises in the original container for consumption on or off the premises. THE WINE MAY INCLUDE WINE PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

5. A licensed ~~domestic~~ farm winery may purchase and sell wine produced by another licensed ~~domestic~~ farm winery FOR CONSUMPTION ON OR OFF THE PREMISES only if the retail sale is to a consumer physically present on the premises of the ~~domestic~~ farm winery, EXCEPT THAT THE SALES OF WINE PRODUCED BY ANOTHER WINERY MAY NOT EXCEED TWENTY PER CENT OF THE FARM WINERY'S SALES BY VOLUME. THE PERCENTAGE LIMITATION SHALL NOT APPLY TO WINE PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

6. If the licensed ~~domestic~~ farm winery is not otherwise engaged in the business of a distiller, vintner, brewer, rectifier, blender or other producer of spirituous liquor in any jurisdiction, the licensed ~~domestic~~ farm winery may hold licenses prescribed in section 4-209, subsection B, ~~paragraphs 7, 10 and~~ PARAGRAPH 12 on the licensed ~~domestic~~ farm winery premises or other retail premises. EXCEPT AS PROVIDED IN PARAGRAPH 5 OF THIS SUBSECTION, the licensed ~~domestic~~ farm winery shall purchase all OTHER spirituous liquor for sale at the ~~other~~ on-sale retail premises from wholesalers ~~who~~ THAT are licensed in this state, except that a licensed ~~domestic~~ farm winery may:

(a) Purchase wine from other ~~domestic~~ farm wineries pursuant to paragraph 7 of this subsection.

(b) Make deliveries of the wine that the ~~domestic~~ farm winery produces to the ~~domestic~~ farm winery's own commonly controlled retail licensed premises.

7. A licensed ~~domestic~~ farm winery that produces not more than twenty thousand gallons of wine in a calendar year may make sales and deliveries of the wine that the licensed ~~domestic~~ farm winery produces to on-sale and off-sale retailers.

8. Notwithstanding section 4-244, paragraphs 3 and 7, an on-sale or off-sale retailer may purchase and accept delivery of wine from a licensed ~~domestic~~ farm winery pursuant to paragraph 7 of this subsection.

9. A licensed ~~domestic~~ farm winery that produces not more than twenty thousand gallons of wine in a calendar year may make sales and deliveries of wine that the licensed ~~domestic~~ farm winery produces to consumers off of the licensed premises and that is ordered by telephone, mail, fax or catalogue, through the internet or by other means if all of the following apply:

(a) The purchaser of the wine provided the licensed ~~domestic~~ farm winery with verification of the purchaser's legal age to purchase alcohol.

(b) The shipping container in which the wine is shipped is marked to require the signature on delivery of an adult who is of legal age to purchase alcohol and delivery confirmation.

(c) The wine is for personal use only and not for resale.

(d) The wine is DELIVERED BY THE LICENSED FARM WINERY OR shipped BY THE LICENSED FARM WINERY BY A COMMON CARRIER to a residential or business address other than a premises licensed pursuant to this title.

(e) The purchaser could have carried the wine lawfully into or within this state.

(f) The delivery is made by a person who is at least twenty-one years of age.

(g) The ~~domestic~~ farm winery shall collect payment for the price of the spirituous liquor no later than at the time of delivery.

10. A licensed ~~domestic~~ farm winery may make sales and deliveries as expressly permitted by sections 4-203.03, 4-203.04 and 4-244.04.

D. ON APPLICATION BY ONE OR MORE PERSONS, THE DIRECTOR MAY APPROVE APPLICATIONS FOR GROUPING TWO OR MORE FARM WINERY LICENSES AT ONE LOCATION UNDER A PLAN OF ALTERNATING PROPRIETORSHIPS IF A LICENSED WINERY HAS RECEIVED APPROVAL OF THE ALTERNATING PROPRIETORSHIP BY THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU AND THE PARTICIPATING WINERIES OPERATE UNDER THE REGULATIONS AND GUIDELINES THAT ARE ISSUED BY THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU. EACH PARTICIPATING WINERY SHALL BE RESPONSIBLE FOR FILING ALL REPORTS THAT RELATE TO ITS WINE PRODUCTION OR MANUFACTURING WITH THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU AND THE DEPARTMENT.

E. A PERSON OTHERWISE QUALIFIED TO RECEIVE A FARM WINERY LICENSE MAY ENTER INTO A CUSTOM CRUSH ARRANGEMENT WHERE A LICENSED WINERY PRODUCES OR MANUFACTURES WINE FROM GRAPES OR OTHER FRUIT SUPPLIED BY THE PERSON. THE WINERY RECEIVING THE FRUIT SHALL BE LICENSED BY THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU AND THE DEPARTMENT AND SHALL BE RESPONSIBLE FOR FILING ALL REPORTS THAT RELATE TO ITS WINE PRODUCTION OR MANUFACTURING WITH THE UNITED STATES ALCOHOL AND TOBACCO TAX AND TRADE BUREAU AND THE DEPARTMENT. EACH PERSON SUPPLYING THE GRAPES OR OTHER FRUIT SHALL FIRST APPLY FOR AND RECEIVE A FARM WINERY LICENSE AND SHALL REPORT ALL VOLUMES OF WINE FROM ITS CUSTOM CRUSH ARRANGEMENTS TO THE DEPARTMENT, WHICH SHALL NOT BE ALLOCATED TO THE GALLONAGE OF THE RECEIVING WINERY.

F. ON APPLICATION BY A FARM WINERY LICENSEE, THE DIRECTOR MAY AUTHORIZE A FARM WINERY LICENSEE TO OPERATE UP TO TWO REMOTE TASTING AND RETAIL PREMISES IF:

1. THE WINE SOLD AT THE PREMISES IS LIMITED TO WINE PRODUCED OR MANUFACTURED BY THE LICENSED FARM WINERY AND WINES PRODUCED OR MANUFACTURED BY OTHER LICENSED FARM WINERIES, INCLUDING WINES PRODUCED OR MANUFACTURED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION. THE FARM WINERY MAY SELL WINE TO A CONSUMER PHYSICALLY PRESENT ON THE PREMISES FOR CONSUMPTION ON OR OFF THE PREMISES. SALES OF WINES NOT PRODUCED OR MANUFACTURED BY THE FARM WINERY SHALL BE LIMITED TO NO MORE THAN TWENTY PER CENT OF THE TOTAL SALES BY VOLUME AT THAT LOCATION. THE PERCENTAGE LIMITATION SHALL NOT APPLY TO WINE PRODUCED PURSUANT TO SUBSECTIONS D AND E OF THIS SECTION.

2. THE FARM WINERY LICENSEE:

(a) REMAINS RESPONSIBLE FOR THE PREMISES.

(b) OBTAINS APPROVAL FOR THE PREMISES FROM THE LOCAL GOVERNING BODY BEFORE SUBMITTING AN APPLICATION TO THE DEPARTMENT. A COPY OF AN ORDER FROM THE LOCAL GOVERNING BODY RECOMMENDING APPROVAL OF THE PREMISES MUST BE FILED WITH THE DEPARTMENT AS PART OF THE APPLICATION.

(c) DOES NOT SUBLEASE THE PREMISES.

(d) HAS AN AGENT WHO IS A NATURAL PERSON WHO MEETS THE QUALIFICATIONS OF LICENSURE IN THIS STATE.

(e) MEETS THE QUALIFICATIONS FOR A LICENSE PURSUANT TO SECTION 4-203, SUBSECTION A.

G. A FARM WINERY LICENSEE MAY HOLD A CRAFT DISTILLERY LICENSE ISSUED PURSUANT TO SECTION 4-205.10. THE FARM WINE AND CRAFT DISTILLERY LICENSEE MAY ONLY PRODUCE DISTILLED SPIRITS UP TO A GALLONAGE OF ONE THOUSAND GALLONS IN A CALENDAR YEAR FROM FRUIT PROCESSED AT THE WINERY FOR THE PRIMARY PURPOSE OF MAKING WINE. THE FARM WINE AND CRAFT DISTILLERY LICENSEE IS SUBJECT TO ALL OTHER REQUIREMENTS OF THIS SECTION AND SECTION 4-205.10. THE FARM WINERY MAY PROVIDE SAMPLING AND SALES OF THE DISTILLED SPIRITS PURSUANT TO SECTION 4-205.10, SUBSECTION C, PARAGRAPHS 2 AND 3 ON THE SAME PREMISES AS THE WINE SAMPLING AND RETAIL SALES.

~~D.~~ H. The ~~domestic~~ farm winery is liable for any violation committed in connection with any sale or delivery of the wine. The rules adopted by the director pursuant to section 4-203, subsection J shall apply to the delivery of wine under subsection C, paragraph 9 of this section. An act or omission of any person who makes a sale or delivery of wine for a licensee under subsection C, paragraph 9 of this section is deemed to be an act or omission of the licensee for the purposes of section 4-210, subsection A, paragraph 9.

~~E.~~ I. A ~~domestic~~ farm winery that sells or delivers wine pursuant to this section shall:

1. Pay to the department of revenue all luxury taxes imposed pursuant to title 42, chapter 3 and all transaction privilege or use taxes imposed pursuant to title 42, chapter 5.

2. File all returns or reports required by law.

~~F.~~ J. A delivery of wine by a ~~domestic~~ farm winery to a purchaser in this state is a transaction deemed to have occurred in this state.

~~G.~~ K. The director shall adopt rules in order to administer this section.

L. THE DIRECTOR MAY CHARGE AN ADDITIONAL FARM WINERY LICENSE FEE ADOPTED PURSUANT TO SECTION 4-209 FOR THE ISSUANCE OF LICENSES, AUTHORIZATIONS OR APPROVALS PURSUANT TO SUBSECTIONS D, E AND F OF THIS SECTION.

Sec. 12. Section 4-205.05, Arizona Revised Statutes, is amended to read:

4-205.05. Disposal of seized or recovered liquor

A. The director may issue a temporary permit authorizing the disposal at public auction of spirituous liquor that has been seized by any agency of this state, the federal government, any political subdivision of this state, any financial institution as defined in section 6-101 that has a security interest in a license~~,~~ or the federal government pursuant to statute. A bid at a public auction shall not be accepted from a licensee if the spirituous liquors offered for sale at the auction were seized from that licensee. The director shall issue the permit only if presented with proper documents of seizure by the appropriate official. The director may dispose of seized spirituous liquor in whole or in part by PUBLIC AUCTION, BY providing the spirituous liquor to law enforcement for training purposes only, OR BOTH, OR BY AUTHORIZING A QUALIFIED PERSON TO RECYCLE THE SPIRITUOUS LIQUOR.

B. Spirituous liquor with a stated expiration date on the label shall not be offered for sale at public auction after the expiration date and shall either be destroyed or disposed of as provided in this section. The licensed wholesaler that distributes the spirituous liquor brand in that sales territory may, but is not required to, accept a return of the liquor at no cost for disposal or to enable it to be returned to the supplier.

Sec. 13. Section 4-205.08, Arizona Revised Statutes, is amended to read:

4-205.08. Microbrewery license; issuance; regulatory provisions; retail site

A. The director may issue a ~~domestic~~ microbrewery license to any ~~domestic~~ microbrewery. Each location that engages in producing and bottling these products must obtain a separate ~~domestic~~ microbrewery license. The licensee may not transfer the ~~domestic~~ microbrewery license from person to person or from location to location.

B. An applicant for a ~~domestic~~ microbrewery license, at the time of filing the application for the license, shall accompany the application with the license fee. Persons holding a ~~domestic~~ microbrewery license shall report annually at the end of each calendar year, at such time and in such manner as the director may prescribe, the amount of beer manufactured by them during the calendar year and the amount delivered pursuant to subsection D, paragraph 5, subdivision (b) OF THIS SECTION. If the total amount of beer THAT IS PRODUCED OR manufactured ~~or delivered~~ during the calendar year exceeds the amount permitted annually by the license, the licensee shall apply for and receive a producer's license.

C. Notwithstanding any other statute, a licensed ~~domestic~~ microbrewery may:

1. Sell beer produced or manufactured on the premises for consumption on or off the premises.

2. Make sales and deliveries of beer to persons licensed to sell beer under this title through wholesalers licensed under this title or as provided in subsection D, paragraph 5, subdivision (a) or (b) OF THIS SECTION.

3. Make sales and deliveries of beer to persons licensed to sell beer in another state if lawful under the laws of that state.

4. Serve beer produced or manufactured on the premises for the purpose of sampling the beer.

D. A licensed ~~domestic~~ microbrewery is subject to all of the following requirements:

1. The microbrewery shall produce not less than five thousand gallons of beer in each calendar year following the first year of operation.

2. The microbrewery shall not produce more than one million two hundred forty thousand gallons of beer in a calendar year.

3. If retail operations are conducted in conjunction with the microbrewery, these retail operations shall be conducted from the same site as the location of the microbrewery.

4. The microbrewery may sell other spirituous liquor products if:

(a) The microbrewery holds an on-sale retail license.

(b) The retail sale of the spirituous liquor is on or adjacent to the premises of the microbrewery.

5. The microbrewery may make sales and deliveries of beer that it has produced to both:

(a) Retail licensees that are under common ownership with the microbrewery in any amount.

(b) Other licensed retailers in ~~an~~ A CUMULATIVE amount not to exceed ninety-three thousand gallons IN TOTAL FOR ALL LICENSED RETAILERS in any calendar year.

E. A person who holds a ~~domestic~~ microbrewery license that meets the requirements of this section and who is not otherwise engaged in the business of a distiller, vintner, brewer, rectifier, blender or other producer of spirituous liquor in any jurisdiction may hold other on-sale retail licenses. Except as provided in subsection D, paragraph 5, subdivision (a) OF THIS SECTION, the person shall purchase all spirituous liquor for sale at the other on-sale retail premises from wholesalers ~~who~~ THAT are licensed in this state.

F. A ~~domestic~~ microbrewery that sells or delivers beer pursuant to this section shall:

1. Pay to the department of revenue all luxury taxes imposed pursuant to title 42, chapter 3 and all transaction privilege or use taxes imposed pursuant to title 42, chapter 5.

2. File all returns or reports required by law.

G. A delivery of beer by a ~~domestic~~ microbrewery to a purchaser in this state is a transaction deemed to have occurred in this state.

H. The director shall adopt rules in order to administer this section.

Sec. 14. Title 4, chapter 2, article 1, Arizona Revised Statutes, is amended by adding sections 4-205.10 and 4-205.11, to read:

4-205.10. Craft distiller license; issuance; regulatory provisions; fee

A. THE DIRECTOR MAY ISSUE A CRAFT DISTILLER LICENSE TO ANY PERSON THAT MEETS THE REQUIREMENTS OF SUBSECTION C OF THIS SECTION. EACH LOCATION THAT ENGAGES IN PRODUCING AND BOTTLING THESE PRODUCTS MUST OBTAIN A SEPARATE CRAFT DISTILLER LICENSE. THE LICENSEE MAY NOT TRANSFER THE CRAFT DISTILLER LICENSE FROM PERSON TO PERSON OR FROM LOCATION TO LOCATION AND MAY NOT ALSO HOLD A PRODUCER'S LICENSE. THE LICENSEE AND ALL COMMONLY CONTROLLED CRAFT DISTILLERY LICENSEES MAY NOT MANUFACTURE OR PRODUCE MORE THAN TWENTY THOUSAND GALLONS OF DISTILLED SPIRITS IN A CALENDAR YEAR. FOR THE PURPOSES OF THIS SECTION, "ANNUAL GALLONAGE" SHALL BE THE TOTAL PROOF GALLONS OF FINISHED DISTILLED PRODUCT AVAILABLE FOR WHOLESALE OR RETAIL SALE AS DEFINED BY 26 UNITED STATES CODE SECTION 5002 AND RULES ADOPTED PURSUANT TO THIS SECTION OR ITS SUCCESSOR.

B. PERSONS HOLDING A CRAFT DISTILLER LICENSE SHALL REPORT ANNUALLY AT THE END OF EACH CALENDAR YEAR, AT SUCH TIME AND IN SUCH MANNER AS THE DIRECTOR MAY PRESCRIBE, THE AMOUNT OF DISTILLED SPIRITS THAT IS PRODUCED OR MANUFACTURED BY THAT LICENSEE DURING THE CALENDAR YEAR. IN ADDITION TO ANY OTHER PROVISION OF THIS TITLE, IF THE TOTAL AMOUNT OF DISTILLED SPIRITS THAT IS PRODUCED OR MANUFACTURED DURING THE YEAR EXCEEDS THE AMOUNT THAT IS PERMITTED ANNUALLY BY THE LICENSE, THE LICENSEE SHALL APPLY FOR AND, UPON QUALIFICATION, RECEIVE A PRODUCER'S LICENSE ONLY ON THE SURRENDER OF THE CRAFT DISTILLER LICENSE AND SHALL HAVE NO CONTINUING RIGHTS AS A CRAFT DISTILLERY LICENSEE UNDER THIS SECTION.

C. A PERSON MAY BE LICENSED AS A CRAFT DISTILLER TO SELL DISTILLED SPIRITS THAT ARE PRODUCED OR MANUFACTURED BY THE PERSON IF IN A CALENDAR YEAR THE PERSON PRODUCES OR MANUFACTURES NOT MORE THAN TWENTY THOUSAND GALLONS OF DISTILLED SPIRITS AND MAY MAKE SALES AND DELIVERIES OF DISTILLED SPIRITS ONLY AS SPECIFIED IN THIS SECTION AND SUBJECT TO THE FOLLOWING CRITERIA:

1. A LICENSED CRAFT DISTILLER MAY MAKE SALES AND DELIVERIES OF DISTILLED SPIRITS TO WHOLESALERS THAT ARE LICENSED TO SELL DISTILLED SPIRITS UNDER THIS TITLE.

2. A LICENSED CRAFT DISTILLER MAY SERVE DISTILLED SPIRITS THAT ARE PRODUCED OR MANUFACTURED ON THE PREMISES FOR THE PURPOSE OF CONSUMPTION ON THE PREMISES AND MAY CHARGE FOR SAMPLES ON THE PREMISES OF THE CRAFT DISTILLER.

3. A LICENSED CRAFT DISTILLER MAY SELL DISTILLED SPIRITS THAT ARE PRODUCED OR MANUFACTURED ON THE PREMISES IN THE ORIGINAL CONTAINER FOR CONSUMPTION OFF THE PREMISES TO A CONSUMER WHO IS PHYSICALLY PRESENT ON THE PREMISES.

4. THE LICENSED CRAFT DISTILLER MAY HOLD ONE LICENSE PRESCRIBED IN SECTION 4-209, SUBSECTION B, PARAGRAPH 6 OR 12 ON OR ADJACENT TO THE LICENSED CRAFT DISTILLER PREMISES. THE LICENSED CRAFT DISTILLER SHALL PURCHASE ALL

OTHER SPIRITUOUS LIQUOR FOR SALE AT THE ON-SALE RETAIL PREMISES FROM WHOLESALERS THAT ARE LICENSED IN THIS STATE, EXCEPT THAT A LICENSED CRAFT DISTILLER MAY:

(a) PURCHASE DISTILLED SPIRITS FROM OTHER CRAFT DISTILLERS THAT ARE LICENSED IN THIS STATE. SALES OF CRAFT DISTILLERY PRODUCTS NOT PRODUCED OR MANUFACTURED BY THE CRAFT DISTILLER SHALL BE LIMITED TO NO MORE THAN TWENTY PER CENT OF THE TOTAL SALES BY VOLUME.

(b) MAKE DELIVERIES OF THE DISTILLED SPIRITS THAT THE CRAFT DISTILLER MANUFACTURES OR PRODUCES TO ANY COMMONLY CONTROLLED RETAIL LICENSED PREMISES AUTHORIZED PURSUANT TO PARAGRAPH 4 OF THIS SUBSECTION. THE AMOUNT OF THESE DELIVERIES MUST BE INCLUDED IN THE LIMITATION PROVIDED UNDER PARAGRAPH 5 OF THIS SUBSECTION.

5. A LICENSED CRAFT DISTILLER THAT PRODUCES NOT MORE THAN ONE THOUSAND ONE HUNDRED EIGHTY NINE GALLONS OF DISTILLED SPIRITS IN A CALENDAR YEAR MAY MAKE SALES AND DELIVERIES OF DISTILLED SPIRITS THAT THE LICENSED CRAFT DISTILLER PRODUCES TO ON-SALE AND OFF-SALE RETAILERS.

6. NOTWITHSTANDING SECTION 4-244, PARAGRAPHS 3 AND 7, AN ON-SALE OR OFF-SALE RETAILER MAY PURCHASE AND ACCEPT DELIVERY OF DISTILLED SPIRITS FROM A LICENSED CRAFT DISTILLER PURSUANT TO PARAGRAPH 5 OF THIS SUBSECTION.

7. A LICENSED CRAFT DISTILLER MAY MAKE SALES AND DELIVERIES OF DISTILLED SPIRITS THAT THE LICENSED CRAFT DISTILLER MANUFACTURES OR PRODUCES TO CONSUMERS OFF OF THE LICENSED PREMISES IF THE SALE OR DELIVERY IS ORDERED BY TELEPHONE, MAIL, FAX, CATALOGUE, THE INTERNET OR BY OTHER MEANS IF ALL OF THE FOLLOWING CONDITIONS EXIST:

(a) THE PURCHASER OF THE DISTILLED SPIRITS PROVIDED THE LICENSED CRAFT DISTILLER WITH VERIFICATION OF THE PURCHASER'S LEGAL AGE TO PURCHASE ALCOHOL AND A COPY OF SAME IS MAINTAINED IN THE RECORDS OF THE CRAFT DISTILLER.

(b) THE SHIPPING CONTAINER IN WHICH THE DISTILLED SPIRITS IS SHIPPED IS MARKED TO REQUIRE THE SIGNATURE ON DELIVERY OF AN ADULT WHO IS OF LEGAL AGE TO PURCHASE ALCOHOL AND DELIVERY CONFIRMATION.

(c) THE DISTILLED SPIRITS ARE FOR PERSONAL USE ONLY AND NOT FOR RESALE.

(d) THE DISTILLED SPIRITS ARE SHIPPED TO A RESIDENTIAL OR BUSINESS ADDRESS OTHER THAN A PREMISES LICENSED PURSUANT TO THIS TITLE.

(e) THE PURCHASER COULD HAVE CARRIED THE DISTILLED SPIRITS LAWFULLY INTO OR WITHIN THIS STATE.

(f) A PERSON WHO IS AT LEAST TWENTY-ONE YEARS OF AGE MAKES THE DELIVERY.

(g) THE CRAFT DISTILLER SHALL COLLECT PAYMENT FOR THE PRICE OF THE SPIRITUOUS LIQUOR NO LATER THAN AT THE TIME OF DELIVERY.

(h) SALES DO NOT EXCEED THE LIMITS PROVIDED UNDER PARAGRAPH 5 OF THIS SUBSECTION.

D. ON APPLICATION BY A CRAFT DISTILLERY LICENSEE, THE DIRECTOR MAY AUTHORIZE A CRAFT DISTILLERY LICENSEE TO OPERATE ONE OTHER REMOTE TASTING AND RETAIL PREMISES IF:

1. THE DISTILLED SPIRITS SOLD AT THE PREMISES IS LIMITED TO DISTILLED SPIRITS PRODUCED OR MANUFACTURED BY THE LICENSED CRAFT DISTILLERY AND DISTILLED SPIRITS PRODUCED OR MANUFACTURED BY ANOTHER LICENSED CRAFT DISTILLERY. THE CRAFT DISTILLERY MAY SELL TO A CONSUMER PHYSICALLY PRESENT ON THE PREMISES DISTILLED SPIRITS PRODUCED BY THE CRAFT DISTILLERY OR BY OTHER LICENSED CRAFT DISTILLERIES IN THE ORIGINAL CONTAINER FOR CONSUMPTION ON OR OFF THE PREMISES. THE SALES OF THE DISTILLED SPIRITS PRODUCED OR MANUFACTURED BY OTHER CRAFT DISTILLERIES SHALL NOT EXCEED TWENTY PER CENT OF THE CRAFT DISTILLERY'S TOTAL SALES BY VOLUME.

2. THE CRAFT DISTILLERY LICENSEE:

(a) REMAINS RESPONSIBLE FOR THE PREMISES.

(b) OBTAINS APPROVAL FOR THE PREMISES FROM THE LOCAL GOVERNING BODY BEFORE SUBMITTING AN APPLICATION TO THE DEPARTMENT. A COPY OF AN ORDER FROM THE LOCAL GOVERNING BODY RECOMMENDING APPROVAL OF THE PREMISES MUST BE FILED WITH THE DEPARTMENT AS PART OF THE APPLICATION.

(c) DOES NOT SUBLEASE THE PREMISES.

(d) HAS AN AGENT WHO SHALL BE A NATURAL PERSON WHO MEETS THE QUALIFICATIONS OF LICENSURE IN THIS STATE.

(e) MEETS THE QUALIFICATIONS FOR A LICENSE PURSUANT TO SECTION 4-203, SUBSECTION A.

E. THE CRAFT DISTILLER IS LIABLE FOR ANY VIOLATION THAT IS COMMITTED IN CONNECTION WITH ANY SALE OR DELIVERY OF THE DISTILLED SPIRITS. THE RULES ADOPTED BY THE DIRECTOR PURSUANT TO SECTION 4-203, SUBSECTION J APPLY TO THE DELIVERY OF DISTILLED SPIRITS UNDER SUBSECTION C OF THIS SECTION. AN ACT OR OMISSION OF ANY PERSON WHO MAKES A SALE OR DELIVERY OF DISTILLED SPIRITS FOR A LICENSEE UNDER SUBSECTION C OF THIS SECTION IS DEEMED TO BE AN ACT OR OMISSION OF THE LICENSEE FOR THE PURPOSES OF SECTION 4-210, SUBSECTION A, PARAGRAPH 9.

F. A CRAFT DISTILLER THAT SELLS OR DELIVERS DISTILLED SPIRITS PURSUANT TO THIS SECTION SHALL:

1. PAY TO THE DEPARTMENT OF REVENUE ALL LUXURY TAXES THAT ARE IMPOSED PURSUANT TO TITLE 42, CHAPTER 3 AND ALL TRANSACTION PRIVILEGE OR USE TAXES THAT ARE IMPOSED PURSUANT TO TITLE 42, CHAPTER 5.

2. FILE ALL RETURNS OR REPORTS THAT ARE REQUIRED BY LAW.

G. A DELIVERY OF DISTILLED SPIRITS BY A CRAFT DISTILLER TO A PURCHASER IN THIS STATE IS A TRANSACTION DEEMED TO HAVE OCCURRED IN THIS STATE.

H. THE DIRECTOR MAY ADOPT RULES IN ORDER TO ADMINISTER THIS SECTION.

I. THE DIRECTOR MAY CHARGE A FEE ADOPTED PURSUANT TO SECTION 4-209 FOR THE ISSUANCE OF A LICENSE PURSUANT TO THIS SECTION.

J. THE DIRECTOR MAY ISSUE A CRAFT DISTILLERY LICENSE TO BE LOCATED ON THE SAME PARCEL OF LAND AS A FARM WINERY LICENSED PURSUANT TO SECTION 4-205.04.

4-205.11. Craft distillery festival license; craft distillery fair license; craft distillery fee

A. THE DIRECTOR, SUBJECT TO THE APPROVAL OF THE BOARD OF SUPERVISORS FOR EVENTS TO BE HELD IN AN UNINCORPORATED AREA OR THE GOVERNING BODY OF A CITY OR TOWN FOR EVENTS TO BE HELD IN A CITY OR TOWN, MAY ISSUE UP TO TWENTY-FIVE CRAFT DISTILLERY FESTIVAL LICENSES FOR EACH CALENDAR YEAR FOR EACH LICENSED CRAFT DISTILLERY, FOR UP TO A TOTAL OF SEVENTY-FIVE CALENDAR DAYS PER CRAFT DISTILLERY, AUTHORIZING SAMPLING OF CRAFT DISTILLERY PRODUCTS ON THE CRAFT DISTILLERY FESTIVAL PREMISES, THE SALE OF THE PRODUCTS FOR CONSUMPTION ON THE CRAFT DISTILLERY FESTIVAL PREMISES AND THE SALE OF THE PRODUCTS IN ORIGINAL CONTAINERS FOR CONSUMPTION OFF THE CRAFT DISTILLERY FESTIVAL PREMISES. THE DIRECTOR MAY ESTABLISH A PER DAY FEE FOR EACH EVENT FOR A CRAFT DISTILLERY FESTIVAL LICENSE.

B. ANY CRAFT DISTILLERY MAY APPLY FOR A CRAFT DISTILLERY FESTIVAL LICENSE PURSUANT TO THIS SECTION.

C. WITH THE PERMISSION OF THE STATE OR COUNTY FAIR ORGANIZERS, ANY CRAFT DISTILLERY IS AUTHORIZED TO ALLOW SAMPLING OF CRAFT DISTILLERY PRODUCTS ON THE FAIR PREMISES, THE SALE OF THE PRODUCTS FOR CONSUMPTION ON THE FAIR PREMISES AND THE SALE OF THE PRODUCTS IN ORIGINAL CONTAINERS FOR CONSUMPTION OFF OF THE FAIR PREMISES AT ANY SANCTIONED COUNTY OR STATE FAIR. THE DIRECTOR MAY ESTABLISH A PER DAY FEE FOR EACH EVENT FOR A CRAFT DISTILLERY FAIR LICENSE.

D. SECTION 4-201 DOES NOT APPLY TO THE LICENSES PROVIDED FOR UNDER THIS SECTION.

Sec. 15. Section 4-206.01, Arizona Revised Statutes, is amended to read:

4-206.01. Bar, beer and wine bar or liquor store licenses; number permitted; fee; sampling privileges

A. The director shall determine the total number of spirituous liquor licenses by type and in each county. The director shall publish a listing of that information as determined by the director.

B. In each county, the director, each year, shall issue additional bar, beer and wine bar or liquor store licenses at the rate of one of each type for each additional ten thousand person increase over the population in that county as of July 1, 2010. ANY LICENSES THAT HAVE BEEN REVOKED OR REVERTED IN ANY COUNTY AFTER JULY 1, 2014 MAY BE REISSUED BY THE DIRECTOR IN THE COUNTY OF THEIR ISSUANCE. The director may waive the issuance of any series of new, REVOKED OR REVERTED licenses in a county for one year where there has been no request made to the department for the issuance of a new license of that series. For the purposes of this subsection, the population of a county is deemed to be the population estimated by the office of employment and population statistics within the Arizona department of administration as of July 1 of each year.

C. A person issued a license authorized by subsection B of this section shall pay an additional issuance fee equal to the license's fair

market value that shall be paid to the state general fund. The fair market value shall be defined to mean the mean value of licenses of the same type sold on the open market in the same county during the prior twelve months, but if there are not three or more ~~such~~ sales then the fair market value shall be determined by ~~three~~ TWO appraisals furnished to the department by independent professional appraisers employed by the director.

D. The director shall employ professional appraisal services to determine the fair market value of bar, beer and wine bar or liquor store licenses.

E. If more than one person applies for an available license, a priority of applicants shall be determined by a random selection method prescribed by the director.

F. After January 1, 2011, bar licenses and beer and wine bar licenses shall be issued and used only if the clear primary purpose and actual primary use is for on-sale retailer privileges. The off-sale privileges associated with a bar license and a beer and wine bar license shall be limited to use, which is clearly auxiliary to the active primary on-sale privilege. A bar license or a beer and wine bar license shall not be issued or used if the associated off-sale use, by total retail spirituous liquor sales, exceeds thirty per cent of the sales price of on-sale spirituous liquors by the licensee at that location. For dual licenses issued pursuant to a single site or where a second license is issued to a site that already has a spirituous liquor license, other than settlement licenses issued as provided by law, the applicant shall have the burden of establishing that public convenience and the best interest of the community will be served by the issuance of the license.

G. The director may issue a beer and wine store license to the holder of a beer and wine bar license simultaneously at the same premises. An applicant for a beer and wine bar license and a beer and wine store license may consolidate the application and may apply for both licenses at the same time. The holder of each license shall fully comply with all applicable provisions of this title. A beer and wine bar license and beer and wine store license on the same premises shall be owned by and issued to the same licensee.

H. The director may issue a beer and wine bar license to the holder of a liquor store license issued simultaneously at the same premises. An applicant for a liquor store license and a beer and wine bar license may consolidate the application and may apply for both licenses at the same time. The holder of each license shall fully comply with all applicable provisions of this title. A liquor store license and a beer and wine bar license on the same premises shall be owned by and issued to the same licensee.

I. The director may issue a restaurant license to the holder of a beer and wine bar license issued simultaneously at the same premises. An applicant for a restaurant license and a beer and wine bar license may consolidate the application and may apply for both licenses at the same time.

The holder of each license shall fully comply with all applicable provisions of this title. A restaurant license and a beer and wine bar license on the same premises shall be owned by and issued to the same licensee. The limitation set forth in subsection F of this section with respect to the off-sale privileges of the beer and wine bar licenses shall be measured against the on-sales of beer and wine sales of the establishment. For the purposes of compliance with section 4-205.02, subsection H, paragraph 2, it shall be conclusively presumed that all on premises sales of spirituous liquors are made under the authority of the restaurant license.

J. An applicant for a liquor store license or a beer and wine store license and the licensee of a liquor store license or a beer and wine store license may apply for sampling privileges associated with the license. Beer and wine store premises shall contain at least five thousand square feet in order to be eligible for sampling privileges. A person desiring a sampling privilege associated with a liquor store license shall apply to the director on a form prescribed and furnished by the director. The application for sampling privileges may be filed for an existing license or may be submitted with an initial license application. The request for sampling approval, the review of the application and the issuance of approval shall be conducted under the same procedures for the issuance of a spirituous liquor license prescribed in section 4-201. After a sampling privilege has been issued for a liquor store license or a beer and wine store license, the sampling privilege shall be noted on the license itself and in the records of the department. The sampling rights associated with a license are not transferable. ~~Until January 1, 2015,~~ The director may charge a fee for processing the application for sampling privileges and a renewal fee as provided in this section. A city or town shall not charge any fee relating to the issuance or renewal of a sampling privilege. Notwithstanding section 4-244, paragraph 19, a liquor store licensee or a beer and wine store licensee that holds a license with sampling privileges may provide spirituous liquor sampling subject to the following requirements:

1. Any open product shall be kept locked by the licensee when the sampling area is not staffed.

2. The licensee is otherwise subject to all other provisions of this title. The licensee is liable for any violation of this title committed in connection with the sampling.

3. The licensed retailer shall make sales of sampled products from the licensed retail premises.

4. The licensee shall not charge any customer for the sampling of any products.

5. The sampling shall be conducted under the supervision of an employee of a sponsoring distiller, vintner, brewer, wholesaler or retail licensee.

6. Accurate records of sampling products dispensed shall be retained by the licensee.

7. Sampling shall be limited to three ounces of beer or cooler-type products, one and one-half ounces of wine and one ounce of distilled spirits per person, per brand, per day.

8. The sampling shall be conducted only on the licensed premises.

K. If a beer and wine bar license and a beer and wine store license are issued at the same premises, for THE purposes of reporting liquor purchases under each license, all spirituous beverages purchased for sampling are conclusively presumed to be purchased under the beer and wine bar license and all spirituous liquor sold off-sale are conclusively presumed to be purchased under the beer and wine store license.

L. The director may issue a beer and wine store license to the holder of a bar license simultaneously at the same premises. An applicant for a beer and wine store license and a bar license may consolidate the application and may apply for both licenses at the same time. The holder of each license shall fully comply with all applicable provisions of this title. A beer and wine store license and a bar license on the same premises shall be owned by and issued to the same licensee. If a beer and wine store license and a bar license are issued at the same premises, for purposes of reporting liquor purchases under each license, all off-sale beer and wine sales are conclusively presumed to be purchased under the beer and wine store license.

Sec. 16. Section 4-207, Arizona Revised Statutes, is amended to read:

4-207. Restrictions on licensing premises near school or church buildings; definitions

A. A retailer's license shall not be issued for any premises ~~which~~ THAT are, at the time the license application is received by the director, within three hundred horizontal feet of a church, within three hundred horizontal feet of a public or private school building with kindergarten programs or any of grades one through twelve or within three hundred horizontal feet of a fenced recreational area adjacent to such school building. This section does not prohibit the renewal of a valid license issued pursuant to this title if, on the date that the original application for the license is filed, the premises were not within three hundred horizontal feet of a church, within three hundred horizontal feet of a public or private school building with kindergarten programs or any of grades one through twelve or within three hundred horizontal feet of a fenced recreational area adjacent to such school building.

B. Subsection A of this section does not apply to a:

1. Restaurant issued a license pursuant to section 4-205.02.

2. Special event license issued pursuant to section 4-203.02.

3. Hotel-motel issued a license pursuant to section 4-205.01.

4. Government license issued pursuant to section 4-205.03.

5. ~~Fenced~~ Playing area of a golf course issued a license pursuant to this article.

6. A BEER AND WINE LICENSE AT A NOT-FOR-PROFIT PERFORMING ARTS THEATRE WITH A PERMANENT SEATING CAPACITY OF AT LEAST TWO HUNDRED FIFTY PERSONS.

C. Notwithstanding subsection A of this section:

1. A TRANSFERRABLE spirituous liquor license ~~which~~ THAT is validly issued and ~~which~~ THAT is, on the date an application for a transfer is filed, within three hundred horizontal feet of a church, within three hundred horizontal feet of a public or private school building with kindergarten programs or any of grades one through twelve or within three hundred horizontal feet of a fenced recreational area adjacent to such school building may be transferred person to person pursuant to sections 4-201, 4-202 and 4-203 and remains in full force until the license is terminated in any manner, unless renewed pursuant to section 4-209, subsection A.

2. A person may be issued a spirituous liquor license pursuant to sections 4-201, 4-202 and 4-203 of the same class for premises ~~which~~ THAT ON THE DATE THE APPLICATION IS FILED, have a VALID TRANSFERABLE OR nontransferable ~~spirituous liquor~~ license ~~validly issued~~ OF THE SAME SERIES if the premises are, on the date an application for such license is filed, within three hundred horizontal feet of a church, within three hundred horizontal feet of a public or private school building with kindergarten programs or any of grades one through twelve or within three hundred horizontal feet of a fenced recreational area adjacent to such school building and the license remains in full force until the license is terminated in any manner, unless renewed pursuant to section 4-209, subsection A.

3. A person may be issued a liquor store license pursuant to sections 4-201, 4-202, 4-203 and 4-206.01 for premises ~~which~~ THAT have a beer and wine store license validly issued if the premises, on the date an application for such license is filed, are within three hundred horizontal feet of a church, within three hundred horizontal feet of a public or private school building with kindergarten programs or any of grades one through twelve or within three hundred horizontal feet of a fenced recreational area adjacent to such school building and the license remains in full force until the license is terminated in any manner, unless renewed pursuant to section 4-209, subsection A.

4. The governing body of a city or town, on a case-by-case basis, may approve an exemption from the distance restrictions prescribed in this section for a church or a public or private school that is located in an area that is designated an entertainment district by the governing body of that city or town. A city or town with a population of at least five hundred thousand persons may designate no more than three entertainment districts within the boundaries of the city or town pursuant to this paragraph. A city or town with a population of at least two hundred thousand persons but less than five hundred thousand persons may designate no more than two entertainment districts within the boundaries of the city or town pursuant to this paragraph. A city or town with a population of less than two hundred thousand persons may designate no more than one entertainment district within the boundaries of the city or town pursuant to this paragraph.

5. A person may be issued a beer and wine store license pursuant to sections 4-201, 4-202, 4-203 and 4-206.01 for premises that have a liquor store license validly issued if the premises, on the date of an application for which ~~such~~ THE license is filed, are within three hundred horizontal feet of a church, within three hundred horizontal feet of a public or private school building with kindergarten programs or any of grades one through twelve or within three hundred horizontal feet of a fenced recreation area adjacent to such school building and the license remains in full force until the license is terminated in any manner, unless renewed pursuant to section 4-209, subsection A.

D. For the purposes of this section:

1. "Church" means a building which is erected or converted for use as a church, where services are regularly convened, ~~which~~ THAT is used primarily for religious worship and schooling and ~~which~~ THAT a reasonable person would conclude is a church by reason of design, signs or architectural or other features.

2. "Entertainment district" means a specific contiguous area that is designated an entertainment district by a resolution adopted by the governing body of a city or town, that consists of no more than one square mile, that is no less than one-eighth of a mile in width and that contains a significant number of entertainment, artistic and cultural venues, including music halls, concert facilities, theaters, arenas, stadiums, museums, studios, galleries, restaurants, bars and other related facilities.

Sec. 17. Section 4-207.01, Arizona Revised Statutes, is amended to read:

4-207.01. Submission of floor plan required; alteration of licensed premises; ingress and egress to off-sale package sales in on-sale licensed premises

A. No licensee of premises approved for transfer or an original location of on-sale spirituous liquor license shall open such licensed premises to the public for sale of spirituous liquor until the licensee shall first have filed with the director floor plans and diagrams completely disclosing and designating the physical arrangement of the licensed premises, including whether the licensee intends to sell spirituous liquor by means of a drive-through or other physical feature of the licensed premises that allows a customer to purchase spirituous liquor without leaving the customer's vehicle, and shall have secured the written approval of the director to so open and operate such premises. The director may require the installation and maintenance of physical barriers around outside serving areas to control liquor service, delineate licensed premises and control the ingress and egress to and from the licensed premises for the purpose of providing for the safety of patrons and preventing underage possession and consumption, the removal of alcohol from the premises, the unauthorized bringing of alcohol onto the premises and the unauthorized consumption of alcohol in a public area or thoroughfare.

B. No licensee shall alter or change the physical arrangement of his licensed premises so as to encompass greater space or the use of different or additional entrances, openings or accommodations than the space, entrance or entrances, openings or accommodations offered to the public at the time of issuance of the licensee's license or a prior written approval of the licensed premises, without first having filed with the director floor plans and diagrams completely disclosing and designating the proposed physical alterations of the licensed premises, including the addition of a drive-through or other physical feature to the licensed premises that allows a customer to purchase spirituous liquor without leaving the customer's vehicle, and shall have secured the written approval by the director. This subsection shall apply to any person to person transfer of the licensed premises. ~~Until January 1, 2015,~~ The director may charge a fee for review of floor plans and diagrams submitted by a licensee pursuant to this section.

C. The provisions of this section shall not be construed to prohibit in any way off-sale package sales in on-sale licensed premises, but the permission to open the premises to the public under subsections A and B shall not be granted if the licensee under the privilege provided for off-sale under an on-sale license proposes to maintain an off-sale operation with ingress and egress directly from the outside of such premises to such off-sale operation other than the ingress and egress provided for the on-sale operation of the licensed premises.

D. The provisions of this section shall apply to all applications, transfers and alterations.

Sec. 18. Section 4-209, Arizona Revised Statutes, is amended to read:

4-209. Fees for license, application, issuance, renewal and transfer; late renewal penalty; seasonal operation; surcharges

A. A fee shall accompany an application for an original license or transfer of a license, or in case of renewal, shall be paid in advance. Every license expires annually, except that a license may be renewed for a two-year period pursuant to subsection M of this section if no compliance penalties have been issued to that location during the year before the renewal. A licensee who fails to renew the license on or before the due date shall pay a penalty of one hundred fifty dollars which the licensee shall pay with the renewal fee. A license renewal that is deposited, properly addressed and postage prepaid in an official depository of the United States mail on or before the due date shall be deemed filed and received by the department on the date shown by the postmark or other official mark of the United States postal service stamped on the envelope. If the due date falls on a Saturday, Sunday or other legal holiday, the renewal shall be considered timely if it is received by the department on the next business day. The director may waive a late renewal penalty if good cause is shown by the licensee. A licensee who fails to renew the license on or before the due date may not sell, purchase or otherwise deal in spirituous liquor until the

license is renewed. A license that is not renewed within sixty days after the due date is deemed terminated. The director may renew the terminated license if good cause is shown by the licensee. An application fee for an original license or the transfer of a license shall be one hundred dollars, which shall be retained by this state.

B. Issuance fees for original licenses shall be:

1. For an in-state producer's license, to manufacture or produce spirituous liquor in this state, one thousand five hundred dollars.

2. Except as provided in paragraph 15 of this subsection, for an out-of-state producer's, exporter's, importer's or rectifier's license, two hundred dollars.

3. For a ~~domestic~~ microbrewery license, three hundred dollars.

4. For a wholesaler's license, to sell spirituous liquors, one thousand five hundred dollars.

5. For a government license issued in the name of a STATE AGENCY, STATE COMMISSION, STATE BOARD, county, city, town, community college or state university or THE national guard, one hundred dollars.

6. For a bar license, which is an on-sale retailer's license to sell all spirituous liquors primarily by individual portions and in the original containers, one thousand five hundred dollars.

7. For a beer and wine bar license, which is an on-sale retailer's license to sell beer and wine primarily by individual portions and in the original containers, one thousand five hundred dollars.

8. For a conveyance license issued to an operating railroad company, to sell all spirituous liquors in individual portions or in the original containers on all passenger trains operated by the railroad company, or to an operating airline company, to sell or serve spirituous liquors solely in individual portions on all passenger planes operated by the airline company, or to a boat operating in the waters of this state, to sell all spirituous liquors in individual portions or in the original containers for consumption on the boat, one thousand five hundred dollars.

9. For a liquor store license, which is an off-sale retailer's license to sell all spirituous liquors, one thousand five hundred dollars.

10. For a beer and wine store license, which is an off-sale retailer's license to sell beer and wine, one thousand five hundred dollars.

11. For a hotel-motel license issued as such, to sell and serve spirituous liquors solely for consumption on the licensed premises of the hotel or motel, one thousand five hundred dollars.

12. For a restaurant license issued as such, to sell and serve spirituous liquors solely for consumption on the licensed premises of the restaurant, one thousand five hundred dollars.

13. For a ~~domestic~~ farm winery license, one hundred dollars. THE DIRECTOR MAY CHARGE A LICENSED FARM WINERY A FEE PURSUANT TO SECTION 4-205.04, SUBSECTION D, E OR F.

14. For a club license issued in the name of a bona fide club qualified under this title to sell all spirituous liquors on-sale, one thousand dollars.

15. For an out-of-state winery that sells not more than ~~fifty cases~~ TWO HUNDRED FORTY GALLONS of wine in this state in a calendar year, twenty-five dollars.

16. THE DEPARTMENT MAY CHARGE A FEE FOR A CRAFT DISTILLER LICENSE.

C. The department may issue licenses with staggered renewal dates to distribute the renewal workload as uniformly as practicable throughout the twelve months of the calendar year. If a license is issued less than six months before the scheduled renewal date of the license, as provided by the department's staggered license renewal system, one-half of the annual license fee shall be charged.

D. The annual fees for licenses shall be:

1. For an in-state producer's license, to manufacture or produce spirituous liquors in this state, three hundred fifty dollars.

2. Except as provided in paragraph 15 of this subsection, for an out-of-state producer's, exporter's, importer's or rectifier's license, fifty dollars.

3. For a ~~domestic~~ microbrewery license, three hundred dollars.

4. For a wholesaler's license, to sell spirituous liquors, two hundred fifty dollars.

5. For a government license issued to a county, city or town, community college or state university or the national guard, one hundred dollars.

6. For a bar license, which is an on-sale retailer's license to sell all spirituous liquors primarily by individual portions and in the original containers, one hundred fifty dollars.

7. For a beer and wine bar license, which is an on-sale retailer's license to sell beer and wine primarily by individual portions and in the original containers, seventy-five dollars.

8. For a conveyance license issued to an operating railroad company, to sell all spirituous liquors in individual portions or in the original containers on all passenger trains operated by the railroad company, or to an operating airline company, to sell or serve spirituous liquors solely in individual portions on all passenger planes operated by the airline company, or to a boat operating in the waters of this state, to sell all spirituous liquor in individual portions or in the original containers for consumption on the boat, two hundred twenty-five dollars.

9. For a liquor store license, which is an off-sale retailer's license to sell all spirituous liquors, fifty dollars.

10. For a beer and wine store license, which is an off-sale retailer's license to sell beer and wine, fifty dollars.

11. For a hotel-motel license issued as such, to sell and serve spirituous liquors solely for consumption on the licensed premises of the hotel or motel, five hundred dollars.

12. For a restaurant license issued as such, to sell and serve spirituous liquors solely for consumption on the licensed premises of the restaurant, five hundred dollars, and for a restaurant license that is permitted to continue operating as a restaurant pursuant to section 4-213, subsection E, an additional amount established by the director. The department shall transfer this amount to the state treasurer for deposit in the state general fund.

13. For a ~~domestic~~ farm winery license, one hundred dollars. THE DIRECTOR MAY CHARGE A LICENSED FARM WINERY AN ANNUAL FEE PURSUANT TO SECTION 4-205.04, SUBSECTION D, E OR F.

14. For a club license issued in the name of a bona fide club qualified under this title to sell all spirituous liquors on-sale, one hundred fifty dollars.

15. For an out-of-state winery that sells not more than ~~twenty-five cases~~ TWO HUNDRED FORTY GALLONS of wine in this state in a calendar year, twenty-five dollars.

16. THE DIRECTOR MAY CHARGE A FEE FOR THE ANNUAL RENEWAL OF A CRAFT DISTILLER LICENSE.

E. Where the business of an on-sale retail licensee is seasonal, not extending over periods of more than six months in any calendar year, the licensee may designate the periods of operation, and a license may be granted for those periods only, on payment of one-half of the fee prescribed in subsection D of this section.

F. Transfer fees from person to person for licenses transferred pursuant to section 4-203, subsection C shall be three hundred dollars.

G. Transfer fees from location to location, as provided for in section 4-203, shall be one hundred dollars.

H. Assignment fees for a change of agent, as provided for in section 4-202, subsection C, shall be one hundred dollars, except that where a licensee holds multiple licenses the assignment fee for the first license shall be one hundred dollars and the assignment fee for all remaining licenses transferred to the same agent shall be fifty dollars each, except that the aggregate assignment fees shall in no event exceed one thousand dollars.

I. No fee shall be charged by the department for an assignment of a liquor license in probate or an assignment pursuant to the provisions of a will or pursuant to a judicial decree in a domestic relations proceeding which assigns ownership of a business which includes a spirituous liquor license to one of the parties in the proceeding. In the case of nontransferable licenses no fee shall be charged by the department for the issuance of a license for a licensed business pursuant to a transfer of the business in probate or pursuant to the provisions of a will or pursuant to a

judicial decree in a domestic relations proceeding which assigns ownership of the business to one of the parties in the proceeding.

J. The director shall assess a surcharge of thirty dollars on all licenses prescribed in subsection D, paragraphs 6, 7 and 12 of this section. Monies from the surcharge shall be used by the department exclusively for the costs of an auditor and support staff to review compliance by applicants and licensees with the requirements of section 4-205.02, subsection E. The department shall assess the surcharge as part of the annual license renewal fee.

K. The director shall assess a surcharge of thirty-five dollars on all licenses prescribed in this section. Monies from the surcharge shall be used by the department exclusively for the costs of an enforcement program to investigate licensees who have been the subject of multiple complaints to the department. The enforcement program shall respond to complaints against licensees by neighborhood associations, by neighborhood civic groups and from municipal and county governments. The department shall assess the surcharge as part of the annual license renewal fee.

L. The director shall assess a surcharge of twenty dollars on all licenses prescribed in subsection D, paragraphs 11 and 12 of this section and thirty-five dollars on all other licenses prescribed in this section. Monies from the surcharge and from surcharges imposed pursuant to subsection K of this section shall be used by the department exclusively for the costs of a neighborhood association interaction and liquor enforcement management unit. The unit shall respond to complaints from neighborhood associations, neighborhood civic groups and local governing authorities regarding liquor violations. The director shall report the unit's activities to the board at each board meeting or as the board may direct.

M. Licenses may be renewed every two years with payment of license fees that are twice the amount designated in subsection D of this section and other applicable fees. Licensees renewing every two years must comply with annual reporting requirements. The director may adopt reasonable rules to permit licensees to renew every two years.

Sec. 19. Section 4-210, Arizona Revised Statutes, is amended to read:

4-210. Grounds for revocation, suspension and refusal to renew; notice; complaints; hearings

A. After notice and hearing, the director may suspend, revoke or refuse to renew any license issued pursuant to this chapter for any of the following reasons:

1. There occurs on the licensed premises repeated acts of violence or disorderly conduct.

2. The licensee fails to satisfactorily maintain the capability, qualifications and reliability requirements of an applicant for a license prescribed in section 4-202 or 4-203.

3. The licensee or controlling person knowingly files with the department an application or other document that contains material

information that is false or misleading or while under oath knowingly gives testimony in an investigation or other proceeding under this title that is false or misleading.

4. The licensee or controlling person is on the premises habitually intoxicated.

5. The licensed business is delinquent for more than one hundred twenty days in the payment of taxes, penalties or interest in an amount that exceeds two hundred fifty dollars to the state or to any political subdivision of the state.

6. The licensee or controlling person obtains, assigns, transfers or sells a spirituous liquor license without compliance with this title or leases or subleases a license.

7. The licensee fails to keep for two years and make available to the department on reasonable request all invoices, records, bills or other papers and documents relating to the purchase, sale and delivery of spirituous liquors and, in the case of a restaurant or hotel-motel licensee, all invoices, records, bills or other papers and documents relating to the purchase, sale and delivery of food.

8. The licensee or controlling person is convicted of a felony provided that for a conviction of a corporation to serve as a reason for any action by the director, conduct that constitutes the corporate offense and was the basis for the felony conviction must have been engaged in, authorized, solicited, commanded or recklessly tolerated by the directors of the corporation or by a high managerial agent acting within the scope of employment.

9. The licensee or controlling person violates or fails to comply with this title, any rule adopted pursuant to this title or any liquor law of this state or any other state.

10. The licensee fails to take reasonable steps to protect the safety of a customer of the licensee OR ANY OTHER PERSON entering, leaving or remaining on the licensed premises when the licensee knew or reasonably should have known of the danger to the person, or the licensee fails to take reasonable steps to intervene by notifying law enforcement officials or otherwise to prevent or break up an act of violence or an altercation occurring on the licensed premises or immediately adjacent to the premises when the licensee knew or reasonably should have known of the acts of violence or altercations.

11. The licensee or controlling person lacks good moral character.

12. The licensee or controlling person knowingly associates with a person who has engaged in racketeering, as defined in section 13-2301, or who has been convicted of a felony, and the association is of a nature as to create a reasonable risk that the licensee will fail to conform to the requirements of this title or of any criminal statute of this state.

13. A licensee that is a liquor store as defined in section 46-297 violates the restrictions on use of automatic teller machines or

point-of-sale terminals regarding electronic benefit transfer cards prescribed in section 4-242.01.

14. THERE OCCURS ON THE LICENSED PREMISES A SERIOUS ACT OF VIOLENCE. FOR THE PURPOSES OF THIS PARAGRAPH, "SERIOUS ACT OF VIOLENCE" MEANS AN INCIDENT CONSISTING OF A RIOT, A BRAWL OR A DISTURBANCE IN WHICH A SERIOUS INJURY CAUSES THE DEATH OR CRITICAL INJURY OF A PERSON AND SUCH INJURIES WOULD BE OBVIOUS TO A REASONABLE PERSON.

15. THE LICENSEE FAILS TO REPORT A SERIOUS ACT OF VIOLENCE THAT OCCURS ON THE LICENSED PREMISES. FOR THE PURPOSES OF THIS PARAGRAPH, "SERIOUS ACT OF VIOLENCE" MEANS AN INCIDENT CONSISTING OF A RIOT, A BRAWL OR A DISTURBANCE IN WHICH A SERIOUS INJURY CAUSES DEATH OR CRITICAL INJURY OF A PERSON AND SUCH INJURIES WOULD BE OBVIOUS TO A REASONABLE PERSON.

B. For the purposes of:

1. Subsection A, paragraph 8 of this section, "high managerial agent" means an officer of a corporation or any other agent of the corporation in a position of comparable authority with respect to the formulation of corporate policy.

2. Subsection A, paragraphs 9 and 10 of this section, acts or omissions of an employee of a licensee~~, which~~ THAT violate any provision of this title or rules adopted pursuant to this title shall be deemed to be acts or omissions of the licensee. Acts or omissions by an employee or licensee committed during the time the licensed premises were operated pursuant to an interim permit or without a license may be charged as if they had been committed during the period the premises were duly licensed.

C. The director may suspend, revoke or refuse to issue, transfer or renew a license under this section based solely on the unrelated conduct or fitness of any officer, director, managing agent or other controlling person if the controlling person retains any interest in or control of the licensee after sixty days following written notice to the licensee. If the controlling person holds stock in a corporate licensee or is a partner in a partnership licensee, the controlling person may only divest himself of his interest by transferring the interest to the existing stockholders or partners who must demonstrate to the department that they meet all the requirements for licensure. For the purposes of this subsection, the conduct or fitness of a controlling person is unrelated if it would not be attributable to the licensee.

D. If the director finds, based on clear and convincing evidence in the record, that a violation involves the use by the licensee of a drive-through or walk-up service window or other physical feature of the licensed premises that allows a customer to purchase spirituous liquor without leaving the customer's vehicle or, with respect to a walk-up service window that prevents the licensee from fully observing the customer, and that the use of that drive-through or walk-up service window or other physical feature caused the violation, the director may suspend or terminate the licensee's use of the drive-through or walk-up service window or other

physical feature for the sale of spirituous liquor, in addition to any other sanction.

E. The director may refuse to transfer any license or issue a new license at the same location if the director has filed a complaint against the license or location that has not been resolved alleging a violation of any of the grounds set forth in subsection A of this section until the time the complaint has been finally adjudicated.

F. The director shall receive all complaints of alleged violations of this chapter and is responsible for the investigation of all allegations of a violation of, or noncompliance with, this title, any rule adopted pursuant to this title or any condition imposed on the licensee by the license. When the director receives three complaints from any law enforcement agency resulting from three separate incidents at a licensed establishment within a twelve-month period, the director shall transmit a written report to the board setting forth the complaints, the results of any investigation conducted by the law enforcement agency or the department relating to the complaints and a history of all prior complaints against the license and their disposition. The board shall review the report and may direct the director to conduct further investigation of a complaint or to serve a licensee with a complaint and notice of a hearing pursuant to subsection G of this section.

G. On the director's initiation of an investigation or on the receipt of a complaint and an investigation of the complaint as deemed necessary, the director may cause a complaint and notice of a hearing to be directed to the licensee setting forth the violations alleged against the licensee and directing the licensee, within fifteen days after service of the complaint and notice of a hearing, to appear by filing with the director an answer to the complaint. Failure of the licensee to answer may be deemed an admission by the licensee of commission of the act charged in the complaint. The director may then vacate the hearing and impose any sanction provided by this article. The director may waive any sanction for good cause shown including excusable neglect. With respect to any violation of this title or any rule adopted pursuant to this title that is based on the act or omission of a licensee's employee, the director shall consider evidence of mitigation presented by the licensee and established by a preponderance of the evidence that the employee acted intentionally and in violation of the express direction or policy adopted by the licensee and communicated to the employee and that the employee successfully completed training in a course approved by the director pursuant to section 4-112, subsection G, paragraph 2. The director may set the hearing before himself or an administrative law judge on any of the grounds set forth in subsection A of this section. Instead of issuing a complaint, the director may provide for informal disposition of the matter by consent agreement or may issue a written warning to the licensee. If a warning is issued, the licensee may reply in writing and the director shall keep a record of the warning and the reply.

H. A hearing shall conform to the requirements of title 41, chapter 6, article 10. At the hearing an attorney or corporate officer or employee of a corporation may represent the corporation.

I. The expiration, cancellation, revocation, reversion, surrender, acceptance of surrender or termination in any other manner of a license does not prevent the initiation or completion of a disciplinary proceeding pursuant to this section against the licensee or license. An order issued pursuant to a disciplinary proceeding against a license is enforceable against other licenses or subsequent licenses in which the licensee or controlling person of the license has a controlling interest.

J. The department shall provide the same notice as is provided to the licensee to a lienholder, which has provided a document under section 4-112, subsection B, paragraph 3, of all disciplinary or compliance action with respect to a license issued pursuant to this title. The state shall not be liable for damages for any failure to provide any notice pursuant to this subsection.

K. In any disciplinary action pursuant to this title, a lienholder may participate in the determination of the action. The director shall consider mitigation on behalf of the lienholder if the lienholder proves all of the following by a preponderance of the evidence:

1. That the lienholder's interest is a bona fide security interest. For the purposes of this paragraph, "bona fide security interest" means the lienholder provides actual consideration to the licensee or the licensee's predecessor in interest in exchange for the lienholder's interest. Bona fide security interest includes a lien taken by the seller of a license as security for the seller's receipt of all or part of the purchase price of the license.

2. That a statement of legal or equitable interest was filed with the department before the alleged conduct occurred that is the basis for the action against the license.

3. That the lienholder took reasonable steps to correct the licensee's prior actions, if any, or initiated an action pursuant to available contract rights against the licensee for the forfeiture of the license after being provided with notice by the department of disciplinary action as provided in subsection J of this section.

4. That the lienholder was free of responsibility for the conduct that is the basis for the proposed revocation.

5. That the lienholder reasonably attempted to remain informed by the licensee about the business' conduct.

L. If the director decides not to revoke the license based on the circumstances provided in subsection K of this section, the director may issue an order requiring either, or both, of the following:

1. The forfeiture of all interest of the licensee in the license.

2. The lienholder to pay any civil monetary penalty imposed on the licensee.

M. If any on-sale licensee proposes to provide large capacity entertainment events or sporting events with an attendance capacity exceeding a limit established by the director, the director may request a security plan from the licensee that may include trained security officers, lighting and other requirements. This subsection exclusively prescribes the security requirements for a licensee and does not create any civil liability for the state, its agencies, agents or employees or a person licensed under this title or agents or employees of a licensee.

Sec. 20. Section 4-212, Arizona Revised Statutes, is amended to read:

4-212. Injunctions

If the board or the director has reasonable grounds to believe that a person is violating section 4-244.05 OR 4-250.01 or is manufacturing, selling or dealing in spirituous liquor without a valid license, permit or registration in violation of this title, the board or the director may apply to the superior court for a temporary restraining order and other injunctive relief prohibiting the specific acts complained of by the board or the director.

Sec. 21. Section 4-222, Arizona Revised Statutes, is amended to read:

4-222. Registration of retail agents; fees

A. Every person who holds a bar, beer and wine bar, liquor store, beer and wine store, club, hotel-motel or restaurant license and who is authorized by other similarly licensed retailers to act as their retail agent shall register with the director. Such registration shall be in accordance with the ~~regulations~~ RULES adopted by the director pursuant to section 4-112 and shall also include a listing of the names and business addresses of those similarly licensed retailers who have authorized him to act as their retail agent. While possessing a certificate of registration, a retail agent shall be entitled to purchase and shall accept delivery of spirituous liquors for which he is licensed for and on behalf of himself and those similarly licensed retailers who have authorized him to act as their retail agent WITH THE DELIVERY TO BE MADE AT THE RETAIL AGENT'S LICENSED PREMISES OR OTHER LOCATION AUTHORIZED BY THE DEPARTMENT. On the termination of such authorization by any retailer, the retail agent shall promptly notify the director. Nothing in this section shall require a wholesaler to sell malt beverages to a registered retail agent for distribution to other retailers.

B. A fee of five dollars shall be collected for each registered retailer in this state, and a fee of fifty dollars for each registered agent for a distillery, winery, brewery, importer or broker having its place of manufacture or business outside of the state.

C. The director shall issue a certificate of registration to each person so registered as provided in this section, and may, for good cause shown, cancel any certificate of registration so issued.

Sec. 22. Section 4-226, Arizona Revised Statutes, is amended to read:

4-226. Exemptions

The provisions of this title do not apply to:

1. Drugstores selling spirituous liquors only ~~upon~~ ON prescription.

2. Any confectionery candy containing less than five per cent by weight of alcohol.

3. Ethyl alcohol intended for use or used for the following purposes:

(a) Scientific, chemical, mechanical, industrial and medicinal purposes. FOR THE PURPOSES OF THIS PARAGRAPH, MEDICINAL PURPOSES DOES NOT INCLUDE ETHYL ALCOHOL OR SPIRITUOUS LIQUOR THAT CONTAINS MARIJUANA OR USEABLE MARIJUANA AS DEFINED IN SECTION 36-2801.

(b) Use by those authorized to procure spirituous liquor or ethyl alcohol tax-free, as provided by the acts of Congress and regulations promulgated thereunder.

(c) In the manufacture of denatured alcohol produced and used as provided by the acts of Congress and regulations promulgated thereunder.

(d) In the manufacture of patented, patent, proprietary, medicinal, pharmaceutical, antiseptic, toilet, scientific, chemical, mechanical and industrial preparations or products, unfit and not used for beverage purposes.

(e) In the manufacture of flavoring extracts and syrups unfit for beverage purposes.

4. The purchase, storage, distribution, service or consumption of wine in connection with the bona fide practice of a religious belief or as an integral part of a religious exercise by a church recognized by the United States internal revenue service under section 501(c)(3) of the internal revenue code and in a manner not dangerous to public health or safety. This exemption does not apply to any alleged violation of section 4-244, paragraph 9, 34, 35 or 41.

5. BEER PRODUCED FOR PERSONAL OR FAMILY USE THAT IS NOT FOR SALE. THE BEER MAY BE REMOVED FROM THE PREMISES WHERE IT WAS MADE AND EXHIBITED AT ORGANIZED AFFAIRS, EXHIBITIONS OR COMPETITIONS SUCH AS HOMEBREWER'S CONTESTS, TASTING OR JUDGING.

Sec. 23. Section 4-227, Arizona Revised Statutes, is amended to read:

4-227. Qualified retail cooperatives; pricing; definitions

A. ~~Subject to subsection B of this section,~~ A wholesaler shall sell its product to a qualified retail cooperative AT PRICES ESTABLISHED BY THE QUANTITY OF SPIRITUOUS LIQUOR BEING PURCHASED. ~~without regard to the volume of the product purchased by the cooperative at the lowest price at which the wholesaler sells the product to any other retail licensee at or near the location of the cooperative.~~

~~B. The provisions of subsection A of this section shall apply only to a purchase by a retail cooperative of fifty cases or more of a product on a single occasion.~~

~~C.~~ B. As used in this section:

1. "Product" means a particular brand of spirituous liquor in a designated size container or a mix of brands and containers when sold on a

combined basis established by the wholesaler ~~which~~ THAT is offered on quantity discount terms established by the wholesaler.

2. "Qualified retail cooperative" means a retail cooperative of ~~twenty~~ TWO retail licensees ~~or more established pursuant to section 4-222~~.

Sec. 24. Title 4, chapter 2, article 2, Arizona Revised Statutes, is amended by adding section 4-227.01, to read:

4-227.01. Channel pricing

A. THE WHOLESALER MAY EMPLOY CHANNEL PRICING TO SELL ITS PRODUCT TO ON-SALE LICENSEES AT A DIFFERENT PRICE THAN THE WHOLESALER SELLS ITS PRODUCT TO OFF-SALE LICENSEES. ALL CHANNEL PRICING DISCOUNTS MUST BE:

1. BASED ON THE VOLUME OF THE PRODUCT DELIVERED WITHIN A TWENTY-FOUR HOUR PERIOD.

2. MADE EQUALLY AVAILABLE TO EACH RETAILER IN THAT RETAILER'S CHANNEL.

B. FOR THE PURPOSES OF THIS SECTION, "PRODUCT" MEANS A PARTICULAR BRAND OF SPIRITUOUS LIQUOR IN A DESIGNATED SIZE CONTAINER OR A MIX OF BRANDS AND CONTAINERS WHEN SOLD ON A COMBINED BASIS AS ESTABLISHED BY THE WHOLESALER THAT IS OFFERED IN QUANTITY DISCOUNT TERMS ESTABLISHED BY THE WHOLESALER.

Sec. 25. Section 4-229, Arizona Revised Statutes, is amended to read:

4-229. Licenses; handguns; posting of notice

A. A person ~~with a permit issued pursuant to section 13-3112~~ may carry a concealed handgun on the premises of a licensee who is an on-sale retailer unless the licensee posts a sign that clearly prohibits the possession of weapons on the licensed premises. The sign shall conform to the following requirements:

1. Be posted in a conspicuous location accessible to the general public and immediately adjacent to the liquor license posted on the licensed premises.

2. Contain a pictogram that shows a firearm within a red circle and a diagonal red line across the firearm.

3. Contain the words, "no firearms allowed pursuant to A.R.S. section 4-229".

B. A person shall not carry a firearm on the licensed premises of an on-sale retailer if the licensee has posted the notice prescribed in subsection A of this section.

C. It is an affirmative defense to a violation of subsection B of this section if:

1. The person was not informed of the notice prescribed in subsection A of this section before the violation.

2. Any one or more of the following apply:

(a) At the time of the violation the notice prescribed in subsection A of this section had fallen down.

(b) At the time of the violation the person was not a resident of this state.

(c) The licensee had posted the notice prescribed in subsection A of this section not more than thirty days before the violation.

D. The department of liquor licenses and control shall prepare the signs required by this section and make them available at no cost to licensees.

E. The signs required by this section shall be composed of block, capital letters printed in black on white laminated paper at a minimum weight of one hundred ten pound index. The lettering and pictogram shall consume a space at least six inches by nine inches. The letters ~~comprising~~ CONSTITUTING the words "no firearms allowed" shall be at least three-fourths of a vertical inch and all other letters shall be at least one-half of a vertical inch. Nothing shall prohibit a licensee from posting additional signs at one or more locations on the premises.

F. This section does not prohibit a person who possesses a handgun from entering the licensed premises for a limited time for the specific purpose of either:

1. Seeking emergency aid.

2. Determining whether a sign has been posted pursuant to subsection A of this section.

Sec. 26. Section 4-241, Arizona Revised Statutes, is amended to read:

4-241. Selling or giving liquor to underage person; illegally obtaining liquor by underage person; violation; classification; definitions

A. If a licensee, an employee of the licensee or any other person questions or has reason to question that the person ordering, purchasing, attempting to purchase or otherwise procuring or attempting to procure the serving or delivery of spirituous liquor or entering a portion of a licensed premises when the primary use is the sale or service of spirituous liquor is under the legal drinking age, the licensee, employee of the licensee or other person shall do all of the following:

1. Demand identification from the person.

2. Examine the identification to determine that the identification reasonably appears to be a valid, unaltered identification that has not been defaced.

3. Examine the photograph in the identification and determine that the person reasonably appears to be the same person in the identification.

4. Determine that the date of birth in the identification indicates the person is not under the legal drinking age.

B. A licensee or an employee of the licensee who follows the procedures prescribed in subsection A of this section and who records and retains a record of the person's identification on this particular visit is not in violation of subsection J of this section or section 4-244, paragraph 9 or 22. This defense applies to actions of the licensee and all employees of the licensee after the procedure has been employed during the particular visit to the licensed premises by the person. A licensee or an employee of the licensee is not required to demand and examine identification of a person pursuant to subsection A of this section if, during this visit to the

licensed premises by the person, the licensee or any employee of the licensee has previously followed the procedure prescribed in subsection A of this section.

C. Proof that the licensee or employee followed the entire procedure prescribed in subsection A of this section but did not record and retain a record as prescribed in subsection B of this section is an affirmative defense to a criminal charge under subsection J of this section or under section 4-244, paragraph 9 or 22 or a disciplinary action under section 4-210 for a violation of subsection J of this section or section 4-244, paragraph 9 or 22. This defense applies to actions of the licensee and all employees of the licensee after the procedure has been employed during the particular visit to the licensed premises by the person.

D. A licensee or an employee who has not recorded and retained a record of the identification prescribed by subsection B of this section is presumed not to have followed any of the elements prescribed in subsection A of this section.

E. For THE purposes of section 4-244, paragraph 22, a licensee or an employee who has not recorded and retained a record of the identification prescribed by subsection B of this section is presumed to know that the person entering or attempting to enter a portion of a licensed premises when the primary use is the sale or service of spirituous liquor is under the legal drinking age.

F. It is a defense to a violation of subsection A of this section if the person ordering, purchasing, attempting to purchase or otherwise procuring or attempting to procure the serving or delivery of spirituous liquor or to enter a portion of a licensed premises when the primary use is the sale or service of spirituous liquor is not under the legal drinking age.

G. A person penalized for a violation of subsection J of this section or section 4-244, paragraph 22 shall not be additionally penalized for a violation of subsection A of this section relating to the same event.

H. The defenses provided in this section do not apply to a licensee or an employee who has actual knowledge that the person exhibiting the identification is under the legal drinking age.

I. Any of the following types of records are acceptable forms for recording the person's identification:

1. A writing containing the type of identification, the date of issuance of the identification, the name on the identification, the date of birth on the identification and the signature of the person.

2. An electronic file or printed document produced by a device that reads the person's age from the identification.

3. A dated and signed photocopy of the identification.

4. A photograph of the identification.

5. A digital copy of the identification.

J. An off-sale retail licensee or employee of an off-sale retail licensee shall require an instrument of identification from any customer who

appears to be under twenty-seven years of age and who is using a drive-through or other physical feature of the licensed premises that allows a customer to purchase spirituous liquor without leaving the customer's vehicle.

K. The following written instruments are the only acceptable types of identification:

1. An unexpired driver license issued by any state, THE DISTRICT OF COLUMBIA, ANY TERRITORY OF THE UNITED STATES or Canada if the license includes a picture of the licensee AND THE PERSON'S DATE OF BIRTH. A DRIVER LICENSE ISSUED TO A PERSON WHO IS UNDER TWENTY-ONE YEARS OF AGE IS NO LONGER AN ACCEPTABLE TYPE OF IDENTIFICATION UNDER THIS PARAGRAPH THIRTY DAYS AFTER THE PERSON TURNS TWENTY-ONE YEARS OF AGE.

2. ~~A~~ AN UNEXPIRED nonoperating identification license issued pursuant to section 28-3165 or an equivalent form of identification license issued by any state, THE DISTRICT OF COLUMBIA, ANY TERRITORY OF THE UNITED STATES or Canada if the license includes a picture of the person and the person's date of birth. AN UNEXPIRED NONOPERATING LICENSE ISSUED TO A PERSON WHO IS UNDER TWENTY-ONE YEARS OF AGE IS NO LONGER AN ACCEPTABLE TYPE OF IDENTIFICATION UNDER THIS PARAGRAPH THIRTY DAYS AFTER THE PERSON TURNS TWENTY-ONE YEARS OF AGE.

3. An UNEXPIRED armed forces identification card THAT INCLUDES THE PERSON'S PICTURE AND DATE OF BIRTH.

4. A valid unexpired passport or ~~border crossing identification~~ A VALID UNEXPIRED RESIDENT ALIEN card that ~~is issued by a government or a voter card that is issued by the government of Mexico if the passport or card~~ contains a photograph of the person and the person's date of birth.

L. A person who is under the legal drinking age and who misrepresents the person's age to any person by means of a written instrument of identification with the intent to induce a person to sell, serve, give or furnish spirituous liquor contrary to law is guilty of a class 1 misdemeanor.

M. A person who is under the legal drinking age and who solicits another person to purchase, sell, give, serve or furnish spirituous liquor contrary to law is guilty of a class 3 misdemeanor.

N. A person who is under the legal drinking age and who uses a fraudulent or false written instrument of identification or identification of another person or uses a valid license or identification of another person to gain access to a licensed establishment is guilty of a class 1 misdemeanor.

O. A person who uses a driver or nonoperating identification license in violation of subsection L or N of this section is subject to suspension of the driver or nonoperating identification license as provided in section 28-3309. A person who does not have a valid driver or nonoperating identification license and who uses a driver or nonoperating identification license of another in violation of subsection C or E of this section has the person's right to apply for a driver or nonoperating identification license suspended as provided by section 28-3309.

P. A person who knowingly influences the sale, giving or serving of spirituous liquor to a person under the legal drinking age by misrepresenting the age of such person or who orders, requests, receives or procures spirituous liquor from any licensee, employee or other person with the intent of selling, giving or serving it to a person under the legal drinking age is guilty of a class 1 misdemeanor. A licensee or employee of a licensee who has actual knowledge that a person is under the legal drinking age and who admits the person into any portion of the licensed premises in violation of section 4-244, paragraph 22 is in violation of this subsection. In addition to other penalties provided by law, a judge may suspend a driver license issued to or the driving privilege of a person for not more than thirty days for a first conviction and not more than six months for a second or subsequent conviction under this subsection.

Q. A person who is of legal drinking age and who is an occupant of unlicensed premises is guilty of a class 1 misdemeanor if both of the following apply:

1. ~~Such~~ THE person knowingly allows a gathering on such unlicensed premises of two or more persons who are under the legal drinking age and who are neither:

(a) Members of the immediate family of such person.

(b) Permanently residing with ~~such~~ THE person.

2. ~~Such~~ THE person knows or should know that one or more of the persons under the legal drinking age is in possession of or consuming spirituous liquor on the unlicensed premises.

R. For the purposes of subsection Q of this section, "occupant" means a person who has legal possession or the legal right to exclude others from the unlicensed premises.

S. A peace officer shall forward or electronically transfer to the director of the department of transportation the affidavit required by section 28-3310 if the peace officer has arrested a person for the commission of an offense for which, on conviction, suspension of the license or privilege to operate a motor vehicle is required by section 28-3309, subsection A, B or D, or if the peace officer has confiscated a false identification document used by the person to gain access to licensed premises.

T. A person who acts under a program of testing compliance with this title that is approved by the director is not in violation of section 4-244.

U. Law enforcement agencies may use persons who are under the legal drinking age to test compliance with this section and section 4-244, paragraph 9 by a licensee if the law enforcement agency has reasonable suspicion that the licensee is violating this section or section 4-244, paragraph 9. A person who is under the legal drinking age and who purchases or attempts to purchase spirituous liquor under the direction of a law enforcement agency pursuant to this subsection is immune from prosecution for

that purchase or attempted purchase. Law enforcement agencies may use a person under the legal drinking age pursuant to this subsection only if:

1. The person is at least fifteen but not more than nineteen years of age.

2. The person is not employed on an incentive or quota basis.

3. The person's appearance is that of a person who is under the legal drinking age.

4. A photograph of the person is taken no more than twelve hours before the purchase or attempted purchase. The photograph shall accurately depict the person's appearance and attire. A licensee or an employee of a licensee who is cited for selling spirituous liquor to a person under the legal drinking age pursuant to this subsection shall be permitted to inspect the photograph immediately after the citation is issued. The person's appearance at any trial or administrative hearing that results from a citation shall not be substantially different from the person's appearance at the time the citation was issued.

5. The person places, receives and pays for the person's order of spirituous liquor. An adult shall not accompany the person onto the premises of the licensee.

6. The person does not consume any spirituous liquor.

V. The department may adopt rules to carry out the purposes of this section.

Sec. 27. Section 4-242, Arizona Revised Statutes, is amended to read:

4-242. Sale of liquor on credit prohibited; exceptions

A. It is unlawful for a RETAIL licensee, or an employee or agent of a licensee, to sell or offer to sell, directly or indirectly, or to sanction the sale on credit of spirituous liquor TO A RETAILER'S CUSTOMER, or to give, lend or advance money or anything of value TO A RETAIL CUSTOMER for the purpose of purchasing or bartering for spirituous liquor, except that sales of spirituous liquor consumed on the RETAIL licensed premises may be included on bills rendered to registered guests in hotels and motels, and spirituous liquor sales for on or off premises consumption may be made with credit cards approved by the director, and sales of spirituous liquor consumed on the premises of private clubs may be included on bills rendered to bona fide members.

B. ANY WHOLESALER OR PRODUCER MAY ENGAGE IN CREDIT TRANSACTIONS WITH ANY OTHER WHOLESALER OR PRODUCER.

Sec. 28. Section 4-243, Arizona Revised Statutes, is amended to read:

4-243. Commercial coercion or bribery unlawful; exceptions

A. It is unlawful for a person engaged in the business of distiller, vintner, brewer, rectifier or blender or any other producer or wholesaler of any spirituous liquor, directly or indirectly, or through an affiliate:

1. To require that a retailer purchase spirituous liquor from the producer or wholesaler to the exclusion, in whole or in part, of spirituous liquor sold or offered for sale by other persons.

2. To induce a retailer by any form of commercial bribery to purchase spirituous liquor from the producer or wholesaler to the exclusion, in whole or in part, of spirituous liquor sold or offered for sale by other persons.

3. To acquire an interest in property owned, occupied or used by the retailer in the retailer's business, or in a license with respect to the premises of the retailer.

4. To furnish, give, rent, lend or sell to the retailer equipment, fixtures, signs, supplies, money, services or other things of value, subject to such exception as the rules adopted pursuant to this title may prescribe, having regard for established trade customs and the purposes of this subsection.

5. To pay or credit the retailer for advertising, display or distribution service, except that the director may adopt rules regarding advertising in conjunction with seasonal sporting events.

6. To guarantee a loan or repayment of a financial obligation of the retailer.

7. To extend credit to the retailer on a sale of spirituous liquor.

8. To require the retailer to take and dispose of a certain quota of spirituous liquor.

9. To offer or give a bonus, a premium or compensation to the retailer or any of the retailer's officers, employees or representatives.

B. This section does not prohibit any distiller, vintner, brewer, rectifier, blender or other producer or wholesaler of any spirituous liquor from:

1. Giving financial and other forms of event sponsorship assistance to nonprofit or charitable organizations for purposes of charitable fund-raising ~~which~~ THAT are issued special event licenses by the department. This section does not prohibit ~~such~~ suppliers from advertising their sponsorship at such special events.

2. Providing samples to retail consumers at on-sale premises establishments according to the following procedures:

(a) Sampling operations shall be conducted under the supervision of an employee of the sponsoring producer or wholesaler.

(b) Sampling shall be limited to twelve ounces of beer or cooler products, six ounces of wine or two ounces of distilled spirits per person per brand.

(c) If requesting the on-sale retailer to prepare a drink for the consumer, the producer's or wholesaler's representative shall pay the retailer for the sample drink.

(d) The producer or wholesaler may not buy the on-sale retailer or the retailer's employees a drink during their working hours or while they are engaged in waiting on or serving customers.

(e) The producer or wholesaler may not give a keg of beer or any spirituous liquor or any other gifts or benefits to the on-sale retailer.

(f) All sampling procedures shall comply with federal sampling laws and regulations.

3. Providing samples to retail consumers on an off-sale retailer's premises according to the following procedures:

(a) Sampling shall be conducted by an employee of the sponsoring producer or wholesaler.

(b) The producer or wholesaler shall notify the department in writing or by electronic means not less than ten days before the sampling of the date, time and location of the sampling AND OF THE NAME OF THE WHOLESALER OR PRODUCER DISTRIBUTING THE PRODUCT.

(c) Sampling shall be limited to three ounces of beer, one and one-half ounces of wine or one ounce of distilled spirits per person per day FOR CONSUMPTION ON THE PREMISES AND UP TO SEVENTY-TWO OUNCES OF BEER AND TWO OUNCES OF DISTILLED SPIRITS PER PERSON PER DAY FOR CONSUMPTION OFF THE PREMISES.

(d) An off-sale retailer shall not permit sampling to be conducted on a licensed premises on more than twelve days in any calendar year PER WHOLESALER OR PRODUCER.

(e) Sampling shall be limited to one wholesaler or producer at any one off-sale retailer's premises on any day and shall not exceed three hours on any day.

(f) A producer conducting sampling shall buy the sampled product from a wholesaler.

(g) The producer or wholesaler shall not provide samples to any person who is under the legal drinking age.

(h) The producer or wholesaler shall designate an area in which sampling is conducted that is in the portion of the licensed premises where spirituous liquor is primarily displayed and separated from the remainder of the off-sale retailer's premises by a wall, rope, door, cable, cord, chain, fence or other barrier. The producer or wholesaler shall not permit persons under the legal drinking age from entering the area in which sampling is conducted.

(i) The producer or wholesaler may not provide samples to the retailer or the retailer's employees.

(j) Sampling shall not be conducted in retail premises with a total of under five thousand square feet of retail space unless at least seventy-five per cent of the retailer's shelf space is dedicated to the sale of spirituous liquor.

(k) The producer or wholesaler may not give spirituous liquor or any other gifts or benefits to the off-sale retailer.

(l) All sampling procedures shall comply with federal sampling laws and regulations.

C. Notwithstanding subsection A, paragraph 4 OF THIS SECTION, any wholesaler of any spirituous liquor may sell tobacco products or foodstuffs to a retailer at a price not less than the cost to the wholesaler.

D. Notwithstanding subsection A, paragraph 4, and subsection B, paragraph 2, subdivision (e) OF THIS SECTION, any wholesaler may furnish without cost promotional items to an on-sale retailer, except that the total market value of the promotional items furnished by that wholesaler to that retailer in any calendar year shall not exceed five hundred dollars. For the purposes of this subsection, "promotional items" means items of equipment, supplies, novelties or other advertising specialties that conspicuously display the brand name of a spirituous liquor product. Promotional items do not include signs.

E. It is unlawful for a retailer to request ~~and~~ OR knowingly receive anything of value that a distiller, vintner, brewer, rectifier or blender or any other producer or wholesaler is prohibited by subsection A or D OF THIS SECTION from furnishing to a retailer, except that this subsection shall not prohibit special discounts provided to retailers and based on quantity purchases.

Sec. 29. Section 4-243.01, Arizona Revised Statutes, is amended to read:

4-243.01. Purchasing from other than primary source of supply unlawful; definitions

A. It is unlawful:

1. For any supplier to solicit, accept or fill any order for any spirituous liquor from any wholesaler in this state unless the supplier is the primary source of supply for the brand of spirituous liquor sold or sought to be sold and is duly licensed by the board.

2. For any wholesaler or any other licensee in this state to order, purchase or receive any spirituous liquor from any supplier unless the supplier is the primary source of supply for the brand ordered, purchased or received.

3. Except as provided by section 4-243.02 for a retailer to order, purchase or receive any spirituous liquor from any source other than any of the following:

(a) A wholesaler ~~who~~ THAT has purchased the brand from the primary source of supply.

(b) A wholesaler ~~who~~ THAT is the designated representative of the primary source of supply in this state and ~~who~~ THAT has purchased such spirituous liquor from the designated representative of the primary source of supply within or without this state.

(c) A registered retail agent pursuant to section 4-101.

(d) A ~~domestic~~ farm winery licensed under section 4-205.04 and subject to the limitations prescribed in section 4-205.04, subsection C, paragraph 7.

(e) A licensed ~~domestic~~ microbrewery licensed under section 4-205.08.

B. All spirituous liquor shipped into this state shall be invoiced to the wholesaler by the primary source of supply. All spirituous liquor shall be unloaded and remain at the wholesaler's premises for at least twenty-four

hours. A copy of each invoice shall be transmitted by the wholesaler and the primary source of supply to the department of revenue.

C. The director may suspend for a period of one year the license of any wholesaler or retailer who violates this section.

D. Upon determination by the department of revenue that a primary source of supply has violated this section, no wholesaler may accept any shipment of spirituous liquor from such primary source of supply for a period of one year.

E. For the purposes of this section:

1. "Primary source of supply" means the distiller, producer, owner of the commodity at the time it becomes a marketable product, bottler or exclusive agent of any such distributor or owner. In the case of imported products, the primary source of supply means either the foreign producer, owner, bottler or agent or the prime importer from, or the exclusive agent in, the United States of the foreign distiller, producer, bottler or owner.

2. "Wholesaler" means any person, firm or corporation that is licensed in this state to sell to retailers and that is engaged in the business of warehousing and distributing brands of various suppliers to retailers generally in the marketing area in which the wholesaler is located.

Sec. 30. Section 4-244, Arizona Revised Statutes, is amended to read:

4-244. Unlawful acts

It is unlawful:

1. For a person to buy for resale, sell or deal in spirituous liquors in this state without first having procured a license duly issued by the board.

2. For a person to sell or deal in alcohol for beverage purposes without first complying with this title.

3. For a distiller, vintner, brewer or wholesaler knowingly to sell, dispose of or give spirituous liquor to any person other than a licensee except in sampling wares as may be necessary in the ordinary course of business, except in donating spirituous liquor to a nonprofit organization which has obtained a special event license for the purpose of charitable fund raising activities or except in donating spirituous liquor with a cost to the distiller, brewer or wholesaler of up to five hundred dollars in a calendar year to an organization that is exempt from federal income taxes under section 501(c) (3), (4), (6) or (7) of the internal revenue code and not licensed under this title.

4. For a distiller, vintner or brewer to require a wholesaler to offer or grant a discount to a retailer, unless the discount has also been offered and granted to the wholesaler by the distiller, vintner or brewer.

5. For a distiller, vintner or brewer to use a vehicle for trucking or transportation of spirituous liquors unless there is affixed to both sides of the vehicle a sign showing the name and address of the licensee and the type and number of the person's license in letters not less than three and one-half inches in height.

6. For a person to take or solicit orders for spirituous liquors unless the person is a salesman or solicitor of a licensed wholesaler, a salesman or solicitor of a distiller, brewer, vintner, importer or broker or a registered retail agent.

7. For any retail licensee to purchase spirituous liquors from any person other than a solicitor or salesman of a wholesaler licensed in this state.

8. For a retailer to acquire an interest in property owned, occupied or used by a wholesaler in ~~his~~ THE WHOLESALER'S business, or in a license with respect to the premises of the wholesaler.

9. Except as provided in paragraphs 10 and 11 of this section, for a licensee or other person to sell, furnish, dispose of or give, or cause to be sold, furnished, disposed of or given, to a person under the legal drinking age or for a person under the legal drinking age to buy, receive, have in the person's possession or consume spirituous liquor. This paragraph shall not prohibit the employment by an off-sale retailer of persons who are at least sixteen years of age to check out, if supervised by a person on the premises who is at least nineteen years of age, package or carry merchandise, including spirituous liquor, in unbroken packages, for the convenience of the customer of the employer, if the employer sells primarily merchandise other than spirituous liquor.

10. For a licensee to employ a person under nineteen years of age to manufacture, sell or dispose of spirituous liquors. This paragraph shall not prohibit the employment by an off-sale retailer of persons who are at least sixteen years of age to check out, if supervised by a person on the premises who is at least nineteen years of age, package or carry merchandise, including spirituous liquor, in unbroken packages, for the convenience of the customer of the employer, if the employer sells primarily merchandise other than spirituous liquor.

11. For an on-sale retailer to employ a person under nineteen years of age in any capacity connected with the handling of spirituous liquors. This paragraph does not prohibit the employment by an on-sale retailer of a person under nineteen years of age who cleans up the tables on the premises for reuse, removes dirty dishes, keeps a ready supply of needed items and helps clean up the premises.

12. For a licensee, when engaged in waiting on or serving customers, to consume spirituous liquor or for a licensee or on-duty employee to be on or about the licensed premises while in an intoxicated or disorderly condition.

13. For an employee of a retail licensee, during that employee's working hours or in connection with such employment, to give to or purchase for any other person, accept a gift of, purchase for himself or consume spirituous liquor, except that:

(a) An employee of a licensee, during that employee's working hours or in connection with the employment, while the employee is not engaged in

waiting on or serving customers, may give spirituous liquor to or purchase spirituous liquor for any other person.

(b) An employee of an on-sale retail licensee, during that employee's working hours or in connection with the employment, while the employee is not engaged in waiting on or serving customers, may taste samples of beer or wine not to exceed four ounces per day or distilled spirits not to exceed two ounces per day provided by an employee of a wholesaler or distributor who is present at the time of the sampling.

(c) An employee of an on-sale retail licensee, under the supervision of a manager as part of the employee's training and education, while not engaged in waiting on or serving customers may taste samples of distilled spirits not to exceed two ounces per educational session or beer or wine not to exceed four ounces per educational session, and provided that a licensee shall not have more than two educational sessions in any thirty day period.

(d) An unpaid volunteer who is a bona fide member of a club and who is not engaged in waiting on or serving spirituous liquor to customers may purchase for himself and consume spirituous liquor while participating in a scheduled event at the club. An unpaid participant in a food competition may purchase for himself and consume spirituous liquor while participating in the food competition.

(e) An unpaid volunteer of a special event licensee under section 4-203.02 may purchase and consume spirituous liquor while not engaged in waiting on or serving spirituous liquor to customers at the special event. This subdivision does not apply to an unpaid volunteer whose responsibilities include verification of a person's legal drinking age, security or the operation of any vehicle or heavy machinery.

14. For a licensee or other person to serve, sell or furnish spirituous liquor to a disorderly or obviously intoxicated person, or for a licensee or employee of the licensee to allow or permit a disorderly or obviously intoxicated person to come into or remain on or about the premises, except that a licensee or an employee of the licensee may allow an obviously intoxicated person to remain on the premises for a period of time of not to exceed thirty minutes after the state of obvious intoxication is known or should be known to the licensee in order that a nonintoxicated person may transport the obviously intoxicated person from the premises. For the purposes of this section, "obviously intoxicated" means inebriated to the extent that a person's physical faculties are substantially impaired and the impairment is shown by significantly uncoordinated physical action or significant physical dysfunction that would have been obvious to a reasonable person.

15. For an on-sale or off-sale retailer or an employee of such retailer to sell, dispose of, deliver or give spirituous liquor to a person between the hours of 2:00 a.m. and 6:00 a.m.

16. For a licensee or employee to knowingly permit any person on or about the licensed premises to give or furnish any spirituous liquor to any

person under twenty-one years of age or knowingly permit any person under twenty-one years of age to have in the person's possession spirituous liquor on the licensed premises.

17. For an on-sale retailer or an employee of such retailer to allow a person to consume or possess spirituous liquors on the premises between the hours of 2:30 a.m. and 6:00 a.m.

18. For an on-sale retailer to permit an employee or for an employee to solicit or encourage others, directly or indirectly, to buy the employee drinks or anything of value in the licensed premises during the employee's working hours. No on-sale retailer shall serve employees or allow a patron of the establishment to give spirituous liquor to, purchase liquor for or drink liquor with any employee during the employee's working hours.

19. For an off-sale retailer or employee to sell spirituous liquor except in the original unbroken container, to permit spirituous liquor to be consumed on the premises or to knowingly permit spirituous liquor to be consumed on adjacent property under the licensee's exclusive control.

20. For a person to consume spirituous liquor in a public place, thoroughfare or gathering. The license of a licensee permitting a violation of this paragraph on the premises shall be subject to revocation. This paragraph does not apply to the sale of spirituous liquors on the premises of and by an on-sale retailer. This paragraph also does not apply to a person consuming beer from a broken package in a public recreation area or on private property with permission of the owner or lessor or on the walkways surrounding such private property or to a person consuming beer or wine from a broken package in a public recreation area as part of a special event or festival that is conducted under a license secured pursuant to section 4-203.02 or 4-203.03.

21. For a person to have possession of or to transport spirituous liquor which is manufactured in a distillery, winery, brewery or rectifying plant contrary to the laws of the United States and this state. Any property used in transporting such spirituous liquor shall be forfeited to the state and shall be seized and disposed of as provided in section 4-221.

22. For an on-sale retailer or employee to allow a person under the legal drinking age to remain in an area on the licensed premises during those hours in which its primary use is the sale, dispensing or consumption of alcoholic beverages after the licensee, or the licensee's employees, know or should have known that the person is under the legal drinking age. An on-sale retailer may designate an area of the licensed premises as an area in which spirituous liquor will not be sold or consumed for the purpose of allowing underage persons on the premises if the designated area is separated by a physical barrier and at no time will underage persons have access to the area in which spirituous liquor is sold or consumed. A licensee or an employee of a licensee may require a person who intends to enter a licensed premises or a portion of a licensed premises where persons under the legal drinking age are prohibited under this section to exhibit a written

instrument of identification that is acceptable under section 4-241 as a condition of entry. The director, or a municipality, may adopt rules to regulate the presence of underage persons on licensed premises provided the rules adopted by a municipality are more stringent than those adopted by the director. The rules adopted by the municipality shall be adopted by local ordinance and shall not interfere with the licensee's ability to comply with this paragraph. This paragraph does not apply:

(a) If the person under the legal drinking age is accompanied by a spouse, parent or legal guardian of legal drinking age or is an on-duty employee of the licensee.

(b) If the owner, lessee or occupant of the premises is a club as defined in section 4-101, paragraph 7, subdivision (a) and the person under the legal drinking age is any of the following:

(i) An active duty military service member.

(ii) A veteran.

(iii) A member of the United States army national guard or the United States air national guard.

(iv) A member of the United States military reserve forces.

(c) To the area of the premises used primarily for the serving of food during the hours when food is served.

23. For an on-sale retailer or employee to conduct drinking contests, to sell or deliver to a person an unlimited number of spirituous liquor beverages during any set period of time for a fixed price, to deliver more than forty ounces of beer, one liter of wine or four ounces of distilled spirits in any spirituous liquor drink to one person at one time for that person's consumption or to advertise any practice prohibited by this paragraph. The provisions of this paragraph do not prohibit an on-sale retailer or employee from selling and delivering an opened, original container of distilled spirits if:

(a) Service or pouring of the spirituous liquor is provided by an employee of the on-sale retailer.

(b) The employee of the on-sale retailer monitors consumption to ensure compliance with this paragraph. Locking devices may be used, but are not required.

24. For a licensee or employee to knowingly permit the unlawful possession, use, sale or offer for sale of narcotics, dangerous drugs or marijuana on the premises. As used in this paragraph, "dangerous drug" has the same meaning prescribed in section 13-3401.

25. For a licensee or employee to knowingly permit prostitution or the solicitation of prostitution on the premises.

26. For a licensee or employee to knowingly permit unlawful gambling on the premises.

27. For a licensee or employee to knowingly permit trafficking or attempted trafficking in stolen property on the premises.

28. For a licensee or employee to fail or refuse to make the premises or records available for inspection and examination as provided in this title or to comply with a lawful subpoena issued under this title.

29. For any person other than a peace officer or a member of a sheriff's volunteer posse while on duty who has received firearms training that is approved by the Arizona peace officer standards and training board, the licensee or an employee of the licensee acting with the permission of the licensee to be in possession of a firearm while on the licensed premises of an on-sale retailer. This paragraph shall not be construed to include a situation in which a person is on licensed premises for a limited time in order to seek emergency aid and such person does not buy, receive, consume or possess spirituous liquor. This paragraph shall not apply to:

(a) Hotel or motel guest room accommodations.

(b) The exhibition or display of a firearm in conjunction with a meeting, show, class or similar event.

(c) A person with a permit issued pursuant to section 13-3112 who carries a concealed handgun on the licensed premises of any on-sale retailer that has not posted a notice pursuant to section 4-229.

30. For a licensee or employee to knowingly permit a person in possession of a firearm other than a peace officer or a member of a sheriff's volunteer posse while on duty who has received firearms training that is approved by the Arizona peace officer standards and training board, the licensee or an employee of the licensee acting with the permission of the licensee to remain on the licensed premises or to serve, sell or furnish spirituous liquor to a person in possession of a firearm while on the licensed premises of an on-sale retailer. It shall be a defense to action under this paragraph if the licensee or employee requested assistance of a peace officer to remove such person. This paragraph shall not apply to:

(a) Hotel or motel guest room accommodations.

(b) The exhibition or display of a firearm in conjunction with a meeting, show, class or similar event.

(c) A person with a permit issued pursuant to section 13-3112 who carries a concealed handgun on the licensed premises of any on-sale retailer that has not posted a notice pursuant to section 4-229.

31. For any person in possession of a firearm while on the licensed premises of an on-sale retailer to consume spirituous liquor. This paragraph does not prohibit the consumption of small amounts of spirituous liquor by an undercover peace officer on assignment to investigate the licensed establishment.

32. For a licensee or employee to knowingly permit spirituous liquor to be removed from the licensed premises, except in the original unbroken package. This paragraph does not apply to any of the following:

(a) A person who removes a bottle of wine which has been partially consumed in conjunction with a purchased meal from licensed premises if a

cork is inserted flush with the top of the bottle or the bottle is otherwise securely closed.

(b) A person who is in licensed premises that have noncontiguous portions that are separated by a public or private walkway or driveway and who takes spirituous liquor from one portion of the licensed premises across the public or private walkway or driveway directly to the other portion of the licensed premises.

(c) A bar, beer and wine bar, liquor store, beer and wine store or ~~domestic~~ microbrewery licensee who dispenses beer only in a clean ~~glass~~ container COMPOSED OF A MATERIAL APPROVED BY A NATIONAL SANITATION ORGANIZATION with a maximum capacity that does not exceed one gallon and not for consumption on the premises ~~as long as~~ IF:

(i) The licensee or the licensee's employee fills the container at the tap at the time of sale.

(ii) The container is sealed with a plastic adhesive and displays a government warning label.

(iii) The dispensing of that beer is not done through a drive-through or walk-up service window.

The department shall review the effects of this subdivision and submit a report by July 1, 2015 on the effects of this subdivision to the governor, the speaker of the house of representatives and the president of the senate. The department shall provide a copy of this report to the secretary of state.

33. For a person who is obviously intoxicated to buy or attempt to buy spirituous liquor from a licensee or employee of a licensee or to consume spirituous liquor on licensed premises.

34. For a person under twenty-one years of age to drive or be in physical control of a motor vehicle while there is any spirituous liquor in the person's body.

35. For a person under twenty-one years of age to operate or be in physical control of a motorized watercraft that is underway while there is any spirituous liquor in the person's body. For the purposes of this paragraph, "underway" has the same meaning prescribed in section 5-301.

36. For a licensee, manager, employee or controlling person to purposely induce a voter, by means of alcohol, to vote or abstain from voting for or against a particular candidate or issue on an election day.

37. For a licensee to fail to report an occurrence of an act of violence to either the department or a law enforcement agency.

38. For a licensee to use a vending machine for the purpose of dispensing spirituous liquor.

39. For a licensee to offer for sale a wine carrying a label including a reference to Arizona or any Arizona city, town or geographic location unless at least seventy-five per cent by volume of the grapes used in making the wine were grown in Arizona.

40. For a retailer to knowingly allow a customer to bring spirituous liquor onto the licensed premises, except that an on-sale retailer may allow a wine and food club to bring wine onto the premises for consumption by the club's members and guests of the club's members in conjunction with meals purchased at a meeting of the club that is conducted on the premises and that at least seven members attend. An on-sale retailer who allows wine and food clubs to bring wine onto its premises under this paragraph shall comply with all applicable provisions of this title and any rules adopted pursuant to this title to the same extent as if the on-sale retailer had sold the wine to the members of the club and their guests. For the purposes of this paragraph, "wine and food club" means an association that has more than twenty bona fide members paying at least six dollars per year in dues and that has been in existence for at least one year.

41. For a person under twenty-one years of age to have in the person's body any spirituous liquor. In a prosecution for a violation of this paragraph:

(a) Pursuant to section 4-249, it is a defense that the spirituous liquor was consumed in connection with the bona fide practice of a religious belief or as an integral part of a religious exercise and in a manner not dangerous to public health or safety.

(b) Pursuant to section 4-226, it is a defense that the spirituous liquor was consumed for a bona fide medicinal purpose and in a manner not dangerous to public health or safety.

42. For an employee of a licensee to accept any gratuity, compensation, remuneration or consideration of any kind to either:

(a) Permit a person who is under twenty-one years of age to enter any portion of the premises where that person is prohibited from entering pursuant to paragraph 22 of this section.

(b) Sell, furnish, dispose of or give spirituous liquor to a person who is under twenty-one years of age.

43. For a person to purchase, offer for sale or use any device, machine or process which mixes spirituous liquor with pure oxygen or another gas to produce a vaporized product for the purpose of consumption by inhalation OR TO ALLOW PATRONS TO USE ANY ITEM FOR THE CONSUMPTION OF VAPORIZED SPIRITUOUS LIQUOR.

44. For a retail licensee or an employee of a retail licensee to sell spirituous liquor to a person if the retail licensee or employee knows the person intends to resell the spirituous liquor.

45. Except as authorized by paragraph 32, subdivision (c) of this section, for a person to reuse a bottle or other container authorized for use by the laws of the United States or any agency of the United States for the packaging of distilled spirits or for a person to increase the original contents or a portion of the original contents remaining in a liquor bottle or other authorized container by adding any substance.

Sec. 31. Section 4-244.04, Arizona Revised Statutes, is amended to read:

4-244.04. Farm winery sampling

Notwithstanding section 4-244, paragraphs 13 and 19, a representative of a licensed ~~domestic~~ farm winery may consume small amounts and may serve the products of the licensed ~~domestic~~ farm winery on the premises of an off-sale retailer or a retailer with off-sale privileges for the purpose of sampling the products of the ~~domestic~~ farm winery. The licensee of the ~~domestic~~ farm winery is liable for any violations of this title committed in connection with such sampling. The director shall regulate the manner of conducting such samplings to prevent abusive practices. The licensed retailer shall make sales of ~~domestic~~ farm winery products from the licensed retail premises.

Sec. 32. Section 4-244.05, Arizona Revised Statutes, is amended to read:

4-244.05. Unlicensed business establishment or premises; unlawful consumption of spirituous liquor; civil penalty; seizure and forfeiture of property

A. A person owning, operating, leasing, managing or controlling a business establishment or business premises which are not properly licensed pursuant to this title and in which any of the following occur shall not allow the consumption of spirituous liquor in the establishment or on the premises:

1. Food or beverages are sold.

2. Entertainment is provided.

3. A membership fee or a cover charge for admission is charged.

4. A minimum purchase or rental requirement for goods or services is charged.

B. A person shall not consume spirituous liquor in a business establishment or on business premises which are not properly licensed pursuant to this title in which food or beverages are sold, entertainment is provided, a membership fee or a cover charge for admission is charged or a minimum purchase or rental requirement for goods or services is charged.

C. In addition to or in lieu of other fines or civil penalties imposed for a violation of this section or any other action taken by the board or director, the board or director may conduct a hearing subject to the requirements of section 4-210, subsection G to determine whether a person has violated subsection A of this section. If the board or director determines, after a hearing, that a person has violated subsection A of this section the board or director may impose a civil penalty of not less than two hundred nor more than five thousand dollars for each offense. A civil penalty imposed pursuant to this section by the director may be appealed to the board.

D. In addition to any other remedies provided by law, any monies used or obtained in violation of this chapter may be seized by any peace officer

if the peace officer has probable cause to believe that the money has been used or is intended to be used in violation of this section.

E. In addition to any other remedies provided by law, the records of an establishment that is in violation of this section may be seized by any peace officer if the peace officer has probable cause to believe that the establishment is operating without a valid license issued pursuant to this title.

F. In addition to any other remedies provided by law, any amount of alcohol may be seized by any peace officer if the peace officer has probable cause to believe that the alcohol is being used or is intended to be used in violation of this section.

G. In addition to any other remedies provided by law, the following property shall be forfeited pursuant to section 13-2314 or title 13, chapter 39:

1. All proceeds and other assets that are derived from a violation of this section.

2. Anything of value that is used or intended to be used to facilitate a violation of this section.

H. A person who obtains property through a violation of this section is deemed to be an involuntary trustee of that property. An involuntary trustee and any other person who obtains the property, except a bona fide purchaser who purchases the property for value without notice of or participation in the unlawful conduct, holds the property, including its proceeds and other assets, in constructive trust for the benefit of the persons entitled to remedies pursuant to section 13-2314 or title 13, chapter 39.

I. The board or director may adopt rules authorizing and prescribing limitations for the possession or consumption of spirituous liquor at establishments or premises falling within the scope of subsections A and B of this section. Rules adopted pursuant to this subsection shall authorize the possession or consumption of spirituous liquor only at establishments or premises which permit the consumption or possession of minimal amounts of spirituous liquor and which meet both of the following criteria:

1. The possession or consumption of spirituous liquor is permitted only as an incidental convenience to the customers of the establishment or premises.

2. The possession or consumption of spirituous liquor is permitted only within the hours of lawful sale as prescribed in this title, and is limited to no more than ten hours per day.

J. Any rules adopted pursuant to subsection I of this section shall prescribe:

1. The maximum permitted occupancy of an establishment or premises.

2. The hours during which spirituous liquor may be possessed or consumed.

3. The amount of spirituous liquor that a person may possess or consume.

4. That the director, the director's agents and any peace officer empowered to enforce the provisions of this title, in enforcing the provisions of this title, may visit and inspect the establishment or premises during the business hours of the premises or establishment. ~~Until January 1, 2015,~~ The director may charge a fee for the inspection of unlicensed premises to review an application for exemption pursuant to this section.

K. Any rules adopted pursuant to subsection I of this section may prescribe separate classifications of establishments or premises at which spirituous liquor may be possessed or consumed and may establish any other provisions relating to the possession or consumption of spirituous liquor at establishments or premises falling within the scope of subsections A and B of this section which are necessary to maintain the health and welfare of the community.

L. This section does not apply to establishments or premises that are not licensed pursuant to this title and on which occurs the consumption of spirituous liquor if the establishment or premises are owned, operated, leased, managed or controlled by the United States, this state or a city or county of this state.

Sec. 33. Section 4-250.01, Arizona Revised Statutes, is amended to read:

4-250.01. Out-of-state person engaged in business as producer, exporter, importer or rectifier; violation; cease and desist order; civil penalty

A. An out-of-state person engaged in business as a producer, exporter, importer or rectifier shall comply with this title as if licensed by this state. An out-of-state person engaged in business as a producer, exporter, importer or rectifier who violates this title is subject to a fine or a civil penalty and suspension or revocation of the right to do business in this state.

B. If the director has reasonable cause to believe that an out-of-state person engaged in business as a producer, exporter, importer or rectifier is acting in violation of this title, the director may serve a cease and desist order requiring the person to cease and desist the violation.

C. The director may impose a civil penalty ~~not to exceed~~ UP TO one hundred fifty thousand dollars PER VIOLATION against an out-of-state person WHO IS engaged in business as a producer, exporter, importer or rectifier AND who knowingly violates a cease and desist order issued by the director pursuant to subsection B OF THIS SECTION.

Sec. 34. Section 42-3001, Arizona Revised Statutes, is amended to read:

42-3001. Definitions

In this chapter, unless the context otherwise requires:

1. "Affix" and "affixed" includes imprinting tax meter stamps on packages and individual containers as authorized by the department.

2. "Cider" means vinous liquor that is made from the normal alcoholic fermentation of the juice of sound, ripe apples, including flavored, sparkling and carbonated cider and cider made from condensed apple must, and that contains more than one-half of one per cent of alcohol by volume but not more than seven per cent of alcohol by volume.

3. "Cigar" means any roll of tobacco wrapped in leaf tobacco or in any substance containing tobacco other than any roll of tobacco that is a cigarette, as defined in paragraph 4, subdivision (b) of this section.

4. "Cigarette" means either of the following:

(a) Any roll of tobacco or any substitute for tobacco wrapped in paper or any substance not containing tobacco.

(b) Any roll of tobacco wrapped in any substance containing tobacco that, because of its appearance, the type of tobacco used in the filler or its packaging and labeling, is likely to be offered to or purchased by a consumer as a cigarette described in subdivision (a) of this paragraph. This subdivision shall be interpreted consistently with the classification guidelines established by the federal alcohol and tobacco tax and trade bureau.

5. "Cigarette distributor" means a distributor of cigarettes without stamps affixed as required by this article who is required to be licensed under section 42-3201. Cigarette distributor does not include a retailer or any person who holds a permit as a cigarette manufacturer, export warehouse proprietor or importer under 26 United States Code section 5712 if the person sells or distributes cigarettes in this state only to licensed cigarette distributors or to another person who holds a permit under 26 United States Code section 5712 as an export warehouse proprietor or manufacturer.

6. "Cigarette importer" means a distributor who directly or indirectly imports into the United States a finished cigarette for sale or distribution and who is required to be licensed under section 42-3201.

7. "Cigarette manufacturer" means a distributor who manufactures, fabricates, assembles, processes or labels a finished cigarette and who is required to be licensed under section 42-3201.

8. "Consumer" means a person in this state who comes into possession of any luxury subject to the tax imposed by this chapter and who, on coming into possession of the luxury, is not a distributor intending to sell or distribute the luxury, retailer or wholesaler.

9. "CRAFT DISTILLER" MEANS A DISTILLER IN THE UNITED STATES OR IN A TERRITORY OR POSSESSION OF THE UNITED STATES THAT HOLDS A LICENSE PURSUANT TO SECTION 4-205.10.

~~9.~~ 10. "Distributor" means any person who manufactures, produces, ships, transports or imports into this state or in any manner acquires or possesses for the purpose of making the first sale of the following:

(a) Cigarettes without stamps affixed as required by this article.

(b) Other tobacco products upon which the taxes have not been paid as required by this chapter.

~~10. "Domestic farm winery" has the same meaning prescribed in section 4-101.~~

~~11. "Domestic microbrewery" has the same meaning prescribed in section 4-101.~~

11. "FARM WINERY" HAS THE SAME MEANING PRESCRIBED IN SECTION 4-101.

12. "First sale" means the initial sale or distribution in intrastate commerce or the initial use or consumption of cigarettes or other tobacco products.

13. "Luxury" means any article, object or device upon which a tax is imposed under this chapter.

14. "Malt liquor" means any liquid that contains more than one-half of one per cent alcohol by volume and that is made by the process of fermentation and not distillation of hops or grains, but not including:

(a) Liquids made by the process of distillation of such substances.

(b) Medicines that are unsuitable for beverage purposes.

15. "MICROBREWERY" HAS THE SAME MEANING PRESCRIBED IN SECTION 4-101.

~~15.~~ 16. "Person" means any individual, firm, partnership, joint venture, association, corporation, municipal corporation, estate, trust, club, society or other group or combination acting as a unit, and the plural as well as the singular number.

~~16.~~ 17. "Retailer" means any person ~~who~~ THAT comes into possession of any luxury subject to the taxes imposed by this chapter for the purpose of selling it for consumption and not for resale.

~~17.~~ 18. "Spirituous liquor" means any liquid that contains more than one-half of one per cent alcohol by volume, that is produced by distillation of any fermented substance and that is used or prepared for use as a beverage. Spirituous liquor does not include medicines that are unsuitable for beverage purposes.

~~18.~~ 19. "Tobacco products" means all luxuries included in section 42-3052, paragraphs 5 through 9~~, except that for the purposes of article 5.1 of this chapter tobacco products has the same meaning prescribed in section 42-3221~~.

~~19.~~ 20. "Vinous liquor" means any liquid that contains more than one-half of one per cent alcohol by volume and that is made by the process of fermentation of grapes, berries, fruits, vegetables or other substances but does not include:

(a) Liquids in which hops or grains are used in the process of fermentation.

(b) Liquids made by the process of distillation of hops or grains.

(c) Medicines that are unsuitable for beverage purposes.

~~20.~~ 21. "Wholesaler" means a person ~~who~~ THAT sells any spirituous, vinous or malt liquor taxed under this chapter to retail dealers or for the purposes of resale only.

Sec. 35. Section 42-3355, Arizona Revised Statutes, is amended to read:

42-3355. Return and payment by farm wineries, microbreweries and craft distillers

A. Every ~~domestic~~ farm winery selling vinous liquor at retail or to a retail licensee pursuant to title 4, chapter 2 manufactured or produced on the premises or producer of vinous liquor that sells at retail pursuant to section 4-243.02 shall pay the tax under this chapter on all such liquor sold at retail or to a retail licensee within this state and add the amount of the tax to the sales price.

B. Every ~~domestic~~ microbrewery selling malt liquor at retail or to a retail licensee pursuant to title 4, chapter 2 manufactured or produced on the premises or a manufacturer of beer that sells at retail pursuant to section 4-243.02 shall pay the tax under this chapter on all ~~such liquor or~~ malt liquor sold at retail or to a retail licensee within this state and add the amount of the tax to the sales price.

C. EVERY CRAFT DISTILLER SELLING A SPIRITUOUS LIQUOR AT RETAIL OR TO A RETAIL LICENSEE PURSUANT TO TITLE 4, CHAPTER 2, MANUFACTURED OR PRODUCED ON THE PREMISES OR A DISTILLER OF SPIRITUOUS LIQUOR THAT SELLS AT RETAIL PURSUANT TO SECTION 4-243.02 SHALL PAY THE TAX UNDER THIS CHAPTER ON ALL SPIRITUOUS LIQUOR SOLD AT RETAIL OR TO A RETAIL LICENSEE WITHIN THIS STATE AND ADD THE AMOUNT OF THE TAX TO THE SALES PRICE.

~~C.~~ D. The ~~domestic~~ farm winery, manufacturer, ~~or domestic~~ microbrewery OR CRAFT DISTILLER shall pay the tax to the department monthly on or before the twentieth day of the month next succeeding the month in which the tax accrues.

~~D.~~ E. On or before that date the ~~domestic~~ farm winery, manufacturer, ~~or domestic~~ microbrewery OR CRAFT DISTILLER shall prepare a sworn return for the month in which the tax accrues in the form prescribed by the department, showing:

1. The amount of liquors or beer sold in this state during the month in which the tax accrues.

2. The amount of tax for the period covered by the return.

3. Any other information that the department deems necessary for the proper administration of this chapter.

~~E.~~ F. The ~~domestic~~ farm winery, manufacturer, ~~or domestic~~ microbrewery OR CRAFT DISTILLER shall deliver the return, together with a remittance of the amount of the tax due, to the department.

~~F.~~ G. Any taxpayer who fails to pay the tax within ten days from the date upon which the payment becomes due is subject to and shall pay a penalty determined under section 42-1125, plus interest at the rate determined pursuant to section 42-1123 from the time the tax was due and payable until paid.

Sec. 36. Section 42-3356, Arizona Revised Statutes, is amended to read:

42-3356. Bonds required of farm wineries; exemption

A. Every ~~domestic~~ farm winery that makes deliveries pursuant to section 4-205.04, subsection C, paragraph 7 or 9 shall file with the department, in a form prescribed by the department, a bond or bonds, duly executed by the ~~domestic~~ farm winery as principal, and with a corporation duly authorized to execute and write bonds within this state as surety, payable to this state and conditioned on the payment of all taxes, penalties and other obligations of the ~~domestic~~ farm winery arising under this chapter and chapter 5 of this title.

B. The department shall fix the total amount of the bond or bonds required of the ~~domestic~~ farm winery and may increase or reduce the total amount at any time. In fixing the total amount, the department shall require a bond or bonds equivalent in total amount to twice the ~~domestic~~ farm winery's estimated monthly tax, ascertained in a manner deemed proper by the department. The total amount of the bond or bonds required of any ~~domestic~~ farm winery shall not be less than five hundred dollars.

C. A ~~domestic~~ farm winery is exempt from the requirements of this section if the ~~domestic~~ farm winery has made timely payment of any taxes imposed by this chapter for the twelve consecutive months immediately preceding the current month.

Sec. 37. Existing domestic farm winery licenses; temporary exemption; other existing licenses

A. Notwithstanding section 4-205.04, Arizona Revised Statutes, as amended by this act, holders of domestic farm winery licenses in this state on the effective date of this act that do not qualify under the new statutory requirements established in this act may continue to operate under the licenses previously issued, without any expansion of operations, until January 1, 2019.

B. Notwithstanding section 4-205.04, Arizona Revised Statutes, as amended by this act, holders of domestic farm winery licenses that also hold beer and wine bar licenses and beer and wine store licenses that were issued before January 1, 2014 may also hold beer and wine bar licenses and beer and wine store licenses issued at the site of the winery before January 1, 2014.

Sec. 38. Severability

If a provision of this act or its application to any person or circumstances is held invalid by a final, nonappealable decision of a court of competent jurisdiction, the invalidity does not affect other provisions or applications of the act that can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

APPROVED BY THE GOVERNOR APRIL 30, 2014.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 30, 2014.

Passed the House April 23, 2014,

by the following vote: 53 Ayes,

0 Nays, 7 Not Voting

Speaker of the House

Chief Clerk of the House

Passed the Senate March 5, 2014,

by the following vote: 27 Ayes,

3 Nays, 0 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR
This Bill was received by the Governor this

_____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary to the Governor

Approved this _____ day of

_____, 20_____,

at _____ o'clock _____ M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this _____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary of State

S.B. 1397

SENATE CONCURS IN HOUSE AMENDMENTS AND FINAL PASSAGE

Passed the Senate April 23, 2014

by the following vote: 27 Ayes,

1 Nays, 2 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

24 day of April, 2014

at 9:25 o'clock A M.

Secretary to the Governor

Approved this 30th day of

April

at 12:39 o'clock P. M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 30th day of April, 2014

S.B. 1397

at 4:21 o'clock P M.

Secretary of State