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VA DISTRIBUTING COMPANY  
September 19, 2003

Attention: TTB Notice No. 4  
Chief, Regulations and Procedures Division  
Alcohol and Tobacco Tax and Trade Bureau  
PO box 50221  
Washington, DC 20091-0221

Dear Sir or Madam:

Virginia Distributing Company supports the proposed rule issued in March 2003 by Tax and Trade bureau (TTB) that outlines the alcohol content requirements in order for flavored malt beverages (FMB) to be classified as beer. Specifically, the TTB proposes that for and FMB to be classified as beer, its alcohol content from distilled alcohol cannot exceed 0.5%.

Beer is a unique product that has been regulated and taxed differently than other alcohol beverages throughout our nation's history. The TTB proposed rule is consistent with the historical interpretation of what constitutes beer and other malt beverages. The distinct regulatory treatment of beer is based on its age-old production process, and its definition in the Internal Revenue Code dates back to the 1800's when Congress first imposed the beer excise tax. Adoption of the TTB "0.5 by volume standard" would ensure the integrity of beer and the brewing process.

Consistent regulatory policy is important because while states enjoy regulatory power over alcohol, most follow federal regulatory guidelines. This proposed rule Would help maintain an orderly marketplace and avoid costly and confusing disruptions in state licensing, taxation and distribution policies, and of which would deal a severe blow to beer wholesalers.

Moreover, equating beer and beverages that derive a majority of their alcohol content from distilled spirits could weaken the important distinctions between beer and products with higher alcohol content. These distinctions impact state and federal policies regarding the regulation and taxation of beer and other alcohol beverages.

If traditional distinctions disappear, it will only be a matter of time before other producers of alcohol beverages attempt to categorize themselves as beer products.

Three locations to serve you:  
4500 Deepwater Termind Road 3245 Forest Brook Rd. PO Box 4210  
Richmond, VA 23234 Lynchburg, VA 24501 Roanoke, VA 24015  
804-743-1121 434-385-7822 540-342-3105

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Beer is not distilled spirits. Beer is not fortified wine. Beer is not a product that has been made through the distillation process. Beer is made through the brewing process. The 0.5% standard will ensure that the integrity of beer remains.

Once again, Virginia Distributing Company encourages the TTB to give final approval to the proposed 0.5% standard on FMB's.

Sincerely,

Jim Bower  
General Manager