

AMENDED IN SENATE JULY 2, 2008  
AMENDED IN SENATE JUNE 17, 2008  
AMENDED IN ASSEMBLY APRIL 21, 2008  
AMENDED IN ASSEMBLY APRIL 10, 2008

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2426**

---

---

**Introduced by Assembly Member Cook**

February 21, 2008

---

---

An act to add Section 25503.41 to the Business and Professions Code, relating to alcoholic beverages.

LEGISLATIVE COUNSEL'S DIGEST

AB 2426, as amended, Cook. Alcoholic beverages: tied-house restrictions: brewpub restaurants.

The Alcoholic Beverage Control Act contains limitations on sales commonly known as "tied-house" restrictions, which generally prohibit a manufacturer, winegrower, manufacturer's agent, California winegrower's agent, rectifier, distiller, bottler, importer, or wholesaler from owning any interest in an on-sale or off-sale license, licensee, or licensed premises. Existing law contains various exemptions from this restriction on tied interests.

This bill would permit a person that operates an out-of-state winery and produces a limited amount of distilled spirits in another state to ~~obtain a brewpub-restaurant license~~ *hold an interest in no more than 12 brewpub-restaurant licenses*, provided specified conditions are met.

The Alcoholic Beverage Control Act provides that a violation of specified tied-house provisions is punishable as a misdemeanor. This

bill, by including provisions that would be subject to those existing criminal sanctions, would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 25503.41 is added to the Business and  
2 Professions Code, to read:  
3 25503.41. (a) Notwithstanding any other provision of this  
4 division, any person that both operates a winery in another state  
5 and produces distilled spirits in another state may ~~obtain a~~  
6 ~~brewpub-restaurant license, as authorized by Section 23396.3; hold~~  
7 *an interest in no more than 12 brewpub-restaurant licenses,*  
8 provided that all of the following conditions are met:  
9 (1) The out-of-state distilling operations occur only on premises  
10 where the licensee also conducts brewpub-restaurant operations,  
11 and do not exceed 12,000 gallons of distilled spirits annually at  
12 any licensed location.  
13 (2) The out-of-state winery operations occur only on premises  
14 where the licensee also conducts brewpub-restaurant operations.  
15 (3) The distilled spirits and wine that are manufactured out of  
16 state by the licensee are not imported into or sold in this state. If  
17 the licensee imports beer into this state that is produced in its  
18 out-of-state brewpub, it shall do so only through a licensed beer  
19 and wine wholesaler.  
20 (b) The Legislature finds that it is necessary and proper to  
21 require a separation between manufacturing interests, wholesale  
22 interests, and retail interests in the production and distribution of  
23 alcoholic beverages in order to prevent suppliers from dominating  
24 local markets through vertical integration and to prevent excessive  
25 sales of alcoholic beverages produced by overly aggressive  
26 marketing techniques. The Legislature further finds that the  
27 exception established by this section to the general prohibition  
28 against tied interests must be limited to its expressed terms so as

1 not to undermine the general prohibition, and intends that this  
2 section be construed accordingly.

3 SEC. 2. No reimbursement is required by this act pursuant to  
4 Section 6 of Article XIII B of the California Constitution because  
5 the only costs that may be incurred by a local agency or school  
6 district will be incurred because this act creates a new crime or  
7 infraction, eliminates a crime or infraction, or changes the penalty  
8 for a crime or infraction, within the meaning of Section 17556 of  
9 the Government Code, or changes the definition of a crime within  
10 the meaning of Section 6 of Article XIII B of the California  
11 Constitution.

O