

Assembly Bill No. 1116

Passed the Assembly September 11, 2013

Chief Clerk of the Assembly

Passed the Senate September 10, 2013

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2013, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Section 25600.5 of the Business and Professions Code, relating to alcoholic beverages.

LEGISLATIVE COUNSEL'S DIGEST

AB 1116, Hall. Alcoholic beverages: licensees.

Existing provisions of the Alcoholic Beverage Control Act generally prohibit manufacturers, winegrowers, bottlers, importers, wholesalers, and others from performing certain activities, with specified exceptions. Existing law, until January 1, 2014, permits specified licensees, or any authorized agent of those persons to provide, free of charge, entertainment, food, and distilled spirits, wine, or nonalcoholic beverages to a limited number of consumers over 21 years of age at an invitation-only event, held on specified premises, in connection with the sale or distribution of wine or distilled spirits, as provided. Existing law authorizes the Department of Alcoholic Beverage Control to impose a fee of up to \$200 on licensees conducting events pursuant to the above-described authorization, as provided.

This bill would authorize the holding of these events on the premises of a hotel, as defined, would include in the authorization out-of-state distilled spirits shipper's certificate holders, would expand the number of consumers that may attend these events, would revise the conditions under which the event may be held, would establish the fee at \$200, would revise requirements for providing the department with information regarding these events, and would extend the repeal date for these provisions until January 1, 2018.

The Alcoholic Beverage Control Act provides that a violation of specified provisions of the act is punishable as a misdemeanor. This bill, by expanding the definition of an existing crime, 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.

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

SECTION 1. Section 25600.5 of the Business and Professions Code is amended to read:

25600.5. Notwithstanding any other provision of this division, a manufacturer of distilled spirits, distilled spirits manufacturer's agent, out-of-state distilled spirits shipper's certificate holder, winegrower, rectifier, or distiller, or its authorized unlicensed agent, may provide, free of charge, entertainment, food, and distilled spirits, wine, or nonalcoholic beverages to consumers at an invitation-only event in connection with the sale or distribution of wine or distilled spirits, subject to the following conditions:

(a) No licensee, other than those specified in this section, may conduct or participate in any portion of an event authorized by this section. A licensee authorized to conduct an event pursuant to this section shall not be precluded from doing so on the basis of holding any other type of alcoholic beverage license.

(b) An event authorized by this section shall be conducted on either the:

(1) Premises for which a caterer's authorization has been issued, except that any event held on the premises of a licensed winegrower shall not be authorized to provide any distilled spirits other than brandy.

(2) Premises of a hotel holding an on-sale beer and wine or on-sale general license, except an event shall not be conducted in the lobby area of a hotel or in any portion of a hotel that is identified, promoted, or otherwise designated by the hotel as a club, nightclub, or other similar entertainment venue. For purposes of this paragraph, "hotel" means any hotel, motel, resort, bed and breakfast inn, or other similar transient lodging establishment, but it does not include any residential hotel as defined in Section 50519 of the Health and Safety Code.

(c) A hotel where the event authorized by this section is being conducted shall maintain, during all times while exercising its license privileges, other areas within the licensed premises that shall be made readily available to the public not attending the authorized event.

(d) Except as provided in paragraph (2) of subdivision (b), an event authorized by this section shall not be conducted on premises for which a permanent retail license has been issued.

(e) Except for fair market value payments authorized pursuant to this section, a retail licensee, including the licensed caterer or the licensed hotel, shall not receive, nor shall the licensee conducting the event give, any other item of value or benefit in connection with events authorized by this section.

(f) The person authorized by this section to provide, free of charge, entertainment, food, and beverages shall be present during the event.

(g) The person authorized by this section to provide, free of charge, entertainment, food, and beverages shall have sole responsibility for providing payment for the entertainment, food, beverages, and rental fees at the event. Payments for entertainment, food, beverages, and rental fees shall not exceed fair market value. No other licensed person shall be authorized, under this section, to provide any portion of these payments.

(h) Requests for attendance at the event shall be by invitation sent to consumers over 21 years of age at a specific address via mail or email, by telephone, or presented in person. Invitations or other advertisements of the event shall not be disseminated by any other means. Invitations shall not be sent by the authorized person or their authorized unlicensed agent inviting all of the employees of a retail licensee or a chain of retail licensees under common ownership to an authorized event.

(i) Attendance at the event shall be limited to consumers who receive and accept an invitation to the event. Invited consumers may each invite one guest. All attendees shall be over 21 years of age. The total number of consumers and their guests allowed at any event authorized by this section shall not exceed 600 people. Admittance to the event shall be controlled by a list containing the names of consumers who accepted the invitation and their guests. The persons identified in this section shall be responsible for compliance.

(j) No premium, gift, free goods, or other thing of value may be given away in connection with the event, except as authorized by this division.

(k) The duration of any event authorized by this section shall not exceed four hours.

(l) (1) Subject to paragraph (3), a person authorized to conduct events pursuant to this section shall not conduct more than 12 events in a calendar year where the consumers and guests in attendance exceed 100 people, and not more than 24 events in a calendar year where the consumers and guests in attendance is 100 people or fewer.

(2) The limitation on events authorized by this section shall be by person, whether that person holds a single license or multiple licenses. If a person holds multiple licenses, the limitation shall be applied to the person holding the license, not by type of license.

(3) A licensee authorized to conduct events pursuant to this section shall not conduct more than two events in a calendar year on the premises of any single licensed hotel or other licensed hotel under the same or common ownership.

(4) The licensee conducting the event shall not advertise any retail licensee. If the event is held on the premises of a retail licensee as permitted by this section, the licensee conducting the event may list the retailer's name and address in the invitation and any related advertising for the sole purpose of identifying the location of the event. The listing of the retailer's name and address shall be the only reference to the retail licensee and shall be relatively inconspicuous in relation to the invitation or advertisement as a whole. Pictures or illustrations of the retailer's premises, or laudatory references to the retailer, shall not be permitted.

(5) (A) Other than as specifically authorized by this section, alcoholic beverage promotions of any sort shall not be conducted by any licensee in conjunction with an event held on the premises of a retail licensee pursuant to this section. This restriction includes any discounted drink specials offered by the retail licensee to consumers.

(B) For purposes of this paragraph, "in conjunction with" means during an event and any period within 24 hours before and 24 hours following an event.

(6) A retail licensee shall conspicuously offer for sale alcoholic beverages other than the products produced, distributed, bottled, or otherwise offered for sale by the licensee conducting the event.

(m) At least 30 days prior to an event, the licensee, or its authorized unlicensed agent, authorized to conduct the event shall apply to the department for a permit authorizing the event. In

addition to any other information required by the department, the licensee shall provide the department all of the following information:

- (1) The name of the company authorized to conduct the event.
- (2) The number of people planned to be in attendance.
- (3) The start and end times for the event.
- (4) The location of the event.
- (5) The name of the caterer, if required, obtaining the caterer's authorization for the event.

(n) All alcoholic beverages provided pursuant to this section shall be purchased from the holder of the caterer's permit or the licensed hotel, as applicable.

(o) All alcoholic beverages served at an event authorized by this section shall be served in accordance with Sections 25631 and 25632.

(p) No person authorized to conduct an event pursuant to this section shall hold such an event at the same location more than eight times in a calendar year.

(q) The person authorized to conduct an event under this section may provide attendees at the event with a free ride home. The free rides shall only constitute free ground transportation to attendees' homes or to hotels or motels where attendees are staying.

(r) In addition to the prescribed fee imposed upon a licensed caterer to conduct an event authorized by this section, a fee of two hundred dollars (\$200) shall be collected by the department from the licensee, or its authorized unlicensed agent, authorized by this section to provide, free of charge, entertainment, and beverages at an authorized event.

(s) All licensees involved in events held pursuant to this section shall be responsible for compliance with this section, and with all other provisions of this division in connection with these events, and each may be subject to discipline for violation of this division.

(t) The Legislature finds and declares both of the following:

- (1) That it is necessary and proper to require a separation between manufacturing interests, wholesale interests, and retail interests in the production and distribution of alcoholic beverages in order to prevent suppliers from dominating local markets through vertical integration and to prevent excessive sales of alcoholic beverages produced by overly aggressive marketing techniques.

(2) Any exception established by the Legislature to the general prohibition against tied interests must be limited to the express terms of the exception so as to not undermine the general prohibitions.

(u) This section shall remain in effect only until January 1, 2018, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2018, deletes or extends that date.

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

Approved _____, 2013

Governor