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THIRD READING

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Bill No: AB 344  
Author: Valencia (D)  
Amended: 5/12/25 in Assembly  
Vote: 21

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SENATE GOVERNMENTAL ORG. COMMITTEE: 14-0, 6/10/25  
AYES: Padilla, Valladares, Ashby, Blakespear, Cervantes, Dahle, Hurtado, Jones,  
Ochoa Bogh, Richardson, Rubio, Smallwood-Cuevas, Wahab, Weber Pierson  
NO VOTE RECORDED: Archuleta

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 75-0, 5/19/25 - See last page for vote

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**SUBJECT:** Alcoholic beverages: beer price posting and marketing regulations:  
definitions

**SOURCE:** California Family Beer Distributors

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**DIGEST:** This bill modifies the definition of “successor beer manufacturer” in the Alcoholic Beverage Control Act to specify that a successor beer manufacturer is a beer manufacturer or any person, whether licensed or unlicensed, who acquires the rights to manufacture, import, or distribute a product.

**ANALYSIS:**

Existing law:

- 1) Establishes the Department of Alcoholic Beverage Control (ABC) and grants it exclusive authority to administer the provisions of the ABC Act in accordance with laws enacted by the Legislature. This involves licensing individuals and businesses associated with the manufacture, importation, and sale of alcoholic beverages in this State and the collection of license fees.

- 2) Separates the alcoholic beverage industry into three component parts, or tiers, of the manufacturer (including breweries, wineries, and distilleries), wholesaler, and retailer (both on-sale and off-sale). This is referred to as the “tied-house” law or “three-tier” system. Generally, other than exceptions granted by the Legislature, the holder of one type of license is not permitted to do business as another type of licensee within the “three-tier” system.
- 3) Generally, makes it unlawful for any person other than a license to sell, manufacture, or import alcoholic beverages in this state.
- 4) Establishes the beer and wine wholesaler license, which allows the licensee to acquire beer and wine from suppliers and sell to other wholesalers and to retailers.
- 5) Provides that if a successor beer manufacturer, as defined, acquires the rights to manufacture, import, or distribute a brand or brands of beer, and then cancels the distribution rights of an existing beer wholesaler, as defined, the successor beer manufacturer shall notify the existing beer wholesaler of his or her intent to cancel those rights (Business and Professions Code § 25000.2)
- 6) Provides that the successor beer manufacturer’s designee, as defined, and the existing beer wholesaler shall negotiate in good faith to determine the fair market value, as defined, of the distribution rights and require the designee to compensate the existing beer wholesaler in the agreed amount of the fair market value, or if they are unable to agree on the fair market value, shall engage in arbitration subject to specified conditions, as provided.
- 7) Defines “successor beer manufacturer” to mean a beer manufacturer that acquires the rights to manufacture, import, or distribute a product.

This bill modifies the definition of “successor beer manufacturer” in the ABC Act to specify that a successor beer manufacturer is a beer manufacturer or any person, whether licensed or unlicensed, who acquires the rights to manufacture, import, or distribute a product.

## **Background**

*Author Statement.* According to the author’s office, “AB 344 will protect previously negotiated and agreed upon distributor rights and fair market value, in the future event that a brewery is sold to an entity who does not value the

relationship between the wholesaler and their original brewery partner. Fair market value compensation has long been protected legally in the event of a brewery sale and protections like this are common across nearly every state. There is no reason why a company who plans to manufacture beer should be viewed differently simply because they had not done so prior to purchasing a brewery. AB 344 will provide financial stability and once again protect wholesalers' long-term investments with their brewery partners."

*Harbor Distributing LLC v. Mainsheet Capital Inc.* Under existing law, a "successor beer manufacturer" is required to pay fair market value when a beer brand changes ownership and then proceeds to move that brand from one wholesaler to another, as specified. Specifically, BPC § 25000.2 has long been interpreted by beer distributors to guarantee beer wholesalers in California retain "fair market value" in the event that a brewery they partnered with, sells the brewery to another entity. The law requires the successor beer manufacturer's designee to negotiate with the existing beer wholesaler to determine the fair market value of the affected distribution rights. In the event that the existing beer wholesaler and the successor beer manufacturer's designee agree to the fair market value of the affected distribution rights, the existing wholesaler would be compensated for the outgoing distribution rights in the agreed amount. If the parties are unable to agree, then arbitration shall be used to determine the fair market value of the distribution rights to be transferred.

Harbor Distributing LLC, operating as Golden Brands and owned by Reyes Holdings—the largest beer wholesaler in the United States—had been distributing products for Anderson Valley Brewing Company. In 2019, Mainsheet Capital Inc. acquired Anderson Valley Brewing and decided to transfer its distribution rights to other wholesalers within California. After the acquisition, the brewery notified the distributor of its intention to transfer its distribution rights to a different wholesaler, without compensation for the existing contract or its current market value.

In response, Harbor Distributing LLC, filed a lawsuit in the Superior Court of California in Sacramento County contending that under California Law, Anderson Valley was required to compensate them with the fair market value of the distribution rights they were relinquishing. The central legal issue revolved around whether Anderson Valley's new ownership qualified as a "successor beer manufacturer" under California law. Current law requires that when a beer brand changes ownership, the new owner must pay fair market value to the existing distributor if the brand is moved to a different wholesaler.

The new owners of the brewery presented their argument in court, contending that they were not legally obligated to provide fair market value, as they had never engaged in the production of beer and, as a result, should not be categorized as “successor beer manufacturer” under the applicable legal definition. This distinction, they argued, exempted them from the requirements typically imposed on such entities.

The case, which had been progressing through the legal system for approximately five years, concluded in favor of Anderson Valley Brewing. The presiding judge sided with the new owners, ruling that the statute in question did not apply to their situation. The judge's decision was based on the fact that the new owners did not possess a beer manufacturer's license at the time of that transition, which is a necessary criterion for the enforcement of the current legal provisions in this context.

According to the sponsor, AB 344 will reinforce California’s long-standing protection of beer wholesalers, when manufacturers sell their business to another entity.

*Tied-House Laws.* State and federal law prohibit certain relations between those engaged in the production, distribution, and retail sale of alcoholic beverages. The term “tied-house” is derived from a common practice in England whereby a bar or public house was “tied” - by ownership, contractual obligations, or other influences - to a specific manufacturer. In some instances, that model encouraged intemperance in alcohol consumption, as retailers would offer to manufacturers generous favors, such as expensive business meals and gifts, which added costs that needed to be recouped through aggressive product promotion. Tied houses were also subject to undue influence from manufacturers, who sometimes used their influence to force tied houses to sell their products and exclude other manufacturers’ products.

As a result, after the repeal of prohibition in 1933, California’s current “three-tier” system was introduced. The original policy rationale for this body of law was to: a) promote the state’s interest in an orderly market; b) prohibit the vertical integration and dominance by a single producer in the market place; c) prohibit commercial bribery and to protect the public from predatory marketing practices; and, d) discourage and/or prevent the intemperate use of alcoholic beverages.

**Related/Prior Legislation**

SB 410 (Archuleta, 2019) would have removed the beer and wine importer license, the beer and wine importer's general license, and the beer and wine wholesaler license and replace them with a separate beer or wine license, as specified. (Never Heard in the Assembly Governmental Organization)

SB 574 (McLeod, Chapter 350, Statutes of 2007) established, within the ABC Act, a framework to determine fair market value to be paid to an existing beer wholesaler by a successor beer wholesaler when distribution rights to a brand are canceled and that right is granted to a successor beer wholesaler.

SB 1957 (Burton, Chapter 1083, Statutes of 2000) prohibits a beer manufacturer from terminating a wholesaler solely because of the beer wholesaler's failure to meet and unreasonable sales goal or quota, as specified, and requires a beer manufacturer to pay compensation to a beer wholesaler for unreasonable denial of sale or transfer of brands.

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee, the Department of ABC's activities are funded by regulatory and license fees and generally, the department does not receive support from the General Fund. New legislative mandates, although modest in scope, may in totality create new cost pressures and impact the department's operating costs and future budget requests.

**SUPPORT:** (Verified 6/23/25)

California Family Beer Distributors (Source)  
California Beer and Beverage Distributors

**OPPOSITION:** (Verified 6/23/25)

None received

**ARGUMENTS IN SUPPORT:** According to the California Family Beer Distributors, "AB 344 provides a necessary solution by reaffirming the historical interpretation of B&P Code Section 25000.2. It ensures that beer wholesalers are protected in the event of a brewery sale, preventing unfair business practices that could undermine competition and investment in the industry. Similar protections exist in most other states, and it crucial that California maintains its commitment to fostering a fair and balanced marketplace."

ASSEMBLY FLOOR: 75-0, 5/19/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Dixon, Flora, Jeff Gonzalez, Papan

Prepared by: Felipe Lopez / G.O. / (916) 651-1530  
6/24/25 16:32:49

\*\*\*\* END \*\*\*\*