

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 60th Legislature (2025)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 2803

By: Marti of the House

and

Coleman of the Senate

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10 COMMITTEE SUBSTITUTE

11 An Act relating to alcoholic beverages; amending 37A
12 O.S. 2021, Section 3-111, as amended by Section 7,
13 Chapter 338, O.S.L. 2023 (37A O.S. Supp. 2024,
14 Section 3-111), which relates to termination of
15 distribution agreements; requiring certain things to
16 occur before a brewer terminates a distributor;
17 modifying timing requirements; updating actions that
18 may allow a brewer to immediately terminate a
19 distributor agreement; requiring a new distributor to
20 purchase any remaining inventory for laid in cost of
21 an old distributor in certain instances; requiring
22 arbitrators to have certain qualifications; providing
23 for when an appeal of a decision of an arbitrator may
24 be made; requiring small brewers to purchase any
 remaining inventory for laid in cost when terminating
 a distribution agreement in certain circumstances;
 providing that a penalty for wrongful termination and
 a distribution agreement may include the purchase of
 any remaining inventory for laid in cost; and
 providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

1 SECTION 1. AMENDATORY 37A O.S. 2021, Section 3-111, as
2 amended by Section 7, Chapter 338, O.S.L. 2023 (37A O.S. Supp. 2024,
3 Section 3-111), is amended to read as follows:

4 Section 3-111. A. Except as provided in subsection G of this
5 section, a small brewer is not subject to the termination provisions
6 of this section.

7 B. 1. Except as provided in subsection C of this section, no
8 brewer shall terminate a distributor agreement with any beer
9 distributor without establishing good cause for such termination and
10 unless all of the following occur:

11 a. the beer distributor receives written notification by
12 certified mail, return receipt requested, from the
13 brewer ~~of~~ stating with specificity the alleged
14 noncompliance with material and reasonable provisions
15 of the agreement and is afforded no less than ~~sixty~~
16 ~~(60) days~~ ninety (90) days in which to cure such
17 noncompliance. If not capable of being cured within
18 the ~~sixty-day period~~ ninety-day period, the beer
19 distributor shall begin the cure within the ~~sixty-day~~
20 ~~period~~ ninety-day period and diligently pursue the
21 cure as promptly as feasible,

22 b. the beer distributor fails to cure such noncompliance
23 within the allotted cure period, and
24

1 c. the brewer provides written notice by certified mail,
2 return receipt requested, to the beer distributor of
3 such continued noncompliance. The notification shall
4 contain a statement of the intention of the brewer to
5 terminate the distributor agreement, the reasons for
6 the termination and the date the termination shall
7 take effect.

8 2. If a beer distributor cures an alleged noncompliance within
9 the cure period provided in subparagraph a of paragraph 1 of this
10 subsection, any notice of termination from a brewer to a beer
11 distributor shall be null and void.

12 C. A brewer may immediately terminate a distributor agreement,
13 effective upon furnishing written notification to the beer
14 distributor by certified mail, return receipt requested, for any of
15 the following reasons:

16 1. The beer distributor's failure to pay any account when due
17 and upon written demand by the brewer for such payment, in
18 accordance with agreed payment terms;

19 2. The assignment or attempted assignment by the beer
20 distributor for the benefit of creditors, the institution of
21 proceedings in bankruptcy by or against the beer distributor, the
22 dissolution or liquidation of the beer distributor or the insolvency
23 of the beer distributor;

1 3. The revocation or suspension of, or the failure to renew for
2 a period of more than fourteen (14) days, a beer distributor's
3 state, local or federal license or permit to sell beer in this
4 state;

5 4. The beer distributor has been convicted of a felony that, in
6 the brewer's sole judgment, adversely affects the goodwill of the
7 beer distributor or brewer; provided, however, an existing
8 stockholder or stockholders, partner or partners, or member or
9 members shall have the right to purchase the stock, partnership
10 interest, or membership interest of the offending stockholder,
11 partner, or member prior to the conviction of the offending
12 stockholder, partner, or member, subject to brewer's approval, which
13 shall not be unreasonably withheld, and if the sale is completed
14 prior to conviction, the provisions of this paragraph shall not
15 apply;

16 5. A beer distributor has been convicted of, found guilty of or
17 pled guilty or nolo contendere to, a charge of violating a law or
18 regulation of the United States or of this state if it materially
19 and adversely affects the ability of the beer distributor or brewer
20 to continue to sell its beer in this state;

21 6. Any attempted transfer or change in beneficial ownership of
22 ten percent (10%) or more of the beer distributor, stock of the beer
23 distributor or stock of any parent corporation of the beer
24 distributor, or any change in the ownership or control of any entity

1 having control of the beer distributor, without obtaining the prior
2 written approval of the brewer, which may not be unreasonably
3 withheld and must be based on reasonable and material objective
4 requirements imposed on all other distributors, except as may
5 otherwise be permitted pursuant to a written agreement between the
6 parties;

7 7. Fraudulent conduct, by or on the part of the beer
8 distributor or any owner of the beer distributor, or by any employee
9 as to which the beer distributor or any of its owners or its senior
10 management knew or reasonably should have known, in the beer
11 distributor's dealings with the brewer of beer, including the
12 intentional sale of beer outside the brewer's established quality
13 standards, provided however, in the case of fraudulent conduct by a
14 beer distributor employee other than the owner or senior management
15 and only in the event the beer distributor was unaware or should not
16 have been aware of such fraudulent conduct, the beer distributor
17 shall be allowed ~~sixty-day~~ ninety-day cure period following written
18 notice of such conduct from the brewer, and shall only be terminated
19 for failing to cure the same within ~~sixty (60)~~ ninety (90) days
20 thereof;

21 8. Cessation of the beer distributor to conduct business for
22 five (5) consecutive business days, unless conducting the business
23 is prevented or rendered impractical due to events beyond the
24 distributor's reasonable control as a result of an act of God, an

1 insured casualty, war or a condition of national, state or local
2 emergency; or

3 9. Any intentional sale of beer, directly or indirectly, to
4 customers located outside the territory assigned to the beer
5 distributor by the brewer unless expressly authorized by the brewer.

6 D. Any beer distributor terminated by a brewer under subsection
7 B of this section shall have the opportunity to sell the brewer's
8 brand rights for one hundred twenty (120) days after termination in
9 accordance with the distributor agreement. If no such sale occurs,
10 the brewer's newly appointed distributor shall pay the beer
11 distributor the fair market value of the distribution rights, which
12 will be lost or diminished by reason of termination, and purchase
13 any remaining non-expired inventory for laid in cost. If the
14 parties cannot agree on the fair market value, the parties shall
15 follow the same procedures as set forth in paragraphs 2 through 6 of
16 subsection G of this section.

17 E. The brewer shall have the right to terminate an agreement
18 with a beer distributor at any time by giving the beer distributor
19 at least ninety-days' written notice by certified mail, return
20 receipt requested; provided, the brewer shall give a similar notice
21 to all beer distributors in all other states with which the brewer
22 has a distributor agreement.

23 F. 1. If a particular brand of beer is transferred by purchase
24 or otherwise from a brewer to a successor brewer, the successor

1 brewer shall become obligated to all of the terms and conditions of
2 the agreement in effect on the date of succession. This subsection
3 applies regardless of the character or form of the succession. A
4 successor brewer has the right to contractually require its beer
5 distributor to comply with operational standards of performance, if
6 the standards are uniformly established for all of the successor
7 brewer's distributors. Provided, however, where the successor
8 brewer holds a brewer's license in the state as of January 1, 2023,
9 and has an existing distribution agreement with a beer distributor,
10 the successor brewer may terminate the distribution agreement, in
11 whole or in part, in order to transfer the brand rights to the
12 successor brewer's beer distributor with at least ~~sixty (60)~~ ninety
13 (90) days' written notice to the terminated distributor and with
14 termination effective upon payment to the terminated beer
15 distributor the fair market value of the terminated beer
16 distributor's business with respect to the terminated brand or
17 brands.

18 2. A successor brewer may, upon written notice, terminate its
19 agreement, in whole or in part, with a beer distributor of the
20 brewer it succeeded, for the purpose of transferring the
21 distribution rights in the beer distributor's territory to a new
22 beer distributor, provided that the successor beer distributor first
23 pays to the existing beer distributor the fair market value of the
24

1 existing distributor's business with respect to the terminated brand
2 or brands;

3 3. If the successor brewer decides to terminate its agreement
4 with the existing beer distributor for purposes of transfer, the
5 successor brewer shall notify the existing beer distributor in
6 writing of the successor brewer's intent not to appoint the existing
7 beer distributor for all or part of the existing beer distributor's
8 territory. The successor brewer shall mail the notice of
9 termination by certified mail, return receipt requested, to the
10 existing beer distributor. The successor brewer shall include in
11 the notice the names, addresses and telephone numbers of the
12 successor beer distributor or distributors;

13 4. a. the successor beer distributor shall negotiate with
14 the existing beer distributor to determine the fair
15 market value of the existing beer distributor's right
16 to distribute in the existing beer distributor's
17 territory. The successor beer distributor and the
18 existing beer distributor shall negotiate the fair
19 market value in good faith, and

20 b. the existing beer distributor shall continue to
21 distribute in good faith until payment of the
22 compensation agreed to under subparagraph a of this
23 paragraph, or awarded under paragraph 4 of this
24 subsection, is received; and

- 1 5. a. if the successor beer distributor and the existing
2 beer distributor fail to reach a written agreement on
3 the fair market value within thirty (30) days after
4 the existing beer distributor receives the notice
5 required pursuant to paragraph 2 of this subsection,
6 the successor beer distributor or the existing beer
7 distributor shall send a written notice to the other
8 party requesting arbitration pursuant to the Uniform
9 Arbitration Act, Part 2 of Article 22 of Title 13,
10 C.R.S. Arbitration shall be held for the purpose of
11 determining the fair market value of the existing beer
12 distributor's right to distribute in the existing beer
13 distributor territory,
- 14 b. notice of intent to arbitrate shall be sent, as
15 provided in subparagraph a of this paragraph, not
16 later than forty (40) days after the existing beer
17 distributor receives the notice required pursuant to
18 paragraph 2 of this subsection. The arbitration
19 proceeding shall conclude not later than sixty (60)
20 days after the date the notice of intent to arbitrate
21 is mailed to a party, unless this time is extended by
22 mutual agreement of the parties and the arbitrator,
- 23 c. any arbitration held pursuant to this subsection shall
24 be conducted in a city within this state that:

1 (1) is closest to the existing beer distributor, and
2 (2) has a population of more than twenty thousand
3 (20,000) people according to the latest Federal
4 Decennial Census,

5 d. any arbitration held pursuant to this paragraph shall
6 be conducted before one impartial arbitrator to be
7 selected by the American Arbitration Association (AAA)
8 or its successor. The arbitration shall be conducted
9 in accordance with the rules and procedures of the
10 Uniform Arbitration Act, Part 2 of Article 22 of Title
11 13, C.R.S. The AAA arbitrator must have no less than
12 fifteen (15) years of experience in franchise law and
13 is required to use the laws of the state where the
14 distributor is located and cannot use other state laws
15 in their reviews,

16 e. an arbitrator's award in any arbitration held pursuant
17 to this paragraph shall be monetary only and shall not
18 enjoin or compel conduct. Any arbitration held
19 pursuant to this paragraph shall be in lieu of all
20 other remedies and procedures,

21 f. the cost of the arbitrator and any other direct costs
22 of an arbitration held pursuant to this paragraph
23 shall be equally divided by the parties engaged in the
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1 arbitration. All other costs shall be paid by the
2 party incurring them,

3 g. the arbitrator in any arbitration held pursuant to
4 this paragraph shall render a written decision not
5 later than thirty (30) days after the conclusion of
6 the arbitration, unless this time is extended by
7 mutual agreement of the parties and the arbitrator.
8 The decision of the arbitrator is final and binding on
9 the parties, but questions of error of law may be
10 appealed by either party to a state or federal court
11 in the state where the distributor is located. The
12 arbitrator's award may be enforced by commencing a
13 civil action in any court of competent jurisdiction.
14 Under no circumstances may the parties appeal the
15 decision of the arbitrator,

16 h. an existing beer distributor or successor beer
17 distributor who fails to participate in the
18 arbitration hearings in any arbitration held pursuant
19 to this paragraph waives all rights the existing beer
20 distributor or successor beer distributor would have
21 had in the arbitration and is considered to have
22 consented to the determination of the arbitrator, and
23 i. if the existing beer distributor does not receive
24 payment from the successor beer distributor of the

1 settlement or arbitration award required under
2 paragraph 2 or 3 of this subsection within thirty (30)
3 days after the date of the settlement or arbitration
4 award:

5 (1) the existing beer distributor shall remain the
6 beer distributor in the existing beer
7 distributor's territory to at least the same
8 extent that the existing beer distributor
9 distributed the beer immediately before the
10 successor brewer acquired rights to the brand,
11 and

12 (2) the existing beer distributor is not entitled to
13 the settlement or arbitration award.

14 G. 1. In addition to termination rights that may be set forth
15 in a distributor agreement, a small brewer may terminate a
16 distributor agreement with any beer distributor; provided, that
17 prior to the effective date of the termination, the small brewer
18 pays the beer distributor the fair market value of the distribution
19 rights which will be lost or diminished by reason of the termination
20 and purchase any remaining non-expired inventory for laid in cost.

21 2. If such small brewer and beer distributor cannot mutually
22 agree to the fair market value of the applicable distribution rights
23 lost or diminished by reason of the termination, then the brewer
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1 shall pay the beer distributor a good faith estimate of the fair
2 market value of the applicable distribution rights.

3 3. If the beer distributor being terminated under paragraph 2
4 of this subsection disputes that the payment made by the small
5 brewer was less than the fair market value of the distribution
6 rights, then the beer distributor may within forty-five (45) days of
7 termination submit the question of fair market value of the
8 applicable distribution rights lost or diminished by reason of the
9 termination to binding arbitration before a panel of three neutral
10 arbitrators appointed in accordance with the commercial arbitration
11 rules of the American Arbitration Association, which panel shall
12 determine by majority decision whether the small brewer's payment
13 meets the requirements of paragraph 2 of this subsection.

14 4. If the arbitration panel rules that the payment made by the
15 small brewer to the beer distributor upon termination was less than
16 the fair market value of distribution rights lost or diminished by
17 reason of the termination, then the small brewer must pay the beer
18 distributor the difference between the payment made to the beer
19 distributor and the determined fair market value plus interest.

20 5. If the arbitration panel rules that the payment made by the
21 small brewer to the beer distributor upon termination was more than
22 the fair market value of distribution rights lost or diminished by
23 reason of the termination, then the beer distributor must pay the
24

1 small brewer the difference between the payment made to the beer
2 distributor and the determined fair market value, plus interest.

3 6. All arbitration fees and expenses shall be equally divided
4 among the parties to the arbitration, except if the arbitration
5 panel determines that the small brewer's payment upon termination
6 was not a good-faith estimate of the fair market value, then the
7 panel may award up to one hundred percent (100%) of the arbitration
8 costs to the prevailing party.

9 H. 1. Any beer distributor or brewer who is aggrieved by a
10 violation of any provision of this section shall be entitled to the
11 recovery of damages caused by the violation. If a beer distributor
12 is not terminated in accordance with the provisions of this section,
13 damages may additionally include the fair market value of the
14 distribution rights and purchase any remaining non-expired inventory
15 for laid in cost. Damages shall be sought in a civil action in any
16 court of competent jurisdiction.

17 2. Any dispute arising under this section may also be settled
18 by such dispute resolution procedures as may be provided by a
19 written agreement between the parties.

20 I. Nothing in this section shall be construed to limit or
21 prohibit good-faith settlements voluntarily entered into by the
22 parties.

23 J. Except as otherwise provided herein, nothing in this section
24 shall be construed to give a beer distributor any right to

1 compensation if an agreement with the beer distributor is terminated
2 by a brewer pursuant to this section.

3 K. No brewer shall require any beer distributor to waive
4 compliance with any provision of the Oklahoma Alcoholic Beverage
5 Control Act and any provisions of the Oklahoma Alcoholic Beverage
6 Control Act shall supersede any provisions of a distributor
7 agreement in conflict in this section.

8 L. No brewer shall charge or accept, and no beer distributor
9 shall pay or provide, in a material way, any money, property,
10 gratuity, rebate, free goods, shipping charges different than those
11 charged for all beer distributors, allowances, thing of value or
12 other inducement, as defined in Section 3-123 of this title, from a
13 beer distributor in exchange for the brewer entering into a
14 distributor agreement with the beer distributor. However, a brewer
15 who also holds a beer distributor license and desires to sell all or
16 a portion of its beer distribution rights and business, or a holder
17 of small brewer license who desires to change its election from
18 self-distribution to the use of a distributor agreement may accept a
19 payment for the fair market value of its existing and established
20 distribution business in the subject territory.

21 M. This section shall apply to any agreement entered into and
22 any renewals, extensions, amendments or conduct constituting a
23 modification of a distributor agreement by a brewer or cider
24 manufacturer.

1 N. Where a cider manufacturer distributes cider through a beer
2 distributor, the rights and obligations of the cider manufacturer,
3 the distributor, a successor cider manufacturer and a successor
4 distributor shall be the same as the rights and obligations provided
5 in this section for a brewer, beer distributor, successor brewer and
6 successor beer distributor.

7 SECTION 2. This act shall become effective November 1, 2025.

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9 COMMITTEE REPORT BY: COMMITTEE ON HEALTH AND HUMAN SERVICES
10 OVERSIGHT, dated 02/17/2025 - DO PASS, As Amended and Coauthored.

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