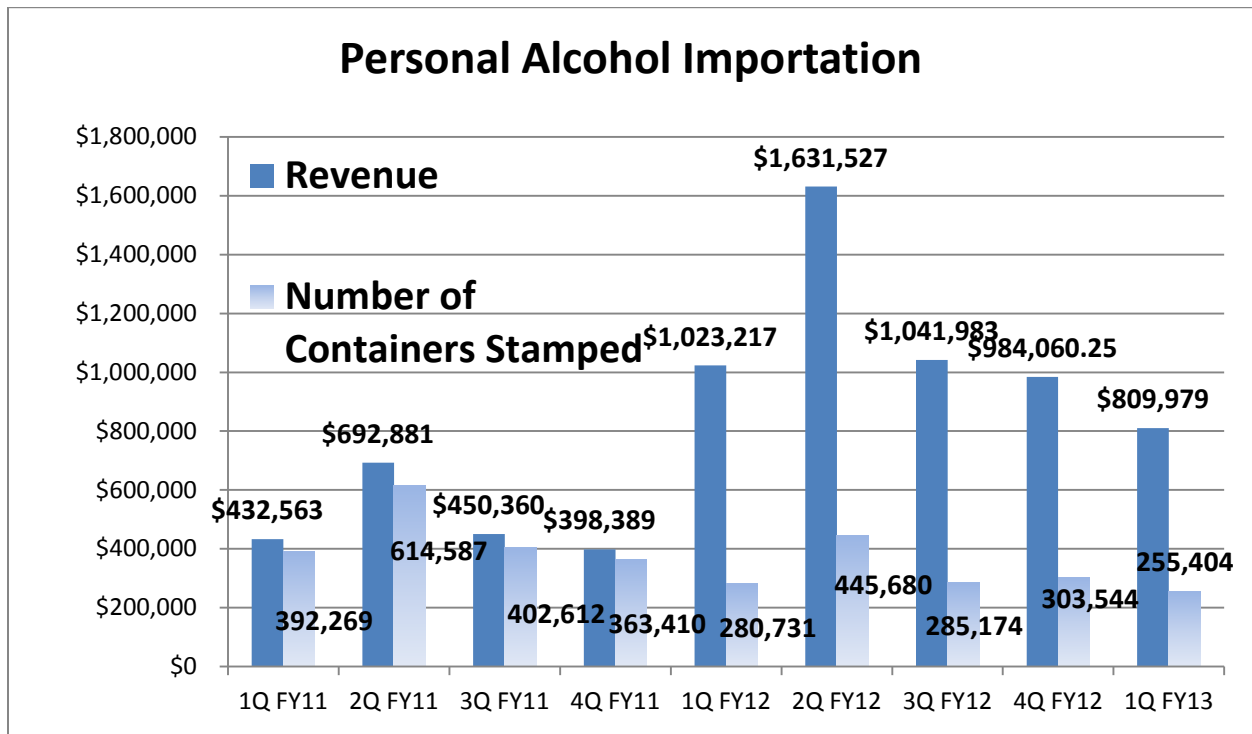


**Texas Alcoholic Beverage Commission
Quarterly Update to the Senate Business and Commerce Committee
January 25, 2013**

IMPLEMENTATION OF SIGNIFICANT LEGISLATION

TABC has implemented, without problems or concerns, all legislation that went into effect following the 82nd Legislative Session. The most significant bills are as follows:

HB1936 by Gutierrez relating to importation and shipment of alcoholic beverages for personal consumption. TABC implemented the new importation limits and fees on September 1, 2011. There were a few complaints about the increased fee, but not many as the agency had begun posting notices and handing out fliers about the changes earlier in the summer. We have noted an increase in half gallon containers being imported and a decrease in miniature bottles being imported. Following is a comparison of alcoholic beverage importations from FY 11, FY 12, and the first quarter of FY 13.



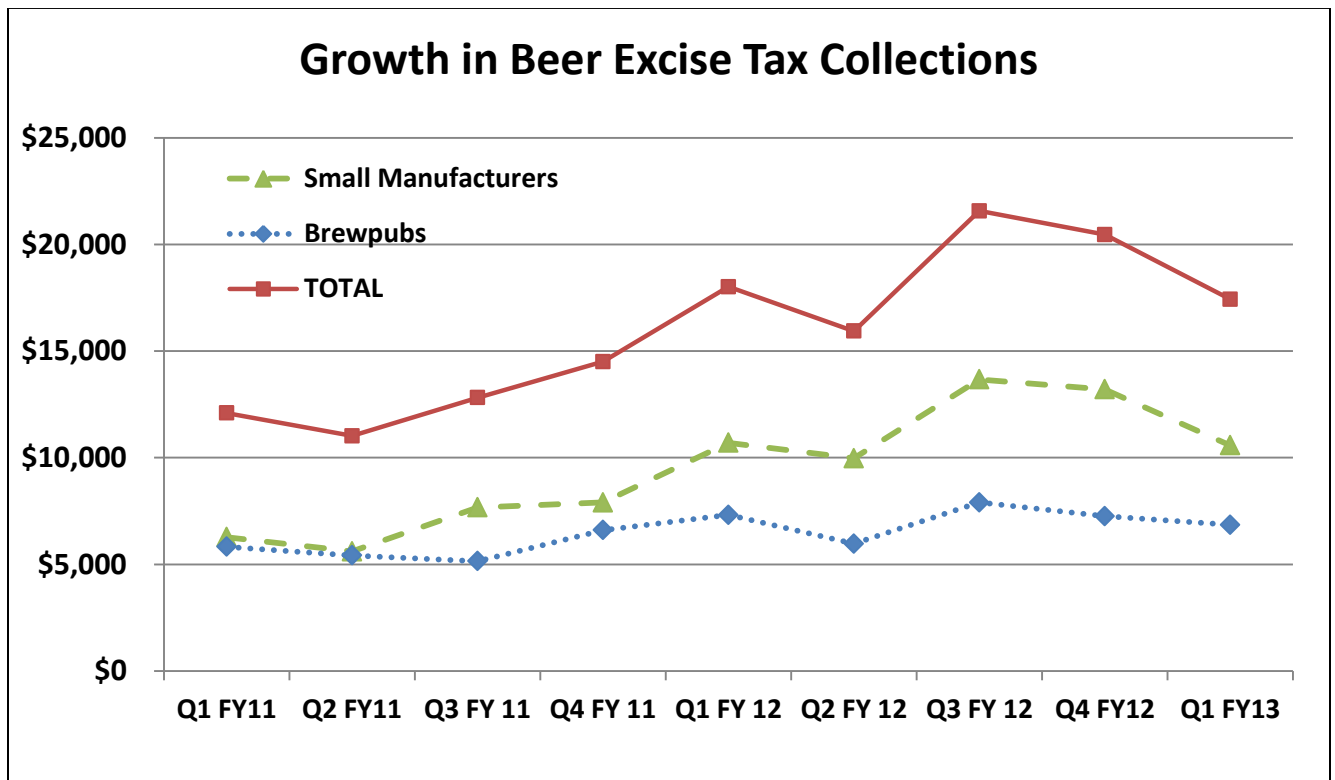
SB1331 by Watson (and HB3474 by Gallego) relating to criminal offenses regarding the possession or consumption of alcoholic beverages by a minor and providing alcoholic beverages to a minor. The 911 Lifeline Legislation went into effect on September 1, 2011. TABC has been working to educate the public about the danger of alcohol poisoning and about the 911 Lifeline Legislation. Correspondence was sent to 75 public and private universities in Texas notifying university board chairs, presidents and police chiefs of the new law and offering assistance to educate faculty, staff, police departments and students. Several universities contacted TABC for such

assistance. TABC has used the social media outlets Facebook and Twitter to educate the public.

The agency recently released two PSAs that focus on the tragic consequences of alcohol poisoning. The two new PSAs titled "Door" and "Marker" highlight two young adults' choices during a night of partying. These videos show that it only takes one decision for someone to go from "drunk" to suffering from alcohol poisoning. TABC's new YouTube channel hosts these two PSAs along with several others from the agency's Education and Prevention Division.

TABC continues to produce educational materials related to alcohol poisoning and the 911 Lifeline Legislation.

HB2582 by Murphy relating to the repeal of the partial tax exemption for certain beer. Effective September 1, 2011, HB2582 repealed the 25% excise tax exemption previously given to Texas beer manufacturers and brewpubs whose annual production of beer in this state does not exceed 75,000 barrels. In addition to increasing excise taxes gathered from small manufacturers and brewpubs, HB2582 may have reduced the chance of potential litigation.



OTHER SIGNIFICANT EVENTS

TABC canceled nine permits following multi-agency criminal investigation involving Austin bars.

In early January 2013, TABC canceled nine permits held by Hussein Ali “Mike” Yassine, following a motion for summary disposition filed with an administrative law judge at the State Office of Administrative Hearings (SOAH). TABC had been involved in a multi-agency state and federal criminal investigation involving these TABC-licensed establishments since 2011, and the permits were suspended in March 2012.

The administrative law judge recommended cancellation based on Alcoholic Beverage Code 11.61(b)(6) which gives TABC the authority to cancel a permit if the permittee's reputation for being a peaceable law abiding citizen in the community where he resides is bad. Mr. Yassine was recently convicted of federal money laundering charges.

As long as the hearing was pending, TABC was unable to issue permits to new business owners at these nine locations in downtown Austin bars until orders were signed to cancel the permits held by Mr. Yassine. Section 11.44 of the Alcoholic Beverage Code states that if TABC has initiated action to cancel a permit, no permit may be issued for the same licensed premises. Additionally, state law allows TABC license and permit holders extensive opportunity for due process prior to the agency having the authority to cancel their permits.

The SOAH hearings were initially scheduled to take place between May and June, 2012. However, requests for continuances by Mr. Yassine postponed the hearings. In November 2012, Mr. Yassine requested additional time to retain a new lawyer and prepare his case, postponing the hearing until February 2013. Ultimately, the SOAH administrative law judge ruled on a motion for summary disposition, recommending cancellation of the nine permits as a matter of law, eliminating the need for the February 2013 hearing.

The same day that TABC received the final proposal for decision from the judge, the agency assistant administrator signed orders canceling the permits. New permits were issued to four new business owners the next day.

TABC canceled permits in Odessa for drug trafficking.

In October 2012, the TABC Odessa Office concluded a three-year investigation that resulted in multiple permits being cancelled. One of the permits, Goodtime Lounge (BG156159) had recently gone before a judge with the State Office of Administrative Hearings who recommended cancellation, although the bar's attorneys are seeking an appeal. The other three permits were canceled in early 2012: Sandy Lounge (BG650053), Cash's Bar (BG678216) and The Archway Club Bar & Grill (BE730139). The operation, which began in May 2009, spanned most of the Permian Basin and areas as far away as El Paso, Austin and San Antonio.

Throughout the investigations, TABC Agents detected numerous violations which involved employees of the establishments. TABC obtained 24 Federal Indictments which involved 11 people and two of the bars. The indictments were for Conspiracy and Possession of Cocaine with Intent to Distribute. TABC also filed cases with the District Attorney's offices in the Cities of Pecos and Monahans for Delivery of Controlled Substance and one Misdemeanor case for Criminal Conspiracy. These cases resulted in eight felony charges. Most of the people charged with crimes were employees of these licensed locations.

TABC shared intelligence and networked closely with the following law enforcement agencies: Texas Rangers, Texas Department of Public Safety - Criminal Investigations Division, United States Attorney's Office - Alpine, Drug Enforcement Administration, United States Border Patrol - Intelligence Division, United States Marshals Service, Fort Stockton Police Department, Pecos Police Department, Monahans Police Department, and the Texas Office of the Comptroller of Public Accounts.

TABC busts El Paso bar for drug trafficking.

In October 2012, a joint-investigation by the TABC and the Federal Bureau of Investigations (FBI) uncovered that the owner of the Rock Inn, located at 3315 Dyer Street, El Paso, was distributing cocaine from the bar. Arrest warrants were issued for the bar owner, Myong Suk Kim, her husband Bruce Rankhorn, as well as employees and bar patrons.

The two-year long investigation showed large amounts of cocaine were being sold from the bar. TABC agents procured 15 felony warrants for five individuals being charged with Delivery of Cocaine. The investigation concluded with an additional search warrant being conducted at Myong Suk Kim's home. At Kim's residence, TABC agents, El Paso Police Department Detectives, and the FBI found drugs, U.S. currency, weapons, and drug paraphernalia. Five arrests have been made in connection with this investigation, and TABC will be pursuing administrative action to cancel the Rock Inn's alcoholic beverage permit.