

AMENDED IN SENATE APRIL 2, 2008

**SENATE BILL**

**No. 1560**

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**Introduced by Senator Yee**  
*(Principal coauthor: Senator Wiggins)*

February 22, 2008

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An act to amend Section 25503.22 of, and to add Section 25503.40 to, of the Business and Professions Code, relating to alcoholic beverages.

LEGISLATIVE COUNSEL'S DIGEST

SB 1560, as amended, Yee. Alcoholic beverages: licenses.

~~(1) Existing~~

*Existing* law provides that a retail on-sale license may be issued or transferred to any person with respect to premises which are an integral part of a restaurant owned by, or operated by or on behalf of, the licensee, notwithstanding that a wholesaler licensed to sell alcoholic beverages in states other than California has an interest in the premises, license, or licensee if (1) the licensee purchases no alcoholic beverage for sale in this state from other than a California wholesaler, nor purchases alcoholic beverage from any wholesale licensee or manufacturer holding specified ownership interests and (2) no more than 30% of the revenues of the restaurant are derived from the sale of alcoholic beverages.

This bill would expand that license issuance and transfer provision to provide that a retail license may be issued, transferred, or renewed to any person with respect to premises which are owned by, or operated by or on behalf of, the licensee and would revise one of the conditions of the issuance, transfer, or renewal to provide that no more than 30% of the revenues of the retailer are derived from the sale of alcoholic beverages.

~~(2) Existing law limits the ownership of a retail alcoholic beverage license by a manufacturer or wholesaler of alcoholic beverages.~~

~~This bill would authorize the issuance, transfer, or renewal of a retail license to any person who holds a specified ownership interest in both an out-of-state wholesaler’s license and a distilled spirits manufacturer’s license, located in a county of the first class, issued on or before December 31, 2007, under specified conditions.~~

~~This bill would make legislative findings as to the necessity for a special statute.~~

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

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

1 SECTION 1. Section 25503.22 of the Business and Professions  
2 Code is amended to read:

3 25503.22. (a) Nothing in this division shall prohibit the  
4 issuance, transfer, or renewal of any retail license to any person  
5 with respect to premises which are owned by, or operated by or  
6 on behalf of, the licensee, notwithstanding that a wholesaler  
7 licensed to sell alcoholic beverages in states other than California  
8 has an interest, directly or indirectly, in the premises, in the retail  
9 license or in the retail licensee, provided that each of the following  
10 conditions are met:

11 (1) The retail licensee shall purchase no alcoholic beverages  
12 for sale in this state other than from a California wholesale licensee,  
13 and the retail licensee shall purchase no alcoholic beverages from  
14 any manufacturer or wholesale licensee holding the ownership of  
15 any interest, directly or indirectly, in the premises, in the retail  
16 license or in the retail licensee.

17 (2) Not more than 30 percent of the gross annual revenues of  
18 the retailer are derived from the sale of alcoholic beverages.

19 (b) The Legislature finds that it is necessary and proper to  
20 require a separation between manufacturing interests, wholesale  
21 interests, and retail interests in the production and distribution of  
22 alcoholic beverages in order to prevent suppliers from dominating  
23 local markets through vertical integration and to prevent excessive  
24 sales of alcoholic beverages produced by overly aggressive  
25 marketing techniques. The Legislature further finds that the  
26 exception established by this section to the general prohibition

1 against tied interests must be limited to its expressed terms so as  
2 not to undermine the general prohibition, and intends that this  
3 section be construed accordingly.

4 ~~SEC. 2. Section 25503.40 is added to the Business and~~  
5 ~~Professions Code, to read:~~

6 ~~25503.40. (a) Nothing in this division shall prohibit the~~  
7 ~~issuance, transfer, or renewal of any retail license to any person~~  
8 ~~who also holds an ownership interest, directly or indirectly, by~~  
9 ~~stock ownership, interlocking directors, trusteeship, loan, or~~  
10 ~~mortgage or lien on any personal or real property in both an~~  
11 ~~out-of-state wholesaler's license and a distilled spirits~~  
12 ~~manufacturer's license, provided that all of the following conditions~~  
13 ~~are met:~~

14 ~~(1) The distilled spirits manufacturer's license is located in a~~  
15 ~~county of the first class and was issued on or before December 31,~~  
16 ~~2007.~~

17 ~~(2) The distilled spirits manufacturer does not produce more~~  
18 ~~than 50,000 cases of distilled spirits in any one calendar year.~~

19 ~~(3) The retail licensee purchases all distilled spirits for resale~~  
20 ~~in this state solely from California wholesale licensees.~~

21 ~~(b) The Legislature finds that it is necessary and proper to~~  
22 ~~require a separation between manufacturing interests, wholesale~~  
23 ~~interests, and retail interests in the production and distribution of~~  
24 ~~alcoholic beverages in order to prevent suppliers from dominating~~  
25 ~~local markets through vertical integration and to prevent excessive~~  
26 ~~sales of alcoholic beverages produced by overly aggressive~~  
27 ~~marketing techniques. The Legislature further finds that the~~  
28 ~~exception established by this section to the general prohibition~~  
29 ~~against tied interests must be limited to its expressed terms so as~~  
30 ~~not to undermine the general prohibition, and intends that this~~  
31 ~~section be construed accordingly.~~

32 ~~SEC. 3. With respect to Section 2 of this act, the Legislature~~  
33 ~~finds and declares that a special law is necessary and that a general~~  
34 ~~law cannot be made applicable within the meaning of Section 16~~  
35 ~~of Article IV of the California Constitution because of the unique~~  
36 ~~situation regarding alcoholic beverage retailers who also contribute~~  
37 ~~to the economy within a county of the first class.~~