

## Senate Bill No. 928

### CHAPTER 75

An act to add Section 25503.37 to the Business and Professions Code, relating to alcoholic beverages.

[Approved by Governor July 14, 1997. Filed with  
Secretary of State July 14, 1997.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 928, Burton. Alcoholic beverages.

The Alcoholic Beverage Control Act contains so-called tied-house restrictions, which generally prohibit a manufacturer, winegrower, manufacturer's agent, California winegrower's agent, rectifier, distiller, bottler, importer, or wholesaler from, among other things, holding the ownership, directly or indirectly, of any interest in any on-sale or off-sale license, licensee, or licensed premises. Existing law contains various exemptions from this restriction on tied interests.

This bill would provide an additional exemption for any of the aforementioned entities having an interest in a retail licensee, a retail on-sale license, or a licensed premises where the licensed premises are an integral part of an interactive entertainment facility, as defined, provided certain conditions are met relating to the licensee's purchase and service of alcoholic beverages to be sold or served on the premises. This bill would make legislative findings to the effect that the purpose and intent of the general prohibition against tied interests is not violated by the exemption granted by this bill.

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

SECTION 1. Section 25503.37 is added to the Business and Professions Code, to read:

25503.37. (a) Nothing in this division shall prohibit the issuance, transfer, or renewal of any retail on-sale license to any person with respect to premises that are an integral part of an interactive entertainment facility and are owned directly or indirectly, in whole or in part, by, or operated by or on behalf of, the licensee, notwithstanding that a manufacturer, winegrower, manufacturer's agent, California winegrower's agent, rectifier, distiller, bottler, importer, or wholesaler has any interest, directly or indirectly, in the premises, in the retail license, or in the retail licensee, if all of the following conditions are met:

(1) The principal business conducted within the facility is providing interactive entertainment, not the sale of alcoholic beverages.

(2) Other than as permitted in Sections 23358 and 23360 with respect to wine and brandy, the retail licensee shall purchase no beer, wine, or distilled spirits for sale in this state other than from a wholesale licensee, and the retail licensee shall purchase no alcoholic beverages for sale in this state from any wholesale licensee that has any interest, directly or indirectly, in the premises, in the retail licensee, or in the retail license.

(3) The retail licensee shall serve other brands of beer, wine, and distilled spirits in addition to the brands manufactured, produced, or distributed by any manufacturer, winegrower, manufacturer's agent, California winegrower's agent, rectifier, distiller, bottler, importer, or wholesaler which has any interest, directly or indirectly, in the premises, in the retail licensee, or in the retail license.

(4) No more than 15 percent of the retail licensee's purchases of alcoholic beverages for sale on its licensed premises shall be products manufactured, produced, or distributed by any manufacturer, winegrower, manufacturer's agent, California winegrower's agent, rectifier, distiller, bottler, importer, or wholesaler which has any interest, directly or indirectly, in the premises, in the retail licensee, or in the retail license.

(b) For purposes of this section, "interactive entertainment facility" means premises which feature interactive computer and video entertainment attractions, themed merchandise, and food and beverages.

(c) The Legislature finds 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. Notwithstanding the foregoing, having considered the public welfare, the economic impact on the state, and the entirety of the circumstances involved, the Legislature further finds that the purpose and intent of the general prohibition against tied interests is not violated by granting the exception established by this section.

