

## Assembly Bill No. 2416

### CHAPTER 639

An act to amend Sections 23355.1, 23357.2, 23399.5, 23405, 23405.1, 23951, 23953, 24045.12, 24071.1, 25503.11, 25503.12, and 25608 of, to amend and renumber Section 23405.3 of, and to repeal Section 23405.2 of, the Business and Professions Code, relating to alcoholic beverages.

[Approved by Governor September 20, 1998. Filed  
with Secretary of State September 21, 1998.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 2416, Committee on Governmental Organization. Alcoholic beverages.

(1) Existing law requires an out-of-state beer manufacturer to have an out-of-state beer manufacturer's certificate in order to ship beer manufactured outside the state to licensed importers in the state. Annual fees for the certificate are required to be determined by the Department of Alcoholic Beverage Control and approximate the cost of investigation of the applicant and issuance of the certificate.

This bill would remove the requirement that these fees include the cost of investigation of the applicant.

(2) Existing law makes it unlawful for any person other than a licensee of the Department of Alcoholic Beverage Control to sell, manufacture, or import alcoholic beverages in this state. Existing law provides that no license or permit shall be required for the serving of alcoholic beverages in a limousine by any person operating a limousine service regulated by the Public Utilities Commission, provided there is no extra charge or fee for the alcoholic beverages.

This bill would provide that no license or permit is required for the serving of alcoholic beverages as part of a hot air balloon ride service, provided there is no extra charge or fee for the alcoholic beverages.

(3) Existing law provides for the issuance of an on-sale general alcoholic beverage license to a person who does not operate a bona fide eating place or other public premises and who meets specified conditions, including, among other things, operating a catering business for not less than 5 years, catering over 500 events annually, operating or owning, for not less than 4 years, a bona fide eating place that had an on-sale license, and serving alcoholic beverages at no more than 25% of the events catered.

This bill would revise one of these conditions by requiring that the licensee own or operate a bona fide eating place that had an on-sale license for not less than one year rather than 4 years.

(4) The Alcoholic Beverage Control Act permits licensees to hold stock in various corporate licensees under specified conditions, among which is that the stock be listed on the New York or American Stock Exchanges.

This bill would also permit the stock ownership if the stock is listed on NASDAQ.

(5) Existing law provides that the possession, consumption, sale, gift, or delivery of an alcoholic beverage in or on any public schoolhouse or its grounds constitutes a misdemeanor. Under existing law, this provision does not make it unlawful to acquire, possess, or use an alcoholic beverage if the alcohol is acquired, possessed, or used during events at a stadium with a capacity of more than 18,900 people, located in a county of the 14th class, that is owned or operated by a college.

This bill would delete the provisions requiring that a college-owned or college-operated facility be a stadium, have a capacity of more than 18,900 people, and be located in a county of the 14th class in order for the acquisition, possession, or consumption of alcoholic beverages not to be unlawful.

The bill would also provide that it is not unlawful if the alcoholic beverages are possessed, consumed, or sold, for an event during the weekend or at other times when pupils are not on the grounds of an overnight retreat facility owned and operated by a county office of education in a county of the 18th class.

(6) The bill would also make various changes to provisions affecting licensure of corporations, limited partnerships, and limited liability companies under the Alcoholic Beverage Control Act.

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

SECTION 1. Section 23355.1 of the Business and Professions Code is amended to read:

23355.1. Notwithstanding any other provision of this division, the following acts are authorized:

(a) Deliveries of distilled spirits by a licensee to a retail licensee may be made from the vendor's licensed premises or from a warehouse located within the county in which the vendor's licensed premises are located except as permitted by Section 23383. Deliveries to a licensed importer may also be made from any point outside the state.

(b) A distilled spirits manufacturer, distilled spirits manufacturer's agent, distilled spirits rectifier general, or rectifier may store, bottle, cut, blend, mix, flavor, color, label, and package distilled spirits owned by another distilled spirits manufacturer, distilled spirits manufacturer's agent, distilled spirits rectifier general, rectifier, or a distilled spirits wholesaler, and may deliver those distilled spirits from the premises where stored, bottled, cut,



blended, mixed, flavored, colored, labeled, or packaged, or from a warehouse located in the same county as that premises for the account of the owner of those distilled spirits to any licensee that owner would be authorized to deliver to under his or her own license, except to a retail licensee.

(c) A distilled spirits manufacturer, distilled spirits manufacturer's agent, distilled spirits rectifier general, rectifier, or distilled spirits wholesaler may store and deliver distilled spirits for the account of another licensee who would be authorized to make the delivery under his or her own license, except that licensee shall not make a delivery to a retail licensee on behalf of another licensee.

(d) A retail off-sale licensee with annual United States auction sales revenues of at least five hundred million dollars (\$500,000,000) may sell wine consigned by any person, whether or not the auctioned wine is "vintage wine" as defined in Section 23104.6, at any auction held in compliance with Section 2328 of the Commercial Code to consumers and retail licensees and may deliver wines sold to any purchaser at that auction from the vendor's licensed premises or from any other storage facility.

SEC. 2. Section 23357.2 of the Business and Professions Code is amended to read:

23357.2. (a) An out-of-state beer manufacturer's certificate may be issued by the department upon the written undertaking and agreement by the applicant:

(1) That it and its agents and all agencies within this state controlled by it will comply with all laws of this state and all rules of the department with respect to the sale of alcoholic beverages, including, but not limited to, Chapter 12 (commencing with Section 25000) of Division 9, and Section 25509, to the same extent as licensees.

(2) That it will make available, both in California and outside the state, for inspection and copying by the department, all books, documents, and records, located both within and without this state, which are pertinent to the activities of the applicant, its agents and agencies within this state controlled by it, in connection with the sale and distribution of its products within this state.

(b) The department may suspend or revoke an out-of-state beer manufacturer's certificate for cause in the manner provided for the suspension or revocation of licenses, and after a hearing which shall be held in the City of Sacramento or in any other county seat in this state as the department determines to be convenient to the holder of an out-of-state certificate.

(c) The annual fees for an out-of-state beer manufacturer's certificate shall be determined by the department, and shall approximate the department's cost of issuance of the certificate.



(d) All money collected from the fees provided for in this section shall be deposited in the Alcohol Beverage Control Fund as provided by Section 25761.

SEC. 3. Section 23399.5 of the Business and Professions Code is amended to read:

23399.5. (a) No license or permit is required for the serving of alcoholic beverages in a limousine by any person operating a limousine service regulated by the Public Utilities Commission, provided there is no extra charge or fee for the alcoholic beverages.

For purposes of this subdivision, there is no extra charge or fee for the alcoholic beverages when the fee charged for the limousine service is the same regardless of whether alcoholic beverages are served.

(b) No license or permit is required for the serving of alcoholic beverages as part of a hot air balloon ride service, provided there is no extra charge or fee for the alcoholic beverages.

For purposes of this subdivision, there is no extra charge or fee for the alcoholic beverages when the fee charged for the hot air balloon ride service is the same regardless of whether alcoholic beverages are served.

SEC. 4. Section 23405 of the Business and Professions Code is amended to read:

23405. (a) Any corporation holding a license under this division shall maintain a record of its shareholders at the principal office of the corporation in California and the record of its shareholders shall be available to the department for inspection. The corporation shall report to the department in writing any of the following:

(1) Issuance or transfer of any shares of stock to any person where the issuance or transfer results in the person owning 10 percent or more of the corporate stock.

(2) Change in any of the corporate officers which are required by Section 312 of the Corporations Code.

(3) Change of the members of its board of directors.

The report shall be filed with the department within 30 days after the issuance or transfer of corporate stock, change in corporate officers, or change in members of the board of directors, as the case may be.

(b) Any licensee within the purview of this section who is required by federal law to report to the federal government under the provisions of the Federal Alcohol Administration Act or the Internal Revenue Code the information required by this section may send to the department a copy of the report at the same time as it is sent to the federal government, and the copy of the report sent to the department by the licensee shall be deemed sufficient compliance with the provisions of this section.

(c) The provisions of this section shall not apply to any of the following:



(1) A corporation the stock of which is listed on a stock exchange in this state or in the City of New York, State of New York.

(2) A bank, trust company, financial institution or title company to which a license is issued in a fiduciary capacity.

(3) A corporation which is required by law to file periodic reports with the Securities and Exchange Commission.

(d) The department may deny any application or suspend or revoke any license of a corporation subject to the provisions of this section where conditions exist in relation to any officer, director, or person holding 10 percent or more of the corporate stock of that corporation which would constitute grounds for disciplinary action against that person if the person was a licensee.

SEC. 5. Section 23405.1 of the Business and Professions Code is amended to read:

23405.1. (a) Any limited partnership holding a license under this division shall maintain a register at the principal office of the limited partnership in California and the register shall be available to the department for inspection. The limited partnership shall report to the department in writing the assignment or transfer of the interest of any limited partner of the limited partnership where the assignment or transfer results in a person owning as a limited partner 10 percent or more of the capital or profits of the limited partnership. The limited partnership shall report to the department in writing any change in the general partners of the limited partnership.

The report shall be filed with the department within 30 days after the assignment or transfer of the limited partnership interest.

(b) Any licensee within the purview of this section who is required by federal law to report to the federal government under the provisions of the Federal Alcohol Administration Act or the Internal Revenue Code the information required by this section shall send to the department a copy of the report at the same time as it is sent to the federal government. The copy of the report sent to the department by the licensee shall be deemed sufficient compliance with the provisions of this section.

(c) The department may deny any application or suspend or revoke any license of a limited partnership subject to the provisions of this section where conditions exist in relation to any general partner or any limited partner holding 10 percent or more of the capital or profits of the limited partnership that would constitute grounds for disciplinary action against that person if he or she were a licensee.

(d) The register referred to in subdivision (a) of this section shall consist of a register showing the names of the current limited partners (whether original limited partners or substituted limited partners), the current assignees of limited partnership interests and their addresses, the interest in the capital and profits of the limited partnership owned by each limited partner and each assignee of a



limited partnership interest, the number and date of certificates, if any, issued for limited partnership interests, and the number and date of cancellation of every certificate surrendered for cancellation. The above information may be kept by the limited partnership on punchcards, magnetic tape, or other information storage device related to electronic data-processing equipment provided that the card, tape, or other equipment is capable of reproducing the information in clearly legible form for the purposes of inspection as provided in this section.

SEC. 6. Section 23405.2 of the Business and Professions Code is repealed.

SEC. 7. Section 23405.3 of the Business and Professions Code is amended and renumbered to read:

23405.2. (a) Any limited liability company holding a license under this division shall maintain a record of its members at the principal office of the company in California and the record of its members shall be available to the department for inspection. The company shall report to the department in writing any of the following:

(1) Issuance or transfer of memberships to any person where the issuance or transfer results in the person owning 10 percent or more of the voting interests of the company.

(2) If the limited liability company is managed by a manager or managers, any change in the manager or managers of the company.

(3) If any officer has been appointed, any change in the officers of the company.

The report shall be filed with the department within 30 days after the issuance or transfer of membership voting interests, or any change in members, managers, or officers.

(b) Any limited liability company within the purview of this section that is required under the provisions of the Federal Alcohol Administration Act or the Internal Revenue Code to report to the federal government the information required by this section may send to the department a copy of the report at the same time as it is sent to the federal government. The copy of the report sent to the department by the company shall be deemed sufficient compliance with the provisions of this section.

(c) The reporting requirements of subdivision (b) shall not apply to a limited liability company that is required by law to file periodic reports with the Securities and Exchange Commission.

(d) The person or persons who are required to sign the application shall certify to the department on forms prescribed by the department whether or not any member, manager, or officer holds an ownership interest, directly or indirectly, in any license within or without this state to manufacture, import, distribute, rectify, or sell alcoholic beverages. The department may deny any application or suspend or revoke any license under this section in the event any



member, manager, or officer holds or acquires any prohibited ownership interest, directly or indirectly, in any licensed business in violation of the tied-house provisions of Chapter 15 (commencing with Section 25500).

(e) The department may deny any application and suspend or revoke any license of a limited liability company subject to the provisions of this section where conditions exist in relation to any manager, officer, or person holding 10 percent or more of the voting interests of the limited liability company that would constitute grounds for disciplinary action against the person if he or she was a licensee.

(f) All articles of organization and operating agreements of a limited liability company or certificates or amendments thereto shall be filed with the department at the time of filing the application for the license. All articles of organization, operating agreements, certificates, or amendments executed after the issuance of the license shall be filed with the department within 30 days after execution.

(g) The requirements of this section are in addition to the requirements set forth in the Beverly-Killea Limited Liability Company Act, Title 2.5 (commencing with Section 17000) of the Corporations Code.

SEC. 8. Section 23951 of the Business and Professions Code is amended to read:

23951. The application shall contain the following information:

- (a) The name of the applicant.
- (b) For a general partnership, the names of the individual partners.
- (c) For a limited partnership, limited liability company, or a corporation, the name of the entity.
- (d) The location of the premises for which the license is applied.

SEC. 9. Section 23953 of the Business and Professions Code is amended to read:

23953. (a) The application shall be signed by the applicant.

(b) For a general partnership, the application shall be signed by each of the partners, and for the purposes of this division the partners shall be deemed the applicant for any license and the licensees under any license issued pursuant to that application.

(c) For a limited partnership, the application for any license shall be signed by each of the general partners.

(d) For a limited liability company that has elected to be managed by its members, the application shall be signed by each member or by an officer authorized by the articles of organization or the operating agreement to bind the company. In the case of a limited liability company that has elected to be managed by a manager or managers, the application shall be signed by the manager or managers or by an officer authorized by the articles of organization or the operating agreement to bind the company.



(e) For a corporation, the application shall be signed by two officers of the corporation, one from each of the following categories:

(1) The chairperson of the board, the president, or a vice president.

(2) The secretary, assistant secretary, chief financial officer, or assistant treasurer.

SEC. 10. Section 24045.12 of the Business and Professions Code is amended to read:

24045.12. Notwithstanding any other provision of law, the department may issue a general on-sale license to a person who does not operate a bona fide eating place or other public premises who meets all of the following:

(a) Has operated a catering business for not less than five years.

(b) Has operated or owned for not less than one year a bona fide eating place that had a general on-sale license.

(c) Caters over 500 events annually.

(d) Serves alcoholic beverages at no more than 25 percent of the events catered annually and has revenues from the sale of alcoholic beverages which do not constitute more than 25 percent of his or her total annual revenues.

(e) Obtains an annual permit to serve alcoholic beverages at events and obtains an authorization for each event, as specified in Section 23399.

SEC. 11. Section 24071.1 of the Business and Professions Code is amended to read:

24071.1. (a) When the ownership of 50 percent or more of the shares of stock of a corporation, which is required to report the issuance or transfer of those shares of stock under Section 23405, is acquired by or transferred to a person or persons who did not hold the ownership of 50 percent of those shares of stock on the date the license was issued to the corporation, the license of the corporation shall be transferred to the corporation as newly constituted. When there is a new general partner or when the ownership of 50 percent or more of the capital or profits of a limited partnership, which is required to maintain a register under Section 23405.1, is acquired by or transferred to a person or persons as general or limited partners and who did not hold ownership of 50 percent or more of the capital or profits of the limited partnership on the date the license was issued to the limited partnership, the license of the limited partnership shall be transferred to the limited partnership as newly constituted. The fee for the transfer shall be equal to 50 percent of the original fee for the license, except that the minimum fee shall be one hundred dollars (\$100) and the maximum fee shall be eight hundred dollars (\$800). In situations involving the multiple and simultaneous transfer of licenses under this section, the regular transfer fee shall only be required for one of the licenses being transferred and the remainder of the licenses shall be transferred for a fee of one hundred dollars



(\$100) each. All of the transfer fees collected pursuant to this section shall be deposited in the Alcohol Beverage Control Fund as provided in Section 25761. Before the license is transferred, the department shall conduct an investigation pursuant to the provisions of Section 23958. Any person or persons who own 50 percent or more of the shares of stock of the corporation or who own as limited partners 50 percent or more of the capital or profits of the limited partnership, as the case may be, shall have all the qualifications required of a person holding the same type of license.

(b) No retail license shall be transferred by a corporation or a limited partnership under this section unless, before the filing of the transfer application with the department, the corporation or limited partnership initiating the transfer records in the office of the county recorder of the county or counties in which the premises to which the license has been issued are situated a notice of the intended transfer, stating all of the following:

- (1) The name and address of the corporation or limited partnership.
- (2) The name and address of the person or persons acquiring ownership of 50 percent or more of the stock of the corporation or capital or profits of the limited partnership.
- (3) The amount of the consideration paid for the stock or limited partnership interests.
- (4) The kind of license or licenses intended to be transferred.
- (5) The address or addresses of the premises to which the license or licenses have been issued.

A copy of the notice of the intended transfer, certified by the county recorder, shall be filed with the department together with the transfer application.

(c) Notwithstanding any other provision of this division to the contrary, a corporation or limited partnership as newly constituted by transfer under this section, is not eligible for any new credit from any person named in Section 25509 until all delinquent payments owed by the entity as formerly constituted, are made, nor shall any entity retail licensee, by transferring its license under this section, avoid the provisions of Section 25509 with regard to 42-day or 30-day periods, percentage charges for unpaid balances, or cash-on-delivery basis.

SEC. 12. Section 25503.11 of the Business and Professions Code is amended to read:

25503.11. Notwithstanding any other provision of this division, a manufacturer, manufacturer's agent, winegrower, rectifier, importer, or wholesaler may hold a diminutive amount of stock in a corporate retail licensee or serve on the board of directors of a corporate off-sale retail licensee, provided the stock ownership or service on the board of directors, as determined by the department, does not result in the exercise of control over the retail licensee's



business and does not result in the exclusion of any competitor's brand of alcoholic beverages, and provided further that the stock is listed on the New York Stock Exchange, the American Stock Exchange, or NASDAQ, and the department is notified of the stock ownership or service on the board of directors.

SEC. 13. Section 25503.12 of the Business and Professions Code is amended to read:

25503.12. Notwithstanding any other provision of this division, a retail licensee may hold a diminutive amount of stock in a corporate licensed manufacturer, manufacturer's agent, winegrower, rectifier, importer, or wholesaler, provided that the purpose of the stock ownership by the retail licensee, as determined by the department, is not to violate any of the provisions of this chapter, and provided further that the stock is listed on the New York Stock Exchange, the American Stock Exchange, or on NASDAQ, and the department is notified of the stock ownership.

SEC. 14. Section 25608 of the Business and Professions Code is amended to read:

25608. Every person who possesses, consumes, sells, gives, or delivers to any other person, any alcoholic beverage in or on any public schoolhouse or any of the grounds thereof, is guilty of a misdemeanor. This section does not, however, make it unlawful for any person to acquire, possess, or use any alcoholic beverage in or on any public schoolhouse, or on any grounds thereof, if any of the following applies:

(a) The alcoholic beverage is acquired, possessed, or used in connection with a course of instruction given at the school and the person has been authorized to acquire, possess, or use it by the governing body or other administrative head of the school.

(b) The public schoolhouse is surplus school property and the grounds thereof are leased to a lessee which is a general law city with a population of less than 50,000, or the public schoolhouse is surplus school property and the grounds thereof are located in an unincorporated area and are leased to a lessee which is a civic organization, and the property is to be used for community center purposes and no public school education is to be conducted thereon by either the lessor or the lessee and the property is not being used by persons under the age of 21 years for recreational purposes at any time during which alcoholic beverages are being sold or consumed on the premises.

(c) The alcoholic beverages are acquired, possessed, or used during events at a college-owned or college-operated veterans stadium with a capacity of over 12,000 people, located in a county with a population of over six million people. As used in this subdivision, "events" mean football games sponsored by a college, other than a public community college, or other events sponsored by noncollege groups.



(d) The alcoholic beverages are acquired, possessed, or used during an event not sponsored by any college at a performing arts facility built on property owned by a community college district and leased to a nonprofit organization which is a public benefit corporation formed under Part 2 (commencing with Section 5110) of Division 2 of Title 1 of the Corporations Code. As used in this subdivision, “performing arts facility” means an auditorium with more than 300 permanent seats.

(e) The alcoholic beverage is wine for sacramental or other religious purposes and is used only during authorized religious services held on or before January 1, 1995.

(f) The alcoholic beverages are acquired, possessed, or used during an event at a community center owned by a community services district and the event is not held at a time when students are attending a public school sponsored activity at the center.

(g) The alcoholic beverage is wine which is acquired, possessed, or used during an event sponsored by a community college district or an organization operated for the benefit of the community college district where the college district maintains both an instructional program in viticulture on no less than five acres of land owned by the district and an instructional program in enology, which includes sales and marketing.

(h) The alcoholic beverage is acquired, possessed, or used at a professional minor league baseball game conducted at the stadium of a community college located in a county with a population of less than 250,000 inhabitants, and the baseball game is conducted pursuant to a contract between the community college district and a professional sports organization.

(i) The alcoholic beverages are acquired, possessed, or used during events at a college-owned or college-operated stadium or other facility. As used in this subdivision, “events” means fundraisers held to benefit a nonprofit corporation that has obtained a license pursuant to this division for the event. “Events” does not include football games or other athletic contests sponsored by any college or public community college. This subdivision shall not apply to any public education facility in which any grade from kindergarten to grade 12, inclusive, is schooled.

(j) The alcoholic beverages are possessed, consumed, or sold, pursuant to a license obtained under this division, for an event during the weekend or at other times when pupils are not on the grounds of an overnight retreat facility owned and operated by a county office of education in a county of the 18th class.

Any person convicted of a violation of this section shall, in addition to the penalty imposed for the misdemeanor, be barred from having or receiving any privilege of the use of public school property which



is accorded by Article 2 (commencing with Section 82537) of Chapter 8 of Part 49 of the Education Code.

O

