

SENATE BILL No. 594

September 7, 2011, Introduced by Senators WALKER, BOOHER and PROOS and referred to the Committee on Regulatory Reform.

A bill to amend 1998 PA 58, entitled
"Michigan liquor control code of 1998,"
by amending section 603 (MCL 436.1603), as amended by 2010 PA 213.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 603. (1) Except as provided in subsections (6) to ~~(14)~~
2 (15) and section 605, a ~~manufacturer, mixed spirit drink~~
3 ~~manufacturer~~ **SUPPLIER**, warehouser, **OR** wholesaler, ~~, outstate seller~~
4 ~~of beer, outstate seller of wine, outstate seller of mixed spirit~~
5 ~~drink, or vender of spirits~~ shall not have any **DIRECT OR INDIRECT**
6 financial interest, ~~, directly or indirectly,~~ in the establishment,
7 maintenance, operation, or promotion of the business of any other
8 vendor.

9 (2) Except as provided in subsections (6) to ~~(14)~~ (15) and

1 section 605, a ~~manufacturer, mixed spirit drink manufacturer~~
 2 **SUPPLIER**, warehouse, **OR** wholesaler, ~~, outstate seller of beer,~~
 3 ~~outstate seller of wine, outstate seller of mixed spirit drink, or~~
 4 ~~vendor of spirits or a stockholder of a manufacturer, mixed spirit~~
 5 ~~drink manufacturer~~ **SUPPLIER**, warehouse, **OR** wholesaler, ~~, outstate~~
 6 ~~seller of beer, outstate seller of wine, outstate seller of mixed~~
 7 ~~spirit drink, or vendor of spirits~~ shall not have an **ANY DIRECT OR**
 8 **INDIRECT** interest by ownership in fee, leasehold, mortgage, or
 9 otherwise, ~~, directly or indirectly,~~ in the establishment,
 10 maintenance, operation, or promotion of the business of any other
 11 vendor.

12 (3) Except as provided in subsections (6) to (14) and section
 13 605, a ~~manufacturer, mixed spirit drink manufacturer~~ **SUPPLIER**,
 14 warehouse, **OR** wholesaler, ~~, outstate seller of beer, outstate~~
 15 ~~seller of wine, outstate seller of mixed spirit drink, or vendor of~~
 16 ~~spirits~~ shall not have an **ANY DIRECT OR INDIRECT** interest ~~directly~~
 17 ~~or indirectly~~ by interlocking directors in a corporation or by
 18 interlocking stock ownership in a corporation in the establishment,
 19 maintenance, operation, or promotion of the business of any other
 20 vendor.

21 (4) Except as provided in subsections (6) to (14) and section
 22 605, a person shall not buy the stocks of a ~~manufacturer, mixed~~
 23 ~~spirit drink manufacturer~~ **SUPPLIER**, warehouse, **OR** wholesaler,
 24 ~~outstate seller of beer, outstate seller of wine, outstate seller~~
 25 ~~of mixed spirit drink, or vendor of spirits~~ and place the stock in
 26 any portfolio under an arrangement, written trust agreement, or
 27 form of investment trust agreement, ~~and~~ issue participating shares

1 based upon the portfolio, trust agreement, or investment trust
2 agreement, and sell the participating shares within this state.

3 (5) The commission may approve a brandy manufacturer or small
4 distiller to sell brandy and spirits made by that brandy
5 manufacturer or small distiller in a restaurant for consumption on
6 or off the premises if the restaurant is owned by the brandy
7 manufacturer or small distiller or operated by another person under
8 an agreement approved by the commission and is located on premises
9 where the brandy manufacturer or small distiller is licensed.

10 Brandy and spirits sold for consumption off the premises under this
11 subsection shall be sold at the uniform price established by the
12 commission.

13 (6) The commission shall allow a small distiller to sell
14 brands of spirits it manufactures for consumption on the licensed
15 premises at that distillery.

16 (7) A brewpub may have an interest in up to 2 other brewpubs
17 ~~so long as IF~~ the combined production of all the locations in which
18 the brewpub has an interest does not exceed 5,000 barrels of beer
19 per calendar year.

20 (8) This section does not prohibit a supplier from having any
21 **DIRECT OR INDIRECT** interest ~~, directly or indirectly,~~ in any other
22 supplier.

23 (9) The commission may approve the following ~~pursuant to~~ **UNDER**
24 R 436.1023(3) of the Michigan administrative code, subject to the
25 written approval of the United States department of treasury,
26 bureau of alcohol and tobacco tax and trade:

27 (a) A wine maker participating with 1 or more wine makers in

1 an alternating proprietor operation in accordance with 27 CFR ~~part~~
2 ~~24, subpart D, section 24.136.~~

3 (b) A brewer participating with 1 or more brewers in an
4 alternating proprietor operation in accordance with 27 CFR ~~part 25,~~
5 ~~subpart F, section 25.52.~~

6 (10) A manufacturer is prohibited from having any **DIRECT OR**
7 **INDIRECT** interest ~~, directly or indirectly,~~ in a wholesaler.

8 (11) A wine maker is prohibited from collectively delivering
9 wine, with any other wine maker, to retail licensees.

10 (12) Except in the case of a licensed warehouser, all
11 licensees in this state shall be separated into 3 distinct and
12 independent tiers composed of the following:

13 (a) Supplier tier, comprising ~~manufacturers and~~ suppliers.

14 (b) Wholesaler tier, comprising wholesalers.

15 (c) Retailer tier, comprising retailers.

16 (13) ~~Beginning~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTIONS**
17 **(14) AND (15), BEGINNING** April 30, 2011, the commission shall not
18 allow any of the following:

19 (a) A retailer to hold, directly or indirectly, a license in
20 the wholesaler or supplier tier.

21 (b) A wholesaler to hold, directly or indirectly, a license in
22 the retailer or supplier tier.

23 (c) A supplier to hold, directly or indirectly, a license in
24 the wholesaler or retailer tier.

25 (14) Subsection (13) shall not be interpreted in a manner that
26 would prohibit a class C, tavern, class A hotel, or class B hotel
27 licensee from receiving a brewpub license or that would prohibit a

1 micro brewer or brewer producing less than 200,000 barrels per year
2 from having an on-site restaurant.

3 (15) A SMALL WINE MAKER MAY HAVE A LEASEHOLD INTEREST IN A
4 RETAILER.

5 (16) ~~(15)~~As used in this section:

6 (a) "Manufacturer" means, notwithstanding section 109(1), a
7 wine maker, small wine maker, brewer, micro brewer, manufacturer of
8 spirits, distiller, small distiller, brandy manufacturer, mixed
9 spirit drink manufacturer, direct shipper, or a person licensed by
10 the commission to perform substantially similar functions.

11 (b) "Supplier" means a manufacturer, mixed spirit drink
12 manufacturer, outstate seller of beer, outstate seller of wine,
13 outstate seller of mixed spirit drink, and vendor of spirits or a
14 person licensed by the commission to perform substantially similar
15 functions but ~~shall~~**DOES** not include a master distributor.