IN RE: PETITION FOR DECLARATORY STATEMENT, on behalf of UNIVERSAL CITY FLORIDA PARTNERS, a Florida general partnership, and JOSEPH E. SEAGRAM AND SONS, INC., an Indiana Corporation, Petitioners.

DECLARATORY STATEMENT

This Declaratory Statement is rendered by the Director of the Division of Alcoholic Beverages and Tobacco, ("DIVISION") pursuant to Section 120.565, Fla. Stat. The Petitioners, UNIVERSAL CITY FLORIDA PARTNERS ("UCFP") and JOSEPH E. SEAGRAM AND SONS, INC. ("JES") have filed a Petition for Declaratory Statement, containing Supplemental Facts and a Memorandum of Law, containing Facts and Exhibits A through E. The Petitioner asks whether Sections 561.22 and 561.42(1), Fla. Stat., are applicable to the acquisition of an interest in MCA, INC., ("MCA").

FINDINGS OF FACT

1. On or about March 6, 1996, the DIVISION received a Petition for Declaratory Statement filed by UCFP and JES, regarding the acquisition of stock in MCA. The DIVISION renders its Findings of Fact on the basis of the information contained in the Petition for Declaratory Statement, Statement of Facts, Supplemental Facts, and the Memorandum of Law and the Exhibits, filed herein.
2. On June 5, 1995, THE SEAGRAM COMPANY, LTD. ("SEAGRAM") acquired an 80 percent interest in MCA for 5.704 billion dollars. The other 20 percent interest in MCA is retained by MATSUSHITA, ELECTRIC INDUSTRIAL CO., LTD. ("MATUSHITA") MATUSHITA was the sole stockholder in MCA prior to SEAGRAM's acquisition.

3. SEAGRAM, is a public company regularly traded on a national securities exchange. MCA, the entity in which SEAGRAM acquired a stock interest, does not hold a Florida alcoholic beverage vendor license.

4. MCA's principal assets include Universal Pictures, MCA Television Group, Music Entertainment Group, Putnam Publishing Group, the Universal Studios Theme Park in Hollywood, California, and a half interest in the UNIVERSAL STUDIOS THEME PARK ("UNIVERSAL") in Orlando, Florida, as well as an interest of approximately 50 percent in USA Network, and over 40 percent in the Cineplex Odeon chain of theaters.

5. SEAGRAM, which is headquartered in Montreal, is a leading global producer and marketer of distilled spirits, wines, fruit juices, coolers and mixers and sells its brands in more than 150 countries and territories. Affiliates and joint ventures in 41 countries and territories comprise the world's largest distribution system in the spirits and wine industry.

6. JES is a wholly owned subsidiary of SEAGRAM and is responsible for the production, and/or importation and sale of distilled spirits on behalf of SEAGRAM. JES, an Indiana corporation, is headquartered in New York and distributes distilled
spirits in the State of Florida through wholesalers located in Florida and licensed by the DIVISION.

7. SEAGRAM owns and/or controls numerous subsidiaries, including the control, through its 80 percent interest, of MCA. MCA also owns and controls, or has an interest in, numerous subsidiaries and affiliates. MCA is responsible for the day to day operation and management of the MCA film, television, publishing, music and related business operations.

8. The sole purpose for SEAGRAM’s acquisition of MCA was to diversify and to become a major player in the entertainment industry and to enhance its future growth and profit potential. It did not acquire MCA for the purpose of obtaining an interest in, connection with, or affiliation with a Florida alcoholic beverage vendor. However, because of SEAGRAM’s acquisition of MCA, SEAGRAM now holds an interest in UNIVERSAL in Orlando, Florida.

9. UNIVERSAL CITY PROPERTY MANAGEMENT COMPANY ("UNIVERSAL PROPERTY"), a wholly owned subsidiary of MCA, is a general partner in UCFP, a general partnership that owns and operates the UNIVERSAL in Orlando Florida. UCFP holds a retail alcoholic beverage vendor license issued by the DIVISION for on premise consumption.

10. SEAGRAM and JES are separated from UCFP by at least two tiers (corporate or partnership). Further, the purpose of the stock acquisition by SEAGRAM in MCA was for the purpose of expanding into an industry or business whose principal purpose was not the retail sale of alcoholic beverages.

11. Following the stock acquisition, UCFP continued to be
operated and managed independently from SEAGRAM and JES. In regard, UCFP is free from the control or interference of SEAGRAM and JES with respect to its ability to make choices as to the types, brands, and quantities of alcoholic beverages to purchase, which purchases are based on consumer demand, availability, and/or prices. UCFP is also free from the control or interference of SEAGRAM and JES in the selection of the distributor or distributors from which it purchases alcoholic beverages and is free to make all decisions regarding promotion, purchasing, display and pricing of such beverages.

12. Furthermore, UCFP is neither obligated nor committed to purchase or promote SEAGRAM and JES products and neither SEAGRAM nor JES are involved, directly or indirectly, in the day to day operation of UCFP. The officers and directors of SEAGRAM and JES do not serve as officers or directors of UCFP and no more than 20% of the combined annual total of all alcoholic beverages (measured by gallons) purchased by UCFP are produced by JES.

13. UNIVERSAL is located on 440 acres of land in the City of Orlando, Orange County, Florida, and consists of a television and film production facility and the theme park known as Universal Studios/Florida. UNIVERSAL is owned in fee simple by UCFP. The partners in UCFP are:

(1) UNIVERSAL CITY PROPERTY MANAGEMENT COMPANY ("UNIVERSAL PROPERTY")

(2) RANK ORLANDO, INC. ("RANK")

14. The alcoholic beverage vendor license held by UCFP is a retail license issued pursuant to the provisions of Section 561.20,
Fla. Stat. Pursuant to this statutory authority, a vendor who operates places of business where consumption on the premises is permitted, which premises are located within a theme park complex that is owned, managed controlled, and operated by such vendor, may operate under a master license issued for the type of service offered, if the theme park complex comprises at least 25 enclosed acres of land with permanent exhibitions and a variety of recreational activities, the enclosed area has a controlled entrance, and exit from, the enclosed area, and at least one million visitors annually pay admission fees to the theme park complex.

15. The sale of alcoholic beverages at UNIVERSAL comprises a very small percentage, less than 1.5% of the total revenues produced at the theme park, and comprises an infinitesimal percentage of revenues produced from all of the operations of MCA.

16. RANK and UNIVERSAL PROPERTY are equal partners in UCFP and, therefore, neither company can control the operation and management of UNIVERSAL, nor of any establishment where alcoholic beverages may be sold within the theme park, without mutual consent.

17. Several of the officers or directors of SEAGRAM, also are officers or directors of MCA. However, none of the directors and officers of UNIVERSAL PROPERTY are also officers or directors of SEAGRAM, or its subsidiaries.

18. Because UNIVERSAL PROPERTY is an equal partner with RANK in UCFP, UNIVERSAL PROPERTY cannot control the operation and
management of UCFP, nor can UNIVERSAL PROPERTY control the
operation of any facility within the theme park where alcoholic
beverages may be dispensed without the approval and consent of
RANK. RANK is in no way affiliated with, or controlled by, either
directly or indirectly, SEAGRAM, or any of its subsidiaries or
affiliates, or MCA, or any of its subsidiaries and/or affiliates.

19. Alcoholic beverages are dispensed in conjunction with the
operation of the theme park. The theme park is not primarily in
the business of selling alcoholic beverages, but, instead, in the
business of providing family entertainment. As part of its service
to its patrons, food and beverages including alcoholic beverages
are dispensed at the theme park. The locations wherein the
alcoholic beverages are dispensed are contained within an enclosed
area of the land which has controlled entrances and exits.

20. Other alcoholic beverage vendor establishments in the
Orlando area do not directly compete with the theme park for the
sale of alcoholic beverages. A particular holder of an alcoholic
beverage vendor license may indirectly compete for business with
the theme park because that holder also operates a theme park or
some similar facility. The competition, however, is not for the
sale of alcoholic beverages but for attracting patrons to its
entertainment complex, or to its hotel or other recreational
facilities. The sale of alcoholic beverages is not the issue nor
the purpose of the competition. Likewise, an alcoholic beverage
vendor establishment which is established primarily for the
dispensing of alcoholic beverages, is not competing with the theme
park, or any theme park, for the sale of alcoholic beverages.

21. The connection between SEAGRAM and UNIVERSAL does not affect which Florida wholesaler or wholesalers SEAGRAM would appoint to distribute its products in the State of Florida, and more specifically in the Orlando trade area. Likewise, because of SEAGRAM's lack of control, either direct or indirect, over UCFP, SEAGRAM could not influence what distilled spirits or other alcoholic beverage products are sold at the theme park unless RANK delegates this responsibility to UNIVERSAL PROPERTY.

22. Any decision by UCFP regarding brands of alcoholic beverages to be sold at UNIVERSAL is a business decision made by two equal partners, with no special control nor influence by one over the other. Accordingly, any decision made by UCFP regarding the sale of alcoholic beverages at UNIVERSAL will be a business decision made jointly and equally by the partners in UCFP. Any decision made will be based upon what is deemed to be in the best interest of UNIVERSAL.

PETITIONERS' FUTURE EXPANSION PLANS

23. UCFP or a parent or related company or subsidiaries thereof, plan future expansions of UNIVERSAL and related enterprises within the immediate geographic area where UCFP was located at the time of the initial acquisition by SEAGRAM of MCA stock. Any such expansion will occur only on land owned by UCFP, or a parent or related company, or subsidiaries thereof. Petitioners assert that the land upon which future expansion will occur will be land that is owned by the entities herein referenced.
or described, and shall be limited to the following:

A. A continuous track of land extending in any direction from and originating at the current physical location of UNIVERSAL, which land was either owned or occupied at the time of the acquisition, or was subsequently acquired by UCFP or a parent or related company or subsidiaries thereof, separated from UNIVERSAL only by:

1. Deeded or dedicated right of ways or public or private roadways or highways;
2. Other parcels of land not exceeding 2,000 linear feet in either depth or width; or

B. Land which is located in close proximity to UNIVERSAL, subject to approval by the DIVISION.

24. It is further contemplated that future expansion within the limited geographic area described herein shall result in UCFP, or a parent or related company, or subsidiaries thereof, having an ownership interest in other entities located in such area which hold alcoholic beverage vendor licenses. However, each vendor will be operated and managed independently from SEAGRAM and JES and will not be controlled, either directly or indirectly, by SEAGRAM or JES; the vendor(s) will not be obligated to nor committed to purchase or promote SEAGRAM/JES; neither SEAGRAM nor JES will be involved, directly or indirectly, in the day to day operation of the vendor(s); the officers and directors of SEAGRAM and JES will not also serve as officers or directors of the vendor(s) and no more than twenty percent of the combined annual total of all
alcoholic beverages (measured by gallons) purchased by such vendor(s) shall be produced by SEAGRAM or JES.

25. For a period of three calendar years after the effective date of this Declaratory Statement, petitioners state that they and/or their parent or related companies, subsidiaries or tenants, as appropriate, shall annually file on or before January 31st affidavits, that establish that the above described factual circumstances still exist and furthermore, to the extent relevant information is available to them, shall annually provide to the DIVISION the percentage which alcoholic beverage products produced by SEAGRAM/JES make up the total of all alcoholic beverage products which are purchased by all affected vendors during the previous calendar year.

CONCLUSIONS OF LAW

/26. The DIVISION has jurisdiction over this matter pursuant to Sections 120.565, 561.02, 561.22 and 561.42, Fla. Stat.

27. The Petitioners are substantially affected by the statutory provisions cited above and have standing to seek this Declaratory Statement.

28. Section 561.08, Fla. Stat., empowers and directs the DIVISION to enforce the provisions of the Beverage Law and perform such acts as may be necessary to carry out the provisions thereof. Accordingly, it is the DIVISION that construes and interprets the alcoholic beverage laws of the State of Florida and makes the determination as to whether they are applicable to a specific set of facts.

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29. An agency's determination of the intent of a statutory provision within its power to enforce and interpret as well as agency action based upon this construction, will generally be upheld by a court. Thus, where an agency is acting within the scope of its authority as defined by law, a court will not substitute its judgment for that of an agency, where there is room for a difference of intelligent opinion on the subject. *Storrs v. Pensacola & A.R. Co.*, 11 So. 266 (1892); *Wilson v. Pest Control Com.*, 199 So.2d 277 (4th DCA 1967); *Baptist Hospital, Inc. v. State, Department of Health and Rehabilitative Services*, 500 So.2d 620 (First DCA 1986); *SOS Alford v. School Board*, 511 So.2d 438 (1st DCA 1987).

30. Therefore, it is the responsibility and duty of the DIVISION to construe and interpret the provisions of Section 561.22 and Section 561.42, Fla. Stat. and apply said provisions to a stated set of facts in a reasonable manner, that comports with the purpose, intent and spirit of the statutory provisions and which avoids an absurd result.

31. It is well established in Florida jurisprudence that a statute should be interpreted so as to give effect to the clear and unambiguous legislative intent. *Zukerman v. Alter*, 615 So.2d 661 (Fla. 1993). Consequently, the legislative intent is the polestar by which the agency or a court must be guided in interpreting a statutory provision. *In re Order on Prosecution of Criminal Appeals by Tenth Judicial Circuit Public Defender*, 561 So.2d 1130 (Fla. 1990).
32. Where reasonable differences may arise as to the meaning or application of a statute, the legislative intent must be the polestar of judicial construction. *Lowry v. Parole and Probation Com'n*, 473 So. 1248, (Fla. 1985).

33. However, of equal importance is the well established principal that a statute should be interpreted so as to avoid arbitrary, absurd and/or unreasonable results. *Carawan v. State*, 515 So.2d 161 (Fla. 1987); *Towerhouse Condominium, Inc. v. Millman*, 475 So.2d 674 (Fla. 1985); *Fletcher v. Fletcher*, 573 So.2d 941 (Fla. 1st DCA 1991).

34. Accordingly, a statute must be interpreted so as to avoid a construction that results in unreasonable, harsh, or absurd consequences. *Hamilton v. State*, 645, So.2d 555 (Fla. 2nd DCA 1994). Unreasonable or ridiculous interpretations distort the fundamental principals of statutory construction and mandate the use of reasonable interpretations. *Drost v. State Department of Environmental Regulation*, 559 So.2d 1154 (Fla. 3rd DCA 1989).

35. To determine the legislative intent, a court will consider the act as a whole, i.e., the evil to be corrected, the language of the act, including its title, history of its enactment, and state of the law already in evidence. *State, Department of Environmental Regulation v. SCM, Glidco Organics Corp.*, 606 So.2d 722 (Fla. 1st DCA 1992).

36. Section 561.22(1), Fla. Stat., states in pertinent part as follows:

... a license or registration may not be issued to a manufacturer, distributor
or exporter as a vendor. ... (Emphasis supplied.)

37. Section 561.22(2) (b) provides as follows:

If any applicant for a vendor’s license or renewal thereof is a copartnership such copartnership is within the provisions of subsection (1) if any member of the copartnership is interested or connected, directly or indirectly, with any corporation which is engaged, directly or indirectly, or through any subsidiary or affiliate corporation, including any stock ownership as set forth in subsection (3) in manufacturing, distributing, or exporting alcoholic beverages under license or registration of this state or any state of the United States. (Emphasis supplied).

38. Section 561.22(3) provides as follows:

If any applicant for a vendor’s license ... is a corporation, such corporation is within the provisions of subsection (1) if such corporation is affiliated with, directly or indirectly, any other corporation which is engaged in manufacturing, distributing, or exporting alcoholic beverages ... or if such applicant corporation is controlled by or the majority stock therein owned by another corporation, which latter corporation owns or controls in any way the majority stock or controlling interest in any other corporation that is engaged, directly or indirectly, in manufacturing, distributing, or exporting alcoholic beverages under a license or registration in this state or any other state in the United States.

39. Under Section 561.22(3), Fla. Stat., in order for a prohibited connection or affiliation to exist between an applicant for a vendor’s license and a manufacturer of alcoholic beverages because of stock ownership, the applicant must be controlled by the manufacturer through the stock ownership, or the applicant must be owned by another corporation or entity, which latter corporation or
entity owns or controls in any way the majority stock or controlling interest in any other corporation that is engaged, directly or indirectly in manufacturing of alcoholic beverages.

40. SEAGRAM has become remotely connected with the holder of an alcoholic beverage vendor license through a 5.7 billion dollar purchase of an existing entity, MCA, in order to diversify and to become a "major player" in the entertainment industry. The connection exists because of MCA's ownership in another corporate entity that happens to be a partner in the ownership, operation and management of a theme park, where incidental to the operation of the theme park, alcoholic beverages are sold.

41. The Petitioners assert that there has been no attempt by SEAGRAM to gain control of a retail vendor establishment or to become integrated within the retail sales market. Further the acquisition was not intended to afford SEAGRAM the opportunity to control alcoholic beverage prices or to give itself preference in the sale of its products, to the detriment of other manufacturers, or wholesalers, nor to gain a competitive advantage over other retail vendors. Instead, the connection between SEAGRAM and UCFP was an unintentional but unavoidable consequence of its acquisition of MCA.

42. Under the facts as stated, the acquisition does not give SEAGRAM the opportunity to control the management or operation of a retail vendor establishment, to control the decisions of the vendor regarding the sale of alcoholic beverages, or in any way to control the decisions of the vendor as to the alcoholic beverage
products it will sell.

43. Inasmuch as SEAGRAM cannot and does not control, either
directly or indirectly, UCFP and does not have a controlling
interest in UCFP through stock ownership, the connection between
SEAGRAM and UCFP does not violate the provisions of Section 561.22,
Fla. Stat.

44. Section 561.42(1), Fla. Stat., states in pertinent part
as follows:

... No licensed manufacturer or distributor of any of the
beverages herein referred to shall have any financial interest, directly
or indirectly, in the establishment or business of any vendor licensed under
the Beverage Law; nor shall such licensed manufacturer or
distributor assist any vendor by any gifts or loans of money
or property or property of any description ... (Emphasis
supplied.)

45. The overall intent underlying the enactment of the "tied-
house evil" statute was to divorce manufacturing-distributing
activities of the liquor business from that of retailers. Mayhue's
Super Liquor Store, Inc. v Meiklejohn, 596 F.2d 638 (5th Cir.
1970). Likewise, the statute was enacted to prevent distributors
from having a financial interest in or controlling retail outlets.
Central Florida Distributing Co. v Jackson, 324 So.2d 143 (Fla. 1st
DCA 1975), Musleh v Fulton Distributing Co. of Fla., 254 So.2d 815
(Fla. 1st DCA 1971).

46. There has been no Florida court decision determining the
applicability of Section 561.22 and Section 561.42 to a factual
situation similar to this case. However, both state and federal
courts construing Florida's "tied-house evil" provisions have
provided guidance as to the purpose and intent of said statutory
provisions and as to how the Division should construe and apply these provisions.

47. In *Pickerill v. Schott*, 55 So.2d 716 (Fla. 1951), the Florida Supreme Court opined that statutes of this nature are aimed at the evil known as the "tied-house" and their purpose is to prevent the integration of retail and wholesale outlets and to remove the retail dealer in intoxicating liquors from financial or business obligations to the wholesaler, with the exception of ordinary commercial credit for liquors sold. The court traced the then history of the tied-house evil provisions and opined that the purpose of the act was to prevent monopoly or control by manufacturers or distributors of the retail outlets for the sale of intoxicating liquors. As discussed above, these purposes are not compromised by SEAGRAM's acquisition of MCA.

48. Prior to the decision by the Florida Supreme Court in *Pickerill v. Schott*, the Florida Supreme Court decided the case of *State ex rel. Continental Distilling Sales Co. v. Vocelle*, 27 So.2d 728 (Fla. 1946), where the court recognized that corporations are legal entities by fiction of law, and their purpose is generally to limit liability and serve a business convenience, and that courts are reluctant to pierce the corporate veil, and only in exceptional cases will they do so.

49. In *Continental Distilling Sales*, which is more akin to the present case than any other case decided by the Florida courts on this subject, a foreign distiller of alcoholic beverages brought an action against the Director of the Beverage Division to compel
the issuance of a license as a wholesale distributor of liq
Through separate corporate entities and stock ownership.
Continental Distilling Corporation, a manufacturer of liquors, was
related to a retail vendor of liquors. The court refused to apply
the subject statutes by opining that the corporations were legal
entities by fiction of law and there was no evidence presented that
the corporations had been formed for the purpose of evading the
statutes and, as a result thereof, the beverage director was
required to issue a wholesale distributor license to Continental,
regardless of its affiliation with a retail vendor of alcoholic
beverages caused by the manufacturer's and retailer's status as
wholly owned subsidiaries of Publicker Industries, Inc.

50. Other states, construing similar tied-house evil
provisions, have likewise concluded that the purpose of the tied-
house evil provisions is to prevent a manufacturer from owning and
controlling a retail outlet and gaining some advantage or control
in the industry. See for example Bohemian Breweries v. Koehler,

51. In Joseph Schlitz Brewing Co. v. Central Beverage Co.,
Inc., 359 N.W. 2d 566 (Court of Appeals, Ind. 1977) the court
construed a statute making it unlawful for the holder of a brewers
permit, to hold, acquire, possess, own or control, or to have and
interest, claim or title, in or to an establishment, company, or
corporation holding or applying for a beer wholesalers permit, to
only prohibit the brewer from interfering with the management
operations of the wholesaler. The brewer, under such act, was
prohibited only from directly or indirectly influencing the operations and managerial decision making processes of the wholesaler and/or retailer. If such interference was not present, the statute was not violated.

52. Likewise, in Illinois, the courts have opined that the purpose of the tied-house evil law is to keep liquor distillers separate from liquor distribution, thus preventing horizontal and vertical integration of the industry. Wine and Spirits Merchandisers, Inc. v. Illinois Liquor Control Commission, 412 N.E. 2d. 1013 (Illinois 1982).

53. The court in Markstein Distributing Company v. Rice, 135 Cal. Rptr. 255 (1976) adequately sums up the purpose of prohibitions against tied-house arrangements to be the prevention of large firms from dominating local markets through vertical and horizontal integration and the excess sales of alcoholic beverages produced by the overly aggressive marketing techniques of larger alcoholic beverage concerns. Such evil cannot exist in the case at bar.

54. The State of Ohio has enacted statutory prohibitions similar to those contained within Sections 561.22 and 561.42, Fla. Stat. In response to SEAGRAM's request for an opinion by the Department of Liquor Control, State of Ohio, ("ODLC") regarding the effect of the purchase of the interest in MCA by SEAGRAM, the Department concluded that the provisions of its alcoholic beverage code would not be violated as long as there was independent operation between SEAGRAM, MCA and the remotely affiliated retail
vendor. In order to insure no inner connection between the various entities, ODLC directed that any individuals in the management of SEAGRAM and MCA subsidiaries operating in Ohio, who also sit on the Board of Directors of SEAGRAM, should not be involved in the decisions of SEAGRAM affecting Ohio operations with respect to the sale of alcoholic beverages. Likewise, the actual alcoholic beverage retailer should avoid giving preference to SEAGRAM products or excluding non-SEAGRAM products in the operation of its retail business.

55. Similarly, the Liquor Enforcement Division of the State of Colorado ("CLED"), concluded that the interest of SEAGRAM in MCA did not create a Colorado tied-house issue provided that the retail licensee was allowed to make its own independent decisions.

56. As indicated by the facts, the existing SEAGRAM/MCA corporate structure, the non-controlling interest of the MCA subsidiary in UCFP, the different makeup of the Board of Directors and officers of the MCA subsidiary, which is an equal partner with RANK in UCFP, does not violate the spirit and intent of Sections 561.22 and 561.42, Fla. Stat.

57. In every state where the courts have had the occasion to construe and apply tied-house evil prohibitions, the court had to consider how much connection with a retailer is necessary to constitute an indirect interest within the purview of the tied-house provisions or that will result in a prohibited integration. In all cases the issue has been determined based on whether the manufacturer can exert control over the retailer or wholesaler. If
such control does not exist, the tied-house evil provisions are not violated.

58. In Hunter v. McKnight, 86 So.2d 434 (Fla. 1956) the Florida Supreme Court again interpreted the tied-house evil provisions as not prohibiting an affiliation that did not result in the integration of the manufacturer into the business of the retailer and that did not create financial business obligations between the manufacturer and the retailer. Consequently, if the evil sought to be corrected by the statutory prohibition did not exist, the statute should not be construed to prohibit the affiliation.

59. Again, in Central Florida Distributing Co. v. Jackson, 324 So.2d 143, the court opined that the purpose of Section 561.42 is to prohibit any financial obligation between a distributor and a vendor, thus, preventing the control of retail outlets. When again confronted with construing and applying the provisions of Florida's tied-house evil law to a specific factual situation, the First District Court of Appeal in Musleh v. Fulton Distributing Co. of Florida, 254 So.2d 815, determined that the purpose of the tied-house evil law was to prohibit manufacturers, wholesalers and distributors of alcoholic beverages from controlling retail outlets operated by licensed vendors through the granting, withholding or extension of credit.

60. Section 561.22(1) (b), Fla.Stat., recognizes that remote affiliations or connections between manufacturers and vendors because of stock ownership, are not necessarily prohibited.
Instead, the statute recognizes that for the connection to be a prohibited connection because of stock ownership, the applicant for the vendor license must be controlled by or the majority stock therein owned by another corporation or entity, which latter corporation owns or controls in anyway the majority stock or controlling interest in any other corporation that is engaged, directly or indirectly, in manufacturing alcoholic beverages.

61. Under the facts as stated in the Petition, neither SEAGRAM nor MCA controls, nor can they control, the operation and management of UCFP and they specifically cannot control the decision making processes of UCFP regarding the dispensing of alcoholic beverages at the various locations at the theme park. Likewise, neither SEAGRAM nor MCA can control which alcoholic beverage brands are sold at the theme park.

62. There also does not exist any vertical integration by SEAGRAM into the operation of UCFP. SEAGRAM is merely indirectly connected because of its ownership interest in MCA. This is not the vertical integration which the legislature determined to prohibit.

63. To prohibit the very remote connection between SEAGRAM and UCFP under the facts alleged in the Petition for Declaratory Statement would produce an unreasonable result never contemplated by the Florida Legislature. An incidental connection between a manufacturer of alcoholic beverages and a vendor, where the vendor is not controlled by the manufacturer and the vendor is not financially obligated to the manufacturer, does not create an evil
that was intended to be prohibited under Section 561.22 or Section 561.42, Fla. Stat.

CONCLUSION

64. Based upon the specific facts presented by Petitioners, and the legal conclusions set forth in full herein,

THE DIVISION HEREBY CONCLUDES:

A. That Sections 561.22 and 561.42, Fla. Stat., do not apply, to the connection between SEAGRAM, MCA and UCFP, by reason of the described stock acquisition; and

B. That this conclusion is based on the corporate structures described in the Petitioners' Petition for Declaratory Statement and the particular factual assertions described therein. Accordingly, this conclusion has no application in the event the factual circumstances and/or relationships among the entities described herein change.

DATED this 8th day of April, 1996.

[Signature]

JOHN J. HARRIS, DIRECTOR
Division of Alcoholic Beverages and Tobacco
1940 North Monroe Street
Tallahassee, Florida 32399-1020
(904) 488-3227

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RIGHT TO APPEAL

THIS DECLARATORY STATEMENT CONSTITUTES FINAL AGENCY ACTION AND MAY BE APPEALED PURSUANT TO SECTION 120.68, FLORIDA STATUTES. AN NOTICE OF APPEAL CONFORMING TO THE REQUIREMENTS OF RULE 9.110(4), FLORIDA RULES OF APPELLATE PROCEDURE, BY FILING A DISTRICT COURT OF APPEAL, ACCOMPANIED BY THE APPROPRIATE FILING FEE AND WITH LOIS WILLIAMS, CLERK FOR THE DIVISION OF ALCOHOLIC BEVERAGES AND TOBACCO, WITHIN 30 DAYS OF THE RENDITION OF THIS DECLARATORY STATEMENT.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail to J. Riley Davis, Esquire, Katz, Kutter, et al., Highpoint Center, Suite 1200, 106 East College Avenue, Tallahassee, FL 32301, this 9th day of April, 1996.

Sarah Wachman, Agency Clerk

Copies furnished to:
Thomas A. Klein
John J. Harris

ASEAGRAM.DCL
Sega GameWorks, L.L.C.

Officers:

Chairman and
Chief Executive Officer: Charles S. Paul

President and
Chief Operating Officer: Michael Montgomery

Vice Presidents:
- Design Jon Snoddy
- Operations John Leisner
- Chief Financial Officer Robert Giovannettone
- Real Estate Ira Mitchell
- General Counsel Bruce Nussbaum

Management Committee:

Chairman: Charles S. Paul

Other Members:
Glenn Gumpel
Jeffrey Katzenberg
Brian C. Mulligan
Hayao Nakayama
Ron Nelson
Setsuo Okawa
David Rosen
Takeshi Uehara
DIRECTORS

Edgar M. Bronfman
The Hon. Charles R. Bronfman, P.C., C.C.
Edgar Bronfman, Jr.
Samuel Bronfman II
Matthew W. Barrett, O.C.
Frank J. Bloom, Jr.
The Hon. William G. Davis, P.C., C.C., Q.C.
The Hon. Paul Desmarais, P.C., C.C.
Michele J. Hooper
David L. Johnston, O.C.
The Hon. E. Lee Kolber, Senator
Marie-Josée Kravis, O.C.
Robert W. Matisse
C. Edward Madland
Lew R. Wasserman
John S. Weisburg

October 1996
OFFICERS

Edgar M. Bronfman
Charles R. Bronfman
Edgar Bronfman, Jr.
Robert W. Matsushita
John D. Borgia
Stephen E. Harbicht

- Chairman of the Board
- Co-Chairman and Chairman of the Executive Committee
- President and Chief Executive Officer
- Vice Chairman and Chief Financial Officer
- Executive Vice President, Human Resources
- Executive Vice President, Corporate Policy and External Affairs
- Executive Vice President
- Executive Vice President
- Executive Vice President, Legal and Environmental Affairs
- Vice President and Controller
- Vice President and Treasurer
- Vice President, Production
- Vice President
- Secretary

October 1996
**J.E. SEAGRAM CORP.**
Delaware

**Directors**
Daniel R. Paladino
Ann M. Giambusso
George E. Bushnell III

**Officers**

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<th>Position</th>
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<tr>
<td>Edgar Bronfman, Jr.</td>
<td>President &amp; Chief Executive Officer</td>
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<tr>
<td>Daniel R. Paladino</td>
<td>Vice President &amp; Secretary</td>
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<td>Paul Buscemi</td>
<td>Vice President</td>
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<tr>
<td>Jeananne K. Hauswald</td>
<td>Vice President &amp; Treasurer</td>
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<tr>
<td>Edward F. Falkenberg</td>
<td>Vice President &amp; Controller</td>
</tr>
<tr>
<td>Irene S. Alpert</td>
<td>Assistant Secretary</td>
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JOSEPH E. SEAGRAM & SONS, INC.  
(Indiana)

**Directors**  
Edgar M. Bronfman, Chairman  
Edgar Bronfman, Jr.  
Daniel R. Paladino  
Robert W. Matschullat

**Officers**  
*Position*  
Chairman of the Board  
President and Chief Executive Officer  
Vice Chairman and Chief Financial Officer  
Executive Vice President, Human Resources  
Executive Vice President, Corporate Policy and External Affairs  
Executive Vice President  
Executive Vice President  
Executive Vice President - Legal and Environmental Affairs, General Counsel and Secretary  
Vice President, MIS  
Vice President, Market Research  
Vice President, Corporate Communications and Public Relations  
Vice President, Taxes  
Vice President, Strategic Planning & Mergers and Acquisitions  
Vice President and Controller  
Vice President, Investor Relations  
Vice President, Corporate Affairs  

**Name**  
Edgar M. Bronfman  
Edgar Bronfman, Jr.  
Robert W. Matschullat  
John D. Borgia  
Stephen E. Harbits  
Steven J. Klagber  
Ellen R. Marram  
Daniel R. Paladino  
Howard H. Aycock  
Robert Berger  
Raymond A. Boyce  
Paul Buscemi  
Neal Cravens  
Edward F. Falkenberg  
Joseph M. Fitzgerald  
William K. Friedman
SEAGRAM ENTERPRISES, INC.
Delaware

**Directors**
Daniel R. Paladino
Ann M. Giambusso
George E. Bushnell III

**Officers**

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<tr>
<td>Jeananne K. Hauswald</td>
<td>Vice President &amp; Treasurer</td>
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**SEAGRAM DEVELOPMENTS, INC.**  
Delaware

**Directors**
- Edgar Bronfman, Jr.
- Daniel R. Paladino
- George E. Bushnell III
- Jeananne K. Hauswald
- Edward F. Falkenberg

**Officers**

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UNIVERSAL STUDIOS HOLDING I CORP.
Delaware

**Directors**
Edgar Bronfman, Jr.
Arnold M. Ludwick
Bruce L. Hack
Daniel R. Paladino
Michael C.L. Hallow
Yasu Nakamura
Lew Wasserman

**Officers**

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UNIVERSAL STUDIOS HOLDING II CORP.
Delaware

Directors
Edgar Bronfman, Jr.
Arnold M. Ludwig
Bruce L. Hack
Daniel R. Paladino
Michael C.L. Hallows
Yasuo Nakamura
Lew Wasserman

Officers

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<td>Assistant Secretary</td>
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**UNIVERSAL STUDIOS HOLDING III CORP.**

**Delaware**

**Directors**
- Edgar Bronfman, Jr.
- Arnold M. Ludwicx
- Bruce L. Hack
- Daniel R. Paladino
- Michael C.L. Hallows
- Yasuo Nakamura
- Lew Wasserman

**Officers**

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DIRECTORS:

Frank J. Biondi, Jr. (Chairman)
Edgar Bronfman, Jr.
Samuel Bronfman II
Bruce L. Hack
Arnold M. Ludwick
Robert W. Matschullat
Ron Meyer
Yasuo Nakamura
Lew R. Wasserman (Chairman Emeritus)

EXECUTIVE COMMITTEE:

Frank J. Biondi, Jr.
Edgar Bronfman, Jr. (Chairman)
Ron Meyer
Yasuo Nakamura

As of May 30, 1996
OFFICERS:

Chairman and Chief Executive Officer:            Frank J. Biondi, Jr.
President and Chief Operating Officer:           Ron Meyer
Executive Vice President, Corporate Operations: Howard L. Weitzman
Executive Vice President:                        Sanford R. Cimino
Executive Vice President, Finance:              Bruce L. Hack

Senior Vice President, Human Resources:         Karen Randall
Senior Vice President, Corporate Communications and Public Affairs: Deborah J. Rosen
Senior Vice President, Reengineering and Value Creation: Richard E. Baker
Vice President, Corporate Development:          Brian C. Mulligan
Vice Presidents:                                Stuart K. Mandel
                                                  Marc A. Polotay
                                                  Michael Samuel
                                                  Daniel E. Slussner
                                                  Paul Buscemi
                                                  M. Stephen Gordon
                                                  Phyllis Grann
                                                  David A. Hancock

Secretary:                                      Michael Samuel
Assistant Secretaries:                          Sharon S. Garcia
                                                Howard V. Miller
                                                Richard C. Schiller
Chief Accounting Officer:                      David A. Hancock
Treasurer:                                      Pamela F. Cherney
Assistant Treasurer:                            Larry J. Hoffert
Assistant Controllers:                         Linda L. Velonis
                                                Martin S. Wilson
Chairman Emeritus of the Board:                Lew R. Wasserman

As of December 15, 1996