



# Washington State Liquor Control Board

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## Washington State Liquor Control Board Meeting

Wednesday, March 5, 2014, 10:00 a.m.  
LCB Headquarters Building  
3000 Pacific Avenue SE, Olympia WA 98501

### Meeting Minutes

#### 1. CALL TO ORDER

Member Chris Marr called the regular meeting of the Washington State Liquor Control Board to order at 10:00 a.m. on Wednesday, March 5, 2014. Member Ruthann Kurose was also present and Chair Sharon Foster participated by phone.

#### 2. APPROVAL OF MEETING MINUTES

MOTION: Member Kurose moved to approve the February 26, 2014, meeting minutes.

SECOND: Member Marr seconded.

ACTION: Motion passed unanimously.

#### 3. ACTION ITEMS (A-B)

##### **ACTION ITEM 3A - Board Adoption of (CR 103) of 1000 Foot Buffer Measurement Rule**

Karen McCall, Agency Rules Coordinator, began the briefing with a packet of materials (HANDOUTS 1-3). She then provided a brief background noting that the Board had learned that how the 1000 foot buffer is measured under the rules adopted by the Board on October 16, 2013, differed from the way the federal guidelines measure the 1000 foot buffer. The Board needs to change the way the Board will measure the 1000 foot buffer to be consistent with the federal guidelines. She added that two written comments were received in support of the rule change. Three written comments were received opposed to the rule change. No comments were received at the public hearing held on February 26, 2014.

##### Proposed Changes

Amended Section: WAC 314-55-050 (10) - The proposed rule changes how the distance will be measured to determine the 1000 foot buffer. The distance shall be measured as the shortest straight line distance from the property line of the proposed building/business location to the property line of the

entities listed in RCW rather than the most direct route over or across established public walks, streets, or other public passageways.

Ms. McCall recommended that the Board adopt the revised rule, WAC 314-55-050 (10), regarding how the 1000 foot buffer is measured for marijuana licenses.

MOTION: Chair Foster moved to adopt (CR 103) of 1000 Foot Buffer Measurement Rule.

SECOND: Member Kurose seconded.

DISCUSSION: Member Marr noted that this was an important change and will protect our licensees from unnecessary risk.

ACTION: Motion passed unanimously.

### **ACTION ITEM 3B - Board Adoption of (CR 103) of Return of Washington Wine Rule**

Karen McCall, Agency Rules Coordinator, began the briefing with a packet of materials (HANDOUTS 1-3). She provided a brief background noting that this rulemaking is the result of a petition for rulemaking submitted by Susan Johnson on behalf of Columbia Winery. The current rule requires a Washington winery bringing their bottled wine back into Washington State to bring the wine to the winery only. Washington wineries that export bottled wine out of the state of Washington wine would like to have the option of bringing the bottled wine back into Washington directly to a wine distributor or bonded wine warehouse.

- The requirement that Washington Wine that is being returned to the state first be returned to the winery of origin does not pose a public safety hazard;
- The current requirement does not add value to the regulatory process and is currently being complied with through a process that is often referred to as "bumping the dock".
- While the current process does provide a physical audit trail, this chain of regulatory responsibility can currently be accomplished through alternative electronic invoicing, which will assist in streamlining and removing costs and waste from the process.

Two written comments were received in support of the rule change. Two comments were given at the public hearing held February 26, 2014, in support of the rule change.

#### Proposed Changes

Amended Section: WAC 314-24-070 Domestic wineries - Purchase and use of bulk wines, brandy or wine spirits - Import permit required - Records - Wine returned to Washington. The rule was revised to allow bottled wine being brought back into Washington to go directly to a wine distributor, bonded wine warehouse, or the winery.

Ms. McCall recommended that the Board proceed with final rule making and adopt the revised rule, WAC 314-24-070, regarding the return of Washington wine.

MOTION: Member Kurose moved to adopt (CR 103) of Return of Washington Wine Rule.

SECOND: Chair Foster seconded.

ACTION: Motion passed unanimously.

#### **4. PRESENTATION OF FIRST MARIJUANA LICENSE ISSUANCE**

Becky Smith, LCB Marijuana Manager, noted that she was there to present the first marijuana license for a producer/processor in the state of Washington and in the country.

Ms. Smith recognized LCB investigators, enforcement staff, customer service staff and the many partners and stakeholders that contributed to this important process and brought it forward to this day. She indicated that there there will be several additional licenses issued in the next few weeks.

Member Marr said that today there is a day for celebration but there is still a huge task at hand to get our marketplace fully ramped up over the next year and we need to remain focused as the number of applicants has been impressive and overwhelming. He also stated that the Board could have chosen to limit licenses to a few large growers, but they chose to be inclusive and involve the many entrepreneurs who see this as a once in a lifetime opportunity. He added that this does not come without challenges. Two weeks ago the 2,858 producer applications the LCB received forced us to take a number of actions which limited the number of licenses and changed maximum grow sizes. There will be other challenges. He also stated that we need to focus on public safety, particularly preventing youth access and diversion of product. Member Marr congratulated Mr. Green and stated that this applicant did not get to be the first because he knew somebody or just mailed in an application - the process is rigorous and it takes a lot of work on the part of the applicants.

Member Kurose congratulated Mr. Green and his enthusiastic team and said what a monumental effort it has been to get to this historic point. He worked with the LCB and complied with the applicant process and all the steps. This took collaboration and commitment between applicants and the hardest working, extraordinary Marijuana Licensing team led by Becky Smith.

She added that LCB investigators and marijuana licensing staff deserve a special shout out for working late into the night and weekends and working with each licensee applicant on every imaginable bump in the road. She said she has rarely seen agency collaboration like this - with staff huddling every morning to troubleshoot and brainstorm solutions, new ways of doing things, fixing glitches, changing on a dime.

Member Kurose also thanked cross-agency support from communications, finance, licensing, enforcement, then entire I-502 team led by our marijuana guru Randy Simmons and Director Garza. Also thanks to Sean and all the other licensee applicants for trusting our process enough to partner with us in our newly regulated venture.

Chair Foster echoed the statements of her fellow Board members and expressed her praise for the hard working staff at the LCB. She also thanked Sean Green and his team for leading the way in Washington State.

Ms. Smith then introduced Sean Green, owner/operator of Kouchlock Productions located in Spokane and invited Mr. Green to the podium to present him with his license. She then invited him to say a few words.

Sean Green said he was pleased to see how many people came to support this important milestone. He was honored to be surrounded by his extraordinary team and provided an extensive list of names he wanted to acknowledge. Mr. Green acknowledged his appreciation for living in a country that offers great liberties such as this and he looks forward to living his American dream and creating jobs for Spokane.

Mr. Green also urged the Board to continue working on the banking issue noting that the federal guidance did not seem to have an effect on Washington banks. He added that his account was just closed due to his business model.

## 5. NEW BUSINESS/OLD BUSINESS

Member Marr invited citizens to address the Board regarding any issue(s) related to LCB business.

### Barry Sullivan - Citizen, Vancouver Washington

Mr. Sullivan provided a goal statement (HANDOUT 1) and stated that he is a small business owner from the retail side. He expressed concern identifying the best qualified candidates to run state marijuana retail stores and reducing the non-qualified applicants from the lottery process. He suggested possible actions to take before the lottery such as "all optional" and redefine or add additional qualification criteria. He said there are multiple applications for many locations and the landlord should choose most appropriate candidate. He also suggested that we request additional information from applicants like business plan, professional experience and financial information. He also suggested that licenses be made non-transferable for a year, no "flipping" for quick profit.

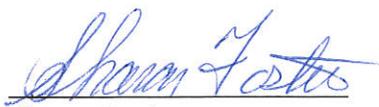
### Jeff Gombosky - Representing Anheuser-Busch

Ms. Gomboski asked for the Board's engagement for a proposal currently on the floor of the State Senate (HB 2371) regarding growlers in grocery stores. There is an amendment up for consideration to allow *all* beer manufactures - currently it only allows for microbreweries. They are seeking a fair and competitive market place. He thanked James Paribello, LCB Legislative Liaison, for his hard work on the bill.

## ADJOURN

Member Marr adjourned the meeting at 10:40 and stated that immediately following the Board meeting, the Board and staff will be available to answer questions from media.

Minutes approved this 12<sup>TH</sup> day of March, 2014



Sharon Foster  
Board Chair



Ruthann Kurose  
Board Member



Chris Marr  
Board Member