

**OFFICE OF THE  
WASHINGTON STATE LIQUOR CONTROL BOARD  
Board Meeting /October 15, 2008**

Board Chairman Lorraine Lee called the regular meeting of the Washington State Liquor Control Board (LCB) to order at 10:00 am, on Wednesday, October 15, 2008 in the Boardroom, 3000 Pacific Avenue S.E., Olympia, Washington. Board Member Roger Hoen and Board Member Ruthann Kurose were present.

**Meeting Minutes** – The Board unanimously approved the minutes from the meeting dated September 23, 2008.

**Enforcement Division – Pat Parmer**

- Swearing in – Officer A.J. Singh was sworn in. He will work in the Pasco Office.
- Combined Fund Drive – The results from the Bowl-a-Rama event the day before were announced. The results will be posted on the LCB Intranet.

**Director's Office** – Karen McCall, LCB Rules Coordinator, introduced the topics to be covered today, and announced that the public hearing for these would be the December 3<sup>rd</sup> Regular Board Meeting. She thanked the groups in every Division that helped put today's information. Ms. McCall introduced Licensing Rules Coordinator Karen Rogers and requested to proceed with proposed rule-making (CR102) on rules necessary for the implementation of legislation for the following:

- Brewery and microbrewery regulations (attached memo dated 10/15/08)
- Craft distillery regulations (attached memo dated 10/15/08)
- Wineries and bonded wine warehouses (attached memo dated 10/15/08)
- Non-profit organizations and business practices for the use and sale of alcohol (attached memo dated 10/15/08)
- Retail regulations (attached memo dated 10/15/08)

Chairman Lorraine Lee outlined today's process. Ms. Rogers noted that Licensing Director Alan Rathbun, Judy Layne-Wine/Beer Supervisor, Lorie Bamer-Beer Reports/Taxes, and Heidi Ensign-Non-Retail Compliance Supervisor were available at the meeting today for questions. She together noted how helpful the Federal Alcohol and Tobacco Tax Trade Bureau (TTB) had been.

Ms. Rogers went through the Issue Paper and proposed language for brewery and microbrewery regulations and contracts between breweries. Board Member Hoen asked if it was only necessary to own a label. No; to contract with another company to brew for you, you have to own a brewery. In addition, federal taxes are paid by the actual brewer. State taxes are paid by the owner of the product. Chairman Lee asked if the brewers had been contacted. They had. She noted that the stakeholder's comment section was well laid out with well-thought out succinct answers.

The second Issue Paper brought before the board was about craft distillery regulations. Ms. Rogers covered the proposed language and noted that Section 314-32 would need to be repealed at a future date. TTB provided the definition of a "gallon." Board Member Hoen asked if a liquor store could buy directly from the distillery without going through the warehouse. It can only be done by special order through the Board. Arlen Harris of the Washington Brewers Guild (WBG)

asked if the distillery must ship product to the LCB and get it returned to sell the two liters/day. No, but a special order does go through the Board, the same as any other special order.

Chairman Lee asked who handles enforcement. The auditors enforce the regulations by monitoring monthly reports and verifying by audits. The current state law requires two years for records retention. The federal government requires a minimum of three years for records retention. There will have to be some clarification about price and taxes for on-premise sales. Chairman Lee noted that there were two types of customers, on-premise and licensees, and recommended that the work group ensure that this section is sufficiently clear to everyone. In addition, would we follow federal law; and what is the intent? If we follow federal law and it changes, we will have to change ours. Chairman Lee suggested Assistant Attorney General Martha Lantz could guide the LCB on what would be good to do.

The third Issue Paper covered by Ms. Rogers concerned wineries and bonded warehouses. After covering the Issue Paper and proposed language, there was a notation that the Mandatory Alcohol Server Training (MAST) is required and wineries will need to be educated about this. Jean Leonard, Washington Wine Institute (WWI) requested clarification regarding bonded warehouses and home office phones as it related to the use of home office telephones. Licensing Director Alan Rathbun noted that the issue is where the call is directed. It is supposed to be to the business, and forwarding phones could be interpreted differently. Chairman Lee asked that this be made clear. At Ms. Rogers request, Ms. Leonard will send her comments for inclusion. Ms. Leonard also thanked the staff for their help in redefining "outside service areas" for additional locations. The issue of a winery premise including an amphitheater was raised. There will need to be a rules review on this matter at a future date.

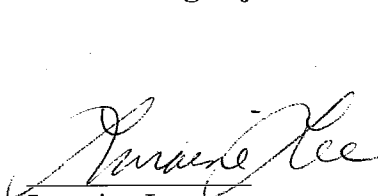
The fourth Issue Paper dealt with non-profit organizations and the business practices for the use and sale of alcohol. There was general agreement that this represented a significant Tied House exception.

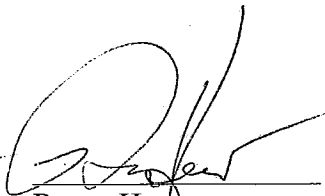
The final Issue Paper related to retail regulations. Chairman Lee is looking forward to a matrix on license types. To the question of the definition of a passenger vessel: boats that are licensees, such as The Spirit of Washington.


The public hearing for these matters will be held at the December 3, 2008 regular Board Meeting. At that time, only new information and comments will be covered.

Board Member Ruthann Kurose moved to approve going forward with all CR102 Rule-making processes. Board Member Roger Hoen seconded. The motion passed unanimously.

**The Meeting adjourned at 11:25 am.**

  
Lorraine Lee  
Chairman

  
Roger Hoen  
Board Member

  
Ruthann Kurose  
Board Member