

**OREGON WINEGROWERS' ASSOCIATION
MEETING MINUTES
OCTOBER 3, 2006
TELECONFERENCE MEETING**

Attendees: Kevin Chambers (President), Earl Jones (Secretary), Steve Girard (Vice President), David Adelsheim, Kara Olmo, John Weisinger, Harry Peterson-Nedry, Gary Conkling, Jess Lyon.

Staff: Ted Farthing (Executive Director), Stephany Boettner, Sara Gourley, Katie Stoll.

Call to Order

Chambers called the OWA meeting to order at 10:55am

Weisinger moved, Girard seconded to approve the minutes of the August 24, 2006 OWA meeting as written. Motion passed unanimously.

Peterson-Nedry joined the conference call at 11:09am.

Financials

Review of August 2006 Profit & Loss Budget Performance and the Balance Sheet as of August 31, 2006. The OWA has \$42,125 in equity. The Board decided to pro-rate the current FY dues for mid-year renewing members and move all renewals to Dec. 31.

D&O Insurance

It has recently been discovered that various previous OWA chapters may not have their own liability and/or D&O insurance and that several organizations are using OWA's 501(c)6 status – at least one of these groups is not even an OWA chapter. Question rose as to whether the OWA will be liable if something were to happen within these chapters. Farthing will investigate with the OWA insurance provider. Recommendation is to work with these organizations and share the OWA point of view on these matters, letting them know that they need to establish their own insurance, etc. within 6 months.

Legislative Report

PAC Recommendations

Reference CFM Memorandum

Girard moved, Weisinger seconded to distribute PAC funds in accordance with Conkling's recommendations based on his memorandum dated Oct. 3, 2006 not to exceed \$100 per candidate. Motion passed unanimously.

Legal Report Items

Conkling reported on:

Direct Shipment Permit Bill – Conkling and Lyon are meeting with key stakeholder groups to explain and introduce OWA's direct shipment permit bill under the proposal approved previously by the Board.

Self Distribution – An administrative law judge will decide the legal question of whether, under Current Oregon law, an out-of-state winery may apply for an

Oregon WMBW (wholesale) license if it does not have a premise in the state of Oregon. A decision is expected sometime this month.

Costco Trade Practices Issues - The district court judge in the Costco case in Washington has stayed her order in "phase 2" of her decision only through the end of Washington's 2007 legislative session, essentially forcing the Washington legislature to take up policymaking surrounding the trade practice regulations she struck down on federal antitrust grounds. Both phase 1 (self-distribution disparity) and phase 2 (trade practices) of her decision in the Costco case have been appealed by the Washington State Liquor Control Board to the 9th Circuit.

Personal Property Tax on Oak Wine Barrels – There will be an OWA meeting with the Department of Revenue and the Department of Justice on October 19, 2006 in Salem. The OWA will address the DoR's questions about how and why oak wine barrels are utilized (both as new barrels and as neutral barrels) and will continue to advocate OWA's position that oak wine barrels should be exempt from personal property taxation under current Oregon law. The Governor's office has expressed an interest in the determination we have requested of the DoR.

Regulatory Checklist; ODA Standards and Practices – A checklist is being refined of the most commonly required federal, state and local permits, licenses and approvals that wineries and grower sales privilege licensees ordinarily must maintain in order to be compliant with the many laws and regulations affecting all aspects of their business. DWT will also follow-up with ODA regarding its review of standards and practices for inspections of wineries as food processing establishments.

Lyon joined the conference call at 11:25am.

Legislative Concepts for Board Consideration

Conkling and Lyon reported on the following legislative concepts:

Vineyard Land Trust - OWA would propose a new "free-market" program to provide incentive for private landowners to protect and preserve the long-term viability of agricultural parcels for future vineyard operations. The tool for this project would be agricultural conservation easements, whereby the landowner would agree to remove particular rights from a parcel of land and create safeguards against uses of the land that could destroy its value as a future resource for vineyard development and operations. Interested landowners would be invited to apply for vineyard land trust funding as an additional incentive to place prospective vineyard sites in the program. No motion but Board consensus received; Conkling and Lyon will develop specific proposals for review at the Dec. retreat.

Criteria for Winery Resorts in EFU Zones - OWA would propose new state siting criteria to enable counties to better review land use applications for wine country resorts and direct them to parcels that are not high-value vineyard land (i.e., utilizing OWA's prior vineyard mapping work for the 2005 legislative session), provided they meet certain criteria designed to enhance the local winegrowing economy, and to minimize adverse impacts on surrounding farm uses (similar to other conditional use for commercial activities in conjunction with farm use). No

motion but Board consensus received, Conkling and Lyon will develop specific proposals.

OLCC Surety Bond Amendments - OWA would propose amendments to the current statutory provisions relating to bonds for licensed wineries and grower sales privilege licensees in order to provide the OLCC discretion to waive the surety bond requirement for small wineries (i.e. those meeting the same criteria we passed in 2005 for annual reporting); and to clarify that grape tonnage taxes also may be collected via required OLCC surety bonds. No motion but Board consensus received, Conkling and Lyon will develop specific proposals.

Vineyard Farm Dwellings - OWA would propose an amendment to rules governing the siting of a primary dwelling on farmland, where the owner has planted new vineyards (i.e., without being obligated to additionally wait for plant maturity and commercial production necessary to actually yield per year sales value from the crop, as currently required by state law). No motion but Board consensus received, Conkling and Lyon will develop specific proposals.

Removal of Wine by Warehouse Licenses for GSPs and WMBWs - OWA would propose modest amendments to the enabling statute for the Warehouse license in order to strike language currently barring Warehouse licensees from removing of wine for shipment intrastate as a client service for independent Grower Sales Privilege (GSP) and/or WMBW licensees whose wine they stored. No motion but Board consensus received, Conkling and Lyon will develop specific proposals.

Labeling Regulations

The Board discussed the most effective way get industry feedback. In addition to the email to the industry, the staff is arranging 3 town hall meetings in November.

Policy Recommendation

Farthing proposed the policy recommendation: OWA Role in the Electoral Process. Brief Board discussion; will be discussed further at the 2006 December Board retreat.

Chambers adjourned the OWA meeting at 12:40pm.

OWB and TOWER reconvened and then adjourned at 12:41pm.