

Capital Reporting Company
In the Matter of: Federal Spirits, LLC 07-25-2012

DISTRICT OF COLUMBIA

ALCOHOLIC BEVERAGE CONTROL BOARD

MEETING

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IN THE MATTER OF: :
 :
Federal Spirits, LLC :
t/a Federal Spirits :
1629 K Street, NW :
Retailer A : Fact Finding
License No. 89730 : Hearing
ANC 2B :
New Application :
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July 25, 2012

The Alcoholic Beverage Control

Board met in the Alcoholic Beverage Control Hearing
Room, Reeves Building, 2000 14th Street, N.W.,
Washington, D.C., Ruthanne Miller, Chairperson,
presiding.

PRESENT

RUTHANNE MILLER, Chairperson
NICK ALBERTI, Member
DONALD BROOKS, Member
HERMAN JONES, Member
CALVIN NOPHLIN, Member
MIKE SILVERSTEIN, Member
ALSO PRESENT

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2	<p>1 PROCEEDINGS</p> <p>2 2:16 p.m.</p> <p>3 CHAIRPERSON MILLER: The next case is a fact</p> <p>4 finding hearing that's scheduled for 2:30 involving</p> <p>5 Federal Spirits. You're here? Okay.</p> <p>6 MR. BENOIT: I'm here.</p> <p>7 CHAIRPERSON MILLER: Thank you. Come forward</p> <p>8 because I don't think that there's anybody else that we</p> <p>9 expect to participate in this hearing. No. So if</p> <p>10 you're ready to start, we can start early.</p> <p>11 MR. BENOIT: Sure.</p> <p>12 CHAIRPERSON MILLER: Okay. So why don't you</p> <p>13 have a seat? And there's a sign in also so we get your</p> <p>14 spelling right. So could you introduce yourself for</p> <p>15 the record, please?</p> <p>16 MR. BENOIT: Okay. Charles Benoit. I'm a</p> <p>17 resident of Ward 2. I applied for a Class A off-</p> <p>18 premise retail license on May 16th on behalf of Federal</p> <p>19 Spirits, LLC. The reason for the fact finding hearing</p> <p>20 is that there are some unusual aspects to the</p> <p>21 application, although, I understand they're not</p> <p>22 unprecedented -- mainly that I -- the business</p>	4	<p>1 to read something.</p> <p>2 CHAIRPERSON MILLER: I don't have a copy of</p> <p>3 that ten-page plan. Is that something that you've --</p> <p>4 MR. BENOIT: I submitted it to Ms. Walker and</p> <p>5 she said that she would submit it.</p> <p>6 CHAIRPERSON MILLER: And I just want to say</p> <p>7 for the record, you know, that you're not under oath</p> <p>8 and this isn't that kind of a hearing. And it is kind</p> <p>9 of like just getting more information from you.</p> <p>10 MR. BENOIT: Oh, sure. Well --</p> <p>11 CHAIRPERSON MILLER: Yeah.</p> <p>12 MR. BENOIT: -- I just speaking then -- so</p> <p>13 the idea was we'd have the license for -- which is this</p> <p>14 business address but nothing would -- indicative of a</p> <p>15 typical brick and mortar liquor store would have in --</p> <p>16 at that location whatsoever. No signage, no -- just --</p> <p>17 as far as the ANC, Ward 2 would -- it would -- there</p> <p>18 would be no change to the streetscape, no change to the</p> <p>19 property values. Anyone near would be obvious other</p> <p>20 than if you walk into the office tower, on the office</p> <p>21 directory, it says, "Federal Spirits, LLC."</p> <p>22 So in terms of bringing product into the</p>
3	<p>1 establishment is at 1629 K Street, Suite 300, which is</p> <p>2 actually an office in a C1 Zone.</p> <p>3 And the reason for that is -- well, that</p> <p>4 would be the business premise where transactions would</p> <p>5 be processed and administrative matters would be</p> <p>6 handled in the -- in where the DC limited liability</p> <p>7 companies incorporated -- it wouldn't actually involve</p> <p>8 any retail sales taking place there in the hope that</p> <p>9 the claim to this license, which I'd be happy to be put</p> <p>10 in a voluntary agreement or covenant or stipulation or</p> <p>11 whatever the Board sees fit.</p> <p>12 It is to (inaudible) the license and</p> <p>13 certainly solicit, market and sell spirits online, on</p> <p>14 the internet. And one thought was that, along with the</p> <p>15 Class A off-premise retail license application, there</p> <p>16 would also be a separate off-site storage application</p> <p>17 permit. And there's also a secured location across the</p> <p>18 street at 1421 -- 1420 U Street, which would be the</p> <p>19 off-site storage permit.</p> <p>20 So may -- I'll pause for your questions. And</p> <p>21 I trust that -- I submitted a ten-page background or</p> <p>22 walk through the plan and if anyone's -- I'll be happy</p>	5	<p>1 district or receiving it, that would happen at the</p> <p>2 storage facility, which is across the street. It's --</p> <p>3 they have a manager on site from no earlier than 9:00</p> <p>4 a.m. and no later than 6:00 p.m. It varies a bit</p> <p>5 during the week but those are the maximum (inaudible)</p> <p>6 hours. And that manager will keep books of receiving</p> <p>7 packages. There's a security system that's extensive.</p> <p>8 Everything's under surveillance at -- locked there.</p> <p>9 And then the product stored there -- as</p> <p>10 orders came in via the website, they'd be delivered to</p> <p>11 the District and within the mandated delivery times,</p> <p>12 business hours only, no Sunday delivery. And similar</p> <p>13 to again, what's being done with some other retailers</p> <p>14 you see, with DC Wine Guy. And the reason why this is</p> <p>15 newest -- and the reason why, which is discussed a bit</p> <p>16 more in the memo, is that my background is -- I came</p> <p>17 into this by working with an association of craft</p> <p>18 distillers. Think microbrewers but for spirits.</p> <p>19 And I was a big believer in their product. I</p> <p>20 saw the barriers they had, most were legal -- some</p> <p>21 legal barriers, but also business straight barriers</p> <p>22 that were -- they're having -- presenting a hard time</p>

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6	<p>1 for them to get their product on shelves outside of 2 their home market. And so I saw an opportunity because 3 the District's laws are actually quite progressive in 4 that they afford retailers the ability to order 5 directly from out-of-state producers or wholesalers if 6 no District wholesaler carries the product. 7 And given that, it seemed that it was a 8 worthwhile opportunity to try and market these craft 9 spirits produced by small, independent distillers 10 around the country in to District residents in one 11 location. So it would be -- and in terms of doing that 12 only online, there's -- one of the reasons I don't 13 think it's happening right now in a brick and mortar 14 format is that there'd be almost no way to make the 15 numbers work. 16 So if there's -- this is -- the 17 microdistillery craft spirits movement is sort of brand 18 new. It's taking off. The number -- the growth in 19 microdistilleries around the country's gone up 20 exponentially. The District just got its first 21 licensed distillery this January. So it's a very new 22 phenomenon. There's limited product available</p>	8	<p>1 try the product only after they've heard the 2 distiller's story and met them and if there's that kind 3 of authentic connection between the producer and the 4 consumer. The -- it's very difficult to replicate 5 inside a brick and mortar store, where you've got 6 limited shelf space and it's hard to tell a whole 7 store. 8 Whereas, via the internet, we -- you've got 9 all the space you need in terms of not just text and -- 10 but video connecting with the distiller's own social 11 network. So on product pages you can go, "Well, I've 12 never heard of this brand but can 7000 Americans be 13 wrong?" That's the way you can -- that's the kind of 14 thing you can -- you can see when you're browsing on 15 the web. 16 And so that's the business plan and that's 17 the idea and the motivation behind the whole venture. 18 The hiccups right now are that -- and this is not 19 unique to DC -- but that certainly no law has been 20 written, as far as I'm aware, in any state with the 21 internet in mind. This is our squarely 20th-century 22 laws that, you know, understand a retailer to be</p>
7	<p>1 nationally. 2 So to the volume requirements that having a 3 brick and mortar lease with -- it'd be hard to keep a 4 store consistently and sufficiently stocked to move 5 enough product to pay the lease. So that's one reason 6 for choosing the online route. And then the other is I 7 actually think that maybe in five or ten years, when 8 certain brands of craft spirits are as familiar as some 9 brands of microbrews are, then it will be okay to -- it 10 will be feasible to have a store stocked with those 11 artisan spirits brands and then have consumers walk in 12 and know what they're evaluating and to decide to make 13 that purchase. 14 But right now, it's less -- mostly driving 15 sales of artisan spirits is it's not when people walk 16 into a store and look on the shelf and see -- to give 17 you an example, the first distiller I met, Catoctin 18 Creek, which is a nearby -- just in Northern Virginia 19 about 45 minutes west of here in Bristol, it's very 20 unlikely that someone's going to -- if they've not 21 heard of that brand and pick it up off the store shelf. 22 That just doesn't happen. People decide to</p>	9	<p>1 exclusively -- be a brick and mortar space. 2 So there's that -- from that manifest, 3 there'd be very two specific restrictions, which kind 4 of pose an interesting question for a project like 5 this. One is the placarding requirement. How -- if 6 you -- if you're a business premises, the third floor 7 of an office building, how do you purport to put a 8 placard to advise the neighbors and those callers that 9 the sign requirement -- so a requirement to display 10 your license on your -- inside your property, and as 11 well as the other -- the requirement that (inaudible) 12 must list the legal drinking age, so forth? 13 So I think that -- I suggest that these here 14 kind of laws are -- can -- are -- can transport very 15 well to the internet. So if -- but one theory that -- 16 our idea that I'd like to purport would be, in addition 17 to the standard newspaper announcement that there's a 18 new Class A license application, it would -- it would 19 explain that this would be a -- not a brick and mortar 20 license but an internet application and redirect -- or 21 encourage visitors to go to the exclusive domain, which 22 will be used to market and solicit sales by the</p>

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10	<p>1 retailer.</p> <p>2 And there all the information can be</p> <p>3 displayed. Residents' questions could be answered and</p> <p>4 discussed. Anything else? I'd hoped that would capture</p> <p>5 the spirit behind the law, that people understand this</p> <p>6 and now can move forward. There's the -- I'm a little</p> <p>7 unclear on -- does the 400-foot requirement now -- the</p> <p>8 location is 1629 K Street. It's not within 400 feet of</p> <p>9 any school or library or anything else.</p> <p>10 Depending on how you measure, there's a</p> <p>11 store, Imperial Liquor, that's right on the cusp,</p> <p>12 underneath 400 feet if you -- if you -- certainly it's</p> <p>13 around 330 feet -- I have to double-check the</p> <p>14 application -- if you measure from the entrance to the</p> <p>15 office building on 1629 K Street to the front door of</p> <p>16 the other store. That's another issue I -- the -- I</p> <p>17 don't claim to have business premise in that whole</p> <p>18 office tower. It's strictly an office on the third</p> <p>19 floor.</p> <p>20 So there's nothing -- the DC law does not</p> <p>21 acknowledge or does not contemplate situations where a</p> <p>22 retailer might not be at street level. It doesn't say</p>	12
11	<p>1 you have to be at street level. But it's just not</p> <p>2 thought of. It's not an issue. But then again, be --</p> <p>3 all that being aside, and certainly from liquor stores</p> <p>4 in that area, I don't know what to (inaudible) them.</p> <p>5 If the retail license that was awarded for that</p> <p>6 premise had a covenant or stipulation that no walk-in</p> <p>7 clients, no changeable sales will take place in that</p> <p>8 location, then I don't know what would it -- matter</p> <p>9 then if it was there or another part of the District.</p> <p>10 So I hope that obviously it can be able to</p> <p>11 get past you. I'll take questions now.</p> <p>12 CHAIRPERSON MILLER: Okay. Thank you. Are</p> <p>13 there some Board questions?</p> <p>14 (No audible response.)</p> <p>15 CHAIRPERSON MILLER: No? Oh, well, I'll</p> <p>16 start off then. I'm trying to understand the concept</p> <p>17 here.</p> <p>18 MR. BENOIT: Sure.</p> <p>19 CHAIRPERSON MILLER: So you're going to have</p> <p>20 a website and a name and whatever?</p> <p>21 MR. BENOIT: Uh-huh.</p> <p>22 CHAIRPERSON MILLER: So DC residents will go</p>	13

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14	<p>1 platform. So it knows exactly how much product is 2 available and will obtain -- it doesn't -- and stops 3 allowing sales the moment your inventory was drawn out. 4 Right now if you -- even after logging into the 5 website, you'll see that every product is sold out. 6 And then it won't allow orders. 7 When an order does come through, the shipping 8 policy is something that (inaudible) Board, ABRA would 9 like to expand over time. Right now, it won't accept 10 orders outside of the District. If you typed in an 11 address outside of the District, it -- then it won't 12 allow it. And orders within the District are - it's a 13 flat \$5 shipping fee and a promise to deliver within 14 the next two to three business days. 15 We -- if there's nobody -- if there's no one 16 available with identification -- no one available to 17 accept it and sign for it, then we don't deliver it. 18 We promise to wait 15 minutes at the location. And if 19 no one signs, then it's returned to the storage 20 facility. And they still have to pay the fee. That \$5 21 fee will have already been paid. And they can make 22 arrangements for another time.</p>	16
15	<p>1 And again, deliveries would be six days a 2 week, but not on Sundays, and business hours only. 3 CHAIRPERSON MILLER: I just have one more 4 follow up and then -- 5 MR. BENOIT: Sure. 6 CHAIRPERSON MILLER: -- I'll turn to Mr. 7 Jones. So is it delivered to your storage area because 8 you're -- are you buying in bulk from these other 9 wholesalers? Is that the concept? 10 MR. BENOIT: I actually envision buying the 11 most product directly from producers. 12 CHAIRPERSON MILLER: You just -- 13 MR. BENOIT: But it would certainly not 14 involve it. These craft distillers, they -- a single 15 run for them might be, you know, 12 cases worth. It's 16 a small batch. I mean, I really can't overstate how 17 small these operations are. So I wouldn't imagine 18 ordering ever more than a case a time. And then 19 actually I'd be willing -- if that's a concern to the 20 Board, I'd be willing to make sure that there won't be 21 any bulk shipments arriving ever at this storage area. 22 It'd be no more than one case per import per</p>	17
14	<p>1 requirement. It's something -- it's -- they -- the 2 other concern from these producers is also that they -- 3 with their small run, they have to really worry about 4 their hallmark. And so even if I was -- I -- even if I 5 said, "Let me buy 100 percent of the run you just did," 6 that's not something they'd be comfortable with because 7 they need -- they want and need to supply their own 8 local stores. 9 The metrics that -- you're not even tracked 10 by DISCUS or large spirits producers until you get 5000 11 cases a year, which most of them are below -- far 12 below. So it's -- for them it's a matter of just 13 getting a foothold in your local market, if you can get 14 over 5000 cases a year. And if you're in more than 15 your home state and you actually hit -- are at 20,000 16 cases a year, would be bought up -- backed by a major 17 spirits company. 18 And then you're at that point -- you're 19 dealing with their distributors and everything. So it 20 was interesting to me that it's 2012, the United States 21 -- prohibition ended 70 years ago -- and nowhere in the 22 country is there a national market -- a national</p>	16
15	<p>1 selection available to residents of any state or 2 anywhere in the country of craft spirits from across 3 the United States. 4 And that's because of the three-tiered 5 judicial system as well as the business restraints. DC 6 law affords retailer -- takes away the legal aspect of 7 the problem in that there -- you can purchase -- you 8 know, if a producer says, "Well, I'm sorry, I've sold 9 out to my local distributor," I can try to quote their 10 state's wholesaler and distributor. But it -- I think 11 it's actually exciting that for residents of the 12 District -- would be the first people anywhere in the 13 country who would be able to try a vodka made with 14 Nebraska grain or, you know, a whiskey from malt -- 15 from Washington State. 16 That wouldn't -- like I said, this would be - 17 - we would be the only people in the country, the only 18 citizens to have access to a complete offering 19 presenting all across the country. 20 CHAIRPERSON MILLER: Okay. Let me ask some 21 more questions. So, like, right now could a DC 22 resident just order from the producers direct instead</p>	17

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18	<p>1 of going through you?</p> <p>2 MR. BENOIT: No, no. Only retailers can take</p> <p>3 advantage of this in partner form.</p> <p>4 CHAIRPERSON MILLER: Okay.</p> <p>5 MR. BENOIT: So any DC resident is certainly</p> <p>6 free to go to their -- I mean, I've done several times.</p> <p>7 I go to my local retailer and make a request. And</p> <p>8 depending on that retailer's level of enthusiasm or</p> <p>9 ambition, they can -- they might ask their wholesaler</p> <p>10 to order it.</p> <p>11 CHAIRPERSON MILLER: Uh-huh.</p> <p>12 MR. BENOIT: And it's actually Bacchus</p> <p>13 Importers -- is a DC wholesaler. And they're kind of</p> <p>14 from this -- the other wholesalers haven't really shown</p> <p>15 any interest at all. They've got their distilling</p> <p>16 relationships and they're not looking to change it</p> <p>17 anything. Bacchus is a wine wholesaler. They're very</p> <p>18 -- they're not really a spirits wholesaler but they're</p> <p>19 starting to pick up some artisan craft spirits, out-of-</p> <p>20 state producers, which is wonderful.</p> <p>21 Of course, if Bacchus or another DC</p> <p>22 wholesaler chooses to carry a product, then by law I</p>	20	<p>1 even advertise home delivery. And DC law certainly</p> <p>2 conflates that -- DC law's actually sale, you know,</p> <p>3 delivery and there's a specific -- which authorized as</p> <p>4 three hours. So at the beginning, when I, you know, I</p> <p>5 questioned fulfillment companies and they say, "Well,</p> <p>6 we don't want to take on a new client until we know</p> <p>7 what kind of, like, order flow you're going to have.</p> <p>8 I'm telling you, I don't want -- you know, what's your</p> <p>9 volume going to be?"</p> <p>10 You'll -- see, they want -- they want you to</p> <p>11 start yourself so -- which is a fair point. I -- so at</p> <p>12 the beginning my plan right now is to simply deliver</p> <p>13 the -- go to the address, the inside -- it'll always be</p> <p>14 inside the District; the website will not process</p> <p>15 deliveries for outside the District -- go to that</p> <p>16 address. And, I mean, and there's no -- if you want to</p> <p>17 add special instructions, like, "Please call this phone</p> <p>18 number," you can do that when you place the order.</p> <p>19 And the delivery person of course -- speaking</p> <p>20 to the wine fulfillment companies, which actually I</p> <p>21 should mention includes FedEx -- and in my memo, I give</p> <p>22 you an example the FedEx stamp that they put when they</p>
19	<p>1 will have to order from them, which is fine. And so</p> <p>2 I'm sorry if I didn't get quite to --</p> <p>3 CHAIRPERSON MILLER: Okay. Mr. Jones?</p> <p>4 MR. JONES: Thank you, Madam Chair. I just</p> <p>5 wanted to kind of zero in a little more on the</p> <p>6 delivery.</p> <p>7 MR. BENOIT: Sure.</p> <p>8 MR. JONES: So I'm a customer. I go to your</p> <p>9 website. I order some product and pay the \$5 flat</p> <p>10 shipping. I'm a resident. I'm located in DC. I'm</p> <p>11 having it delivered to a location in DC. And it's</p> <p>12 being delivered by what?</p> <p>13 MR. BENOIT: Me to start with. I actually --</p> <p>14 I mean, I would not like to be delivering it myself for</p> <p>15 too long. But I spoke with fulfillment companies and</p> <p>16 traditional -- well, I've spoken with three groups.</p> <p>17 I've spoken with traditional fulfillment logistics</p> <p>18 companies. I've spoken with specialty wine fulfillment</p> <p>19 logistic companies and I've spoken with DC retailers</p> <p>20 who offer delivery, which there's a lot of.</p> <p>21 This is not -- there -- I mean, I'm aware</p> <p>22 alone of half a dozen retailers just anecdotally that</p>	21	<p>1 deliver alcoholic beverages. And this makes clear that</p> <p>2 you don't deliver to anybody who appears intoxicated.</p> <p>3 You don't deliver with -- unless there's valid, proper</p> <p>4 identification showed.</p> <p>5 And so I'd be following the existing</p> <p>6 practices of -- there's many DC retailers that actually</p> <p>7 do the simplest, doing it in your own personal vehicle.</p> <p>8 I know that (inaudible) and that's the model I took was</p> <p>9 a retailer on P Street in Georgetown. There's --</p> <p>10 higher up you have Cairo Wine and Spirits. They've got</p> <p>11 their own van. (Inaudible) website called</p> <p>12 dcwineguy.com, where they --</p> <p>13 MR. JONES: I'm going to cut you off. And I</p> <p>14 think maybe we're all top loaded. What do you going to</p> <p>15 be doing?</p> <p>16 MR. BENOIT: It's just hard when --</p> <p>17 MR. JONES: It'll be your business model.</p> <p>18 MR. BENOIT: Yeah, yeah.</p> <p>19 MR. JONES: You --</p> <p>20 MR. BENOIT: To begin with, I will --</p> <p>21 MR. JONES: Right.</p> <p>22 MR. BENOIT: -- I will be delivering vehicles</p>

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22	<p>1 -- I will be delivering product to customers within the 2 District only in my personal vehicle. And -- 3 MR. JONES: So how will that work? I just 4 want to make sure -- so you -- 5 MR. BENOIT: Sure. 6 MR. JONES: -- take the product. You put it 7 in the back of your Humvee. 8 MR. BENOIT: Well, I'll start off at the 9 beginning. So the product has already been ordered. 10 It's in the storage locker -- 11 MR. JONES: That's right. 12 MR. BENOIT: -- at 20th Street. There's a 13 manager onsite. Again, I get an order that has come in 14 for, say, three bottles. I'll each -- I'll not -- it's 15 not -- 16 MR. JONES: They want three bottles of Bell 17 Beer. 18 MR. BENOIT: Sure, okay. But I just want to -- 19 MR. JONES: Similar product, just not -- a 20 different product. 21 MR. BENOIT: Right. But then -- right. I 22 meant to say three orders in different parts of the</p>	24	<p>1 tempo. And I've actually been winding down. So I've 2 got some minor contractual commitments, which are, you 3 know, paying the rent for the end of the year. 4 But if this grows up -- that's why I want to 5 say that this -- that's my shipment plan for now and 6 I'm able to do that now. But it's not my long-term 7 business plan. But I -- you know, like I said, speaking 8 to fulfillment companies, they don't want to talk to 9 you until they have an idea of how much business you're 10 doing. So you've got to start somewhere. So that's 11 why I'm starting it myself. And I'm sure -- stop me if 12 I -- 13 MR. JONES: But, I mean, completely 14 understand. I get that concept. I'm just trying to 15 figure out the -- so from an alcohol regulation or 16 regulatory perspective -- 17 MR. BENOIT: Oh, right. 18 MR. JONES: -- all right -- so you're going 19 to have a product in your vehicle. You'll be a single 20 person driving your car to these various locations with 21 product? 22 MR. BENOIT: I'm happy to -- it's open.</p>
23	<p>1 District. 2 MR. JONES: Okay, cool. 3 MR. BENOIT: So, you know, three (inaudible). 4 I'll, you know, make a route plan. And, you know, it's 5 not (inaudible) night, not on Sundays and drive them -- 6 load them in my vehicle, drive them to the address and 7 knock on the door or if it's in the instructions like 8 phone -- call a phone number, I'll do that. And -- 9 MR. JONES: So do you have another job? 10 MR. BENOIT: I -- yes. I'm not employed 11 anywhere. I'm a lawyer. So I -- and this -- I 12 actually -- I saw on the -- just so you understand, how 13 did I ever come to be in this business, I was with 14 General Electric until the end of last year as a full- 15 time employee as in- house counsel. And then I still 16 work for General Electric. I help them get uranium in 17 and out of the country. 18 So in terms of moving highly, you know, 19 highly regulated products, exactly have some experience 20 here. And so I -- so some of the -- sort of perform for 21 GE as an employee, I continue to perform on contract. 22 It's great because it's -- I'm able to control my work</p>	25	<p>1 MR. JONES: Right. 2 MR. BENOIT: If I'm happy with -- 3 MR. JONES: No, no. I'm not -- I'm not 4 trying to -- 5 MR. BENOIT: That's my plan. That's my 6 product. 7 MR. JONES: What are you planning to do -- 8 MR. BENOIT: Yeah, that -- 9 MR. JONES: What's your plan now? I'm not 10 trying to critique you. 11 MR. BENOIT: It's not -- it's not what you 12 said. 13 MR. JONES: I'm not trying to evaluate. I'm 14 not trying to assess. I'm just trying to understand 15 it. 16 MR. BENOIT: Exactly. 17 MR. JONES: So you're going to be a single 18 person. You -- 19 MR. BENOIT: That's right. 20 MR. JONES: -- are going to be in a car -- 21 MR. BENOIT: Yes, yes. 22 MR. JONES: -- driving the product --</p>

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26	<p>1 MR. BENOIT: Yes.</p> <p>2 MR. JONES: -- to the delivery addresses,</p> <p>3 correct?</p> <p>4 MR. BENOIT: That's correct.</p> <p>5 MR. JONES: Okay.</p> <p>6 MR. BENOIT: That's cool.</p> <p>7 MR. JONES: So you're in the car. You get</p> <p>8 the call. You had three delivery locations based on</p> <p>9 the scenario you picked out. You go to the first</p> <p>10 location. What do you do?</p> <p>11 MR. BENOIT: I knock on the door or follow</p> <p>12 the instructions in the special note that came in --</p> <p>13 that came in with the order.</p> <p>14 MR. JONES: Okay.</p> <p>15 MR. BENOIT: If I --</p> <p>16 MR. JONES: So you find your way to the front</p> <p>17 door. You find your way to the door?</p> <p>18 MR. BENOIT: Uh-huh. That's right.</p> <p>19 MR. JONES: Yes? Okay.</p> <p>20 MR. BENOIT: And --</p> <p>21 MR. JONES: So once you're at the door, what</p> <p>22 do you do?</p>	28	<p>1 MR. JONES: Okay. So you solely by yourself</p> <p>2 are kind of responsible for ensuring that that</p> <p>3 individual that receives their product, that takes it</p> <p>4 into their hands, has the appropriate -- or is of the</p> <p>5 proper age to receive and drink, consume?</p> <p>6 MR. BENOIT: Absolutely. And I understand</p> <p>7 that DC law requires that -- and you -- when -- other</p> <p>8 than -- like, many employees have ABC manager training.</p> <p>9 And if I were to hire somebody to make these</p> <p>10 deliveries, I guess I would do that. I would make</p> <p>11 sure. I'd also be interested though -- because the --</p> <p>12 I mean, so you -- I'm taking more questions about what</p> <p>13 I plan on doing on Day 1 if I were to receive a</p> <p>14 license.</p> <p>15 I can answer those but --</p> <p>16 MR. JONES: Yeah. On Day 1, go ahead.</p> <p>17 MR. BENOIT: Okay. So there's -- then we --</p> <p>18 yes. It (inaudible) --</p> <p>19 MR. JONES: So you check the ID. Do you --</p> <p>20 would you plan on keeping a log? Would you plan on</p> <p>21 doing --</p> <p>22 MR. BENOIT: Oh, I have to keep a log.</p>
27	<p>1 MR. BENOIT: I knock on the door or -- it</p> <p>2 encourages the customer to provide special</p> <p>3 instructions. So, I mean, if there's not a front door --</p> <p>4 MR. JONES: So I didn't provide you any</p> <p>5 special instructions.</p> <p>6 MR. BENOIT: Okay. Well, then --</p> <p>7 MR. JONES: I have then --</p> <p>8 MR. BENOIT: -- I'll show up at the location.</p> <p>9 MR. JONES: I have a single-family home with</p> <p>10 a front door that you can easily access. You go to</p> <p>11 that door.</p> <p>12 MR. BENOIT: Yes, I do.</p> <p>13 MR. JONES: What do you do?</p> <p>14 MR. BENOIT: Knock on the door.</p> <p>15 MR. JONES: And?</p> <p>16 MR. BENOIT: And I wait 15 minutes. And if</p> <p>17 no one's going to answer --</p> <p>18 MR. JONES: So I answer the door.</p> <p>19 MR. BENOIT: Then the -- there's -- no money</p> <p>20 will change hands. This is just a delivery. And I ask</p> <p>21 for identification. And after you show me a valid</p> <p>22 permanent ID, I give you the product and I leave.</p>	29	<p>1 MR. JONES: Okay, cool. So I didn't hear</p> <p>2 that in your process. So I'm trying to understand it.</p> <p>3 MR. BENOIT: Certainly. There's a</p> <p>4 requirement for retailers to report twice a year all</p> <p>5 sales and inventory. So I'll absolutely -- but I'll go</p> <p>6 -- that's --</p> <p>7 MR. JONES: So will there be any cross--</p> <p>8 correlation between I, the individual -- my name is H.</p> <p>9 Jones and I purchased your product. When you go to the</p> <p>10 house and you look at the ID, does that person have to</p> <p>11 be H. Jones?</p> <p>12 MR. BENOIT: No, it doesn't. It just has to</p> <p>13 be an adult.</p> <p>14 MR. JONES: Okay. So you'll -- what, are you</p> <p>15 going to make a copy of the driver's license? Are you</p> <p>16 going to write down --</p> <p>17 MR. BENOIT: No.</p> <p>18 MR. JONES: What are you going to do?</p> <p>19 MR. BENOIT: That's just -- and just look at</p> <p>20 the identification. And if it says that the person I'm</p> <p>21 delivering the product to is --</p> <p>22 MR. JONES: Okay. So you're not going to</p>

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30	<p>1 record the actual individual's license information or 2 anything? 3 MR. BENOIT: No. 4 MR. JONES: So you're just going to check it 5 and -- 6 MR. BENOIT: Just -- yeah, that's -- so 7 that's right. And I should say that this is the 8 practice of everyday kind of this -- whether it's 9 Federal Express delivering -- I mean, this is -- this 10 is FedEx policy. They're -- they have common carriers 11 every day that delivery alcoholic beverages to District 12 residents. This is their business -- their procedure 13 too. There's -- 14 MR. JONES: Now, as you start off Day 1, 15 though, are you going to have certain time windows? 16 MR. BENOIT: That's -- absolutely. 17 MR. JONES: Does fatigue -- 18 MR. BENOIT: Oh, absolutely. 19 MR. JONES: So fatigue plays a factor in how 20 well you are able to evaluate and assess -- 21 MR. BENOIT: Absolutely. 22 MR. JONES: -- IDs and confirm that people</p>	32	<p>1 MR. BENOIT: Yes, I do. 2 MR. JONES: All right. What -- 3 MR. BENOIT: So Monday -- 4 MR. JONES: You're -- 5 MR. BENOIT: Monday to Saturday only during 6 business hours. The inventory -- deliveries are not 7 live. If you're -- not the best here but, say, orders 8 placed will be shipped in the next two to three 9 business days. 10 MR. JONES: Right. 11 MR. BENOIT: So I give myself a window there. 12 I actually do imagine that I'll be -- there'll be -- 13 there'll be some correspondence with most customers. 14 When -- because they have to -- they have to explain 15 what time they'll be available. I should note that 16 I've talked a lot to -- in just trying to get an 17 understanding of how internet deliveries are already 18 happening in the District. 19 One thing that's quite common is because 20 people aren't around during the day to accept a 21 delivery is that they use -- whether it's a FedEx 22 office or the draft design company I use to do some</p>
31	<p>1 are of the appropriate age and what have you? 2 MR. BENOIT: Absolutely. 3 MR. JONES: So given that it's only going to 4 be you -- you're going to be doing it solo, by 5 yourself, driving at whatever times of the night or day 6 -- whatever you'll -- 7 MR. BENOIT: No, not during night. 8 MR. JONES: So have you defined what you're 9 going to be able to handle -- 10 MR. BENOIT: Yes. 11 MR. JONES: -- given your other job 12 requirements or other demands? 13 MR. BENOIT: Absolutely. 14 MR. JONES: I mean, you said they're tapering 15 down and tapering off. But, I mean, you have a life. 16 So out - totally outside of this adventure that you're 17 embarking on -- I hope you embark on -- 18 MR. BENOIT: Uh-huh. 19 MR. JONES: -- so I'm just -- do you have 20 defined windows that you're going to use for delivery -- 21 MR. BENOIT: Sure. Yeah. 22 MR. JONES: -- to make sure you're fresh?</p>	33	<p>1 artwork for the website, it's -- they're called -- it's 2 called Basecamp on 18th and Florida. And literally 3 almost every day they receive shipments of wine. And 4 that's the employee at that store who's signing the 5 receipts and showing identification to the FedEx or UPS 6 delivery person who then -- and that employee accepts 7 wine and then hands it off to the person who picks it 8 up later in the day. 9 So that's actually quite attractive too. I 10 mean, I don't have an agreement yet with Basecamp, 11 although, I mean, I know them quite well having used 12 them to help build the website. But to -- I was -- one 13 thing that you -- it hasn't worked out yet but 14 offering, for instance, free delivery if the customer 15 picks it up at a business premise -- or a premise that 16 I've got an agreement with. 17 So I -- so instead of having to deliver all 18 over the District, I could deliver exclusively to 19 Basecamp or exclusively use FedEx distribution network. 20 There are common carriers, make these deliveries every 21 day -- Lasership. So people are -- it's -- it was 22 weird to me. A year ago I've never heard of buying</p>

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34	<p>1 alcoholic beverages over the internet but this is 2 actually already a substantial industry. 3 There's a lot that's going to come it so it's 4 a little weird but that's why your -- so your questions 5 are all fantastic questions. I'm only basing my plan 6 on the practices I've seen around me. I'm not trying 7 to come up with anything new. And I think you're 8 right, that if I - - if it doesn't quickly -- if the 9 store is wildly successful and it's not possible for me 10 to make, you know, 10 or 12 deliveries in a day, then I 11 might have to -- I would consider changing some policy 12 to, you know, we can only deliver to these locations 13 and you'll have to go pick it up there and show ID. 14 MR. JONES: Okay. Thank you, Madam Chair. 15 CHAIRPERSON MILLER: Mr. Silverstein? 16 MR. SILVERSTEIN: Mr. Benoit, one of the 17 things we're charged with by law is to ensure that 18 products are not sold to minors or to persons 19 (inaudible). And when we're dealing with a traditional 20 brick and mortar establishment, we simply send someone 21 over and do a compliance check. We'll have people 22 watching and they'll send a person under age in to</p>	36	<p>1 identification from -- maybe he's even actually under 2 age -- into a store to attempt a purchase; is that 3 right? 4 Well, I mean, then to -- the same thing would 5 -- I imagine would be presumably would be to make a 6 purchase and see -- and if the product was put in the 7 hands of a minor, then that would be a violation. And 8 I'd bear the responsibility. 9 MR. SILVERSTEIN: So truly your way of 10 stopping a minor from making a purchase on the 11 internet, it would simply be that delivery would be the 12 way of stopping the actual provision of the spirits to 13 the underage person? 14 MR. BENOIT: So this has been an issue for a 15 long time. When the FTC actually -- the Federal Trade 16 Commission in 2005 did a census study on internet 17 delivery of alcoholic beverages so -- and found that 18 there wasn't an issue. I mean, I'd say again that 19 already out-of-state retailers every day ship alcoholic 20 beverages into the District. The -- it's the Wild West 21 out there for shipping right now of alcoholic 22 beverages.</p>
35	<p>1 attempt to buy. 2 Now, in a situation like yours, how would we 3 be able to conduct compliance checks? What are the -- 4 MR. BENOIT: Well -- 5 MR. SILVERSTEIN: You know, I mean, obviously 6 I trust you (inaudible) but you trust -- 7 MR. BENOIT: No. It's a good point. 8 MR. SILVERSTEIN: You know, it's, like, the 9 law is -- trusts everybody with cars. 10 MR. BENOIT: Uh-huh. I -- 11 MR. SILVERSTEIN: How do we make sure that 12 you're not selling to a 19 year old and how do we make 13 sure that 19 year olds don't find some way to beat the 14 system here? 15 MR. BENOIT: Well, I would -- I do take full 16 responsibility. Even if I designate, I'm going to take 17 responsibility that deliveries don't happen -- I mean, 18 I can't designate that responsibility and nobody here 19 can. So I imagine it would be the same enforcement 20 approach. Whereas, a brick and mortar retailer, I don't 21 know but I'm assuming that the enforcement happens 22 where they send somebody who doesn't have proper</p>	37	<p>1 The laws are chaos. But DC is actually -- 2 it's considered open territory by -- there's no 3 retailer or producer or wholesaler in the country that 4 won't ship to -- or I should -- I shouldn't say, 5 "Won't." So there's no producer that has the right to 6 sell their own product or retailer in the country that 7 won't ship into the District of Columbia because the DC 8 -- because DC's considered wide open for internet 9 delivery. 10 Other states you can -- there are some states 11 you can't, where they've made the decision, "We don't 12 want anybody purchasing alcohol over the internet 13 completely." I actually know of Utah -- is the only 14 one but -- that I'm aware of. But in terms of -- 15 wine.com, every day there's -- this is not a new space. 16 So whatever existing retailer and the existing 17 (inaudible) practices are, I would be happy to 18 accommodate those. 19 And of course, I would take responsibility 20 and as -- and as I don't believe that responsibility 21 can be delegating in any event for products not being 22 handed to minors. But I would -- I would urge the</p>

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38	<p>1 Board to not prevent DC internet retailers from doing 2 deliveries when non-DC retailers are already delivering 3 to District residents every day. 4 MR. SILVERSTEIN: Any other questions? 5 CHAIRPERSON MILLER: Mr. Brooks? 6 MR. BROOKS: Yeah. 7 CHAIRPERSON MILLER: Yeah. 8 MR. BROOKS: Thank you, Madam Chair. It's 9 just two quick questions. I guess the follow up on the 10 two previous Board members' questions they had as far 11 as the delivery and age of persons receiving the 12 product. Let's say you get an address that happens to 13 be on the campus of Howard University. And would that 14 person then make a delivery to -- say, to a dormitory 15 room? 16 MR. BENOIT: No. I would not -- I would not 17 send it to a dormitory. 18 MR. BROOKS: Would not do that? 19 MR. BENOIT: That's a -- that's a good 20 question and I'm glad you raised it. And since it's 21 hard to think of every contingency until you started 22 doing it -- and I'll make that explicit on the shipping</p>	40	<p>1 varies. There's on the low end about -- you could find 2 some neutral grain spirits, so vodka or gin for a bit 3 under \$20. So I believe the least expensive product I 4 have is the Nebraska vodka, which I think is \$18 or 5 \$17, thereabouts. 6 MR. BROOKS: Nebraska vodka? 7 MR. BENOIT: Uh-huh. That's right. And then 8 -- 9 MR. ALBERTI: How large a container? 10 MR. BENOIT: Well, it's all -- it's all -- 11 you know, the term is grain to glass artisan. So -- 12 and, I mean, it's -- I think it's a wonderful 13 phenomenon because it's -- all of these distillers, 14 they're all local agriculture you're supporting. 15 They're more often than not USDA organic. That seems 16 to be the norm. And they do it all in house. So -- 17 no. But they're actually still able to -- the prices 18 are not outrageous compared to -- 19 MR. BROOKS: Oh, okay. 20 MR. BENOIT: -- what people pay for a \$20 21 bottle of scotch. The mean price for most spirits 22 would -- the mean spirits for rum would be in the high</p>
39	<p>1 instructions, which will be presented to a customer 2 before they make a purchase. But that's a great point. 3 I don't -- I -- 4 MR. BROOKS? I mean, a person could be a PhD 5 student. 6 MR. BENOIT: No, no. That -- 7 MR. BROOKS: A law student, you know. 8 MR. BENOIT: That's right but -- 9 MR. BROOKS: Certainly of age. 10 MR. BENOIT: I just -- it's not something I'd 11 want -- I would not want to walk into dormitories. So 12 in my personal preference, I would not want to -- want 13 to walk into a -- 14 MR. BROOKS: Yeah, for a lot of reasons, I'm 15 sure. 16 MR. BENOIT: -- any residence. So I think 17 that's actually a great point. I'm comfortable 18 delivering to, you know, street-level entrances. But I 19 don't want to enter dorms. 20 MR. BROOKS: And finally, what is the price 21 point of your products? 22 MR. BENOIT: To answer your question, it</p>	41	<p>1 twenties. The mean price for whiskey would be probably 2 low thirties. The most expensive product on the website 3 is a bottle -- it's a seven-year-aged, single malt 4 whiskey from San Francisco. It's distilled in the San 5 Francisco city limits. It's one -- it's Anchor 6 Distilling Company. 7 They were one of the first craft distillers. 8 So they've actually got product that's -- it's that 9 old, seven year. And, I mean, it -- I think it's 10 wonderful. It's -- but that's the most expensive on our 11 website, \$80. 12 MR. BROOKS: Thank you, Madam Chair. 13 CHAIRPERSON MILLER: Okay. Thank you. Mr. 14 Nophlin? 15 MR. NOPHLIN: Certainly I know the Board -- 16 I'm not speaking in behalf of the Board but this seems 17 to be an opportunity. Have you looked at best 18 practices in other areas to see how you can improve the 19 process? And could you tell us where those other 20 places would be? 21 MR. BENOIT: Sure. Well, the best practice 22 from -- and not being any delivery here because -- but</p>

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42	<p>1 the best practice -- my dream end state -- how about 2 let's say that? Well, if I -- if I could take -- if I 3 could be able to scale this out, my dream end state 4 would be to have a proper fulfillment center, which 5 would -- does two things. It both stores the inventory 6 and then when an order comes in -- when an order comes 7 in from the website, the fulfillment center -- there's 8 -- has software that can then ensure the correct 9 delivery. 10 The reason why I'd say that's my best dream, 11 best practice is because then I would -- I'd be able to 12 ship outside of the District of Columbia. I would -- 13 and at that point, I would use FedEx as a common 14 carrier. They're the most further -- they're the 15 farthest along in terms of having a grip on 16 interstate shipping laws. So that's kind of -- it's 17 nice in that FedEx knows. I don't have to constantly 18 research every state where I can ship to a consumer. 19 If they'll -- I can -- if I had a proper -- 20 if I had a logistic center and it's used in relation -- 21 and a fulfillment relationship with FedEx as a common 22 carrier, then I would -- that would let me ship outside</p>	44	<p>1 is successful, I do hope to move up and -- with 2 (inaudible) or however you'd see fit. 3 MR. NOPHLIN: Thank you, Madam Chair. 4 CHAIRPERSON MILLER: Picking up on Mr. 5 Nophlin's question, I think he might have been getting 6 to -- which I don't -- didn't hear you address. Like, 7 in other states is there precedent for this and is 8 there, like, some states that do it really well that -- 9 MR. BENOIT: I see. 10 CHAIRPERSON MILLER: -- you look to? 11 MR. BENOIT: The -- frankly, the laws are 12 never designed with the consumer in mind ever or even 13 the protection of children. The law in every state is 14 on what the wholesalers have accomplished in that state 15 frankly. So I actually think DC's a best practice 16 because it doesn't offer any less. There's no state 17 that -- there's no state that does anything more to 18 protect -- to stop delivery to children -- 19 CHAIRPERSON MILLER: Uh-huh. 20 MR. BENOIT: -- other than, I suppose, 21 potentially Utah, which made the decision that, "We 22 will not tolerate any delivery or sales in our state."</p>
43	<p>1 the District without the constant worries. It's a 2 felony to ship in Maryland. Maryland's actually one of 3 the most -- the strictest states. Maryland's retailers 4 can ship a product into DC, no problem whatsoever. 5 A DC retailer ships product into Maryland, 6 it's a felony, jail for two years. And it's crazy. 7 It's absolutely crazy. It's -- so my best -- my best 8 practice would be certainly having a consistent 9 approach. And if I was able to engage FedEx to have 10 that kind of relationship -- well, and I have -- I have 11 tried to speak to them but they don't want to speak to 12 you until you can tell them -- give them an expected 13 volume. 14 I would actually use them for all shipping 15 inside and outside the District. They already make 16 deliveries of alcoholic beverages in the District every 17 day. And that would be my ultimate best practice. But 18 they will not take you on when you have no volume. You 19 have to be able to tell them, "I can promise you that I 20 will deliver at least -- make at least 25 deliveries a 21 month." 22 So I do hope to scale up quite soon. If this</p>	45	<p>1 So it -- I mean, that's the best practice but then, 2 that's -- in terms of not keeping it out of children's 3 -- but that's a policy choice that the District of 4 Columbia has not made because, obviously, then it 5 deprives consumers of all sorts of selection. 6 So -- and, I mean, I -- actually I understood 7 that was traditionally Utah's practice but I don't know 8 that it's still the case. But in terms of best 9 practices for delivery -- for home deliveries, there -- 10 it's -- there is no -- there's no law or model anywhere 11 in the country. It's -- you know, the -- there's not 12 many common carriers or fulfillment centers that will 13 do it. FedEx has started. 14 It's my -- and I'm just speaking entirely 15 frankly here. FedEx advertises this business 16 practice's wine shipping. If you just Google, "FedEx 17 wine shipping," it will take you to their wine shipping 18 page. And they have all the information about how they 19 ship wine. In actuality, when it comes down to a stamp 20 -- it's put on the label. It just says, "Alcoholic 21 beverages." 22 And retailers across the country do ship a</p>

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46	<p>1 variety of -- I mean, beer obviously doesn't lend 2 itself just practically, economically to internet sales 3 and delivery. But certainly wines and spirits and -- 4 brandy very quickly snuck in with wine sales. As soon 5 as internet wine took off, all these wineries also 6 produced brandy and so that was being shipped. 7 And most states are -- their policies are 8 actually, I believe, indefensible in the sense of -- so 9 wine.com had a problem in Texas when the Texas 10 wholesalers managed to come out. That led to a lot of 11 litigation. And the settlement was Texas licensed 12 wine.com as a winery. So wine.com is a winery in the 13 state of Texas, even though they do not ferment a 14 single grape where you would have (inaudible) to do so. 15 But -- so it's the Wild West out there. 16 There's no -- there's no -- other than saying, "We will 17 not have home delivery of alcoholic beverages," there's 18 no other model for what you should do to deliver 19 product. 20 CHAIRPERSON MILLER: Can I interrupt you for 21 a second? 22 MR. BENOIT: Sure.</p>	48	<p>1 I mean, on their internet website, they say, 2 "It's chaos because of a 2005 Supreme Court decision 3 called Granholm v. Heald," which before then, states 4 just didn't allow -- pardon me. That's just a bit of 5 helpful background. Before 2005, many states allowed 6 home delivery but other states -- but would not allow 7 out -- producers or anyone outside of the state to do 8 home delivery. 9 And just this went all the way to the US 10 Supreme Court in 2005 and Justice Kennedy wrote the 11 majority opinion. And he wrote that -- and it was 12 actually weird, I thought, and he was joined by Scalia 13 and he was joined by Ginsberg. So I was -- didn't -- 14 it didn't go along (inaudible) at all. But the fact 15 pattern that -- this was -- California wineries -- so 16 Napa Valley is a huge industry -- they were shipping 17 wine into New York and Michigan until New York and 18 Michigan said, "You can't do that." 19 But sure enough, New York had no problem with 20 its Fingers Lakes wineries shipping directly to 21 consumers. And so the California wineries challenged 22 that under their commerce law. And it went all the way</p>
47	<p>1 CHAIRPERSON MILLER: Because I think you 2 really, fully addressed the home delivery. 3 MR. BENOIT: Okay. 4 CHAIRPERSON MILLER: And that's not even 5 necessarily -- just internet delivery and obviously 6 stores deliver it. 7 MR. BENOIT: Exactly. 8 CHAIRPERSON MILLER: Right? 9 MR. BENOIT: Uh-huh. 10 CHAIRPERSON MILLER: So is -- do other states 11 have the internet sales -- many states? 12 MR. BENOIT: Sure -- well, absolutely. So 13 it's -- there's actually a whole company called 14 ShipCompliant. And they produce software. And they 15 promise you to the -- and if you run their -- if you 16 run their software, they promise to track exactly -- 17 can you -- you know, whether or not producer-to- 18 consumer shipping for your product type is the -- the 19 federal agency in charge of overseeing, Alcohol and 20 Tobacco Tax and Trade Bureau, the TTB, if you ask them 21 about direct shipping laws, they actually just throw 22 their hands up in the air.</p>	49	<p>1 to the Supreme Court. And Justice Kennedy said, "Look, 2 the 21st Amendment -- does Section 2 of the 21st 3 Amendment -- gives all sorts of latitude to the states 4 to regulate alcoholic beverages as they see fit. But 5 that does not mean that we can start any trade wars 6 within the Republic. We can't -- we can't use alcohol 7 regulation to favor domestic producers." 8 Now, it's interesting because he -- at one 9 point in the decision, he was talking about the 10 regulation of alcoholic beverages. And then he talks - 11 - starts talking about discrimination against out-of- 12 state producers. So this -- so most states have 13 complied as narrowly as possibly with that holding, 14 saying that, "Okay. Out-of- state wineries can ship. 15 But what about an out-of-state retailer?" 16 If your in-state retailers can ship, as they 17 can in the District -- and as they can -- again, and 18 almost every state -- although I think I've heard that 19 Utah doesn't allow it. But if you're in state, 20 retailers can ship. Why can't an out-of-state retailer 21 ship? That's actually -- there's litigation happening 22 right now. There's split decisions.</p>

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<p style="text-align: right;">50</p> <p>1 The most recent one was a loss. Texas did 2 not -- Texas only allows their retailers to ship inside 3 their county or also a certain geographical area. But 4 out of state -- some Florida retailers are shipping 5 into that state. They won at the District Court. They 6 lost the Circuit Court. So right now -- then that's 7 when wine.com went in and just established themselves 8 as a winery in Texas to ship in then. 9 So when I say that it's chaos out there, it 10 really is. DC's not part of the chaos because they 11 have a very open policy. 12 CHAIRPERSON MILLER: What's the Supreme Court 13 case's name? 14 MR. BENOIT: It's Granholm v. -- I'm not 15 really sure how to pronounce the second name actually. 16 It's H- E-A-L-D, but Granholm, G-R-A-N -- and fairly -- 17 Granholm, G-R-A-N-H-O-L-M, maybe. 18 CHAIRPERSON MILLER: Okay. 19 MR. BENOIT: And if you actually -- so if you 20 go to the federal agency, the Tax and Trade Bureau and 21 just -- they have a button you can click on that says, 22 "Direct shipping." And they actually literally throw</p>	<p style="text-align: right;">52</p> <p>1 MR. BENOIT: No. 2 MR. ALBERTI: -- on the internet? 3 MR. BENOIT: Across states. Well, wine.com 4 has been collecting permits around the country. So 5 they started out as just a California retailer when -- 6 MR. ALBERTI: In-state. You're model is to 7 currently -- 8 MR. BENOIT: Oh -- 9 MR. ALBERTI: -- here before us -- 10 MR. BENOIT: Okay. 11 MR. ALBERTI: -- is to deliver in state. I 12 know the District isn't a state but we compete like 13 every other state. 14 MR. BENOIT: Oh, no, no. Sure, sure. 15 MR. ALBERTI: All right. Is there another 16 state where -- maybe you have many states who could -- 17 that you can tell us which ones have licensed a 18 business model similar to what you're proposing? 19 MR. BENOIT: Well, my understanding is 20 actually that the District of -- DC has licensed twice 21 before a -- 22 MR. ALBERTI: Okay. Other than the District</p>
<p style="text-align: right;">51</p> <p>1 it up in the air. They say -- they will cite you to 2 the Supreme Court case. And they say, "The states are 3 figuring it out." 4 CHAIRPERSON MILLER: Okay. 5 MR. BENOIT: "You know, please have 6 patience." 7 CHAIRPERSON MILLER: Okay. Thank you. Yes, 8 Mr. Alberti? 9 MR. ALBERTI: Okay. One quick -- one quick 10 question, Mr. Benoit, because I'm not sure -- 11 MR. BENOIT: Pardon me? 12 MR. ALBERTI: There was a question here and 13 I'm not sure you answered it. So I'm going to rephrase -- 14 MR. BENOIT: Please do. 15 MR. ALBERTI: -- for my own benefit. Can you 16 name one state that would license a business model -- 17 or has licensed the business model similar to what 18 you're proposing? 19 MR. BENOIT: Yes. Certainly California, 20 where wine.com is from. But I should -- 21 MR. ALBERTI: Okay. And their business model 22 is shipping within state?</p>	<p style="text-align: right;">53</p> <p>1 of Columbia? 2 MR. BENOIT: Oh, certainly. Well, I guess I 3 have to qualify the question. Because the states never 4 -- no state tells you, "Don't ship to other states." 5 MR. ALBERTI: No. We're talking about 6 delivery in state. Your business model right now is to 7 deliver in state. 8 MR. BENOIT: Oh, certainly. Oh, but I 9 actually think every state allows retailers to do -- to 10 deliver in state. I know that Texas limits retailers 11 to -- 12 MR. ALBERTI: On the internet and the model 13 in which you -- 14 MR. BENOIT: Yes, that's right. There's no - 15 - that's right. There's no state that I'm aware of -- 16 which actually that's the huge qualifier, I should note 17 right there -- 18 MR. ALBERTI: All right, yeah. 19 MR. BENOIT: -- that does not allow the 20 business model I'm proposing. 21 MR. ALBERTI: Okay. Thank you. 22 CHAIRPERSON MILLER: Okay. I don't see any</p>

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54	<p>1 other questions.</p> <p>2 MR. BENOIT: I'd be happy to give some</p> <p>3 closing comments.</p> <p>4 CHAIRPERSON MILLER: Okay.</p> <p>5 MR. BENOIT: So as -- first of all, I really</p> <p>6 appreciate you all giving me time. Actually this has</p> <p>7 been a really great conversation. I've really enjoyed</p> <p>8 the questions. I -- and to the last question as well,</p> <p>9 DC is a great place to do this because of the -- think</p> <p>10 about an oil company. Like, you've got the upstream</p> <p>11 and downstream. DC is phenomenal in that -- I think DC</p> <p>12 is actually possibly alone in giving retailers the</p> <p>13 freedom to source from wherever they want.</p> <p>14 So that's unique to the District, as far as I</p> <p>15 know. On the other end, selling, DC is not -- is not</p> <p>16 remarkable. It's -- in fact, it's actually a</p> <p>17 disadvantage of living in the District. I'd probably</p> <p>18 be much better off locating in, say, New York State</p> <p>19 because then I have unquestioned access to the whole</p> <p>20 state. New York has -- is one of the defendants in the</p> <p>21 original case. They're -- it's very -- and it's an</p> <p>22 ambiguous situation.</p>	56	<p>1 to get around to my final comment, I -- this -- I</p> <p>2 understand this is new, unorthodox and that the law</p> <p>3 (inaudible) it was not written to contemplate the</p> <p>4 internet whatsoever.</p> <p>5 So I just want to stress again, any concerns</p> <p>6 you have, I'd love to work at them. I -- ideas I put</p> <p>7 forward should be viewed as, you know, tentative,</p> <p>8 pending your consideration. I'd love to -- I'd love</p> <p>9 nothing more than a proactive engagement with ABRA.</p> <p>10 I'd love to, you know -- if this agency or</p> <p>11 the Board has a time to consult with me on every step</p> <p>12 along the way, I think we have the opportunity to do</p> <p>13 something exciting in the District by offering the</p> <p>14 first ever national catalogue -- or catalogue of coast</p> <p>15 -- spirits from coast to coast that wouldn't be</p> <p>16 available in any other state. And we can -- that's</p> <p>17 something that we should be proud of then -- because</p> <p>18 there's no good reason for other states not allowing it</p> <p>19 other than their wholesalers lobby.</p> <p>20 So I hope this is something that could</p> <p>21 accomplish together. And then finally, there's the</p> <p>22 issue of the placard and the signage thing. I</p>
55	<p>1 But they -- if you're certainly -- if I was a</p> <p>2 retailer in Buffalo, that license is a lot less -- much</p> <p>3 more expensive than a license in DC. But if I was a</p> <p>4 retailer in Buffalo, I would pitch it to all of New</p> <p>5 York State without any hang up. Right now, if I'm</p> <p>6 shipping on -- you know, on a small scale, New York's</p> <p>7 probably not going to make a fuss. But if I were to</p> <p>8 ever seriously expand, they would say, "Hey, you're</p> <p>9 going to -- you're going to open up your -- you're</p> <p>10 going to import your product here for the New York</p> <p>11 wholesaler. You're not going to -- no more shipping in</p> <p>12 the District."</p> <p>13 So right now, as new project venture, just</p> <p>14 hoping to start small, DC's a great place to be. DC's</p> <p>15 not a great place to be if you're higher up because</p> <p>16 frankly, there's nothing -- there's nothing stopping</p> <p>17 you from shipping into the District. Individuals can</p> <p>18 bring in a case -- a case a time, which is remarkable.</p> <p>19 Whereas, the -- Texas and New York are two very large</p> <p>20 markets, which have -- are -- I say the state's helping</p> <p>21 but the wholesalers in that state are hell-bent on</p> <p>22 keeping everybody who's not already in -- so -- oh, and</p>	57	<p>1 suggested earlier on that maybe a newspaper ad that</p> <p>2 could redirect DC residents to the internet site for</p> <p>3 all that information. But if any other ideas I'm happy</p> <p>4 to accommodate. One -- an idea I can't accommodate is</p> <p>5 I don't have any rights whatsoever to the lobby of 1629</p> <p>6 K Street. I cannot put placard or anything like that</p> <p>7 on the large office building in the central business</p> <p>8 district.</p> <p>9 I -- it seems silly. I can put a placard up</p> <p>10 in the window of my office, which -- you know, but that</p> <p>11 seems like it's wasting everybody's time. But it's</p> <p>12 important.</p> <p>13 CHAIRPERSON MILLER: Do you put a placard on</p> <p>14 your domain?</p> <p>15 MR. BENOIT: Yeah, absolutely. Absolutely.</p> <p>16 Any -- the domain, anything goes. However, the -- my</p> <p>17 only limitations are I can't do anything to the -- to</p> <p>18 the main force behind it. The website --</p> <p>19 CHAIRPERSON MILLER: Uh-huh.</p> <p>20 MR. BENOIT: -- whatever the Board sees fit,</p> <p>21 I'd be happy to accommodate.</p> <p>22 CHAIRPERSON MILLER: I have some follow up on</p>

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58	<p>1 that. So your application is pending, right? 2 MR. BENOIT: That's right. 3 CHAIRPERSON MILLER: Not as quick as -- well, 4 okay. Have you had any conversations with the ANC? 5 MR. BENOIT: Well, the -- not phone 6 consultations. Actually in (inaudible) in ANC 2B. 7 I've talked informally with two of the commissioners. 8 Ramon Estrada is a commissioner. And I told him about 9 this venture that I was hoping to ground. You know, it 10 was interesting because I was going through DC law. I 11 mean, there is actually some stuff they probably should 12 change. 13 You know, it's illegal in DC to sell anything 14 other than Irish and Scotch whiskey in a 375 milliliter 15 bottle. That strikes me as, (A) indefensible but also 16 as not even being -- you know, there's Hudson Spirits. 17 You can buy their products in DC. Because -- so I -- 18 we talked briefly -- we -- Ramon Estrada, he's a 19 councilmember -- about this. And -- so, yes -- one 20 answer. 21 I talked with my ANC informally. Not -- I've 22 not approached them as a --</p>	60	<p>1 CHAIRPERSON MILLER: Okay. If you have any 2 other questions, you know you can contact our legal 3 staff, you know. 4 MR. BENOIT: Oh, will do. I -- you know, 5 they've been wonderful. I spoke with Ms. Walker and 6 she's been great. And as I said, I mean, I definitely 7 -- I actually -- I hope that we could -- America's 8 first liquor store dedicated to artisan craft spirits 9 right here in the District or kind of, like, a -- 10 hopefully it'd be -- and we can work together to make 11 that happen and I'd be thrilled. 12 CHAIRPERSON MILLER: Okay. Thank you very 13 much. 14 MR. BENOIT: Okay. Thank you very much for 15 your time. 16 (WHEREUPON, at 3:17 p.m., the hearing was 17 concluded.) 18 19 20 21 22</p>
59	<p>1 CHAIRPERSON MILLER: Okay. I was just 2 curious and -- curious if there were any kind of 3 conditions that were contemplated. 4 MR. BENOIT: Well, I would welcome any 5 conditions, I mean, they have. I know that -- I looked 6 at the specific requirements for Ward 2. And there's 7 nothing there that would pose a problem for me. And 8 I'm not (inaudible). So -- 9 CHAIRPERSON MILLER: Okay. 10 MR. BENOIT: -- but by all means -- I would 11 hope that -- I can't imagine opening business and it 12 would be a -- that we're raising any concern with any 13 ANC other than possibly delivery hours. But I would 14 keep those exclusively well within the mandated times. 15 CHAIRPERSON MILLER: Okay. 16 MR. BENOIT: But would accommodate 17 (inaudible) if that's something the ANC wanted. 18 CHAIRPERSON MILLER: Okay. Okay. Good. All 19 right. Anything else? All right. Well, thank you 20 very much for coming. 21 MR. BENOIT: Thank you very much. It was a 22 pleasure.</p>	61	<p>1 CERTIFICATE OF NOTARY PUBLIC 2 3 I, BRADLEY ANGLIN, the officer before whom the 4 foregoing hearing was taken, do hereby certify that the 5 testimony appearing in the foregoing transcript was 6 recorded by me and thereafter reduced to typewriting 7 under my direction; that said transcription is a true 8 record of the testimony given by said parties; that I 9 am neither counsel for, related to, nor employed by any 10 of the parties to the action in which this was taken; 11 and, further, that I am not a relative or employee of 12 any counsel or attorney employed by the parties hereto, 13 nor financially or otherwise interested in the outcome 14 of this action. 15 16 17 18 19 _____ 20 BRADLEY ANGLIN 21 Notary Public in and for the 22 DISTRICT OF COLUMBIA</p>

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1 CERTIFICATE OF TRANSCRIPTION

2

3 I, MIRANDA PENNACHI, hereby certify that I am not
4 the Court Reporter who reported the following
5 proceeding and that I have typed the transcript of this
6 proceeding using the Court Reporter's notes and
7 recordings. The foregoing/attached transcript is a
8 true, correct and complete transcription of said
9 proceeding.

10

11

12

13

14

15 _____
Date MIRANDA PENNACHI

16 Transcriptionist

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