

Wholesale Technical Subcommittee

July 27, 2015 Meeting Summary and Recommendations

Committee Attendees: Noah Stokes, Jamin Giersbach, Matt Gompers, Tyler Anthony, William Bates, Stan Teets, Diana Beard, Beau Whitney, Matt Maletis, Mireille LaFont (proxy for Helen Ying) , Mowgli Holmes

Absences: Helen Ying

Other Attendees: Chris Lyons (RAC Chairperson)

OLCC Staff Representatives: Bryant Haley and Amanda Borup

The wholesale technical subcommittee met on July 27, 2015 to discuss wholesale facilities. The following is a summary of that meeting and the subcommittee's rule recommendations on those topics. For purposes of this and future summaries and recommendations, these phrases are defined as follows:

- **“Believes”** or **“agrees”**: no member of the committee voiced a conflicting opinion or approach.
- **“Generally agrees”**: some members of the committee voiced a differing sentiment than this prevailing opinion or approach.

Review Minutes

The committee began the discussion by reviewing several issues from the July 16th meeting. Those included:

- RFID or Barcodes
 - The group discussed the costs and benefits of RFID chips vs. barcode. Some of the committee participants from the industry explained the difference between Active RFID and Passive. Committee members questioned the effectiveness of RFID and explored the costs. The group agreed that RFID would be a costly burden that may not accomplish anything more than a barcode. Many in the group already use a bar coding system.
- Quarantine Process
 - While beginning a conversation about what a wholesale facility looks like, the committee explored the quarantine process that Washington uses. This quarantine process mandates that any licensee transferring product must hold the product in a quarantined room before transferring the product. The product must be under surveillance for 24 hours. Committee members questioned the reason for this quarantine process. Some argued against this concept, as they saw it a burden to running a business. Others explained that this is an attempt to catch licensees diverting product. Some members proposed a filmed transaction process where the licensee would document the product being weighed before any transfer by video recording.
- Wholesale License
 - The committee then jumped back to discussing what types of business may fall under the wholesale license. The committee discussed three business models for the wholesale license:

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- Brick-n-mortar facility
 - This was discussed as a facility that housed large parcels of products. The committee discussed how this may include a re-packaging of products. This facility would only be open to other licensees and would have access controls in place.
- Broker
 - The committee discussed the concept of a broker at length. Members wondered if it would be appropriate for a wholesale licensee to never touch the product but resell. Further, members discussed whether the OLCC should license people who merely arranged transactions but never possess product or directly profit from the transaction. Staff clarified that a financial interest/consideration would be an issue in any transaction. Members clarified that a craigslist type site would be out of the purview of the OLCC, as they are merely a posting board and not a financial transaction. Staff agreed that a great deal of difference exists between a broker who purchases (even if only for a short amount of time) then resells the product versus a web site that connects people. Staff reiterated that any financial interest related to a sale would have to be dealt with somehow in licensing and/or advertising rules.
- Transport
 - At each meeting, the committee engaged in a discussion about how a transport company would be a part of the process. The committee weighed two options: a wholesale license specifically for transport or having a transport company act as an agent for the licensee. The committee was split on this issue. Some felt that requiring a license for a transportation company would be a burden to the transportation industry. Others felt that a transportation service should be beholden to a licensed regulatory process in the name of liability, as the OLCC can only administratively regulate its licensees/permittees. A few in the room countered that transportation companies already face a litany of state oversight from other regulatory bodies. Any diversion would risk those other credentials.

Wholesale Facility

The committee began a discussion about facilities by discussing licensing: Entity vs. Location. Staff reported that licensing would be done by location and any entity may apply for as many location based licensees as they want. Some members were concerned that would drive costs up if they had various licenses while others injected that the amount of licenses would be a business decision.

This discussion of location led to an overview of facility amenities. Specifically, staff asked how facilities would control smell. Members related their current practices and concerns they've faced from neighbors. All agreed odor is a subjective issue and the committee cited that wholesale facilities should be receiving packaged product. However, the committee did agree that if a wholesale processed any products that they should have a demonstrable odor filtration process. Members further discussed that this issue should be based upon valid community complaints and that OLCC Inspectors should work with licensees to implement systems to address the issue as it arises.

With the issue of smell on the table, the committee engaged in a discussion on waste. Again members weighed in on their process, some use a service while others spoke to the benefits of compost material back into their grow operations. The committee agreed that in order to prevent leakage of spoiled/waste product a licensee should have a demonstrable process that they actively follow to dispose or compost waste.

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Security & Transportation

The committee then turned its focus to physical and electronic security. Members agreed a system should monitor doors, windows, and skylights. Further, members supported the idea of having an alarm system that was partitionable for facilities that adjoin other licensed facilities. However, members were not in favor of requiring sally ports (aka secure loading docks). Members cited the fact that this would be expensive and there simply is not enough commercial rental properties available that have any sort of loading dock in some areas of the state.

It was at this point the committee re-analyzed the requirement of submitting a route plan for transporting product. A member from Washington cited that Dispatchers are the only personnel to know the route ahead of time and the entire route is monitored via GPS. A member went on to explain the great detail that route plan must contain. Members did not find that such plans would increase safety, but may in fact create more risk. Members did state that they would track their shipments via GPS as a business practice. Further, members agreed that anyone transporting product should have a locked partitioned area of the vehicle to transport product.

The committee then focused upon manifests. Specifically, the committee discussed the need to include both licensees information upon the manifest. This led the committee back to discussing distribution of product. Some members reiterated their position that a transportation company should be an agent and only cited as such on a manifest. Others disagreed and saw that the transport stage was the most vulnerable for diversion and that they should be licensed by the commission.

Final Topics

After all of the agenda topics were covered, the committee was asked to discuss any outstanding issues. Some of the topics that came up were:

- Sampling
 - Members wanted to ensure that wholesalers were able to sample their products with other licensees. The committee then contemplated what amount of product would be appropriate for wholesalers give out as samples to the public. In an earlier meeting, the committee thought that a one gram limit (per sample) would be sufficient for the public while no limits would be needed for samples to licensees. This got drawn out to what would be acceptable venues to give out samples to the public? One member wondered if wholesalers would be able to provide samples at festivals or other events that have promotional booths to promote their brand. Staff recommended that the issue be pushed to the advertising committee.
- Lab labels
 - The group wanted to ensure that there was a consistent template between all levels of licensing to ensure continuity. Staff informed the committee that the labs committee would be developing this template.
- Seed to Sale
 - The committee faced various barriers by not being able to discuss the Seed to Sale tracking system due to pending litigation. Members voiced their frustration and some were concerned they would not be able to merge their proprietary software with the states system. Staff agreed with the unfortunate state of affairs and informed members that technical specifications are available and will be distributed to interested parties. Further, staff informed members that the software will have an API function.

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- Home Delivery
 - Members on the committee thought Home Delivery as a concept might be something to pursue further down the line once the market and regulations are more established. The committee thought it best to let this develop down the line in subsequent rulemaking.