



Washington State Liquor Control Board Meeting

Wednesday, May 6, 2015, 10:00 a.m.
LCB Headquarters - Boardroom
3000 Pacific Avenue SE, Olympia WA 98501

Meeting Minutes

1. CALL TO ORDER

Chair Jane Rushford called the regular meeting of the Washington State Liquor Control Board to order at 10:00 a.m. on Wednesday, May 6, 2015. Member Ruthann Kurose and Member Russell Hauge were also present. Chair Rushford acknowledged two colleagues visiting from the State of Alaska - Cindy Franklin, Director of Alaska Alcohol Beverage Control Board (ABC) and Sarah Daulton Oates, Records and Licensing Supervisor, Alaska ABC.

2. APPROVAL OF MEETING MINUTES

MOTION: Member Kurose moved to approve the April 21, 2015, meeting minutes.

SECOND: Member Hauge seconded.

ACTION: Motion passed unanimously.

3. ACTION ITEM (A)

ACTION ITEM 3A - Board Decision on Petition for Rulemaking for WAC 314-02-090 - What is a Nonprofit Arts Organization License?

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3A 1-2). She provided a brief background noting that this petition for rulemaking was submitted by Carol Miller, Attorney, representing licensees who hold nonprofit arts organization licenses. The licensees would like to allow alcohol consumption in the seating area of the theater during performances. The law does not specifically prohibit alcohol consumption in the seating area and the prohibition is in rule and can be revised.

Many of the theaters use licensees that hold caterer's licenses or endorsements to provide their alcohol service. Under the caterer's license alcohol service is allowed throughout the seating areas in the facility. Non-Profit Arts Organization license holders would like the same privilege under their liquor license.

Ms. McCall noted that the Director's Office staff recommends the Board approve the petition for rulemaking. She then requested approval from the Board to move forward with the petition.

MOTION: Member Kurose moved to approve the Petition for Rulemaking for WAC 314-02-090
What is a Nonprofit Arts Organization License?

SECOND: Member Hauge seconded.

ACTION: Motion passed unanimously.

4. PUBLIC HEARINGS (A-B)

PUBLIC HEARING 4A - How to Apply for a Liquor License Chapter Review

Karen McCall, began the briefing with materials (HANDOUTS 4A 1-2). She provided a brief background and noted that this is part of the Liquor Control Board's on-going rules review process.

Chair Rushford opened the public hearing and invited the first citizen to the podium to provide testimony.

Julia Gorton - Washington Restaurant Association (WRA)

Ms. Gorton stated that WRA represents more than 9,000 licensees. She thanked the Board and staff for the time they spent on the rule review. She addressed specific areas of the rule the association is concerned with which were also outlined in the memo she provided to the Board (CITIZEN HANDOUT 1). She commented on three sections including:

- WAC 314-07-035 Would like to see "true parties of interest" to remove spouses
- WAC 314-07-045 Prefer "written warnings" vs. "verbal warnings"
- WAC 314-07-055 Extend the temporary licensing period to allow greater flexibility

Jan Gee - President of Washington Food Industry Association

Ms. Gee did not have concerns with the proposed rules but did ask that there be a clarification clause identifying a pattern of disregard of the laws and rules. She also asked that the Board consider refining its lengthy and complicated licensing process, which is the number one complaint from her clients. She would like to see a stakeholder involved process.

Member Hauge assured Ms. Gee that the Board is very focused on streamlining processes and asked for patience as they navigate the many competing priorities.

Director Rick Garza said it would be helpful if the association would submit specifics in writing. He also offered the assistance of LCB Licensing staff.

Josh McDonald - Washington Wine Institute (WWI)

Mr. McDonald stated that the WWI represents 151 labels in Washington State. He first thanked LCB staff for looking at ways to improve and streamline the licensing process. He also expressed concern about the expansion of "true parties of interest." He does not think that this proposal is necessary, and he asked that the Board table it.

Chair Rushford closed the public hearing and thanked everyone for their input.

PUBLIC HEARING 4B - Recreational Marijuana Rules

Karen McCall, Agency Rules Coordinator, began the briefing with materials (HANDOUTS 4B 1-2). She provided a brief background and noted that the revisions are needed to provide additional clarity to the marijuana rules for marijuana license applicants and potential marijuana licensees.

Chair Rushford opened the public hearing and invited the first citizen to the podium to provide testimony.

Clair McKenzie - Owner of E' Claire Chocolates, LLC

Ms. McKenzie first provided the Board with her written comments (CITIZEN HANDOUT 2). She highlighted two requests including:

- 1) She asked the Board to read and compare WAC 314-055-077 Subsections 4(a) and 5(a) noting that there are different rules for the packaging of edible solids vs. edible liquids.
- 2) She asked that the Board strike WAC 314-055-077 Subsection 4(a) which she sees as a double-standard requirement regarding the packaging requirements of single serving of marijuana-infused solid edibles vs. marijuana-infused liquid edibles.

She also expressed disappointment in the small number of marijuana licenses that have been issued noting this as a barrier in market entry.

Bobby Hines - Confidence Analytics Testing Laboratory

Mr. Hines provided written comments to the Board (CITIZEN HANDOUT 3) addressing several areas of the rules. He highlighted concentrates and microbial testing and residual solvent testing. He also addressed marijuana transporting notification; and clarification of "end products consisting of only one intermediate product that has not been changes in any way is not subject to potency analysis."

Andrew Seitz - Dutch Brother's Farms, Producer/Processor

Mr. Seitz provided his written comments to the Board (CITIZEN HANDOUT 4). He expressed concern about the future of the cannabis industry noting that the increase in the canopy cap to 4 million has flooded the market. The original directive of 2 million was intended to keep production tight and prevent legal product from diversion.

Ronalyn Scott - Sweet Pack

Ms. Scott suggested that there has been a lot of time, money, and patience invested in forming marijuana businesses and anyway we can make it more profitable would be greatly appreciated.

Jerry Derevyanny - Owner of NW Cannabis Solutions, Tier 3 Producer/Process

Mr. Derevyanny disagreed with Mr. Seitz's comments regarding a saturated market noting that it is important to enter the market as prepared as possible. He stated that the Board has done a great job with the proposed rules and the way they have responded to the evolving new market. He then addressed a few areas of concern including:

- Individual child safe portions and packaging.
- A pill form may become a popular product and should have its own classification and not be viewed as an edible.
- Delivery is difficult and it makes commercial sense to tie some products together. This would not undermine anything the Board is trying to do. He would like to see flexibility in that area and would be happy to provide language.
- He would like to see employee incentive programs clarified.
- He said it would be helpful if the LCB could post photos of edible labels that have been denied so they are aware of what to avoid.

Member Hauge noted that it would be helpful if Mr. Derevyanny could forward his comments.

Greta Carter - Life Gardens/Activist

Ms. Carter stated that she spent last six years striving to bring good standards to the cannabis industry not only to operate within the law but with the spirit of the law. She expressed concern regarding the definition of "consultant." She believes the term is abused and interferes with her ability as a business woman and also creates a credibility issue for the LCB as it is looked at as a loop hole. She recommended that they find a way to restrict, impose, or enforce this area of the rules. A consultant needs to be qualified.

Member Hauge asked Ms. Carter to forward specifics regarding the situations she is describing.

AK Seitz - Citizen

Mr. Seitz stated that there is a huge surplus of unsold inventory in the producer/processor operations and they are not even operating at full capacity. He stated that the LCB limited the canopy cap at 2 million square feet, which was determined by the consultant, then raised by the LCB to 4 million square feet. He urged the Board not to raise the cap again as it will further affect those that have invested a great deal of money into this market.

Dan Devlin - Co-Founder of Db 3, Producer/Processor of Edibles

Mr. Devlin stated that they are a fully committed stakeholder to the industry and follow good food practices. He suggested the need for the Board to better communicate with stakeholders in the industry and to hear the professional input they have to offer. He noted that they have provided comments in the past and are unaware whether those comments were considered as they are not reflected in the proposed rules. He identified a few of the definition clarifications they have requested including "brightly colored products" "measuring device" and "gummy." He said it would be helpful to understand why their requests were not considered.

Jeff Gilmore - Tier 2 Owner

Mr. Gilmore first stated that did not agree with Mr. Seitz. He then noted that packaging is the biggest expense for his operation, and he would like clear packaging guidelines so he doesn't waste thousands of dollars on minor misprints. He suggested forming an advisory board to address some of these topics.

Brad Douglas - Scientific Director of the Werc Shop

Mr. Douglas directed the Board's attention to WAC 314-55-105 regarding packaging a labeling requirements, specifically Section 13 Subsection (c) pertaining to labeling. He noted that "total THC" and "active THC" is the same thing to a chemist. It is also a safety issue and creates a confusing environment for the consumer and could set a bad precedent.

Amber Lewis - NW Producers/Processors/Retailers Association

Ms. Lewis urged the Board to think through the parameters of labeling as the market shifts into medical. They want stable business practices on both sides. She expressed her appreciation for the openness and transparency from Director Rick Garza and his team and she hopes to see that same transparency across the board as they go through regulation development. She implored the Board to listen the industry community and their expertise to avoid unintended consequences.

Mark Hubbard - CEO/Co-Founder of Integrity Labs

Mr. Hubbard commented on the definition "employee" noting that is goes too far and it should be better defined. He also addressed labeling noting that it is too complex for customers and can make the product appear to be something different than it is. He said it's important for customers to understand what they are getting in their product purchase. It can also be a safety issue.

Chair Rushford closed the public hearing and thanked everyone for their input.

5. ADDITIONAL BUSINESS

Chair Rushford then invited citizens to address the Board regarding any issue(s) related to LCB business.

Claire McKenzie - E' Claire Chocolates, LLC

Ms. McKenzie stated that she would like to see more process communication especially in terms of testimony and how it is accounted for - she would prefer over-communication. She also asked the Board to see the industry stakeholders as partners who are eager to engage in the regulation process.

Andrew Seitz - Dutch Brother's Farms

Ms. Seitz stated that the industry stakeholders are in an exceptional position to provide a unique perspective to the process, and they are here to help and convey information.

Karen McCall, Agency Rules Coordinator, clarified communications for rule making process noting that if someone is on the list serve they will receive all rulemaking notifications and are offered several opportunities to comment. She stressed that the importance of all input and feedback and urged those with interest to please provide comment whenever they are able. She also clarified that the feedback decisions are always reflected in the *Concise Explanatory Statement* so people can see why some comments were considered and why they weren't.

Director Rick Garza added that there is an effort made every day by LCB staff to maintain open communication with stakeholders. He indicated that the Board meets regularly and encouraged stakeholder participation as the Board is eager to hear from the industry stakeholders. He also reminded everyone that they are invited to forward information to the LCB at any time. He noted that the integration of the two markets will be challenging and it will be vital to have collaborative feedback.

Insup Lee - Inlee Co.

Mr. Lee stated that the Finance Statement is too complicated. He noted that money comes from many sources and it is difficult to identify in the statement. He also requested educational opportunities to guide people through the complicated process.

Brad Tower - NW Producer/Processor/Retailers Association

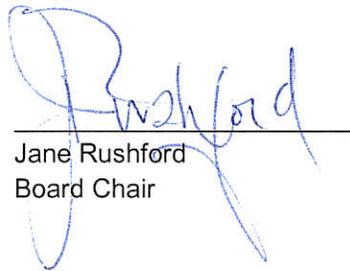
Mr. Tower expressed concern about the recent communications regarding drop dead dates for applicants that have not made strides in corporate structure, financing, and physical locations. He explained some of the complications that the applicants are facing in regards to these issues and asked that the Board consider not pulling all applicants out of line noting it will not increase the speed of the market. Mr. Tower also stressed that if the LCB does plan to remove people from the line, that LCB communicate clearly the steps and criteria including timeline, locations, etc., especially for applicants with local bans or moratoria.

Chair Rushford expressed appreciation everyone's comments and concerns. She also noted that the issues are complex and take a great deal of time and attention and that the Agency's primary goal is public safety.

ADJOURN

Chair Rushford adjourned the meeting at 11:35.

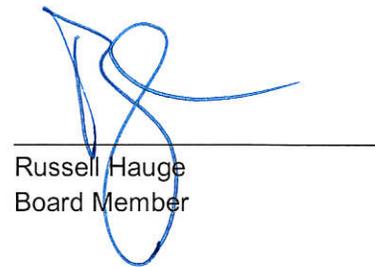
Minutes approved this 20th day of May, 2015



Jane Rushford
Board Chair

Not Present

Ruthann Kurose
Board Member



Russell Hauge
Board Member

Minutes Prepared by: Maureen Malahovsky, Confidential Secretary to the Board

LCB Mission - Promote public safety and trust through fair administration and enforcement of liquor, tobacco and marijuana laws.

Complete meeting packets are available online: http://lcb.wa.gov/boardmeetings/board_meetings
For questions about agendas or meeting materials you may email maureen.malahovsky@lcb.wa.gov or call 360.664.1717