



## Washington State Liquor Cannabis Board Meeting

Wednesday, August 9, 2017, 10:00 a.m.  
LCB Headquarters - Boardroom  
3000 Pacific Avenue SE, Olympia WA 98501

### Meeting Minutes

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#### 1. CALL TO ORDER

Chair Jane Rushford called the regular meeting of the Washington State Liquor and Cannabis Board to order at 10:00 a.m. on Wednesday, August 9, 2017. Member Hauge was also present. Chair Rushford first acknowledged her fellow Board members and thanked the staff for their efforts in preparing for the Board meeting.

#### 2. APPROVAL OF MEETING MINUTES

MOTION: Member Hauge moved to approve the July 12, 2017, meeting minutes.

SECOND: Member Rushford seconded.

ACTION: Motion passed unanimously.

Motion to approve the July 26, 2017, minutes was suspended due to Member Garrett's absence this week.

#### 3. ACTION ITEMS (A-C)

##### **ACTION ITEM 3A - Board Approval of (CR 103) for WAC 314-03 Allowed Activities**

Karen McCall, Sr. Agency Rules Coordinator, began the briefing with materials (HANDOUTS 3A 1-3). This rulemaking takes the place of an interim policy that allows the use of mobile applications to purchase alcohol. The public hearing was held on July 12, 2017. Public comments from Carrie Bonnington representing Instacart, Amazon, and Whole Foods were all addressed and resolved

##### Timeline

Should the Board adopt these rules, they will become effective 31 days after filing, on the 10<sup>th</sup> of September. Ms. McCall asked if the Board had any questions. There were none. Ms. McCall then requested approval from the Board to file proposed rules.

MOTION: Member Hauge moved to approve the filing of proposed rules (CR 103) for WAC 314-03 Allowed Activities

SECOND: Member Rushford seconded.

ACTION: Motion passed unanimously.

### **ACTION ITEM 3B - Board Re-Adoption of Emergency Rules for Pesticide Action Levels**

Joanna Eide, Rules and Policy Coordinator, began by explaining that the two emergency rules being presented have been reviewed and adopted by the Board in the past. They were being presented again to bridge a gap in time until the permanent rules take effect on August 31, 2017

Joanna Eide, Rules and Policy Coordinator, began the briefing with materials (HANDOUTS 3B 1-3). Joanna asked if there were any questions. There were none.

Ms. Eide then requested approval from the Board to file proposed rules.

MOTION: Member Hauge moved to approve the filing of Emergency Rules for Pesticide Action Levels

SECOND: Member Rushford seconded.

ACTION: Motion passed unanimously.

### **ACTION ITEM 3C - Board Re-Adoption of Emergency Rules for Proficiency Testing and Lab Certification Suspension and/or Revocation**

Joanna Eide, Rules and Policy Coordinator, began the briefing with materials (HANDOUTS 3C 1-3). Joanna asked if there were any questions. There were none.

Ms. Eide then requested approval from the Board to file proposed rules.

MOTION: Member Hauge moved to approve the filing of Emergency Rules for Proficiency Testing and Lab Certification Suspension and/or Revocation

SECOND: Member Rushford seconded.

ACTION: Motion passed unanimously.

## **4. PUBLIC HEARING (A)**

### **PUBLIC HEARING 4A – Marijuana Producer Licenses and Tiers**

Joanna Eide, Rules and Policy Coordinator, began the briefing with materials (HANDOUTS 4A 1-4). The first hearing was July 12, 2017, and the Board extended the hearing and public comment until today. Some comments received asked for an amended proposal, some were in favor of the canopy increase, and a few were in opposition of the fencing language and violation point system.

Chair Rushford opened the public hearing and invited the first citizen to the podium to provide testimony. No one came forward for comment.

Chair Rushford closed the public hearing.

Chair Rushford announced that the Board has decided to withdraw the rulemaking at this time, noting the Board's desire for more facts.

**MOTION:** Member Hauge moved to formally withdraw the proposed rulemaking CR-102 for producer licenses and tiers

**SECOND:** Member Rushford seconded.

**ACTION:** Motion passed unanimously.

Member Hauge stated that the LCB had work to do in determining the size of the canopy in Washington. We have an obligation in the current system, under the Federal government prohibiting cannabis, and the restrictors in the Cole Memorandum obligating us to keep the product in the boundaries of the State of Washington. We have decided to make this a priority commitment and before we agree to nuances, we need to address this concern.

Member Hauge noted that the LCB has been operating under an interim policy that limits the number of producer/processor licenses to one where the rule says three. We want to make things as straightforward and simple as possible, and address a consistent theme coming from comment period where people have been making plans and investments to acquire more licenses. We are going to rescind Board interim policy VIP-02-2014. You may note some of the preliminary documents circulating had the wrong policy number. The correct number is VIP-02-2014, as reflected on the documents we are going to execute today.

**MOTION:** Member Hauge moved to rescind Board interim policy VIP-02-2014

**SECOND:** Member Rushford seconded.

**ACTION:** Motion passed unanimously.

Chair Rushford asked Joanna Eide to clarify the withdrawal

Joanna said the interim policy was adopted in 2014. Rescinding the policy allows a person or entity the availability to own or have interest in up to three licenses. It is important to note that this does not open a window for new licenses, it is only through assumption that one could gain acquire another license.

Becky Smith, Director of Licensing, clarified that there are 154 licenses remaining to be issued right now, so the process of increasing licenses will not begin for a few months.

## 5. GENERAL PUBLIC COMMENT

Chair Rushford then invited citizens to address the Board regarding any issues related to LCB business.

Dan Perkie – General Manager Artizen Cannabis

Mr. Perkie thanked the Board for allowing public comment.

There are a variety of issues prohibiting growth, and I want to make you aware of those. Please understand that these are industry wide, not specific to Artizen. Most have to do with cash flow effects. With any startup business, cash flow is key to survival. I don't feel regulation is solely responsible for the increase in failures, but it definitely contributes.

The key to regulation is to balance control while maintaining competitive freedoms. These are not mutually exclusive. Currently, the balance is weighted to control at the expense of normal competitive practices. Ultimately, this hinders the state from seeing more tax revenue.

The competitive market demand is for Artizen to get its product to retail stores as fast as possible. The sooner they get it, the sooner they can sell it and improve cash flow for both. However, WAC 314-55-083 (3b) has a requirement that the delivery must sit in quarantine for 24 hours before it can be delivered. This does not affect the LCB's ability to monitor deliveries, but it does slow down the cash flow for every cannabis business.

WAC 314-55-115 requires that all transfers of cannabis be accompanied by a financial transaction before or after a delivery, which negatively affects cash flow. The example here would be that if I took my car to a mechanic, he would be required to purchase the car from me before he could repair it, and then sell it back to me at a fair market value, plus the cost of the actual repair. The LCB could easily require contracts be filed for monitoring versus requiring business spend their hard earned cash to accomplish the same result.

WAC 314-55-096 (1, 3) there is a lack of clarity regarding how many samples can be given to retail stores has led to Artizen being denied providing such samples, which otherwise is a competitive necessity to make sales. At least 16 stores have stopped taking samples, allegedly because of fines issued or different interpretation of the WAC, impacting cash flow for them and Artizen.

What we are asking for is a speedier means for the LCB to provide definitive interpretations of vague WAC sections that are being interpreted in different ways. We want to follow the rules and take pride in our diligence in following them. The current process isn't responsive enough to the competitive environment, and hinders the creation of a robust industry with healthy businesses. We'd like to work with the LCB to find a better balance.

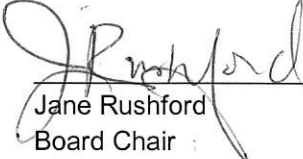
Mr. Perkie asked if there were any questions. Member Hauge asked for the citation of the purchase and transaction issue. Mr. Perkie confirmed that it was WAC 314-55-096. Chair Rushford thanked him for his testimony and suggested he provide written documentation to the Board for review.

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

**ADJOURN**


Chair Rushford adjourned the meeting at 10:18 a.m.

Minutes approved this 22 day of AUGUST, 2017

  
Jane Rushford  
Board Chair

*Not Present*

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Ollie Garrett  
Board Member

  
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Board Member  
Russ Hauge

Minutes prepared by: Dustin Dickson, Executive Assistant to the Board

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

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