

Wholesale Technical Subcommittee

June 29, 2015 Meeting Summary and Recommendations

Committee Attendees: Noah Stokes, Jamin Giersbach, Matt Gompers, Tyler Anthony, William Bates, Stan Teets, Diana Beard, Beau Whitney, Helen Ying

Absences: N/A

Other Attendees: Chris Lyons (RAC Chairperson)

OLCC Staff Representatives: Bryant Haley and Amanda Borup

The wholesale technical subcommittee met on June 29, 2015 to discuss types of wholesale businesses, transportation and storage issues. 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.

1. Types of wholesale businesses

The wholesale subcommittee began the conversation by discussing the types of businesses that might occur under the wholesale license. The group progressively worked its way through the wholesale business concept and found general agreement on the concepts of several functions of a wholesale license. Those included: Broker, Distributer, CO-OP, Auction and Drop-Ship.

a. Broker

- i. This wholesale licensee would work directly with growers and then supply retailers or processors. The broker would specialize in mediating the sale and quality of cannabis. This could mean warehousing the product or just coordinating sales between growers and processor/retailers.

b. Distributer

- i. This wholesale license type would be more like a traditional warehouse and distribution type wholesale license. This could include packaging a private label of a distributer. The group then discussed how there should be a separate area (clean room) for re-packaging cannabis. Further, this led to a discussion on the appropriate time to test cannabis products for mold, pesticides or other contaminants. The group agreed that testing should be done before any product reaches the consumer; however, in the interest of business efficiency the group agreed that a test should only be required when cannabis is transformed in “form or function”.

c. Auctions

- i. The group discussed the idea of an Auction temporary license vs. auctions being a privilege of the auction license. After a bit of a go around on the topic, the group found consensus that an auction ought to be a privilege of the wholesale license. The concept being a wholesale licensee would assist another licensee (grower, processor) in liquidating their inventory. The group discussed how a licensee may need to fill out some auction event paper

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work (minor control plan, private v. public areas, guest list, etc) and ensure appropriate transfers of product occur in the seed to sale tracking system.

d. CO-OP

- i. The group discussed the relationship the members would have with growers. The group discussed that this form of license should develop a standard operating procedure listing out the relationship of members to growers.

e. Drop-ship

- i. The committee discussed that the industry may be too young to start a drop-ship style of wholesale. Concerns were voiced around the transactions process of traditional drop ship and thought that the market should develop before allowing this style of wholesale license.

During this discussion of license types, several key issues arose about how a wholesale license may operate. Specifically, those topics were:

- Demonstrations
 - The committee discussed the need for wholesalers to give samples of products to both licensees and consumers in order to brand products. A discussion ensued around having demonstrations be only for retailers or allowing wholesalers to do in store (aka retail) samples to customers to promote their product. The committee kicked around the idea of a limit and recording of such demonstrations to perhaps a gram per sample for consumers to receive in retail shops. Further, the committee agreed that limits were not necessary to retailers/processors of samples but that recording/tracking such samples would be prudent. This could possibly be recorded in seed to sale as a normal business function.
- Testing
 - The committee discussed the need to test and when to test. Some thought one test only while others voiced concerns about repackaging and possible contamination. The group came to the conclusion that a cannabis products should be tested initially and when they change “form or function”.
- Separate Area for repackaging
 - The committee then discussed possible ways to limit the need for extra tests when re-packaging. The committee agreed that a separate “clean area” for repackaging could suffice, as long as the cannabis was tested previously.

2. Transportation

The committee then moved onto discussing transportation by discussing manifests. The group said a typical manifest includes: Inventory name (type), count, date, time, selling licensee & purchasing licensee information (address and transfer of custody signatures<possibly an output from seed to sale?>), value of product and weight. There was agreement that submitting shipping routes might pose an unneeded burden and security risk on the entire process, as is required in Washington.

This turned into a discussion about possible volume limits: weight or dollar value? Some on the committee thought that this should be a business decision while others wondered what an upper limit should be for security reason (100,000, 250,000, etc.). After a bit of debate the group agreed that weight limits would not necessarily reflect product value and that overall product value could be considered.

While consensus was not reached on this issue of monetary limits, it was proposed that perhaps a 3rd party transportation company could be required to ship transactions above 250,000 dollars. This then led to

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a discussion around requiring any transportation companies to obtain a wholesale license. The committee thought this would be a good way to bring transportation companies into the regulated process. Another thought was to have wholesale licensees designate 3rd party transportation companies an agent of the wholesale licensee, as chain of custody is directly related to the sale of cannabis.

3. Storage and Facility processes

The committee discussed several key elements related to storage and overall warehouse process issues. Particularly, the committee discussed the need for a warehouse management system to be in place. It was discussed that this could be a vast array of processes and computerized functions but would need to be quantified into a Standard Operating Procedure that would be submitted with the license application.

This led to a discussion of facility processes. The committee members thought that the SOP should also include: handling requirements (i.e. Food products), length of validity of product tests, odor control processes, floor plan (employee only v. public areas). The members discussed a quarantine area for untested product, recalls, returns and a distinguished area for repacking products.

This discussion then turned to rationalizing out the age of employees. Two distinct stances were made by members: 18 years of age v. 21 years of age. Those supporting 18, discussed how many marijuana jobs are entry level jobs, especially in a warehouse setting. Some saw the twenty-one requirement as a barrier into an industry and made the argument that there is no such requirement on the alcohol side of the rules for off premises sales of alcohol. The other side thought that 18 year olds should not have access or be around marijuana until they are of age (21+) to possess and consume. The facilitators assured the committee members that their opinions would be passed along to the other committees.