Washington State
Liquor and Cannabis Board

Washington State Liquor and Cannabis Board Meeting

Wednesday, May 22, 2024, 10:00 am
This meeting was held in a hybrid environment

Meeting Minutes

1. CALL TO ORDER

Acting Chair Vollendroff called the regular meeting of the Washington State Liquor and Cannabis Board to order at 10:00 am on Wednesday, May 22, 2024. Member Ollie Garrett was also present.

Vollendroff invited Cassidy West, Policy and Rules Manager to make an announcement.

Cassidy West: Hi. Good morning, Acting Chair Vollendroff, and Board Member Garrett. I just wanted to provide an update that the social equity draft rules that we will be discussing tonight at our engagement are posted on the website. And so that engagement is tonight from 5:30 to 7:30 at Highline Community College in Seattle. We also have a virtual option. So folks can find the details on our website with the draft rules, and the agenda is posted as well. And that's it.

2. CANNABIS RELATED RULEMAKING

ACTION ITEM 2A – Rules Petition Review and Consideration Requesting to Ban the Use of Disposable Single-use Cannabis Vapor Devices Containing Lithium-Ion Batteries
Denise Laflamme, Policy and Rules Coordinator

Denise Laflamme: Good morning, Board Members Garrett, and Vollendroff. This morning I'm going to make a recommendation to deny a petition for rulemaking that was received on March 24, 2024 from a concerned producer and processor, who wishes to stay anonymous (HANDOUT 2A). The petition requests the Board to initiate rulemaking to consider adopting rules to ban single use cannabis vape devices containing lithium-ion batteries that are designed to be disposed of after use. The petitioner lists concerns about the release of harmful chemicals and heavy metals into the soil and groundwater due to the large amount of these vape devices that are being discarded given the lack of legal disposal methods currently. The petitioner requests to remain anonymous as they say out of safety for the petitioner, fear of backlash and being blacklisted by retailers and retaliation.

Lithium-ion batteries are used in many products, including electric vehicles and computers. And E-cigarettes. Lithium-ion batteries can catch fire if damaged or defective, so care is recommended when handling and disposing of them. Disposable vape devices are not generally designed for the easy removal of just the battery component for recycling. Household hazardous waste facilities in Washington do not currently accept cannabis vape devices. And per a question during yesterday's Caucus, many of the components of these devices are indeed imported, including from China. RCW 69.50.342 grants the Board broad statutory authority to establish rules related to product quality standards, packaging, and labeling requirements to promote public health and safety. This includes, but is not limited to, the authority to adopt rules related to methods of producing, processing, and packaging cannabis, usable cannabis, cannabis concentrates, and cannabis-infused products.

In 2020, the Board was provided expanded authority under RCW 69.50.342 from the passage of House Bill 2826 in response to the State Board of Health Emergency Actions to prohibit products containing Vitamin E Acetate that was found and used in nicotine and cannabis concentrates. This provides the Board authority to prohibit any type of device used in conjunction with cannabis vapor product, and it also includes the use of additives, solvents, ingredients, or compounds in the production and processing of cannabis products. When the Board determines, following consultation with the Department of Health or any other authority, the Board deems appropriate that the device, additive, solvent, ingredient, or compound may pose a risk to public health or youth access. LCB's authority differs for vape devices containing nicotine, which are more prevalent than the cannabis vape devices.

Under RCW 70.345.160, the LCB has authority to suspend the license of a retailer or delivery sale licensee if an analyzed nicotine vapor product contains an ingredient, substance, or solution present in quantities injurious to human health or posing a significant risk to public health as determined by the Secretary of Health or local health jurisdiction. However, the Board doesn't have authority to impose a total ban on the sale or use of nicotine vapor products. We consulted with the Department of Health and Ecology to get their input about the use and disposal of these products, and the information they provided is included as appendices in the petition response. Department of Health comments include the following: The disposable products are commonly used by youth due to their inconspicuous design; there is a history of youth transitioning to other products that are available when a product is removed from the market, and they gave the example of when fruit-flavored JUUL pods were removed and the shift to other JUUL flavors available and other disposable products with fruit flavors.

The complicated nature of the regulation of different vape products makes it difficult to help people dispose of these in a safe way, and they are current -- Department of Health is currently working with partners, including the Department of Ecology, to address proper vapor disposal options. Department of Ecology provided helpful background on disposal regulations, including that they do not have authority to limit or ban the use of lithium-ion batteries in products, that single-use vapes, both nicotine and THC products, are an ongoing regulatory challenge for them. Depending on the condition of the vape and other factors, the vape device could be classified as dangerous waste requiring disposal compliance with the dangerous waste regulations. Ecology discourages and communicates that the disposal of these batteries in household waste and garbage due to the fire risk from the battery. They discourage consumers from disposing of them in waste, in household and curbside trash and recycling. And the dangerous waste permitted treatment, storage, and disposal facilities in Washington currently do not accept these wastes.

While there are a variety of environmental health issues associated with the use of disposable vapor devices containing lithium-ion batteries, at this time, we do not -- they do not necessitate immediate actions to protect public health. Based on the information provided here, the Director's Office recommends that the Board deny the petition for rulemaking to ban disposable cannabis vape devices containing lithium-ion batteries. Thank you. And I'm happy to answer any questions you might have.

Member Garrett made a motion to deny the petition request to ban the use of disposable single-use cannabis vapor devices containing lithium-ion batteries. Member Vollendroff seconded. The motion was approved.

ACTION ITEM 2B – Rules Petition Review and Consideration Requesting to Amend WAC 314-55-035 to State that Employees Participating in Employee Stock Ownership Plans (ESOP) are not True Parties of Interest
Daniel Jacobs, Policy and Rules Coordinator

Daniel Jacobs: Thank you, and good morning, Acting Chair Vollendroff, and Member Garrett. This morning, I'm going to make a recommendation to accept a petition of rulemaking received March 26, 2024 from the Washington CannaBusiness Association regarding the use of employee stock ownership plans or ESOPs, based on my explanation to follow (HANDOUT 2B). To clarify, accepting a petition for rulemaking does not necessarily mean that we are going to make the requested rule change or any rule change at all, but we are required by statute to respond to this petition submitted in accordance with the Administrative Procedure Act. Before proceeding further, I'd also like to give the disclaimer similar to what I said yesterday due to the complicated tax implications of ESOPs. While, I, myself, am a licensed attorney, nothing that I'm about to say should be construed or interpreted as legal advice for particular individuals in a particular situation. Anyone who has any questions about their business structure and the tax implications thereof should contact an attorney.

Additionally, I also want to make a quick clarifying comment about some of the wording that I'm using. So while ESOPs -- the S in ESOP is for stock. I use both the term stock and share interchangeably. However, really what we're talking about here are shares as opposed to stocks. The distinction being that stocks you can, you know, increase your share of or sell or trade -- on an app or via a stockbroker, whereas that's not really what we're talking about here. These are shares. While similar to stocks, they don't have the same sort of flexibility. The petition requests amendment of WAC 314-55-035, which is the Board's true party of interest or TPI rule for cannabis licensees. This rule identifies various businesses, business and entity structures, such as limited liability corporations, partnerships, sole proprietorships, and others and identifies who or what entities or persons need to be vetted for satisfying Washington residency requirements?

While there is a comparable similar rule for alcohol licensees found at WAC 314-07-035, the rules differ in detail. During the 2023 Legislative Session, the legislature passed the Substitute Senate Bill 5096, known as the Expanding Employee Ownership Act, and this defines an ESOP by referencing federal statutes and regulations on the topic. The legislation included statements indicating that from a general policy perspective, the legislature intends to support employee ownership structures for businesses in Washington. In its most basic form, an ESOP is a stock or share bonus contribution plan that serves as a de facto retirement plan for employees, while also providing tax benefits for businesses. And these tax benefits can be especially helpful for cannabis businesses in particular. How it works is that a business will create a trust and uses money typically from a loan to buy shares of itself, and place those shares in the trust. As the loan used to fund the trust is paid down annually and more shares are added to the trust.

Additionally, employees get fractional shares or fractional interest in the trust. And that -- the employee interest in the trust tends to grow the longer that they're with the company, so their sort of piece of the pie expands the longer they're with the company, and then also their pie -- continuing with the pie metaphor -- gets more shares added on top of it. The idea being that the more seniority, like I said, that you acquire, the bigger your share gets, and the more shares you have. Then when an employee leaves, either through retirement or voluntary departure, whatever it is, they cash in their part of the trust. And so they sell their shares back to the company at what's then the market value for the shares. Ideally a company's, you know, share value expands over time as the company becomes more profitable. And in this way, the employee gets a greater return when they leave the company, and then the company in turn takes those shares and puts them back into the trust.

With lots of business sectors, advocates for ESOPs say that it serves to motivate and encourage employee retention, and it creates goodwill for employees because they know that their employer isn't, for example, owned by some multinational conglomerate. Again, not to disparage multinational conglomerates, but sort of, you know, it creates goodwill with the sense that this is something that's owned by employees, like a co-op. This structure has become increasingly popular for cannabis businesses in particular, however, in part due to the tax benefits. And again, I'm going to go into a little bit of tax law here, but I want to explain -- disclaim again that this isn't legal advice. This is just explanation for purposes of research. Anyone who has specific questions should contact an attorney.

So federal tax law prohibits cannabis businesses from making any deductions from federal taxes under what's known as Section 280E. This comes from -- the origin of this comes from the days of, you know, drug cartels and saying you can't take tax deductions, and it words it in terms of the Controlled Substance Act. As we all know, because cannabis is currently schedule I substance, the 280E says that any business that is involved in trafficking or doing anything involving Schedule 1 substance can't deduct anything from their taxes. While there's no state income tax in Washington, there's still federal income tax. And unlike the vast majority of Washington businesses, Washington campus licensees cannot deduct any business costs from their federal income tax return. But -- and so here's where the ESOP structure comes into play. A company that's converted its structure to being entirely owned in an ESOP trust, meaning that all of the shares in the company are in the ESOP Trust, and it's formulated as an S corporation for pass-through tax purposes, it's exempt from federal income tax on a business level.

And so what this does and so you know as most folks that file taxes know how tax deductions work is that you start off owing an amount of tax, and then through tax -- through deductions you whittle the amount you owe down until ideally the government ends up owing you, and then that's how you get a tax return. But because -- so when a cannabis business is an ESOP, it doesn't owe any taxes to begin with. It doesn't owe any federal income tax, I should clarify. There are other taxes, but for federal income tax, it doesn't owe anything. So the fact that it can't deduct any business expenses from it doesn't really matter because there's no underlying federal income tax liability that anything can get deducted from. So again to clarify, it's not that an ESOP gets to deduct business expenses that other cannabis businesses don't. It's that there's no need for it to deduct any expenses.

In December 2023, a large cannabis business on the east coast, Theory Wellness, got a lot of press attention because it had converted to an ESOP structure, and so that's -- there's, you know, if you Google Cannabis and ESOP, you'll get a lot of sorts of news stories about that. Again, like I said, not meant as legal advice. If you have any questions, contact a lawyer. I'll also state that while several licensees have approached LCB staff at multiple levels over the past several years, a formal proposed ESOP structure has not been submitted to the LCB for approval through Licensing. The conversations with LCB staff at levels have sort of raised concerns about approval of such a structure, but it hasn't actually been formally submitted and sort of requested to go through the licensing process. This is sort of where the concerns come in regarding the true party of interest vetting. In order to qualify as an ESOP on a federal tax level -- and this is through the trust documents -- the employees have to have a certain degree of control over the trust, and by virtue, if the trust -- if the company's shares are all in the trust, they have control over the business.

Now it's kind of a -- I don’t want to say a legal fiction, but it sort of is considered by some to be legal fiction. This is similar to how a lot of sort of employee trust programs are done, but there's a similar setup for federal risk health plans for large employers just getting into health insurance for a second here, but the degree to which the employees have control over the trust has raised concerns for the true party of interest process that the employees by participating in the ESOP may trigger true party of interest vetting, which would mean, for example, that every employee of a cannabis licensee would have to satisfy Washington residency requirements. This would, in addition to sort of making the TPI vetting process much more cumbersome, it would raise concerns for cannabis licensees that might be near the border with some of our other states, you know, in the counties that border some of our neighbor states. They might not be able to have employees that are on the other side of that border. So this is where the petition comes in because the petitioners requesting to amend the TPI rule to state that an ESOP -- that an employee doesn't need to be vetted for a true party of interest, go through the true party of interest vetting process solely by virtue of participating in an ESOP.

There was some other suggested rule language about who in the ESOP does need to be vetted, but the underlying sort of idea because based on the initial examination, it looked like every employee would need to be vetted for the TPI process. And so the rule petition is requesting to sort of specify who does and who doesn't. Now, getting into concerns raised, both Enforcement and Education and Licensing divisions have expressed concerns about any eventual rule changes for a lot of the TPI reasons I've already discussed. However, as mentioned yesterday, the Director's Office thinks that the best way to flush out these concerns and have a discussion about them in an -- excuse me in an open and thorough process is to approve the petition and have formal rulemaking engaged, which, like I mentioned at the beginning doesn't mean that we necessarily are going to end up changing the rule, but I think examining whether we can plausibly change the rules in a way that can accommodate flexible entity structures without compromising existing residency requirements, or allowing sort of an end run around those requirements is something that I think is worthy of -- the Director's Office thinks is worthy of a further discussion.

The Licensing division has expressed concern about ensuring that an ESOP does not control, for example, more than five licensees, which is prohibited by statute. And additionally, they've expressed concerns about how the TPI analysis will be done, and like I had sort of gone into the resources that it would require to do TPI vetting if every employee needs to be vetted. Additionally, there's concerns about how to request or how to analyze complex trust structure because as I've just mentioned, it is rather complex, and there are multiple levels and layers and steps.

Additionally, LCB staff are great at many things, but complex financial entity analysis isn't necessarily our forte. We do it for financial audits, and the Finance division does it for tax purposes. But in terms of understanding sort of -- what controlling entities, that isn't something that our staff is the most familiar with. Enforcement has raised similar concerns as well as stating that the trust structure could be used to conceal owners that otherwise wouldn't meet vetting and TPI requirements. From Enforcement's perspective, any changes to the TPI rule in cannabis should be done to make it more similar to the alcohol rule. There will -- assuming this petition gets accepted, there will need to be a lot of coordination with the Department of Revenue because they are the ones who, per the bill that I earlier mentioned, have the statutory definition of an ESOP.

There are other state agencies as well that are involved -- or could be involved, such as Department of Financial Institutions and Department of Commerce. We've already reached out and had discussions with the Department of Revenue about rulemaking that they're considering engaging in on ESOPs more broadly, and it's possible that we would need to wait to file a 101 on this until they're done with their rulemaking, just to make sure that we don't end up running afoul of something that they end up saying because their definition of an ESOP also involves state taxes. There have also been some updates since yesterday's presentation at Caucus. I've received stakeholder feedback both in support and in opposition of accepting the petition. My understanding is that some of the stakeholders who have contacted intend to speak during public comment. So while the petitioner and a retailer with multiple locations both expressed their support for accepting the petition, other stakeholders expressed concerns about the potential impact it could have on social equity.

Those social equity concerns were framed in a similar way to Licensing and Enforcement and Education's concerns about allowing nonresidents or other entities or individuals to have controlling interest in cannabis licensees, and from those perspectives, this sort of runs against the grain of a lot of our social equity goals. Also, just again one last time I'll say it, I said at the beginning and in the middle, nothing that I've said here is meant as legal advice. Anyone who has questions about their particular tax or employee structure situation should contact an attorney, and I don't mean me. Based on what I've said, the director's office is recommending approval of the petition to consider amending WAC 314-55-035 to address ESOPs and the true party of interest requirements. I know that was a lot, and so I'm going to pause and I could answer any questions.

Member Garrett made a motion to accept the petition to review the potential employee stock option program. Member Vollendroff seconded. The motion was approved.

ACTION ITEM 2C – Board Approval of CR 101 for Senate Bill 5376 Regarding Sale of Cannabis Waste
Jeff Kildahl, Policy and Rules Coordinator

Jeff Kildahl: Thank you. Good morning, Acting Chair Vollendroff and Board Member Garrett. Today, I am requesting your approval to file a CR 101 notice of proposed rulemaking to begin implementation of SB 5376, regarding the Sales of Cannabis Waste (HANDOUT 2C). This bill permits licensed cannabis producers and licensed cannabis processors to sell cannabis waste to people who are not cannabis licensees under certain conditions, and these conditions are if the cannabis waste is not designated as hazardous, and the producer or processor licensee notifies the Board and the Washington State Department of Agriculture before the sale takes place, and if the licensee makes all sales available to the public on an equal and nondiscriminatory basis. This bill also creates a definition of cannabis waste as solid waste generated during cannabis production or processing that has a THC concentration of 0.3% or less. Cannabis waste, as defined here in the bill, does not include hemp or industrial hemp, which is already defined in RCW 15.140.020.

The current regulations regarding cannabis waste are in WAC 314-55-097, and they require cannabis waste that is not classified as dangerous to be made unusable before disposal. To make the cannabis waste unusable, it must be ground up and mixed with other materials to at least 50% non-cannabis content. Compostable waste can be mixed with food waste, yard waste, or vegetable oils, while non-compostable waste can be combined with paper, cardboard, plastic, soil, or other improved materials. If approved today, the CR 101 for cannabis waste will be filed today, March 22, 2024, and a public comment period will be open until July 6, 2024 on the CR 101. We plan to file the CR 102 with proposed language on July 17, 2024 and to hold the public hearing on August 28th. And if all goes according to schedule, final rule language would be adopted in the form of a CR 103 on September 11th which, if approved, would have the final rule taking effect on October 12, 2024. That concludes my presentation on the CR 101, and I would be happy to answer any questions.

Member Garrett made a motion to approve the CR 101 for Senate Bill 5376, regarding the Sale of Cannabis Waste. Member Vollendroff seconded. The motion was approved.

3. GENERAL PUBLIC COMMENT

Acting Chair Vollendroff invited citizens to address the Board regarding any issues related to LCB business. The Board heard from the following people:

Brooke Davies: Okay, great. Good morning, Board Member Vollendroff and Board Member Garrett. My name is Brooke Davies, here today on behalf of the Washington CannaBusiness Association. First, I just wanted to thank the Board for accepting the petition to open rules on ESOP, and I want to thank staff, Daniel, and Justin, and everybody who did all of the work to prepare the presentation. And we look forward to participating in the rulemaking process to see if there's a path and answer all of the questions that came up today. I also wanted to thank the LCB staff for sending out communication on House Bill 1453, which is the Medical Excise Tax Exemption bill that passed this session. As you know, WACA has been advocating for more clear and consistent communication from the agencies, so we really appreciate that. It's really important that this tax exemption is done in a responsible way, and we want to partner with the LCB to make sure that that happens upon implementation. We recognize that there's a lot of moving pieces and a lot of agencies involved, and a lot of things are going to change through the rulemaking process.

But what we're asking is because the LCB has stated that it will go into effect on June 6th, even though there are not rules yet on recordkeeping requirements. But the risk is still on the retailer from an auditing perspective. We really are asking for more clear guidance from the agency from that auditing perspective on what the recordkeeping requirements are for retailers for this interim time, knowing that maybe it will change, but for this period right now where there are not rules. If there could be guidance sent out just in case of an audit, let's say two or three years down the road, and there was a transaction that took place on like, June 7th, June 8th, before those rules were in place, we want to have some sort of guidance just to make sure that we can be as compliant as possible. So thank you so much for your consideration.

Scott Atkison: Yeah. Okay. Well, fantastic. Actually, I wanted to thank Mr. Jacobs, who I think did a fantastic job of presenting what is a very complex situation with ESOPs. I have over the past year been studying ESOPs, and the history of ESOPs go back to 1974 with some federal legislation that was really kind of rooted in a desire by Congress to address income inequality. And so they -- some pretty smart economists came to the conclusion that if companies were employee owned, you know, especially like 100% employee-owned that that can lead to better outcomes and reduce the income inequality gap that we have in America that continues to compound overtime and, to some extent, that has been successful, and it just takes time. It's going to take a long time. But there are some very successful companies out there, some operating in Washington that you may know and have heard about WinCo, Yoke's, Bob's Red Mill, Schweitzer Engineering and -- all companies that have employed ESOPs is part of their business structure and have been successful doing so.

One thing that was not mentioned by Mr. Jacobs that I thought was worthy, or maybe it was, and I just didn't hear it, is ESOPs are also subject to additional regulatory burden by the Department of Labor, and these regulations are very strict and have just a heightened sense of oversight of these companies, and so some of the concerns around, you know, who really owns these businesses? I think as you get into understanding these, there are third party trustees that have to oversee these businesses and report to [indistinct] on these on the performance of these companies and how they conduct themselves has potential to mitigate, I think, some of the concerns that the Board might have. So anyways, I am thankful that there's an opportunity to go into a rulemaking on this because I think this has potential to create widespread ownership in this industry, and I think that can be helpful for all team members who work in this industry. Thank you.

Christopher King: All right. Well, terrific guys. I'm coming at you like Isaac Hayes, like the slaves that we all are when we're black dealing in this little plantation you've got there. Okay? So a couple of things first. Let's first talk about the 3-minute thing that happened last week -- or the last meeting. Okay? When was the last time, if any, that you reduced time for speakers? Can you answer me that?

Acting Chair Vollendroff: We're not answering questions, Christopher. We're hearing from you today. Go ahead.

Christopher King: Okay, Mr. Vollendroff, that's part of the problem right there because many times I found that you do answer questions, all of you, when you feel like it for your pet people and your pet issues or when things are comfortable for you. That is a form of content-based and viewpoint-based discrimination. Okay? And that's a problem. Got it? You pick and choose when you're going to decide to answer people, and you interrupt me. You haven't done it, Mr. Vollendroff, but certainly Chair Postman has repeatedly interrupted me. And last week they did it, I think it was. Was it Peter Manning? No, it was Mike Asai that you did it to. Okay. When you don't like something coming at you, that's when you get the fangs out, and you start cutting off black and brown. Now you also cut out black and brown, and you're trying to do it now, too, with the certificate holders. Because if you look at 5052, all right, the predicate offense is, you know, you're going to -- what you're trying to do, you're going to put more white people with lots of money in front of black and brown, like us. Got it?

Let me give him my [indistinct] smile here. All right? So the problem with that is the predicate offenses that date back to the point when Art West sued you all successfully, got the $140,000 for those clandestine meetings you were having down in the south end to run us out of business. All right? That conduct -- predates the 5052 matter does it not? Right? Temporarily, it predates it? Right? Right. Okay. So now you're going to put more whites in front of that as well. Okay? But that's what you do. All right? You did it when the whole Widmer thing that I've read to you before, where your own lawyers stated that there's no way that this man should have any sort of activity with cannabis, could not be trusted. We had millions of dollars in judgments against him, all right, and his company, and yet he ends up getting all these stores and all these licenses. Okay? So the bottom line is you will do whatever it takes.

Oh! I don't know why it says my mic was disabled, but it's back on now. But you will do whatever it takes to enslave us. And it's an empirical fact. You can't really deny it. It's not up for discussion. It's what you do. It is the sine qua non of the LCB to enslave black and brown. All right? You don't like gays a lot, either. And Mr. Vollendroff, you know, I have told you before that, you know, I am gay adjacent. I am friends with that community, and I respect their struggles. Okay? My partner is a member of that community. All right? But you can't measure across that bar. You cannot compare the quantum of harm that they have received versus the possible harm that we have received, and we had people say that in the last meeting as well. All right? So anyway, we are still stuck on stupid, and we're all enslaved. Okay? Now my mind is not enslaved at all, and no matter what you try to do, it never will be. And I'm just telling you the facts, and that's what it's about. Now you all have a good day. I'm going to get off these chains and go ride a motorcycle.

<u>Paul Brice</u>: Good morning, everyone. My name is Paul Brice, retailer Happy Trees, also SCA. Four minutes is not enough. I want to remind everyone I'm on the Social Equity Cannabis Taskforce. This is the list of all the people: Kelly Chambers, Dharia [indistinct], Rebecca Saldaña, Chris King, Dorian Waller, Cameron Rivera, Craig Bill, Michele Romero, Dave Mendoza, Joe Zamora, Ollie Garrett, Alison Beason. I'm the advisory member for this whole entire group or part of this group. Joyce Bruce, Tamara Barkley. I do have a lot of experience in this and also cannabis from 1997, when I got my first double felony charge. This rubric that's coming up, it's -- again we believe LCB is supposed to be trying to do the right thing and being friends with us now, and still repeatedly, it's like guilty of see something, say something, just don't do it. Hoping to find friends here that will understand the troubles, the things that are coming our way, and yet it still seems like plotting and planning to undermine to pull the rug out. Again, this next rubric we're trying to push and just ramrod through once we know it's flawed and the wrong people can get in, we're disguising it under as a Trojan horse to lead in.

And then people like Mike Asai here, if he's trying to open up without even knowing any harm that this letting title certs out very easily 40 plus people once this thing gets signed, they'll be up and running already finding locations. How does that help social equity people? Where does that give us any chance? I have a long letter that I wrote. I released it to all the social equity taskforce members, all of us SCAs, I know we're all going to be 98% of all in alliance that there's no help coming this way. And you know, you guys are smarter than this. Like you guys know what's happening. You guys know whether or not something is going to help or hurt us, whether or not it's going to benefit us all. And again, like to sit back and just close the eyes. And we know nothing, and we're just pioneers, and we just made the mistake and we let this all happen, and that we cannot reverse everything that we just did is just crap. See you all tonight.

<u>Peter Manning</u>: Well, good morning, Acting Chair Vollendroff, and Board Member Ollie Garrett. My name is Peter Manning, with Black Excellence in Cannabis. I'm the President. You know, I've been with this for a while, thinking about when I first embarked on this. This is before Ollie Garrett became a Board Member. I knew that we were going to have a problem with black and brown inclusion. I just knew it. And I knew it because I grew weed 2011/2012. I had a lot of white, well-to-do dispensary owners that were telling me basically that the way it was going that they were going to dominate the market. I brought that to the attention of even Ollie Garrett before she became a Board Member. And I brought it to the Board. At that time, it was Jane Rushford, Hauge, and someone else -- or it wasn't Hauge. It was someone else, so I've been here a while.

The problem is so prevalent today and is so persistent that I don't think the LCB -- regardless of what they say with a smile, their true intent is to really resolve the issue. It's a slap in the face to me to be presented with a rubric that moves away from the targeted area. And to say it's because on the premise of there's an overwhelming bunch of support for this new deviation, but there was no one to support it there. The call that I attended last week with Justin Nordhorn and I think Cassidy from the LCB, they tried to allude to the fact that this is -- they were making these changes because the community had asked. Every community member that was on that call was in opposition to this. And I don't know what's going on. I don't know if it's like there's just some type of racism here that understands that black and brown independence is the death of white supremacy. You understand? See that really makes sense to me because, see, I'm 59 years old. I know independence. My independence from any stipends or anything that the system gives me, and I do it on my own. I don't need white folks.

And it's like the opportunity that you guys stole from us, and now you have an opportunity to make it right, you're not going in the right direction. You got 75% of the targeted audience in Seattle and King County, but you choose to move away from that. We're not going to even tolerate that. We're going to make this very big, and we're going to do it together. Unify. We're going to use the court system. We're going to use the media. We're going to bring attention to this. And this is going to be further dark on the LCB space. We're going to bring this to the legislative body, to the senators and to the representatives, and to all Seattle municipal leaders in Seattle as well as Bellevue, Tacoma, Snohomish County, we're not going to let this go. Either we get it right, or we get rid of this agency over at Cannabis. Thank you very much.

Mike Asai: Good morning, Acting Chair Vollendroff and Board Member Garrett, and members. My name is Mike Asai, with Emerald City Collective. I am also Vice President of Black Excellence in Cannabis. The petition in regard to the employee stock ownership, we at Black Excellence in Cannabis and the community, we're against this. This is a backdoor for out-of-state ownership. The Board needs to look at what the reasoning is behind it. Why now? It's not genuine whatsoever, and we don't believe it's genuine, especially coming from the petitioner. Yes, we've said the program is a failure, but not all aspects of the program or the Social Equity Program have been a failure. The rubric wasn't perfect, but the rubric was moving in the right direction. The proposed rubric is moving in the wrong direction.

Throughout the rules of the Social Equity Program, we at Black Excellence in Cannabis and community, there's really no pushback in regards to the verbiage because a lot of it is from law. But as stated before or stated this morning, certificate holders, you know, this was kind of a hijacking on social equity for those certificate holders in there. As we've analyzed this over the years now and we're thinking about it, certificate holders should not be part of social equity. If certificate holders are allowed on this next go around, it's going to dilute social equity, and so we are speaking against certificate holders that should not be. And those who are pushing for it were actually getting paid by certificate holders to push for them to be in social equity. We have to keep the focus on cannabis convictions. That's law. That's the legislative intent. Legislators or senators and representatives, they are not happy to hear about the proposed change to include all drugs. It needs to stay with cannabis convictions. Cannabis is legal. Cannabis is possibly getting rescheduled from Schedule I to Schedule III. Not cocaine. Not meth. Not heroin. Not fentanyl. We got to keep it cannabis.

The pioneers who built this industry built it to where that the state said, “You know what, let's legalize it.” There was a structure. And let me say this. Anybody to say that the market was illicit, you're flat out wrong because it was not illicit. If it were illicit, I would have never gotten a letter like many others, and a lot didn't. I wouldn't have gotten the letter I got from the Department of Revenue because if I were selling cocaine, they would have shut me down. If I were selling heroin, they would have shut me down. I was providing medical cannabis, and they recognized that, and they said, "Look, you got to pay sales tax on that." So let's keep that in mind that the pioneers that this agency cut out. And I know I only got a minute left, but in Senate Bill 5052 in 2015, it says in here, the LCB -- and so I'm going to sum it up -- after January 1, 2017, they're to look at the medical market and to expand and to then reissue more licenses. But instead of doing that, what the LCB did in 2017, it's hard to sleep at night to know what I discovered this past December. You cut out the merit-based language so we couldn't come back, the ones that didn't get across the finish line, and then you increased the ownership, who were all white from 3 to 5. But we can't just sit here and just say, oh, there was an oversight. No, this was done intentionally. That was an agency-led Bill 5131 to say marijuana, various changes, and it was done by Senator Ann Rivers, who was also the senator on Senate Bill 5052. Prioritize pioneers, let's keep the points up, let's make this right as we move forward.

4. ADJOURN

Acting Chair Vollendroff adjourned the meeting at 10:53 am.

Minutes approved this 26th day of August 2025

Jim Vollendroff Board Chair	Ollie Garrett Board Member	Peter Holmes Board Member

Minutes Prepared by: Deborah Soper, Administrative Assistant to the Board

LCB Mission - Promote public safety, public health, and trust through fair administration, education, and enforcement of liquor, cannabis, tobacco, and vapor laws.