



Washington State Liquor and Cannabis Board Meeting

Wednesday, October 13, 2021, 10:00am
This Meeting Was Convened Via Web Conference

Meeting Minutes

1. CALL TO ORDER

Chair David Postman called the regular meeting of the Washington State Liquor and Cannabis Board to order at 10:00 am on Wednesday, October 13, 2021. Member Ollie Garrett and Member Russ Hauge were also present.

2. APPROVAL OF MEETING MINUTES

MOTION: Member Garrett moved to approve the September 15 (sic)[29], 2021, Board meeting minutes.

SECOND: Chair Postman seconded.

ACTION: Chair Postman approved the motion.

3. ALCOHOL RELATED RULEMAKING TIMELINES

Presenter – Audrey Vasek, Policy and Rules Coordinator

Audrey Vasek: Good morning, Chair Postman and Board Members Garrett and Hauge. Thanks for the opportunity to provide updates on the rulemaking timelines today. And before I provide today's updates I want to share, as I did yesterday at caucus, that I will be going on parental leave next week. Until I return, my colleague, Robert DeSpain will be handling the alcohol rule-making projects and provide updates at future Board meetings. So, now for today's updates.

For the rule project related to axe throwing at liquor license premises, the CR 101 launching this project was filed with the Code Reviser on September 29, after the last Board meeting. Information about the rule-making project and how to provide comment was sent to GovDelivery subscribers and is available on the LCB Rules webpage. The initial public comment period is open until November 19, and we have received one comment via email so far. The LCB internal rule drafting group will meet throughout October and early November to develop conceptual draft rules and consider any comments we receive. Our first meeting is scheduled for later today, and our goal is to have conceptual draft rules ready for at least one "listen and learn" session in mid-November. We're in the earliest phases of the rule development at this

point, and the timeline is tentative. Depending on the public feedback we receive, we anticipate a CR 102 might be ready in January or February at the earliest.

For the rule project to implement 2021 Legislation, House Bill 1480 related to the COVID-19 alcohol allowances, the CR 102 and proposed rules were filed with the Code Reviser on September 29, and the public hearing is set for the Board meeting on November 10. Formal public comment period is currently open and we have not received any comments, so far. After the public hearing on the 10th, the formal public comment period will close, and the rule drafting team will meet to review and consider any comments received. If no substantive changes need to be made to the proposed rules at that point, I anticipate filing the CR 103 and final rules on December 8. If the CR 103 is filed on that date, the rules would go into effect 31 days later on January 8.

That concludes my rulemaking updates for today, and I'm happy to answer any questions.

Chair Postman: I don't see any. Thank you very much, Ms. Vasek. Good luck.

Ms. Vasek: Thank you.

Chair Postman: We look forward to your return and look forward to working more with Robert, as well. So thank you.

Ms. Vasek: Thank you very much.

Chair Postman: We'll move now to the cannabis side and Jeff Kildahl for rulemaking and timeline updates. Good morning, Jeff.

4. CANNABIS RELATED RULEMAKING AND TIMELINES

TIMELINES

Presenter – Jeff Kildahl, Policy and Rules Coordinator

Jeff Kildahl: Good morning, Chair Postman and Board Members Garrett and Hauge. I have only one rules update for today, and that is regarding the cannabis quality control rule project.

For this project, we have scheduled a “listen and learn” forum for the afternoon of Wednesday, October 20 from 1:00 – 4:00pm. Messaging for this event went out last week on October 6 via GovDelivery. So far, we have received no pre-session feedback on the conceptual draft rules that were offered with the messaging. And with this project, we remain on track to bring a CR 102 package to you on December 8, 2021.

And this concludes my update for today. May I answer any questions?

Chair Postman: Don't see any today. Thanks, Mr. Kildahl.

Mr. Kildahl: Thank you.

Chair Postman: We will now move to our action item of the day, or at least the first. Kathy Hoffman, Policy and Rules Manager, will present the CR 102 on evaluating THC compounds. Good morning.

ACTION ITEM (A)

ACTION ITEM 4A – Board Approval of CR 102 for Evaluating Tetrahydrocannabinol (THC) Compounds

Kathy Hoffman, Policy and Rules Manager, began the briefing with materials (HANDOUT 4A).

Ms. Hoffman: Good morning, Chair Postman and Board Members Garrett and Hauge. This morning I would like to ask for your approval to file a CR 102 concerning the evaluation of THC compounds. This rule package represents the next phase of our agency's iterative process designed to address concerns of products or the presence of products in the I-502 License system, other than marijuana as defined in statute.

To briefly recount that iterative process, we began by issuing a policy statement in late April that served as both the agency's position on this topic, as well as a way to start the conversation around the regulation of THC other than delta-9 derived from marijuana, as well as the conversion of CBD, hemp, or both to delta-8 and delta-9 THC, and any other compound that isn't identified or defined in statute or rule.

We filed the first very narrowly-scoped CR 102 for this project in May and to assure that this work moves forward based on data and science we hosted the first of two "deliberative dialog" sessions around cannabis plant chemistry in June. In July, after we learned that hemp-derived delta-9 had become more prevalent in the market, we withdrew our original CR 101 and refiled with an expanded scope. A second "deliberative dialog" was hosted on July 20 and, at that point and based on what we learned in the "deliberative dialog" sessions and from our constituents, we began to develop a regulatory framework for the Board to evaluate THC compounds. We issued an interpretive statement around the allowable practices of licensed marijuana processors in July, as well, and began to draft a legislative proposal, ended expanding our ability to regulate and test all THC compounds to assure safety. Draft conceptual rules were developed, and we hosted a "listen and learn" session to review and discuss that draft in September.

The CR-102 package before you this morning, and where specifically the proposed rule language is based on the language of RCW 69.50.342(1)(m), providing that the Board may prohibit the use of any type of additive, solvent ingredient, or compound used in the protection of and processing of marijuana products. The proposal provides definitions for each of these terms and a few others and establishes a procedure for evaluation.

If approved for filing today, notice would be published in the Washington State Register on November 3, and a public hearing would be held on December 8. Under that timeline, I would bring the CR 103 package with final rules to you on January 5 and, if approved, rules would become effective 31 days after filing, or on February 5. So I would ask for your approval to file the CR 102 today concerning the evaluation of THC compounds. Any questions?

Chair Postman: Kathy, I just have one, I think, but can you just explain a little bit about the interplay between the rule package and the legislation that is still being developed? We've talked about this since March, of course, but it is this -- they are designed to work together but also to fill the gaps from the authority we have. But can you just explain that to all of us a little bit?

Ms. Hoffman: So, at this point, the LCB's regulatory authority ends with marijuana that's currently defined in statute, which is marijuana with a concentration of 0.3% THC delta-9. It's very specific. And so, this rule package would allow the Board to evaluate compounds other than that they may pose a threat to public health and safety in the way vitamin E acetate did during the EVALI outbreak and after. And so if there's a compound that comes into the Board's site that needs to be -- we don't want that in our system. I don't know how else to say it.

But, this does give the Board a way to evaluate a particular product and determine whether or not we would like to prohibit its use in our system. So at the same time, the legislation that we are working on right now would expand the Board's authority to regulate all THC compounds. And so these rules are a bit of a stop-gap measure while we work on that legislation moving forward. It gives you the authority to protect the integrity of the I-502 system at this point the way it's written in statute while are looking at ways to expand authority over THC, at this point.

Chair Postman: Okay. I appreciate it. And that legislation, just for everybody's awareness, is still being developed. There's a process that we have to go through on that, but we're working hard to try to develop that and be able to submit that in time to the Governor's Office. And, really, until we have that and these rules, we really won't be able to get the full picture of the approach, it seems to me. Is that a fair comment?

Ms. Hoffman: That's fair. Yes.

Chair Postman: Okay, great. Any other questions or comments from the Board on this proposal? If not, is there a motion to approve the CR 102 on evaluation of THC compounds?

MOTION: Member Garrett moved to approve the filing of CR 102 for THC compounds.

SECOND: Member Hauge seconded.

ACTION: Chair Postman approved the motion.

Ms. Hoffman: Thank you.

Chair Postman: And we'll continue with you now. We have a series of action items related to rescinding Board Interim Policies.

5. GENERAL BUSINESS

Presenter – Kathy Hoffman, Policy and Rules Manager

ACTION ITEMS (A-D)

Ms. Hoffman: All right. Thank you, Chair Postman. I would like to ask for the Board's approval to rescind another four Board Interim Policies or BIP.

Consistent with my presentations at previous Board meetings, the Board issues a BIP for many reasons, such as to create a temporary framework to implement legislation while rules are being developed, or to provide temporary interim support to licensees, and in response to a public health issue that may impact

their ability to conduct business. I want to emphasize again that the focus of BIP is on their interim nature, as in the policies are generally not designed to be permanent but to serve a temporary purpose until rules can be developed and adopted or the issue that the BIP addresses is resolved.

So I'll give a brief description of each BIP today and consistent with previous Board meetings, The Board may approve the rescission of all or part of what I describe in one motion. I will start with LCB Policy Number 1-06, concerning alcohol consumption in darkened seating portions of sports entertainment facilities. Rules to effectuate this BIP went into effect in July 2017, and as a result, this BIP is no longer needed.

BIP 01-2011 concerns wine dispensing machines, and rules to effectuate this BIP went into effect in June 2008. As a result, this BIP is no longer needed.

BIP 07-2011 concerning self-service beer taps was incorporated into a rule also in June 2019 making this BIP unnecessary as well.

And finally, BIP 08-2011 concerning the definition of wine of its own production under certain circumstances. This was realized in rule effective January 2019, and as a result, this BIP is also no longer needed.

So, unless there are questions, I would ask for your approval to rescind these four BIP today, as described.

Chair Postman: I don't see any questions. And we will do these as a package. Is there a motion to rescind the above-described interim Board policies?

MOTION: Member Hauge moved to rescind the policies as described.

SECOND: Member Garrett seconded.

ACTION: Chair Postman approved the motion.

Chair Postman: Great. Then those are all approved. Thank you very much. Are there more to come still, or are we caught up?

Ms. Hoffman: I think we're caught up for now.

Chair Postman: Great. Okay. Well, thanks for sticking on this. I appreciate it. And I'm still waiting to see if we have one that is older than the 21-year-old one we repealed earlier. So keep your eyes peeled for that. Thank you, we appreciate that.

6. GENERAL PUBLIC COMMENT

Chair Postman: We now move to the public comment period of the Board meeting where citizens are invited to address the Board on matters of importance to them. A couple of reminders -- one, just, as always, the meetings are recorded and will be posted on the website soon after the meeting. When I call

your name, please state your name and affiliation. You'll be given four minutes to speak. When you have 30 seconds left, Dustin will interject politely that you have 30 seconds. Please be very mindful of that time, and wrap up at the end of that 30 seconds for us. And the first person I have signed up this morning is Shawn DeNae.

Shawn DeNae – Washington Bud Company

Good morning. Thank you, Chair Postman. I am the CEO of Washington Bud Company. We are a Tier II up in North Snohomish County. I am also on the Board of Directors for the newly established Washington Sun and Craft Growers Association, and I've also been a long-time member of the Cannabis Alliance. Today, I am speaking on behalf of my business.

I've been really, really stressed out about this proposed legislation from the LCB. I've lost about five pounds since you guys dropped that second version. It seems to me to allow processors to import all minor cannabinoids now, not just CBD, and to create synthesized products for the market. It also seems to give privileges to growers to not grow this new term plant cannabis but only stay with marijuana. And so I'm trying to wrap my head around why our regulatory agency would invite all minor cannabinoids into the system from unregulated plants. And I've just come to the conclusion that it may be a lack of understanding of the plant. And so, if you would just give me a little leeway on seeing if I can educate a little bit better.

Cannabis sativa L is the botanical name, and that includes male and female plants, and it doesn't matter if it's hemp or ruderalis or marijuana. They can all interbreed, but it includes male and female plants.

Growers of cannabinoids for consumption only grow female plants. In sinsemilla, no seeds. The reason for that is because the plant grows trichomes. I'm going to hold up this picture here. Can you see this picture? No, not really, can you? Oh, shoot.

Chair Postman: No, it doesn't really come through --

Ms. DeNae: Well, anyway. Yeah. Anyway, trichomes are these very, very sticky secretions that the female flower puts out in hopes to capture male pollen. Once the pollen is captured, the plant discontinues producing trichomes and goes into seed production. In 502 and in medical, we all grow female plants because we don't want seed production. That completely devalues your crop.

Hemp for industry, on the other hand, grows both male and female plants because they want the seeds. Right? They want stalks that grow 10-15 feet tall for fiber. It grows like rows of corn or rows of bamboo as to where plants that are grown for cannabinoid consumption are grown in individual pots, and you give space around them. But all --

Dustin Dickson: Shawn, you have 30 seconds.

Ms. DeNae: Only 30 seconds left? I've already done four minutes? Oh my goodness. Okay. So here's the bottom line. You may have heard that this proposal to allow all cannabinoids won't hurt us flower producers. In 2017, 46% of my sales were trim. In 2018, it went down to 31%. After 2334 passed in 2019, it went down to 7%. Last year, it was 7.3%. This year to date it's 6.8%. Our trim has value. Of all the dry weight that we harvest --

Mr. Dickson: Shawn, that is your time.

Ms. DeNae: –percent of it is trim. So, we don't have a shortage of cannabinoids in 502. Those of us that grow within the canopy can provide all cannabinoids that any market needs, and that's what we need a regulatory agency to do for us. I had so much more, so I'm going to write it up and send it to you.

Chair Postman: Okay, please. I was just going to say, if you could, that would be great. And just as Kathy Hoffman and I were talking, the legislation that we're doing is still a work in progress. So no one should assume anything about that, and we're having detailed conversations about this at this point. And we've been trying to build more time into getting feedback, and we'll continue to do that, but it is not a done deal. The rulemaking reached an important juncture today, of course, but the legislation is still under work. So if you have anything else to send, I would just encourage you to send that to us.

Ms. DeNae: Okay. I will.

Chair Postman: Okay. Thank you.

Ms. DeNae: Thank you.

Chair Postman: Thank you. Thank you for your time today. And now the only other person I have signed up today is Sami Saad. You have four minutes to address the Board.

Sami Saad – 12 Green

Thank you allow me to speak. Last meeting, they did not allow me to speak because they don't like what I talk. I'm an ex-shop owner. I know about weed more than her and how weed is grown, and I have been in the business. The social equity, what you guys adopted before, we oppose it because it's not fair. We are not included. And now, the social equity, it's gross. You guys have -- Paula, is not there, she's been fired. She did not resign.

The second thing is, Ms. Ollie Garrett, she willing to help me. But you know I owned the first weed shop in Washington. And when I call her, at first she was very sweet. When I called her on her phone, she very rude. She said, "Do not call this phone no more. If I have any updates I will help you. I lost the trust in the LCB.

The first thing, any feedback, it should have a rule and a way for the legislator to see what the feedback is. Not just the LCB because you guys want to approve what you want to approve. If you guys wanted to check what is going on in the weed industry, it's all whack. I mean, I use this for medical, and I used to have a weed shop, and we've been growing up with weed. I'm from Sudan. I am American like everybody else, but all of us, we have been mistreated. You guys not given us nothing. We are oppose this bill, it should be failed.

The legislators in Olympia, they said, "Let's go. You guys work out with us." And I spoke to Senator Saldaña. Senator Saldaña, I went to her office. She did not even respect me at the time. She wanted to speak with the other people that have the small hat. I don't want to say Jewish. I'm mixed with Jewish. I'm not against Jewish. I am a Muslim. No disrespect for anyone. I'm mixed with Jewish. I love my Jewish community, as well, and no respect. But the first weed shop medical is being given to a Jewish guy. She has not even been there. We've been since 2012-2011.

First of all, being convicted felon, we respect that, but you took from us. Now, you level us, management and a weed shop owner the same level. So any weed shop management now being added as the black folks to be used for other people white folks to be having license later.

I am Sami Saad. I lost my shop. I need my shop back.

First of all, I want to ask one question. Is it Mr. Garcia? My respect to him and respect to all of you guys. And no disrespect for Ms. Ollie Garrett and Mr. Thompson, Chris Thompson. He's supporting him because that's his boss. But no disrespect for all of them. They are not a king. This is not a kingdom.

So, really, you guys mess us up. Every time I cannot speak. I want to attend every meeting. If anybody see me getting to speak, that mean you guys not allow me to speak. When you guys gonna respect us?

I need my shop back. I owned a weed shop since 2012-2013 in Aurora. I'm not close to Aurora. And it's 323 N. 105th Street. I used to eat the pizza in a pizza place they called The Bakery in Aurora, it owned by a Mexican lady. Now, The Bakery is a weed shop, and my shop closed. It's not fair. If this is equity you guys talking about. First of all --

Mr. Dickson: Sami, you have 30 seconds.

Mr. Saad: -- shop owner they need to have 100%. Let me say one thing. The weed shop, you need you guys to go to scale. Those weed, it's underweighting and undergrade and people are getting sick with the flavor. Just the same thing like that flavor -- the one -- it was in Newport making people sick and meant for black people. I don't know. That's what I heard in the South. I grew up in the South. Yes, I am from Sudan, but I grow up in the South.

Guys, please. When you guys respect us? First of all, I'm going to tell you guys --

Mr. Dickson: Sami, that's your time.

Mr. Saad: Honestly, was wanting, I have a lawsuit against the LCB and the [indistinct]. I swear to Allah, and I swear to God. And God is Allah. I guess you won't listen to me.

Mr. Dickson: Sami, that is your time.

Mr. Saad: Black Excellence, they get their shop back. I did not get my shop back. When?

Mr. Saad: You guys afraid because I'm Muslim? I'm not a Jewish?

Mr. Dickson: Sami, I'm going to have to cut off your microphone now. That is your time.

Chair Postman: That's your time for today.

Mr. Saad: I'm not a Christian?

Chair Postman: Mr. Saad, thank you.

Mr. Saad: That's a disres --

Chair Postman: And I will just say again, that is your time for today. You're certainly welcome to come back if you make the simple request that is outlined on our website for speaking, and I would just encourage you, that if you do that again, you try to leave people's religion out of those conversations. And I appreciate that you said you mean no disrespect, but I think you mischaracterized Member Garrett's participation and the importance in the work around social equity. I think we're lucky to have her, and she holds us accountable on that.

So, I had two notices that staff wanted me to share with people just to help get the word out, and I will do that now before we adjourn. One is on CCRS (Cannabis Central Reporting System), on the update on traceability, and we'll have an update this afternoon in our Executive Management Team from Jim Morgan, our CFO on this, too. So if you're interested in that project in more detail, you should tune into that, but let me just mention a few things.

The goal of that is to create a streamlined, simplified reporting system that we can operate in-house at the LCB. There is a project team and Jim Morgan is leading that. They're developing and testing the new system with involvement and as much feedback as they can get from licensees, testing labs, and the third-party integrators. They've had two webinars. They wrapped up pilot testing with volunteer stakeholders, and they had great response to the pilot testing request, and we're all really grateful to the partners who worked with us on that. And it produced some work. It found some important issues that the system was struggling with and the user resources, so it worked. But now the testing is open to all cannabis stakeholders who will need to interact with the new system. And I want to encourage all cannabis licensees, labs, and integrators to take a few actions now, so they'll be better prepared for the system launch, which is set to happen in just under two months.

One important step is to practice using the system before it's actually live. For the remainder of October, licensees can access the testing pages. You can find all the testing details on the CCRS webpage, which is easy to find on the LCB website. Another important thing is to get your current data from the Leaf traceability system soon. You'll need that information and your inventory details for your first required reporting in early December.

And then I want to remind folks that the new reporting system does not take the place of their responsibility to track and document required elements for traceability under state law. The CCRS system includes a subset of inventory and other details. The licensees will still be required to maintain their own record for other traceability factors, and that also you can get more detail on that at the CCRS webpage.

The other thing is an unrelated matter but one that we've communicated with licensees about through the list serve and GovDelivery, but let me just stress it here. This has to do with IT security. So the state IT security team began an automated email notification to everyone who sends or receives email from a state agency that contains what they call "PII", Personally Identifiable Information. An example of this for us would be the UBI number for licensees. We sent licensees a memo on GovDelivery and posted information and instructions on our website. The instructions are easy to follow and do. So please be on the lookout for any email from LCB that may be encrypted. Open it and follow the instructions. There is a lot of information and resources already available on the webpage along with frequently asked questions, contacts for technical assistance, and compliance information.

Stakeholders will hear more from CCRS as the date of launch nears, but please take some time to get ready now, so we're all more prepared for the coming launch. And, the website is pretty robust on all these things, so if you have any questions, take a look there. If you get stymied and don't know where to

go, just email us. You can email me or Dustin, and we'll make sure it gets to the right person if you don't know who to email.

So with that, I will pause. That's the end of the agenda. Anything to add from Board this afternoon or this morning, sorry. No? Okay, great. Well, thank you all. Appreciate staff's help today and the public's participation, and we will see you this afternoon for Executive Management Team.

ADJOURN

Chair Postman adjourned the meeting at 10:30am.

Minutes approved this 27th day of October, 2021



David Postman
Board Chair



Ollie Garrett
Board Member



Russ Hauge
Board Member

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

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

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