



Washington State Liquor and Cannabis Board Meeting

Wednesday, December 8, 2021, 10:00am
This Meeting Was Held 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, December 8, 2021. Member Ollie Garrett was present, Member Russ Hauge was excused.

2. APPROVAL OF MEETING MINUTES

MOTION: Member Garrett moved to approve the November 10, 2021, Board meeting minutes.

SECOND: Chair Postman seconded.

ACTION: Chair Postman approved the motion.

3. STAFF ANNOUNCEMENT

RETIREMENT OF CAPTAIN TIM THOMPSON

Presenter – Chandra Brady, Director of Enforcement and Education

Chandra Brady: Thank you so much. I welcome Captain Thompson here today as the Board had requested that they have an opportunity to honor Captain Thompson's service. And I just wanted to share with you and the group some details about Captain Thompson's career and how thankful we all are to have benefited from his 37 years of service.

He started in 1984 when our training program was one-week long. I am sure there was a lot of formality there, too, Tim. He worked in undercover operations for illegal liquor establishments and was involved in some illegal stills that were happening back in those days. He served in our Agency as a senior officer. He worked for MIW and Licensing. He was a Regional Manager, an Acting Assistant Chief, the Commander of tobacco, and then, of course, a Captain. Overall, he worked as a Captain in three of the four of our enforcement regions. He also served the WPEA as the Chapter President, creating the Public Safety Employee's Retirement System that most of us are part of now.

Some of his favorite things over the years have been working with his fellow officers, and owners and licensees in the industries. The most challenging has been working with the legislature to draft bills, testify, and develop WAC. Most rewarding has been graduating from the Police Staff and Command Leadership Program. And the best for his family has been the flexibility that it allowed him to be present for school and sporting events, and to be really present in the lives of his family.

Advice he would offer to people starting out in this career would be to always be professional. And what he wished he would have known from day one is to be flexible because the industries are always changing and growing. So, I would just like to pass the microphone back to Chair Postman and just say thank you very much, Captain Thompson, for your service.

Chair Postman: Thank you, Director Brady. Thank you, Captain. It is really such an impressive record. And when I heard you were retiring and saw some of the notes, the first thing I want to know is when is your book coming out? Because I will read it.

Mr. Thompson: I love that idea. That would be good.

Chair Postman: You should. When you think about what has happened in the industries that you have helped regulate over that time period, I am sure that in 1984, it was hard to imagine you would be helping to regulate cannabis.

Mr. Thompson: That was never, ever in the thought process.

Chair Postman: Or vaping for that matter. Who knew what that was back in the day?

Mr. Thompson: When I first started, it was basically just liquor. And now we are in tobacco and OTP and vapor and marijuana. All the different things.

Chair Postman: And it was a state-run system when you started and for most of that time.

Mr. Thompson: It was. Yes. Yes.

Chair Postman: Right. So, it was really super impressive. And I know that when Director Brady said you were involved with some illegal stills, she meant involved with busting some illegal stills, not running those.

Ms. Brady: Oh, I can always count on you, Chair Postman.

Chair Postman: Anyhow, I do just really want to thank you on behalf of the Board and the Agency and the Governor, too. It is such an impressive career. And I know that your fellow employees in Education and Enforcement are going to miss you. And so many of them talk about learning from you and watching you do what you do. Enforcement, in general, you guys are the face of this Agency, especially the last couple of years when our doors were closed and we are not able to get out there, you were out there every day. And I had the chance to do a ride-along with some Alcohol Enforcement people. We will do Cannabis soon. And to see that relationship that you develop with the licensees, it is generally a pretty positive thing that you are engaged in there. Right?

Mr. Thompson: Yeah. I have to say probably the best and the funnest part of the job is going out and meeting the bartenders and meeting the owners at the bars at their place of business. Talking about

compliance, talking about the issues that they deal with every day. That, for me, was always the funnest. And when I moved up into the ranks and I didn't get to do as much as that, I kind of missed that, being able to talk to those individuals. So, that has always been the great part of the job.

Chair Postman: Yeah. That is always that trade-off. You move into leadership, and you get behind a desk more than being able to walk in all these different stores all over the state.

Mr. Thompson: That is very true. But, thank you for the comments, Chairman. I really appreciate that.

Chair Postman: Of course.

Mr. Thompson: It has been a long time. I can go on to something else now. Time to move on to another phase of my life. So, there you go.

Chair Postman: Well, great. Good. Well, again, thank you so much. Good luck with that next phase. I hope we all have a chance to run into you one way or the other in the future. Just know how much your work here has been appreciated over the decades. It is really something. You should be really proud.

Mr. Thompson: Thank you, Chairman. And Director, thank you for your comments, too. I appreciate that.

Chair Postman: Great.

Ms. Brady: Absolutely. We appreciate you, Tim.

Chair Postman: Good luck, Captain. Thank you.

Mr. Thompson: All right. Thank you.

Chair Postman: All right. That is amazing. Started in 1984. I was a cook in a restaurant in 1984.

Mr. Thompson: I probably ran into you.

Chair Postman: I was in another state, luckily...

Mr. Thompson: Oh, okay. Never mind then.

Chair Postman: ...or you probably would have.

Mr. Thompson: Alright, thank you.

Chair Postman: See you later. Alright, moving on. We have got a full agenda today, too. Next, we are going to go into some rulemaking timeline updates, both on the Alcohol and Cannabis side with Kathy Hoffman, the Policy and Rules Manager. Ms. Hoffman, go ahead.

4. RULEMAKING TIMELINE UPDATES – ALL INDUSTRIES

Presenter – Kathy Hoffman, Policy and Rules Manager

Ms. Hoffman: Thank you, Chair Postman. Good morning, and good morning Board Member Garrett. I have just a really brief update on rulemaking.

There is quite a bit of activity as you just noted happening this morning. I also want to speak briefly to the work that we are doing in the social equity rule development. We have two project teams that are progressing nicely and putting draft conceptual rules together. We do anticipate having draft conceptual rules ready by early January, so we can host a “listen and learn” session. So, I just wanted to make sure everybody was aware of that and the great progress we are making there, staying in step with what the Social Equity Task Force is suggesting to us.

On the general rulemaking front, we have a project team to put together some e-filing rules that our Adjudications Unit has been requesting for some time. So, we anticipate bringing a CR 101 to the Board in January to commence that rulemaking formally.

And then we are also thinking about planning for rule projects for next year. We do have some pretty significant projects coming to a close today and next month. So, that will put us in a good position to be able to respond to rulemaking that emerges from the upcoming legislative session, and then some other projects that the Agency is interested in commencing around cannabis packaging, labeling, and advertising, as well.

So that is the update for today. Any questions before I move into item five, since Mr. DeSpain is not with us this morning?

Chair Postman: No, I am good. Thank you. Any questions, Member Garrett? I think she froze there so go ahead.

5. ALCOHOL RELATED RULEMAKING

Presenter – Kathy Hoffman, Policy and Rules Manager

ACTION ITEM (A)

ACTION ITEM 5A - Board Adoption of CR 103 for 2021 Legislation Implementation – E2SHB 1480 (COVID-19 Alcohol Allowances)

Ms. Hoffman: Alright, so I will move to item five. I would like to request your approval this morning to file a CR 103 to adopt amendments and new rules sections to implement the directives of the Engrossed Second Substitute House Bill 1480.

So, just a brief technical update before I ask for your approval. We started this project in May of this year by initiating rule inquiry. We held two “listen and learn” sessions, one in August and one in September, and brought the CR 102 to you for approval in late September. And as a result of all the groundwork that we did there, there were only three comments received during the public hearing on November 10. None of these comments resulted in any change from the rule proposal we presented to you and the packages before you today for adoption.

If adopted today, I will file the 103 and the rule text with the Code Reviser's office, and rules would become effective 31 days after filing, or January 8, 2022. Can I answer any questions?

Chair Postman: No. I was just reading the memo there, sorry. No, I am good. I think it has been a pretty thorough process as they always are. And I am always surprised but pleasantly so when you when you have no revisions from the previous to this. And I guess that shows people are engaging early and being heard. I hope that is what we are learning there.

Ms. Hoffman: Yes, I would agree. Thank you.

Chair Postman: Good. All right. With that, any questions, Member Garrett on 1480 implementation?

Member Garrett: No. No questions. Are we doing a motion on this now?

Chair Postman: Yes, please.

MOTION: Member Garrett moved to adopt the CR 103 for 2021 Legislation Implementation – E2SHB 1480 (COVID-19 Alcohol Allowances)

SECOND: Chair Postman seconded.

ACTION: Chair Postman approved the motion.

Ms. Hoffman: Thank you, Chair Postman.

Chair Postman: Now, we'll move on to cannabis-related rulemaking. Yes?

Ms. Hoffman: Yes.

Chair Postman: Jeff Kildahl, go ahead.

6. CANNABIS RELATED RULEMAKING

ACTION ITEM (A)

Presenter – Jeff Kildahl, Policy and Rules Coordinator

ACTION ITEM 5A - Board Approval of CR 102 for Marijuana Quality Control Rules

Jeff Kildahl, Policy and Rules Coordinator, began the briefing with materials (HANDOUT 6A).

Mr. Kildahl: Good morning, Chair Postman and Member Garrett. This morning, I would like to request your approval to file a CR 102 that proposes to amend current rules in WAC sections 314-55-101, 314-55-102, and 314-55-1025 regarding cannabis quality control testing.

These proposed rules would require marijuana producers, processors, and producer/processors to test all marijuana products produced and sold in Washington state for pesticides in addition to the currently required suite of I-502 tests. The proposed rules would allow, also, the Board to conduct randomized or investigation-driven testing for heavy metals in marijuana products. It is anticipated that the effect of these rules will be to promote the overarching goal of the WSLCB to protect public health and safety, and to help ensure that all marijuana products sold within the I-502 market are safe for all consumers.

With the recent increase in hemp-derived delta-8, delta-9, and other unregulated products entering the I-502 market, it is important at this time to require the addition of pesticide testing and allow random or investigation-driven heavy metal testing for adult-use marijuana products to protect public health and safety.

This project has a lengthy history of rural development and extensive stakeholder engagement. The first “listen and learn” session on draft conceptual rules was held in April 2019, and the second was held in August 2019. These two sessions were among the first that LCB offered to increase and enrich stakeholder engagement in the rule development process. In all, well over 350 comments were received, organized, and reviewed as part of the initial development efforts. These became part of the original CR 102 package for this project.

The Board approved the first CR 102 for this project on January 22, 2020, setting a public hearing for March 18, 2020. However, this hearing was continued based on the status of the COVID-19 outbreak, and the Agency transferring operations to an all virtual and remote platform that, at the time, did not offer a way to hold a public hearing. The hearing was continued, but as the pandemic surged, the Board withdrew the CR 102 on the premise that it would refile once an appropriate (virtual) platform was available. On May 27, 2020, the Board approved the re-filing of the original CR 102, setting a hearing date for July 8, 2020. The hearing was held on July 8, 2020 and based on substantive feedback resulting in substantive changes to the proposal, the Board approved a supplemental CR 102 on September 20, 2020, with a hearing date of November 18, 2020. Following this hearing, the Board reviewed all feedback and determined that a new approach was necessary.

To assure that the Agency understood and heard from the complete system, processors, producers, retailers, consumers, and others, and provide an opportunity to for all in the supply chain to have an opportunity to hear the wide range of perspectives around product testing, the WSLCB hosted three “deliberative dialogue” sessions on marijuana product testing in January and February 2021. These sessions were used to inform the development of new draft conceptual rules. The responsive document was added to the LCB website in April 2021 that addresses common themes from these sessions, including requests for third-party sampling.

A “listen and learn” on the new draft conceptual rules was held on October 20, 2021. These sessions were announced via GovDelivery and other media platforms, and open to the public, licensees, and any interested party to encourage community input. We received a number of written and oral comments during and after the “listen and learn” session. Comments continued to be offered through November 2021. These comments did not embody or represent broad licensee or lab agreement on any specific theme or themes.

Chair Postman: Mr. Kildahl? I am sorry. Can you pause one second? I think we just lost Member Garrett, which means we wouldn't have a quorum. Let me see if she is calling back in here.

Dustin Dickson: Give me just one second, Chair. I've got to let her back in.

Chair Postman: Okay. Everybody, we are just going to stand at ease for a moment. Thank you.

The Board was at ease for less than one minute.

Chair Postman: Okay. We are back with a quorum. Sorry, Mr. Kildahl, go ahead.

Mr. Kildahl: Thank you, Chair Postman.

We received a number of written and oral comments during and after the “listen and learn” session. Comments continued to be offered through November 2021. These comments did not embody or represent broad licensee or lab agreements on any specific theme or themes. These comments concerned sample collection, lot size, increased cost to producers and processors, and other topics, along with comments that did not pertain to these sections of rule.

In addition to requiring pesticide testing of all marijuana products and allowing randomized or investigation-driven testing for heavy metals, this proposal includes:

- Revised sample collection and storage procedures,
- Increasing the maximum amount of marijuana flower that may be represented by a single I-502 panel of tests and revising the number of 1 gram flower samples required for testing,
- Elimination of the ability of certified labs to return unused portions of samples to licensees,
- Revised guidance to labs regarding when to reject or fail a sample,
- Updated lab testing requirements and procedures,
- Updated and expanded information regarding testing levels for water activity, potency analysis, foreign matter inspection, microbial screening, mycotoxin screening, and residual solvent screening,
- Updated rule language regarding product retesting, remediation of failed lots, the expiration of certificates of analysis, and referencing of samples, and
- Updated reporting requirements for lab proficiency testing.

If approved today for filing, the public hearing would be held on February 2, 2022, and we would tentatively bring a CR 103 to you for consideration on March 2, 2022, assuming that no substantive changes are made to the proposal. Under that tentative timeline, the rules would become effective 31 days after filing, or approximately April 2, 2022.

I would ask for your approval to file this CR 102 proposal today. Thank you. And can I answer any questions?

Chair Postman: No. I do just want to say, one, thanks for all the work on this. I had the chance to sit down with you last week and really go over it in a level of detail I hadn't had the chance, and it is impressive. It is complicated, and I know how hard it has been to try to get it to the point where it is. So, I really appreciate that.

I think the fact that we are the last state to require pesticide testing is not something to be proud of, but I am really glad we are going to take care of it now. And, as I was going through your memo on this, really, the conversation started even longer ago in early 2018, when medical marijuana patients and consumers and some licensees came to the Agency asking for this. So, this is a long effort. The industry has changed a lot even since then. And so, I think this is a good way to approach it, and I just hope that we see there is going to be a need for labs to do this work. I hope they are watching, see that this is coming, I expect this will be approved now, and we will continue to support the efforts to get this going.

So, we need to make sure people have a place to do the testing when it comes to it. with that, I will pause for Member Garrett. Any questions you have or a motion to approve?

Member Garrett: I have no questions. I echo what David just said.

MOTION: Member Garrett moved to approve the filing of CR 102 for Marijuana Quality Control Rules.

SECOND: Chair Postman seconded.

ACTION: Chair Postman approved the motion.

Mr. Kildahl: Thank you, Chair Postman.

Chair Postman: Thank you, Mr. Kildahl. Good luck with this one.

Mr. Kildahl: Thank you.

Chair Postman: And now, Ms. Hoffman, will step back up. We are going to have a public hearing on another rule.

PUBLIC HEARING (B)

Presenter – Kathy Hoffman, Policy and Rules Manager

PUBLIC HEARING 6B - Evaluating Tetrahydrocannabinol (THC) Compounds

Kathy Hoffman, Policy and Rules Manager, began the briefing with materials (HANDOUT 6B).

Ms. Hoffman: We are, Chair Postman. Good morning, again. And good morning, again, Board Member Garrett. I would like to provide a brief procedural history before I move to the THC Compound Evaluation hearing this morning.

As you know, the Agency's taken an iterative and strategic approach to addressing concern around the conversion of CBD, hemp, or both to delta-8 and delta-9 THC, and other compounds and cannabinoids not currently identified in statute or rule. The proposal set for hearing today is one of the elements of that approach.

But to take a look back, we started this process by issuing a policy statement last April that framed our thinking and analysis around these issues. And we filed our first relatively narrow CR 101 in May of this year to begin an inquiry into that issue. We also hosted the first of two “deliberative dialogue” sessions in June around these concerns. Based on what we learned in that first “deliberative dialogue” session and in response to the rapidly changing landscape around THC compounds, we withdrew that CR 101 and refiled it in early July with a more broadly scoped inquiry. We held a second “deliberative dialogue” session in late July and began to draft conceptual rules around THC compound evaluation at that time. A “listen and learn” session was held on those draft conceptual rules on September 9, and I brought a rule of proposal to you on October 13, setting the hearing for today, December 8.

So, briefly, these rules create a framework for the Board to evaluate additives, solvents, ingredients, or compounds used in the production of marijuana products as they are currently defined in statute. They

have a similar structure in the rule exclusive to marijuana vapor products that was established earlier this year consistent with House Bill 2826. However, this goes beyond those narrow constraints as provided in our rulemaking authority as described in Statute 69.50.342(1)(m), and that description is provided in the scoping section of these proposed rules.

This proposal provides for terms described in that piece of statutory authority like additives, solvent, ingredients, and so forth, and it establishes review procedure. This proposal does not allow the Board to ban a specific substance outright that falls outside of our regulatory authority. But it does allow the Board to prohibit the use of a substance, that it may identify as a risk to public safety or youth access, after consultation with the State Board of Health and others within our current and limited authority. I just want to reiterate that. And as you know, we have request legislation that we are putting forth that would hopefully expand that authority.

I will end with that. Any questions before we move to the hearing?

Chair Postman: No. I just want to reinforce what you just said, though. And you and I have talked about this so many times in these public meetings about the iterative process. But really, what we are talking about here is it is a package deal. We have got rulemaking. We have got a proposal to bring to the legislature. We feel we need both of those done in order to have the regulatory system we need to address this fast-changing and dynamic part of the industry. And the rulemaking is super important, but we can't do it all by rule. We only can do what the legislature has already granted us general authority for. So, we are also working on that agency request legislation, which should be done, if not already, and we will be able to talk about that as well. We have been sharing it with stakeholders, of course, and we need both pieces.

Ms. Hoffman: Correct.

Chair Postman: There are days we wish we had unlimited statutory authority, some days I am glad we don't, but we don't, and so what we have to do is we have to approach it by rulemaking and legislature. Do I have all that right?

Ms. Hoffman: That is correct, Chair Postman.

Chair Postman: All right. Just want to keep making that clear. Thank you for that, Ms. Hoffman.

We will now open the public hearing on evaluating THC compounds. A couple of quick reminders. We are recording like we do for all our meetings. When I call your name, please state your name and your affiliation for the record. And then you get four minutes to testify. When you have 30 seconds left, Dustin is going to interject as politely as possible that you do have 30 seconds remaining, and we ask you to wrap up on time. That said, I just have one name on the list today at this point, and so I will call for Shawn DeNae.

Shawn DeNae – Washington Bud Co.

Good morning, everybody. Thanks so much for having this hearing. I am Shawn DeNae Wagonseller. I am CEO of Washington Bud Company, a Tier II producer processor up in North Snohomish County. And, I am also a Board of Directors member for the newly established Washington Sun and Craft Grower's Association. We are the only trade group association that is led 100% by licensees, and we are really proud of that. Running a volunteer group is challenging, but we are getting her done. And our mission, so

that you know, is that we are here to advance and protect the interests of Sun and Craft Cannabis Growers through the development of rule and law that supports an economically and environmentally sustainable cannabis industry.

And so, in that light, I would like to offer that this set of rulemaking is a fine set of rulemaking. We are really glad that it is moved forward so swiftly and acknowledge that the LCB does need increased authority over these newly developing compounds that are being made.

The only section that we would like to see changed is in 3(a) where it states – let me read it to you. It states under procedure that "the Board may prohibit the use of any additive, solvent, ingredient, or compound in the production of marijuana products that may pose a risk to public health or youth access, including but not limited to". We suggest that you change "the Board MAY prohibit the use" to "the Board MUST prohibit the use." If there is any question that a compound, an additive, a solvent, an ingredient may pose a risk to public health, then we believe that the Board must prohibit its use until there is no ambiguity of its safety. And so, based on that, that concludes my comments. I will save the Board a little bit of time. I think I am wrapping up a little early. So, thank you so much. I appreciate it.

Chair Postman: Thank you. Appreciate the comments. And that is the only person I have signed up to testify on this. Dustin, feel free to interrupt me if I have missed something. We will close the public hearing on that. Thank you for the input.

We will move now to some general business on the agenda and some work on our continuing effort to rescind Interim Board Policies. Ms. Hoffman is back with us again for a third time to present three rescissions. Go ahead, Kathy.

7. GENERAL BUSINESS

Presenter – Kathy Hoffman, Policy and Rules Manager

Ms. Hoffman: Thank you, Chair Postman, and again, good morning. And good morning, Board Member Garrett.

To follow up on what you just said, we began the process of reviewing and reassessing our Board and our policies earlier this year, with the first round of rescissions beginning in July. So since then, we have rescinded 17 Board Interim Policies (BIP) and replaced two of those with policy statements. So, for those listening in today who may not have heard about this before, the agency issues Board Interim Policies for a variety of reasons, like addressing a regulatory gap, or putting a temporary framework in place after legislation has passed, but rules aren't quite in place. Or, if there is a temporary concern that is best addressed by a policy that could be rescinded once the concern is addressed.

Today I have three more Board Interim Policies that I would like to ask for your approval to rescind. And if that is approved, I will convert two of these to policy statements, and these are the details. The first rescission is for BIP 01-2012 regarding contract liquor stores. The portions of this BIP concerning contract liquor store relocation after June 1, 2012, and exceptions to the 10,000 square foot requirement are still necessary, and they are reflected in draft policy statement PS 21-08 that will be issued later today if this BIP is rescinded. This particular policy does not need to be in rule at this time, but we do need to have the policy in place for our Licensing Division to be able to address concerns around this.

Second is rescission of Board Interim Policy 04-2012 regarding relocation of former state liquor stores. The content of this BIP concerning how the Board evaluates requests for titleholders of former state liquor store locations is still necessary and will be reflected in policy statement 21-09 that will be issued later today, assuming this is rescinded. And then this will need to be in rule at some point. So, policy statement will serve in that place.

And then finally, rescission of BIP 05-2016 regarding the use of internet or mobile applications to purchase alcohol. The language of this BIP was incorporated into WAC 314-03-020 in August of 2017. So, as a result, this BIP is no longer necessary.

I would now ask for your approval to rescind BIP 01-2012, BIP 04-2012, and BIP 05-2016, today. Are there any questions?

Chair Postman: One quick one, which I should have asked you when were briefed on this the other day. Tell me really quick why we don't need the mobile applications to purchase alcohol policy.

Ms. Hoffman: Because that was incorporated into rule.

Chair Postman: In a rule that we already have?

Ms. Hoffman: Correct.

Chair Postman: Got it. Okay. Then I don't have any questions. And we can approve these rescissions. So, Member Garrett, if there are no questions or comments, I would look for a motion to approve the rescissions of 01-2012, 04-2012, 05-2016.

MOTION: Member Garrett moved to approve rescissions of Board Interim Policies 01-2012, 04-2012 and 05-2016 as described.

SECOND: Chair Postman seconded.

ACTION: Chair Postman approved the motion.

Chair Postman: Thank you Ms. Hoffman.

8. GENERAL PUBLIC COMMENT

Chair Postman: We now are to the point of general public comment. This is when citizens are able to sign up prior to the Board meeting to address the Board. A couple of quick reminders. As I said, for the public hearing, everything is recorded, of course. I ask you to state your name and affiliation for the record. Be mindful of the time. Everybody gets four minutes and only four minutes. And when you have 30 seconds left, Dustin will let you know and ask you to wrap up. I will call people to turn on their cameras in the order in which the list was provided to me. So, the first will be Sean DeNae.

Shawn DeNae – Washington Bud Co.

All right. Thank you, again, Board. I introduced myself earlier so I will just let that introduction stand.

The Board of the Sun and Craft Growers wish to extend our sincerest thanks to Russ Hauge for his service on this Board. I was hoping Russ would be here today so that I could give him that notice directly but, unfortunately, he is not. Due to Russ's diligence in tracking down the delta-8 issue, the conversions, the synthesis, we wouldn't be as far ahead as we are on that topic that we are today without Russ's help on that and leadership on that. We really appreciate the fact that he has supported small cannabis farmers. It makes me cry to think that he is leaving, but, hopefully, he will be replaced with somebody who has just as much passion and diligence for rule and law. And we can move forward and get them quickly up to speed to all of the topics that we have to deal with here. So, with that, we again thank Mr. Hauge for his service.

Chair Postman: Great. Thank you. On his behalf, we appreciate that. I will pass it on him. Russ, we think will join us this afternoon for the Executive Management Team. Thanks, Shawn. Appreciate that. And I know Russ will appreciate it. The next person to address the Board is Chris Bradley.

Chris Bradley – Noble Farms

Thank you, Chair Postman. And good morning to Member Garrett. I appreciate the opportunity to make some quick comments here this morning. My name is Chris Bradley. My wife and I own a Tier III producer/processor in Tacoma.

I am going to start with a quick caveat. My potential for misunderstanding situations is almost guaranteed. So, I would appreciate afterward education on things I might have gotten wrong on the topic that I am going to comment on, which is the CCRS system. And secondly, by way of explanation, I think, Chair Postman, you mentioned that you had previously been a cook or a chef in a restaurant. I don't know if you have a tendency as you go out to restaurants to be somewhat critical of their work because of that background. My background is in IT. Therefore, sometimes I can be a little bit focused on technology issues. But I am here this morning to give you a quick perspective on the CCRS system.

When I entered this industry after 30 years of corporate life, I did a fair amount of study. And while I was very focused on my own investment in my initial employee's well-being, I had an appreciation for the history of cannabis, and the social equity context. In particular, in this, Kathy Hoffman and I have had discussions about it before. I do believe that this is a social experiment that we all have a responsibility to try to make successful. We have done a marvelous job so far. We have a ways to go, I think, but one of the things that I got out of that context was -- I saw a lot of rationale in the extensive compliance obligations that a licensee holds. They are expensive. They are, at times, onerous, but they made a sense to me. As time has passed on and as the industry has continued to evolve, I also have felt very strongly that we need to, and the industry needed to evolve and mature its compliance regimen.

We are no longer questionable criminals. We hold a responsible position in the industry of Washington State. I believe, last time I checked, the second most valuable cash crop behind the apple industry and, therefore, we needed to look at how could we begin to drive efficiencies into the protocols and the data acquisition that all of us were required to provide as we did our jobs. And the principal reason that I think that this was so important was not just cost -- but a specific sensitivity of mine -- and that is the infrastructure providers, the software providers. These what we refer to as the systems integrators of the industry currently today are overburdened with compliance requirements and compliance variations, both from the differences in different state systems but also the changes in backend system implementation,

and that comes with a cost of the investment and development of functionality that is necessary to provide a more efficient and sophisticated software infrastructure to allow us to be more competitive in a tough, tough environment.

Dustin Dickson: Chris, you have 30 seconds.

Mr. Bradley: I am not going to be able to finish up. But let me just quickly express my concerns. I think that we have moved rapidly towards a very simplistic system. I think all of us are going to be [indistinct] for the sensitivity, but I feel a very strong set of concerns that we are not going to be able to meet our public safety obligations without a chain of custody and a rational identification of a universal ID implementation.

Mr. Dickson: Chris, that is your time.

Mr. Bradley: I really hope that the LCB takes a look at that and make sure that they are going to be able to meet their obligations in the midterm. Thanks.

Chair Postman: Thanks, Mr. Bradley. Sorry, for the time. I would ask if you had thoughts you wanted to email or, if you would like, we could also have somebody who could engage this, reach out to and call you if you would like.

Mr. Bradley: I will email my thoughts, and then if someone could respond, that would be great.

Chair Postman: Terrific, we will do that. Thank you. Next, Gregory Foster.

Gregory Foster –Cannabis Observer

Good afternoon, Board members. I am Gregory Foster with Cannabis Observer. And thank you to the Board and staff for always listening to what your stakeholders and the public have to say.

First, I would like to also extend my heartfelt best wishes to Board Member Russ Hauge on the announcement of his early retirement from the Board. I have always appreciated his candor and willingness to bring up difficult subjects in public. And I can relate to his instinctive defense of the most vulnerable among us and his well-founded concerns about the viability of the Washington cannabis sector. We will miss him. And so, thank you for your service, Mr. Hauge. And I wish you happy years ahead.

I would also like to address the Cannabis Central Reporting System or CCRS. Chair Postman, you may recall that during your very first Board caucus this past March 16, former Deputy Director, Megan Duffy, and former CIO, Mary Mueller, presented a roadmap for traceability in Washington state, which built on the work of the Traceability 2.0 workgroup, which I was a member of. Agency staff came to the conclusion that a leap to a different traceability regime couldn't be accomplished without an interim step to an Agency run reporting system, the CCRS. That was the last time we heard anything publicly about traceability until CFO, Jim Morgan, briefed the Board on the CCRS Communications Plan during EMT on August 11. Agency staff had been working during that time to validate the CCRS approach without any notice, engagement with, nor input from the cannabis sector.

The transition to CCRS was broadcast to your stakeholders in late August, which granted the cannabis sector about four months to prepare. During the transition from BioTrack to MJ Freeway, the Agency convened a Traceability Advisory Committee to engage the stakeholders. When MJ Freeway failed to

launch four months after signing the contract with LCB, the progenitor of the CCRS was launched to enable reporting, and weekly integrator work sessions were organized to provide a forum for Agency staff and service providers to share information and perspectives. As the shortcomings of MJ Freeway became apparent, those engagements with your stakeholders helped convince agency staff to freeze development on Leaf Data Systems in favor of comparative stability.

The Traceability Advisory Committee was halted, and the Traceability 2.0 workgroup organized to help Agency staff think through what to do next. Duffy and Mueller left the Agency shortly after their presentation of their findings in March, and George Williams was promoted to CIO. The integrator work sessions were canceled shortly thereafter. So, throughout this time while the CCRS has been developed and deployed, agency staff have not had the benefit, and challenge, of structured input from stakeholders. The CCRS Communications Plan consisted of broadcast announcements and one-way webinars responding to selected stakeholder questions sent in advance. The ccrs@lcb.wa.gov email address was handled by the public relations professionals in their communications division.

So, while the CCRS may have been envisioned as an interim step, it is my understanding that it may be a final solution. So, ultimately, I think that can be a good thing if we navigate – together -- through the issues that you and your staff are hearing more and more about.

Board Member Garrett, as you reconsider the purpose of the Cannabis Advisory Council, there may be a role for members to play in relation to CCRS and/or the creation of a technical subcommittee. The internal LCB CCRS Steering Committee could voluntarily offer more transparency into its deliberations or establish a public working group.

One way or another, if the regulated community is going to have to use the CCRS for the foreseeable future, we must have a means to dialogue with one another in a way that is not prohibitively expensive and exhausting for agency staff to manage and honors the perspective of licensees who want to operate in compliance without traceability and remaining burden...

Mr. Dickson: Greg, there is 30 seconds left.

Mr. Foster: ...and an undue expense.

I applaud the Agency for not only kicking MJ Freeway to the curb, but also declaring through your actions that cannabis should not be further stigmatized by architectures of real-time surveillance. Let's hold true to that path together.

Chair Postman: Great. Thank you for your comments there. I appreciate it, Gregory. Next is David Busby.

David Busby – Open THC

Excellent. Thank you. I am David Busby with OpenTHC. And I am glad you are receiving this okay.

The CCRS roll out was not the wild success that the LCB claims it was. Original messaging on the CCRS platform and its deployment was kind of inconsistent. When it was first announced, the migration period was to close on December 31, and then later it was changed to close on December 18 at the end of a two-week transition period. And then at the last minute, the Friday before the Monday launch, the agency determines that all reporting must be completed in CCRS by Monday the 13th. This is a typical pattern for

the agency to drop a huge information bomb at the last minute, with no possible chance for feedback from the community you are supposed to serve.

Now that CCRS is launched, there are dozens of bugs, many of which were reported weeks ago and have had zero progress. Some bugs, like the simple logout issue, take just one click to verify. The agency said they could not duplicate this bug and that they needed more information. So, I followed up with that with a seven-second video showing how to click the top-level link on the main page of the application and demonstrating this bug that was apparently too difficult for agency staff to find.

There also exists a standard published by the Internet Engineering Task Force in 2005 on how to handle .csv files. The LCB is actively ignoring the specification. When informed of this fact, the LCB doubled down and then formed policy that instructs everyone else to do the thing the wrong way. As long as enough folks agree that two plus two is five, it should all work out. Right?

There are other bugs found that all have easy fixes. One or two lines of code in here. And the agency has made no effort on those. Some of these bugs seem almost designed to give the agency plausible deniability when the inevitable data corruption loss [indistinct] occurs with this basic system. When the agency is informed of these objective truths, rather than fix these engineering problems, the staff attempts to deflect, claiming the technical observations are personal attacks, and that everyone is working hard and trying their best and attempt to close out the conversation without addressing the engineering issues. It is possible to try your best, to work hard, and still have bugs with room for improvement. We are trying to work together. So, don't take bug reports personally.

Your policy seems to kind of ignore these issues or defer, pretend they don't exist, claim things are "working fine", and then "maybe we will possibly look at suggestions in the future". We need to have more certainty in these digital systems.

There is an additional set of non-technical issues that were raised during the rollout of the CCRS starting in August that the agency has apparently ignored. Imagine our surprise when these issues appeared, observed by multiple licensees regardless of software platform. For example, basic access to the CCRS platform, multiple license access failures, or how to complete the manifest web form when using the transportation carrier. You have had months to figure it out and only came up with a half-baked solution after the launch. We need official documentation for these ad hoc workarounds.

And finally, the agency needs to make some clear statements about what a licensee's contracted agent, their software provider, is allowed to perform on their behalf. Some software providers have implemented robust automation solutions against the Drupal-based manifest web forms. And others are claiming that the LCB has stated that that is not permitted. However, the agency has not made any definitive statements about it, only claims that the web form manifest is not designed for bulk upload...

Mr. Dickson: David, you have 30 seconds.

Mr. Busby: ...because not designed and not allowed are significantly different things. If this automation is not allowed, then the LCB is making it much more difficult for the licensee to enter data accurately and consistent with their CCRS file uploads.

Also, the automation issue is completely unrelated to the image capture feature that exists in the web form that others have complained about so don't conflate those two. CAPTCHA is not the core problem.

The blessing to automate on behalf of the licensee is critical, and the timing need for this is urgent. Happy to answer any questions and provide additional information.

Mr. Dickson: David, that is your time.

Chair Postman: Thank you for the comments. Moving on, I think one person who signed up is not online, and then next on my list would be Peter Manning.

Peter Manning – Citizen

Thank you, Mr. Postman and Mrs. Garrett, for having me on. I am with Black Excellence in Cannabis.

This is kind of off the subject, but I think it is necessary for me to stress that I am somewhat concerned with the Social Equity Task Force in the way it is going now. We have been two years since the Social Equity Task Force has been created, or a year. But we still have no blacks to own the stores. We have no color. When I come to these platforms where the LCB is where they open the doors to the public, it is a majority of white people coming in, and then they talk about the issues that they are having in the industry and whatnot -- we want a chance to participate in this type of setting. We want to come in and talk to you guys about terpenes and all this. We need this opportunity to come about. And I want color, you know? Black and brown. We got to make this more diverse, man. And this Social Equity Task Force, the leadership there is not working.

Now, you have newfound groups that are professing that they are part and speak for that of the black community, which we don't even know where these guys came from. Black Excellence in Cannabis has been here since 2015, not by name, but in action. I have worked with Ollie Garrett before. I have worked with Jane Rushford. And Mr. Hauge, I understand he is leaving. He will be missed. But can we do something? Can we just make something happen for us as a people? I mean, can we all come together? We need to bridge that gap. We are like, we are still in the same position we were when I started this fight in 2015, and it is going on 2022. I mean since Paula Sardinas was removed, or she stepped out, things have gone really bad over the Social Equity Task Force.

I am asking the Board to please reach out. Do some investigating. See what is going on over there. See what the problem is. The last meeting I attended they were going to do 15 licenses. Now, all of a sudden, I heard it pushed back to 2023. So, what is going on? I mean, I don't know. Can you guys please elaborate a little bit? What up? I know this is not the proper place to bring this up because you guys are on a completely different platform right now. But what I am saying is the problems still persist with black and brown people in Washington state when it comes to cannabis. When are we going to be included? That is it. When is that going to be a subject that we really tackle and we just deal with? And if we open the door and we put us there and you let us be a part. I mean, in society we are good. We are good in -- we are good in every other aspect of life on this planet, but we can't be involved in cannabis that way?

I mean, I don't understand that. We need the same opportunities everybody else has, and we are not getting it currently with the Social Equity Task Force. We need you guys to step in and to look into something. We got to do something, man. You guys, we are talking about moving further in the future in cannabis in Washington. You guys are making new policies and everything. Everything is happening and rolling forward, but there is still no black and brown inclusion. At some point, we should stop with everything and work on that and then work on everything else. By the time black people and brown people get involved in this cannabis industry, it is going to be completely transformed into something

that's totally different. We are not going to know anything. The learning curve is going to be so great for us. We got to change that, people. That is all I am saying.

And thank you for your time -- Mr. Postman, thank you. Thank you, Ms. Ollie Garrett. That is all I had to say. Thank you.

Chair Postman: Thank you, Mr. Manning. Appreciate it. That is the end of the people we have had signed up for public comment.

I want to just take a second here to add a few comments. So first, Member Garrett, I will give you a chance to talk about the Social Equity Task Force and your involvement.

But can I just say I appreciate the comments about our colleague, Russ Hauge. We also will miss him. We will have an opportunity to talk more about his legacy on this Board in the remaining months of his tenure. But yeah, we will miss him, too. He is an absolute champion for the small businesses that he regulates. He has been a champion in the effort to look at what the evolution of the I-502 system is. He has helped inform my thoughts on that. I can tell you in our frequent meetings that we have about enforcement and things of that. He is really a leader in the effort to look at education and consultation before enforcement and prosecution. And his legal background there is actually very helpful to the Board, and he is just going to be missed. And he did dive into the delta-8 question when that was what we called it. It is grown since then, and he did lead the Board effort on that. And I think that if you look at the rulemaking we have and the executive request legislation, that he was incredibly successful in helping the Agency view this in a certain way. So, like I said, we will have opportunity to honor his service, but I didn't want the day to pass without that.

I want to make one comment about CCRS. It is I know that team is committed to the transparency that we heard about here. It will ask them to engage with folks to see if there is something more that can be done. I have not heard any hesitation on their part to do this and, in fact, specifically open to bug reports and things like that. I think they are very good at filtering out what could come out as some people's frustration or even anger or whatever else and try to look at what is the information and try to improve the system. I think they are committed to that.

And then on the questions that Mr. Manning raised and the challenge, really, from Mr. Manning, I would pause to see Member Garrett, if you wanted to address anything, you represent not just the Board, but you are a member of that Task force, I know.

Member Garrett: Thank you, David. Right now, the Task Force -- we have not as a whole put any recommendations that are to be presented to the Board yet. But in the meantime, at every Task Force meeting we have had members of the LCB listening in on those meetings. Also, internally, we have formed our own Social Equity Task Force who are listening to the meetings, hearing what the community is saying, and taking a look at, are there things that we can be doing now, or be prepared to do when we receive recommendations from the Task Force. At those meetings, we have a representative from every division within the LCB, and we are looking at what we can do by rule and what we are going to need legislation to do. So, all of those conversations are going on inside the LCB while we are waiting on recommendations from the Task Force.

Chair Postman: Right. We are not just sitting and waiting. We have rulemaking underway. We want to be in the best position possible when we do get recommendations. There are some things we can do, and we have done without Task Force recommendations about criminal background checks, which I think was

an important piece. And as Member Garrett said, the entire agency is really engaged in this in what I think is a pretty impressive way of not just looking to see how to implement what recommendations we get, but what else can be done? How soon can it be done? There is an actual eagerness to do those things. And I know that those are just words, so we need to make it happen, and we are committed to that. The entire Board is, and I know the Governor is, as well. And so, there are some things happening. In fact, I just had a discussion yesterday with the Chair of the Task Force, Representative Morgan.

I continue to have confidence that we will get recommendations that we can then find -- we will come back as quick as we can and say "here is how we can best implement these things". And that is our responsibility is implementation. But we are also engaged, and not just through Member Garrett's participation in the Task Force but, as she said, our Director of Licensing, our Director of Enforcement and Education, and their staffs have also been engaged, and Director Garza, and at all levels. So, I won't even ask people to be patient because I would not want to be told that. I just want us to be able to show the progress that people demand, and I am optimistic we will do so. We are trying to be in the best possible position to do that and to do it as quickly as possible.

And with that, we are done with our business today. Appreciate everybody's patience. We had a full agenda. We have an Executive Management Team this afternoon, so you can tune into that. I believe Member Hauge will be back to join us for that one. With that, we will adjourn the Board meeting for today, December 8, 2021. Thank you, everybody.

ADJOURN

Chair Postman adjourned the meeting at 11:04am.

Minutes approved this 5th day of January, 2022.



David Postman
Board Chair



Ollie Garrett
Board Member

Not Present

Russ Hauge
Board Member

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

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