



Topic: **Petition for Adoption, Amendment, or Repeal of a State Administrative Rule – Concerns related to Unfair Trade Practices in the Cannabis Industry**

Date: August 13, 2025

Presented by: Denise Laflamme, Policy & Rules Coordinator

Background

On June 16, 2025, LCB received a petition for rulemaking and public discussion to address what are described as “unfair trade practices, perpetual sales and wholesale pricing disparities in the cannabis industry” from the law offices of Matthew Mattson on behalf of Seth Simpson of Greenside Recreational.

See attachment for full petition request. In it, Mr. Mattson requests the LCB examine current wholesale pricing practices within the industry. The petitioner does not indicate which specific WAC sections are to be amended.

Rationale for rule change and public discussion included in the correspondence:

- Concerns about emerging disparities in pricing offered by producer/processors to retail license holders,
- Larger retail licensees are leveraging their buying power to purchase entire lots or crop yields from producers at deep discounts not available to smaller or mid-sized retailers.
- Requests that LCB explore regulatory reform to ensure all licensed retailers have an equal opportunity to access new wholesale inventory from producers/processors.
- Requests that LCB examine the industry’s use of deceptive pricing tactics that include perpetual sales of products marked down from artificially inflated “original” prices which appear to violate Washington’s Consumer Protection Act.

Current Laws and Rules

Laws:

[RCW 69.50.331](#) describes LCB’s authority to issue and suspend cannabis licenses including licenses to sell cannabis, and qualifications for obtaining a license.

[RCW 69.50.325](#) describes cannabis producer, processor, and retailer licenses regulated by the Board with the requirements and fees for each license type. RCW 69.50.325(3)(b) limits an individual retailer licensee and all other persons or entities with a financial or other ownership interest in the business operating under the license to a total of five retail cannabis licenses.

[RCW 69.50.335](#) authorizes LCB to adopt rules related to issuing cannabis licenses to social equity applicants.

[RCW 69.50.395](#) authorizes the types of businesses and agreements licensed cannabis businesses may enter into and requirements for disclosing the businesses and agreements to the LCB.

[Engrossed Substitute Senate Bill \(ESSB\) 5403](#) (chapter 250, Laws of 2025) amends RCW 69.50.325(3)(b) to limit retail licensees and other persons or entities with a financial or other interest from entering into any management agreement that confers a financial interest across more than 5 retail cannabis licenses. ESSB 5403 defines “financial interest” to include any sharing of profits or revenue, any assistance, coordination, or recommendation for the purchase of cannabis products where pricing is coordinated or discounted, the common use of intellectual property assets such as branding, any operational control or operational support of day-to-day business operations, any sharing or coordination of marketing and advertising efforts or expenses, and any sharing of employees. This legislation becomes effective January 1, 2026. LCB filed a CR-101, a preproposal statement of inquiry, on July 23, 2025, under [WSR 25-15-153](#) to initiate the rulemaking process.

Rules:

[WAC 314-55-018](#) describes prohibited practices for cannabis industry members. This stipulates that no industry member or licensee shall enter into any agreement which causes undue influence over another licensee or industry member. Industry member is defined as including cannabis retailers, their authorized representatives, any affiliates, subsidiaries, officers, partners, financiers, agents, employees, and representatives of any licensee.

[WAC 314-55-035](#) describes qualifications for obtaining a cannabis license including true parties of interest and financiers. WAC 314-55-035(2) includes the requirement that a married couple may not be a true party of interest in more than five retail cannabis licenses.

[WAC 314-55-050](#) broadly describes the board’s authority to withdraw, deny, suspend or cancel a cannabis license application or license.

[WAC 314-55-079](#) describes the privileges, requirements and fees for a cannabis retailer license. WAC 314-55-079(3) states that any entity and/or principals within any entity are limited to no more than five retail cannabis licenses.

[WAC 314-55-137](#) describes the process and requirements for notifying the Board of a receivership. WAC 314-55-137(6)(ii) specifies that no person shall serve as a receiver for, or be the true party of interest in, more than five cannabis retail licensees or more than three cannabis producer, processor, or producer/processor licensees at the same time.

Issue

Whether the Board should accept or deny the petition to initiate the rulemaking process to consider amending chapter 314-55 WAC to address unfair trade practices, perpetual sales and wholesale pricing disparities.

Analysis

LCB staff are aware that some retailers have used management agreements to create stronger buying power where more than 5 stores engage in the overall purchase. This has raised compliance concerns related to the 5-store ownership limit as required in RCW 69.50.325. This practice can be associated with coordinated pricing and other coordinated business practices among larger retailers.

ESSB 5403 passed by the legislature and signed by the Governor in 2025 amends RCW 69.50.325 to limit the use of management agreements thereby addressing the primary concerns raised by the petitioner. For example, ESSB 5403 restricts retail licensees and all other persons or entities with a financial interest or other ownership interest from entering into any management agreement or any agreement that confers a financial interest across more than five retail cannabis licenses. ESSB 5403 defines “financial interest” to include “any assistance, coordination, or recommendation for the purchase of cannabis products whereupon pricing is coordinated or discounted”, aimed at reducing unfair trade practices and pricing disparities, issues that are detailed by the petitioner.

Additional issues raised by the petitioner, including reference to Washington’s Consumer Protection Act and deceptive pricing tactics, may be outside of the scope of LCB regulatory oversight.

Intra-agency Impacts

LCB rules staff are currently engaged in rulemaking to implement ESSB 5403. This effort includes coordinating and soliciting from within LCB (including from the Licensing and Regulation Division, Enforcement and Education Division, and the Public Health Liaison).

Conclusion

The CR-101 to initiate rulemaking to implement ESSB 5403 was filed on July 23, 2025, under WSR 25-15-153. This rulemaking will address many of the concerns brought by the petitioner including limiting the use of management agreements that can be tied to unfair pricing and other actions that provide advantages to larger retailers.

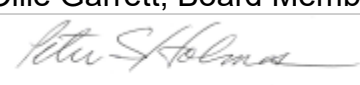
The petitioner and others will have opportunities to provide input during the rulemaking process to implement ESSB 5403.

Recommendation

The Director's Office recommends the Board **deny** the petition to consider amending chapter 314-55 WAC related to unfair trade practices, perpetual sales and wholesale pricing disparities in the cannabis industry.

Board Action

After considering the recommendation of Director's Office staff, the Board accepts/denies the petition for rulemaking submitted by Matthew Mattson on behalf of Seth Simpson of Greenside Recreational received on June 16, 2025.

<u> </u> Accept	<u> X </u> Deny	 _____ Jim Vollendroff, Board Chair	<u>8/13/25</u> Date
<u> </u> Accept	<u> X </u> Deny	 _____ Ollie Garrett, Board Member	<u>8/13/25</u> Date
<u> </u> Accept	<u> X </u> Deny	 _____ Pete Holmes, Board Member	<u>8/13/25</u> Date

Attachments:

- 1) Petition correspondence
- 2) RCWs and WACs
- 3) ESSB 5403

JUN 16 2025

License Division

June 9, 2025

Washington State Liquor and Cannabis Board
P.O. Box 43098
Olympia, WA 98504-3098

Washington State Liquor and Cannabis Board
1025 Union Ave SE
Olympia, WA 98501

Re: Request for Rulemaking and Public Discussion on Unfair Trade Practices, Perpetual Sales and Wholesale Pricing Disparities in the Cannabis Industry

Dear Washington State Liquor and Cannabis Board:

I am writing on behalf of concerned stakeholders in Washington's legal cannabis market, specifically Seth Simpson of Greenside Recreational, to formally request that the Washington State Liquor and Cannabis Board examine current wholesale pricing practices within the industry.

Specifically, we are urging the Board to investigate and address the emerging disparities in pricing offered by producer/processors to retail license holders, and the broader implications these disparities have on market fairness, consumer pricing, and the foundational principles of Initiative 502.

Under the current system, larger retail licensees are leveraging their buying power to purchase entire lots or crop yields from producers at deep discounts not made available to smaller or mid-sized retailers. This practice is creating an uneven playing field and is fostering an environment in which only the largest retailers can access the most favorable pricing, leading to de facto price fixing and preferential treatment that undermines the competitive structure in violation of Washington State anti-trust law and the structure intended by Initiative 502 that legalized recreational cannabis in the State of Washington.

We respectfully propose that the WSLCB explore regulatory reform to ensure all licensed retailers have at least a brief, equal opportunity to access new wholesale inventory from producer processors. A uniform access period — even a short one — would prevent the most dominant players from monopolizing product supply and allow smaller businesses a fighting chance to compete in a challenging and increasingly consolidated marketplace.

In addition to the above concerns, we urge the Board to examine the industry's pervasive use of deceptive pricing tactics at the retail level. "Sales" wherein products are perpetually marked down from artificially inflated "original" prices appear to violate the spirit, if not the letter, of Washington's Consumer Protection Act. The Consumer Protection Act, RCW 19.86 et seq., was enacted to safeguard consumers and promote fair competition. The continued use of these pricing gimmicks distorts consumer behavior, disadvantages honest operators, and may constitute unfair or deceptive business practices.

Unless these issues are addressed, we foresee continued consolidation of retail licensees, contrary to the intent of I-502 (even as such rules have inexplicably been eased), and an erosion of market diversity that will ultimately harm both small businesses and consumers.

In light of the seriousness of these matters, we respectfully request the Board consider initiating a rulemaking process, or at minimum convene a public hearing with stakeholders to discuss these concerns and explore meaningful regulatory reforms. Our clients would welcome the opportunity to meet directly with the Board or participate in any such proceedings.

Thank you for your attention to these issues. This office may be contacted at matt@mattsonlawfirm.com or via telephone at 206-643-6606. We look forward to your prompt reply and working with the Board to ensure fairness in the cannabis industry to protect consumers.

Sincerely,

MATTSON RODGERS PLLC



Matthew Mattson
Attorney at Law

C: Seth Simpson, Greenside Recreational

WATSON
821 KERRARD AVE SR 100
KERRARD, WA 98033

Received
JUN 16 2025
License Division

Washington State Liquor and
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CASHIERS BOARD

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DOE FILE



RCW 69.50.325 Cannabis producer's license, cannabis processor's license, cannabis retailer's license. (1) There shall be a cannabis producer's license regulated by the board and subject to annual renewal. The licensee is authorized to produce: (a) Cannabis for sale at wholesale to cannabis processors and other cannabis producers; (b) immature plants or clones and seeds for sale to cooperatives as described under RCW 69.51A.250; and (c) immature plants or clones and seeds for sale to qualifying patients and designated providers as provided under RCW 69.51A.310. The production, possession, delivery, distribution, and sale of cannabis in accordance with the provisions of this chapter and the rules adopted to implement and enforce it, by a validly licensed cannabis producer, shall not be a criminal or civil offense under Washington state law. Every cannabis producer's license shall be issued in the name of the applicant, shall specify the location at which the cannabis producer intends to operate, which must be within the state of Washington, and the holder thereof shall not allow any other person to use the license. The application fee for a cannabis producer's license shall be two hundred fifty dollars. The annual fee for issuance and renewal of a cannabis producer's license shall be one thousand three hundred eighty-one dollars. A separate license shall be required for each location at which a cannabis producer intends to produce cannabis.

(2) There shall be a cannabis processor's license to process, package, and label cannabis concentrates, useable cannabis, and cannabis-infused products for sale at wholesale to cannabis processors and cannabis retailers, regulated by the board and subject to annual renewal. The processing, packaging, possession, delivery, distribution, and sale of cannabis, useable cannabis, cannabis-infused products, and cannabis concentrates in accordance with the provisions of this chapter and chapter 69.51A RCW and the rules adopted to implement and enforce these chapters, by a validly licensed cannabis processor, shall not be a criminal or civil offense under Washington state law. Every cannabis processor's license shall be issued in the name of the applicant, shall specify the location at which the licensee intends to operate, which must be within the state of Washington, and the holder thereof shall not allow any other person to use the license. The application fee for a cannabis processor's license shall be two hundred fifty dollars. The annual fee for issuance and renewal of a cannabis processor's license shall be one thousand three hundred eighty-one dollars. A separate license shall be required for each location at which a cannabis processor intends to process cannabis.

(3) (a) There shall be a cannabis retailer's license to sell cannabis concentrates, useable cannabis, and cannabis-infused products at retail in retail outlets, regulated by the board and subject to annual renewal. The possession, delivery, distribution, and sale of cannabis concentrates, useable cannabis, and cannabis-infused products in accordance with the provisions of this chapter and the rules adopted to implement and enforce it, by a validly licensed cannabis retailer, shall not be a criminal or civil offense under Washington state law. Every cannabis retailer's license shall be issued in the name of the applicant, shall specify the location of the retail outlet the licensee intends to operate, which must be within the state of Washington, and the holder thereof shall not allow any other person to use the license. The application fee for a cannabis retailer's license shall be two hundred fifty dollars. The annual fee for issuance and renewal of a cannabis retailer's license shall be one thousand three

hundred eighty-one dollars. A separate license shall be required for each location at which a cannabis retailer intends to sell cannabis concentrates, useable cannabis, and cannabis-infused products.

(b) An individual retail licensee and all other persons or entities with a financial or other ownership interest in the business operating under the license are limited, in the aggregate, to holding a collective total of not more than five retail cannabis licenses.

(c) (i) A cannabis retailer's license is subject to forfeiture in accordance with rules adopted by the board pursuant to this section.

(ii) The board shall adopt rules to establish a license forfeiture process for a licensed cannabis retailer that is not fully operational and open to the public within a specified period from the date of license issuance, as established by the board, subject to the following restrictions:

(A) No cannabis retailer's license may be subject to forfeiture within the first nine months of license issuance; and

(B) The board must require license forfeiture on or before twenty-four calendar months of license issuance if a cannabis retailer is not fully operational and open to the public, unless the board determines that circumstances out of the licensee's control are preventing the licensee from becoming fully operational and that, in the board's discretion, the circumstances warrant extending the forfeiture period beyond twenty-four calendar months.

(iii) The board has discretion in adopting rules under this subsection (3)(c).

(iv) This subsection (3)(c) applies to cannabis retailer's licenses issued before and after July 23, 2017. However, no license of a cannabis retailer that otherwise meets the conditions for license forfeiture established pursuant to this subsection (3)(c) may be subject to forfeiture within the first nine calendar months of July 23, 2017.

(v) The board may not require license forfeiture if the licensee has been incapable of opening a fully operational retail cannabis business due to actions by the city, town, or county with jurisdiction over the licensee that include any of the following:

(A) The adoption of a ban or moratorium that prohibits the opening of a retail cannabis business; or

(B) The adoption of an ordinance or regulation related to zoning, business licensing, land use, or other regulatory measure that has the effect of preventing a licensee from receiving an occupancy permit from the jurisdiction or which otherwise prevents a licensed cannabis retailer from becoming operational.

(d) The board may issue cannabis retailer licenses pursuant to this chapter and RCW 69.50.335. [2022 c 16 s 54; 2020 c 236 s 6; 2018 c 132 s 3. Prior: 2017 c 317 s 1; 2017 c 316 s 2; 2016 c 170 s 1; 2015 c 70 s 5; 2014 c 192 s 2; 2013 c 3 s 4 (Initiative Measure No. 502, approved November 6, 2012).]

Intent—Finding—2022 c 16: See note following RCW 69.50.101.

Findings—Intent—2020 c 236: See note following RCW 69.50.335.

Effective date—2018 c 132 s 3: "Section 3 of this act takes effect July 1, 2018." [2018 c 132 s 4.]

Findings—2017 c 317: "The legislature finds that protecting the state's children, youth, and young adults under the legal age to purchase and consume marijuana [cannabis], by establishing limited restrictions on the advertising of marijuana [cannabis] and marijuana [cannabis] products, is necessary to assist the state's efforts to discourage and prevent underage consumption and the potential risks associated with underage consumption. The legislature finds that these restrictions assist the state in maintaining a strong and effective regulatory and enforcement system as specified by the federal government. The legislature finds this act leaves ample opportunities for licensed marijuana [cannabis] businesses to market their products to those who are of legal age to purchase them, without infringing on the free speech rights of business owners. Finally, the legislature finds that the state has a substantial and compelling interest in enacting this act aimed at protecting Washington's children, youth, and young adults." [2017 c 317 s 12.]

Application—2017 c 317: "This act applies prospectively only and not retroactively. It applies only to causes of action that arise (if change is substantive) or that are commenced (if change is procedural) on or after July 23, 2017." [2017 c 317 s 25.]

Effective date—2017 c 316 ss 2 and 3: "Sections 2 and 3 of this act take effect July 1, 2018." [2017 c 316 s 4.]

Effective date—2016 c 170: "This act takes effect July 1, 2016." [2016 c 170 s 3.]

Short title—Findings—Intent—References to Washington state liquor control board—Draft legislation—2015 c 70: See notes following RCW 66.08.012.

Intent—2013 c 3 (Initiative Measure No. 502): See note following RCW 69.50.101.

RCW 69.50.331 Application for license—Renewal fee reimbursement, social equity plan. (1) For the purpose of considering any application for a license to produce, process, research, transport, or deliver cannabis, useable cannabis, cannabis concentrates, or cannabis-infused products subject to the regulations established under RCW 69.50.385, or sell cannabis, or for the renewal of a license to produce, process, research, transport, or deliver cannabis, useable cannabis, cannabis concentrates, or cannabis-infused products subject to the regulations established under RCW 69.50.385, or sell cannabis, the board must conduct a comprehensive, fair, and impartial evaluation of the applications timely received.

(a) The board may cause an inspection of the premises to be made, and may inquire into all matters in connection with the construction and operation of the premises. For the purpose of reviewing any application for a license and for considering the denial, suspension, revocation, cancellation, or renewal or denial thereof, of any license, the board may consider any prior criminal arrests or convictions of the applicant, any public safety administrative violation history record with the board, and a criminal history record information check. The board may submit the criminal history record information check to the Washington state patrol and to the identification division of the federal bureau of investigation in order that these agencies may search their records for prior arrests and convictions of the individual or individuals who filled out the forms. The board must require fingerprinting of any applicant whose criminal history record information check is submitted to the federal bureau of investigation. The provisions of RCW 9.95.240 and of chapter 9.96A RCW do not apply to these cases. Subject to the provisions of this section, the board may, in its discretion, grant or deny the renewal or license applied for. Denial may be based on, without limitation, the existence of chronic illegal activity documented in objections submitted pursuant to subsections (7)(c) and (10) of this section. Authority to approve an uncontested or unopposed license may be granted by the board to any staff member the board designates in writing. Conditions for granting this authority must be adopted by rule.

(b) No license of any kind may be issued to:

(i) A person under the age of 21 years;

(ii) A person doing business as a sole proprietor who has not lawfully resided in the state for at least six months prior to applying to receive a license;

(iii) A partnership, employee cooperative, association, nonprofit corporation, or corporation unless formed under the laws of this state, and unless all of the members thereof are qualified to obtain a license as provided in this section; or

(iv) A person whose place of business is conducted by a manager or agent, unless the manager or agent possesses the same qualifications required of the licensee.

(2) (a) The board may, in its discretion, subject to RCW 43.05.160, 69.50.563, 69.50.562, 69.50.334, and 69.50.342(3) suspend or cancel any license; and all protections of the licensee from criminal or civil sanctions under state law for producing, processing, researching, or selling cannabis, cannabis concentrates, useable cannabis, or cannabis-infused products thereunder must be suspended or terminated, as the case may be.

(b) The board must immediately suspend the license of a person who has been certified pursuant to RCW 74.20A.320 by the department of social and health services as a person who is not in compliance with a support order. If the person has continued to meet all other requirements for reinstatement during the suspension, reissuance of the license is automatic upon the board's receipt of a release issued by the department of social and health services stating that the licensee is in compliance with the order.

(c) The board may request the appointment of administrative law judges under chapter 34.12 RCW who shall have power to administer oaths, issue subpoenas for the attendance of witnesses and the production of papers, books, accounts, documents, and testimony, examine witnesses, receive testimony in any inquiry, investigation, hearing, or proceeding in any part of the state, and consider mitigating and aggravating circumstances in any case and deviate from any prescribed penalty, under rules the board may adopt.

(d) Witnesses must be allowed fees and mileage each way to and from any inquiry, investigation, hearing, or proceeding at the rate authorized by RCW 34.05.446. Fees need not be paid in advance of appearance of witnesses to testify or to produce books, records, or other legal evidence.

(e) In case of disobedience of any person to comply with the order of the board or a subpoena issued by the board, or any of its members, or administrative law judges, or on the refusal of a witness to testify to any matter regarding which he or she may be lawfully interrogated, the judge of the superior court of the county in which the person resides, on application of any member of the board or administrative law judge, compels obedience by contempt proceedings, as in the case of disobedience of the requirements of a subpoena issued from said court or a refusal to testify therein.

(3) Upon receipt of notice of the suspension or cancellation of a license, the licensee must forthwith deliver up the license to the board. Where the license has been suspended only, the board must return the license to the licensee at the expiration or termination of the period of suspension. The board must notify all other licensees in the county where the subject licensee has its premises of the suspension or cancellation of the license; and no other licensee or employee of another licensee may allow or cause any cannabis, cannabis concentrates, useable cannabis, or cannabis-infused products to be delivered to or for any person at the premises of the subject licensee.

(4) Every license issued under this chapter is subject to all conditions and restrictions imposed by this chapter or by rules adopted by the board to implement and enforce this chapter. All conditions and restrictions imposed by the board in the issuance of an individual license must be listed on the face of the individual license along with the trade name, address, and expiration date.

(5) Every licensee must post and keep posted its license, or licenses, in a conspicuous place on the premises.

(6) No licensee may employ any person under the age of 21 years.

(7)(a) Before the board issues a new or renewed license to an applicant it must give notice of the application to the chief executive officer of the incorporated city or town, if the application is for a license within an incorporated city or town, or to the county legislative authority, if the application is for a license outside the boundaries of incorporated cities or towns, or to the tribal government if the application is for a license within Indian country,

or to the port authority if the application for a license is located on property owned by a port authority.

(b) The incorporated city or town through the official or employee selected by it, the county legislative authority or the official or employee selected by it, the tribal government, or port authority has the right to file with the board within twenty days after the date of transmittal of the notice for applications, or at least thirty days prior to the expiration date for renewals, written objections against the applicant or against the premises for which the new or renewed license is asked. The board may extend the time period for submitting written objections upon request from the authority notified by the board.

(c) The written objections must include a statement of all facts upon which the objections are based, and in case written objections are filed, the city or town or county legislative authority may request, and the board may in its discretion hold, a hearing subject to the applicable provisions of Title 34 RCW. If the board makes an initial decision to deny a license or renewal based on the written objections of an incorporated city or town or county legislative authority, the applicant may request a hearing subject to the applicable provisions of Title 34 RCW. If a hearing is held at the request of the applicant, board representatives must present and defend the board's initial decision to deny a license or renewal.

(d) Upon the granting of a license under this title the board must send written notification to the chief executive officer of the incorporated city or town in which the license is granted, or to the county legislative authority if the license is granted outside the boundaries of incorporated cities or towns.

(8) (a) Except as provided in (b) through (e) of this subsection, the board may not issue a license for any premises within 1,000 feet of the perimeter of the grounds of any elementary or secondary school, playground, recreation center or facility, child care center, public park, public transit center, or library, or any game arcade admission to which is not restricted to persons aged 21 years or older.

(b) A city, county, or town may permit the licensing of premises within 1,000 feet but not less than 100 feet of the facilities described in (a) of this subsection, except elementary schools, secondary schools, and playgrounds, by enacting an ordinance authorizing such distance reduction, provided that such distance reduction will not negatively impact the jurisdiction's civil regulatory enforcement, criminal law enforcement interests, public safety, or public health.

(c) A city, county, or town may permit the licensing of research premises allowed under RCW 69.50.372 within 1,000 feet but not less than 100 feet of the facilities described in (a) of this subsection by enacting an ordinance authorizing such distance reduction, provided that the ordinance will not negatively impact the jurisdiction's civil regulatory enforcement, criminal law enforcement, public safety, or public health.

(d) The board may license premises located in compliance with the distance requirements set in an ordinance adopted under (b) or (c) of this subsection. Before issuing or renewing a research license for premises within 1,000 feet but not less than 100 feet of an elementary school, secondary school, or playground in compliance with an ordinance passed pursuant to (c) of this subsection, the board must ensure that the facility:

(i) Meets a security standard exceeding that which applies to cannabis producer, processor, or retailer licensees;

(ii) Is inaccessible to the public and no part of the operation of the facility is in view of the general public; and

(iii) Bears no advertising or signage indicating that it is a cannabis research facility.

(e) The board must issue a certificate of compliance if the premises met the requirements under (a), (b), (c), or (d) of this subsection on the date of the application. The certificate allows the licensee to operate the business at the proposed location notwithstanding a later occurring, otherwise disqualifying factor.

(f) The board may not issue a license for any premises within Indian country, as defined in 18 U.S.C. Sec. 1151, including any fee patent lands within the exterior boundaries of a reservation, without the consent of the federally recognized tribe associated with the reservation or Indian country.

(9) A city, town, or county may adopt an ordinance prohibiting a cannabis producer or cannabis processor from operating or locating a business within areas zoned primarily for residential use or rural use with a minimum lot size of five acres or smaller.

(10) In determining whether to grant or deny a license or renewal of any license, the board must give substantial weight to objections from an incorporated city or town or county legislative authority based upon chronic illegal activity associated with the applicant's operations of the premises proposed to be licensed or the applicant's operation of any other licensed premises, or the conduct of the applicant's patrons inside or outside the licensed premises. "Chronic illegal activity" means (a) a pervasive pattern of activity that threatens the public health, safety, and welfare of the city, town, or county including, but not limited to, open container violations, assaults, disturbances, disorderly conduct, or other criminal law violations, or as documented in crime statistics, police reports, emergency medical response data, calls for service, field data, or similar records of a law enforcement agency for the city, town, county, or any other municipal corporation or any state agency; or (b) an unreasonably high number of citations for violations of RCW 46.61.502 associated with the applicant's or licensee's operation of any licensed premises as indicated by the reported statements given to law enforcement upon arrest.

(11) The board may not issue a cannabis retail license for any premises not currently licensed if:

(a) The board receives a written objection from the legislative authority of an incorporated city or town, or county legislative authority, relating to the physical location of the proposed premises;

(b) The objection to the location from the incorporated city or town, or county legislative authority, is received by the board within 20 days of the board notifying the incorporated city or town, or county legislative authority, of the proposed cannabis retail location; and

(c) The objection to the issuance of a cannabis retail license at the specified location is based on a preexisting local ordinance limiting outlet density in a specific geographic area. For purposes of this subsection (11), a preexisting local ordinance is an ordinance enacted and in effect before the date the applicant submits an application for a cannabis retail license to the board identifying the premises proposed to be licensed. No objection related to the physical location of a proposed premises may be made by a local government

under this subsection (11) based on a local ordinance enacted after the date the applicant submits an application for a cannabis retail license to the board identifying the premises proposed to be licensed.

(12) After January 1, 2024, all cannabis licensees are encouraged but are not required to submit a social equity plan to the board. Upon confirmation by the board that a cannabis licensee who is not a social equity applicant, and who does not hold a social equity license issued under RCW 69.50.335, has submitted a social equity plan, the board must within 30 days reimburse such a licensee an amount equal to the cost of the licensee's annual cannabis license renewal fee. The license renewal fee reimbursement authorized under this subsection is subject to the following limitations:

(a) The board may provide reimbursement one time only to any licensed entity; and

(b) Any licensed entity holding more than one cannabis license is eligible for reimbursement of the license renewal fee on only one license. [2023 c 220 s 2; 2022 c 16 s 58; 2020 c 154 s 1; 2019 c 394 s 7; 2017 c 317 s 2; 2015 2nd sp.s. c 4 s 301; 2015 c 70 s 6; 2013 c 3 s 6 (Initiative Measure No. 502, approved November 6, 2012).]

Intent—Finding—2022 c 16: See note following RCW 69.50.101.

Findings—2019 c 394: See note following RCW 69.50.563.

Findings—Application—2017 c 317: See notes following RCW 69.50.325.

Findings—Intent—Effective dates—2015 2nd sp.s. c 4: See notes following RCW 69.50.334.

Short title—Findings—Intent—References to Washington state liquor control board—Draft legislation—2015 c 70: See notes following RCW 66.08.012.

Intent—2013 c 3 (Initiative Measure No. 502): See note following RCW 69.50.101.

**RCW 69.50.335 Cannabis retailer, processor, producer licenses—
Issue, reissue of licenses—Social equity applicants—Rules—**

Definitions. (1) (a) Beginning December 1, 2020, and until July 1, 2032, cannabis retailer licenses, cannabis processor licenses, and cannabis producer licenses that have been subject to forfeiture, revocation, or cancellation by the board, or cannabis retailer licenses that were not previously issued by the board but could have been issued without exceeding the limit on the statewide number of cannabis retailer licenses established before January 1, 2020, by the board, may be issued or reissued to an applicant who meets the cannabis retailer license, cannabis processor license, or cannabis producer license requirements of this chapter.

(b) In accordance with (a) of this subsection, the board may issue or reissue:

(i) Up to 100 cannabis processor licenses immediately; and

(ii) Beginning January 1, 2025, up to 10 cannabis producer licenses, which must be issued in conjunction with a cannabis processor license.

(c) In addition to the cannabis retailer licenses and cannabis producer licenses that may be issued under (a) and (b) of this subsection, beginning January 1, 2023, and continuing every three years until July 1, 2032, the board may, with the approval of the legislature through the passage of a bill, increase the number of cannabis retailer licenses and cannabis producer licenses for the social equity program based on:

(i) The most recent census data available as of January 1, 2023; and

(ii) The annual population estimates published by the office of financial management.

(d) In addition to the cannabis retailer licenses that may be issued under (a) of this subsection, beginning January 1, 2024, and until July 1, 2032, the board may issue up to 52 cannabis retailer licenses for the social equity program.

(e) (i) At the time of licensure, all licenses issued under the social equity program under this section may be located in any city, town, or county in the state that allows cannabis retail, cannabis production, or cannabis processing business activities, as applicable, at the proposed location, regardless of:

(A) Whether a cannabis retailer license, cannabis producer license, or cannabis processor license was originally allocated to or issued in another city, town, or county; and

(B) The maximum number of retail cannabis licenses established by the board for each county under RCW 69.50.345.

(ii) The board must adopt rules establishing a threshold of the number of licenses created by this section that can be located in each county.

(f) After a social equity license has been issued under this section for a specific location, the location of the licensed business may not be moved to a city, town, or county different from the city, town, or county for which it was initially licensed.

(2) (a) In order to be considered for a cannabis retailer license, cannabis processor license, or cannabis producer license under subsection (1) of this section, an applicant must be a social equity applicant and submit required cannabis license materials to the board. If the application proposes ownership by more than one person, then at

least 51 percent of the proposed ownership structure must reflect the qualifications of a social equity applicant.

(b) Persons holding an existing cannabis retailer license or title certificate for a cannabis retailer business in a local jurisdiction subject to a ban or moratorium on cannabis retail businesses may apply for a license under this section.

(3)(a) In determining the priority for issuance of a license among applicants, the board must select a third-party contractor to identify and score social equity applicants, using a scoring rubric developed by the board. The board must rely on the score provided by the third-party contractor in issuing licenses.

(b) The board may deny any application submitted under this subsection if:

(i) The board determines that, upon the advice of the third-party contractor, the application does not meet the social equity licensing requirements of this chapter; or

(ii) The board determines the application does not otherwise meet licensing requirements.

(4) The board must adopt rules to implement this section. Prior to adopting any rule implementing this section, the board must consider advice on the social equity program from individuals the program is intended to benefit. Rules may also require that licenses awarded under this section only be transferred to or assumed by individuals or groups of individuals who comply with the requirements for initial licensure as a social equity applicant for a period of at least five years from the date of initial licensure.

(5) The annual fee for issuance, reissuance, or renewal for any license under this section must be waived through July 1, 2032.

(6) The definitions in this subsection apply throughout this section unless the context clearly requires otherwise.

(a) "Disproportionately impacted area" means a census tract or comparable geographic area within Washington state where community members were more likely to be impacted by the war on drugs. These areas must be determined in rule by the board, in consultation with the office of equity, using a standardized statistical equation to identify areas with demographic indicators consistent with populations most impacted by the war on drugs. These areas must be assessed to account for demographic changes in the composition of the population over time. Disproportionately impacted areas must include census tracts or comparable geographic areas in the top 15th percentile in at least two of the following demographic indicators of populations most impacted by the war on drugs:

(i) The area has a high rate of people living under the federal poverty level;

(ii) The area has a high rate of people who did not graduate from high school;

(iii) The area has a high rate of unemployment; or

(iv) The area has a high rate of people receiving public assistance.

(b) "Social equity applicant" means an applicant who has at least 51 percent ownership and control by one or more individuals who meet at least two of the following qualifications:

(i) Lived in a disproportionately impacted area in Washington state for a minimum of five years between 1980 and 2010;

(ii) Has been arrested or convicted of a cannabis offense or has a family member who has been arrested or convicted of a cannabis offense;

(iii) Had a household income in the year prior to submitting an application under this section that was less than the median household income within the state of Washington as calculated by the United States census bureau; or

(iv) Is both a socially and economically disadvantaged individual as defined by the office of minority and women's business enterprises under chapter 39.19 RCW.

(c) "Social equity goals" means:

(i) Increasing the number of cannabis retailer, producer, and processor licenses held by social equity applicants from disproportionately impacted areas; and

(ii) Reducing accumulated harm suffered by individuals, families, and local areas subject to severe impacts from the historical application and enforcement of cannabis prohibition laws.

(7) Except for the process detailed in subsection (1) of this section, the process for creating new cannabis retail licenses under this chapter remains unaltered. [2023 c 220 s 3; 2022 c 16 s 60; 2021 c 169 s 2; 2020 c 236 s 2.]

Intent—Finding—2022 c 16: See note following RCW 69.50.101.

Findings—Intent—2020 c 236: "(1) The legislature finds that additional efforts are necessary to reduce barriers to entry to the cannabis industry for individuals and communities most adversely impacted by the enforcement of cannabis-related laws. In the interest of establishing a cannabis industry that is equitable and accessible to those most adversely impacted by the enforcement of drug-related laws, including cannabis-related laws, the legislature finds a social equity program should be created.

(2) The legislature finds that individuals who have been arrested or incarcerated due to drug laws, and those who have resided in areas of high poverty, suffer long-lasting adverse consequences, including impacts to employment, business ownership, housing, health, and long-term financial well-being. The legislature also finds that family members, especially children, and communities of those who have been arrested or incarcerated due to drug laws, suffer from emotional, psychological, and financial harms as a result of such arrests and incarceration. The legislature further finds that individuals in disproportionately impacted areas suffered the harms of enforcement of cannabis-related laws. Those communities face greater difficulties accessing traditional banking systems and capital for establishing businesses.

(3) The legislature therefore finds that in the interest of remedying harms resulting from the enforcement of cannabis-related laws in disproportionately impacted areas, creating a social equity program will further an equitable cannabis industry by promoting business ownership among individuals who have resided in areas of high poverty and high enforcement of cannabis-related laws. The social equity program should offer, among other things, financial and technical assistance and license application benefits to individuals most directly and adversely impacted by the enforcement of cannabis-related laws who are interested in starting cannabis business enterprises. It is the intent of the legislature that implementation of the social equity program authorized by this act not result in an increase in the number of marijuana [cannabis] retailer licenses above the limit on the number of marijuana [cannabis] retailer licenses in

the state established by the [Washington state liquor and cannabis]
board before January 1, 2020." [2020 c 236 s 1.]

RCW 69.50.395 Licensed cannabis businesses, agreements—Disclosure to state liquor and cannabis board. (1) A licensed cannabis business may enter into an agreement with any person, business, or other entity for:

(a) Any goods or services that are registered as a trademark under federal law, under chapter 19.77 RCW, or under any other state or international trademark law;

(b) Any unregistered trademark, trade name, or trade dress; or

(c) Any trade secret, technology, or proprietary information used to manufacture a cannabis product or used to provide a service related to any cannabis business.

(2) Any agreements entered into by a licensed cannabis business, as authorized under this section, must be disclosed to the board and may include:

(a) A royalty fee or flat rate calculated based on sales of each product that includes the intellectual property or was manufactured or sold using the licensed intellectual property or service, provided that the royalty fee is no greater than an amount equivalent to ten percent of the licensed cannabis business's gross sales derived from the sale of such product;

(b) A flat rate or lump sum calculated based on time or milestones;

(c) Terms giving either party exclusivity or qualified exclusivity as it relates to use of the intellectual property;

(d) Quality control standards as necessary to protect the integrity of the intellectual property;

(e) Enforcement obligations to be undertaken by the licensed cannabis business;

(f) Covenants to use the licensed intellectual property; and

(g) Assignment of licensor improvements of the intellectual property.

(3) A person, business, or entity that enters into an agreement with a licensed cannabis business, where both parties to the agreement are in compliance with the terms of this section, is exempt from the requirement to qualify for a cannabis business license for purposes of the agreements authorized by subsection (1) of this section.

(4) All agreements entered into by a licensed cannabis business, as authorized by this section, are subject to the board's recordkeeping requirements as established by rule. [2022 c 16 s 83; 2019 c 380 s 1; 2017 c 317 s 16.]

Intent—Finding—2022 c 16: See note following RCW 69.50.101.

Findings—Application—2017 c 317: See notes following RCW 69.50.325.

WAC 314-55-018 Prohibited practices—Money advances—Contracts—Gifts—Rebates, discounts, and exceptions, etc. (1) No industry member or licensee shall enter into any agreement which causes undue influence over another licensee or industry member. This rule shall not be construed as prohibiting the placing and accepting of orders for the purchase and delivery of cannabis that are made in accordance with usual and common business practice and that are otherwise in compliance with chapter 69.50 RCW and this chapter.

(2) No cannabis producer or processor shall advance and no cannabis licensee shall receive money or moneys' worth under an agreement written or unwritten or by means of any other business practice or arrangement such as:

- (a) Gifts;
- (b) Discounts;
- (c) Loans of money;
- (d) Premiums;
- (e) Rebates;

(f) Free product of any kind except as allowed by WAC 314-55-096 and RCW 69.50.585; or

(g) Treats or services of any nature whatsoever except such services as are authorized in this section and under RCW 69.50.585.

(3) "Industry member" means a licensed cannabis producer, cannabis processor, cannabis retailer, cannabis transportation licensee, cannabis research licensee, their authorized representatives, and including, but not limited to, any affiliates, subsidiaries, officers, partners, financiers, agents, employees, and representatives of any licensee.

(4) Consistent with WAC 314-55-017, no industry member or employee thereof shall sell to any cannabis licensee or solicit from any such licensee any order for any cannabis tied in with, or contingent upon, the licensee's purchase of some other cannabis, or any other merchandise, paraphernalia, property, or service.

(5) If the LCB finds in any instance that any licensee has violated this section, then all licensees involved in the violation shall be held equally responsible.

[Statutory Authority: RCW 66.08.030 and 2015 c 70. WSR 24-16-064, § 314-55-018, filed 7/31/24, effective 8/31/24. Statutory Authority: RCW 69.50.342 and 2022 c 16 § 168. WSR 22-14-111, § 314-55-018, filed 7/6/22, effective 8/6/22. Statutory Authority: RCW 69.50.325, 69.50.342, 69.50.345, and 69.50.369. WSR 18-22-055, § 314-55-018, filed 10/31/18, effective 12/1/18. Statutory Authority: RCW 69.50.342 and 69.50.345. WSR 16-11-110, § 314-55-018, filed 5/18/16, effective 6/18/16; WSR 15-11-107, § 314-55-018, filed 5/20/15, effective 6/20/15.]

WAC 314-55-035 Qualifying for a cannabis license. A cannabis license must be issued in the name(s) of the true party(ies) of interest. The board may conduct an investigation of any true party of interest who exercises control over the applicant's business operations. This may include financial and criminal background investigations.

(1) **True parties of interest.** True parties of interest must qualify to be listed on the license, and meet residency requirements consistent with this chapter. For purposes of this title, "true party of interest" means:

Entity	True party(ies) of interest
Sole proprietorship	Sole proprietor
General partnership	All partners
Limited partnership, limited liability partnership, or limited liability limited partnership	All general partners All limited partners
Limited liability company (LLC)	All LLC members All LLC managers
Privately held corporation	All corporate officers and directors (or persons with equivalent title) All stockholders
Multilevel ownership structures	All persons and entities that make up the ownership structure
Any entity(ies) or person(s) with a right to receive revenue, gross profit, or net profit, or exercising control over a licensed business	Any entity(ies) or person(s) with a right to receive some or all of the revenue, gross profit, or net profit from the licensed business during any full or partial calendar or fiscal year Any entity(ies) or person(s) who exercise(s) control over the licensed business
Nonprofit corporations	All individuals and entities having membership rights in accordance with the provisions of the articles of incorporation or bylaws

(2) A married couple may not be a true party of interest in more than five retail cannabis licenses, more than three producer licenses, or more than three processor licenses. A married couple may not be a true party of interest in a cannabis retailer license and a cannabis producer license or a cannabis retailer license and a cannabis processor license.

(3) The following definitions apply to this chapter unless the context clearly indicates otherwise:

(a) "Control" means the power to independently order, or direct the management, managers, or policies of a licensed business.

(b) "Financial institution" means any bank, mutual savings bank, consumer loan company, credit union, savings and loan association, trust company, or other lending institution under the jurisdiction of the department of financial institutions.

(c) "Gross profit" means sales minus the cost of goods sold.

(d) "Net profit" means profits minus all other expenses of the business.

(e) "Revenue" means the income generated from the sale of goods and services associated with the main operations of business before any costs or expenses are deducted.

(4) For purposes of this chapter, "true party of interest" does not include (this is a nonexclusive list):

(a) A person or entity receiving payment for rent on a fixed basis under a lease or rental agreement. Notwithstanding, if there is a common ownership interest between the applicant or licensee, and the entity that owns the real property, the board may investigate all funds associated with the landlord to determine if a financier relationship exists. The board may also investigate a landlord in situations where a rental payment has been waived or deferred.

(b) A person who receives a bonus or commission based on their sales, so long as the commission does not exceed 10 percent of their sales in any given bonus or commission period. Commission-based compensation agreements must be in writing.

(c) A person or entity contracting with the licensee(s) to receive a commission for the sale of the business or real property.

(d) A consultant receiving a flat or hourly rate compensation under a written contractual agreement.

(e) A person with an option to purchase the applied for or licensed business, so long as no money has been paid to the licensee under an option contract or agreement for the purchase or sale of the licensed business, or a business that is applying for a license.

(f) Any business or individual with a contract or agreement for services with a licensed business, such as a branding or staffing company, will not be considered a true party of interest, as long as the licensee retains the right to and controls the business.

(g) A financial institution.

(5) **Notification.**

(a) Except as provided in this subsection (4)(a)(i), (ii), and (iii), after licensure the licensee must continue to disclose the source of all funds to be invested in the licensed business, including all funds obtained from financiers, prior to investing the funds into the licensed business.

(i) Revenues of the licensed cannabis business that are reinvested in the business do not require notification or vetting by the board.

(ii) Proceeds of a revolving loan where such loan has been approved by the board within the three previous years do not need to be vetted by the board, unless the source of the funds has changed or the approved loan amount has increased.

(iii) If the source of funds is an identified true party of interest on the license, or a previously approved financier associated with the license, or a previously approved revolving loan, the board will allow these funds to be used upon receipt of an application to use such funds. The board will then investigate the source of funds. If the board cannot verify the source of funds after reasonable inquiry, or the board determines that the funds were obtained in a manner in violation of the law, the board may take actions consistent with the provisions of this chapter.

(b) Licensees must receive board approval before making any ownership changes consistent with WAC 314-55-120.

(c) Noncompliance with the requirements of this section may result in action consistent with this chapter.

(6) **Disclosure agreements and intellectual property.**

(a) Licensed cannabis businesses may enter into agreements consistent with the provisions of RCW 69.50.395.

(b) Notwithstanding the foregoing, no producer or processors may enter into an intellectual property agreement with a retailer.

(7) **Financiers.**

(a) Consistent with WAC 314-55-010(21), a financier is any person or entity, other than a financial institution or a government entity, that provides money as a gift, a grant, or loans money to an applicant, business, or both, and expects to be paid back the amount of the loan, with or without reasonable interest.

(b) A financier may not receive an ownership interest, control of the business, a share of revenue, gross profits or net profits, a profit sharing interest, or a percentage of the profits in exchange for a loan or gift of funds, unless the financier, if directly involved in the loaning of funds, receives board approval and has qualified on the license as a true party of interest.

(c) Washington state residency requirements do not apply to financiers who are not also a true party of interest, but all financiers must reside within the United States.

(d) The board will conduct a financial and criminal background investigation on all financiers.

[Statutory Authority: RCW 69.50.342 and 69.50.345. WSR 24-21-051, s 314-55-035, filed 10/9/24, effective 1/7/25. Statutory Authority: RCW 69.50.342 and 2022 c 16 § 168. WSR 22-14-111, § 314-55-035, filed 7/6/22, effective 8/6/22. Statutory Authority: RCW 69.50.342, 69.50.345, 69.50.395 and 2019 c 380. WSR 20-18-099, § 314-55-035, filed 9/2/20, effective 10/3/20. Statutory Authority: RCW 69.50.342 and 69.50.345. WSR 16-11-110, § 314-55-035, filed 5/18/16, effective 6/18/16. Statutory Authority: RCW 69.50.325, 69.50.331, 69.50.342, 69.50.345. WSR 13-21-104, § 314-55-035, filed 10/21/13, effective 11/21/13.]

WAC 314-55-050 Withdrawal, denial, suspension, or cancellation of a cannabis license application or license. (1) The board has the discretion to withdraw, deny, suspend, or cancel a cannabis license application or license consistent with RCW 69.50.331, for reasons including, but not limited to, the following:

(a) Not meeting the initial or ongoing qualifications, requirements, or both for a specific cannabis license, as outlined in this chapter and chapter 69.50 RCW;

(b) Not submitting information or documentation requested by the board during the application evaluation process;

(c) Misrepresenting fact, or not disclosing a material fact to the board during the application process or any review or follow-up review that may occur after a license has been issued;

(d) Not meeting the background check standards outlined in WAC 314-55-040;

(e) Not meeting the cannabis law or rule violation history standards outlined in WAC 314-55-045;

(f) Using funds that cannot be verified for the acquisition, startup and operation of the business, or obtained in a way that violates the law;

(g) Not allowing the board or its authorized representative access to any place where a licensed activity takes place;

(h) Not producing any book, record or document required by law or board rule;

(i) The applicant or licensee has had a cannabis license or medical cannabis license denied, suspended, or canceled in another state or local jurisdiction;

(j) The city, county, tribal government, or port authority has submitted a substantiated objection to the application or against the premises for which the new or renewed license is requested, as described in RCW 69.50.331 (7) and (10).

(k) The applicant or licensee has not paid taxes or fees required under chapter 69.50 RCW or did not provide production, processing, inventory, sales and transportation reports or documentation required under this chapter.

(l) The applicant or licensee did not submit an attestation that they are current in any tax obligations to the Washington state department of revenue.

(m) The applicant or licensee has been denied a liquor or cannabis license or had a liquor license or cannabis license suspended or revoked in this or any other state.

(n) The operating plan submitted with the application does not demonstrate that the applicant meets the criteria for licensure.

(o) The applicant or licensee does not operate their business consistent with the operating plan approved by the board.

(p) The board determines the issuance of the license will not be in the best interest of the welfare, health, or safety of the people of the state.

(2) Except as provided in subsection (3) of this section, the board will not issue a new cannabis license if the proposed licensed business is within 1,000 feet of the perimeter of the grounds of any of the facilities listed in (a) through (h) of this subsection. The distance will be measured as the shortest straight line distance from the property line of the proposed building or business location to the property line of the entities listed below:

(a) Elementary or secondary school;

(b) Playground;

- (c) Recreation center or facility;
- (d) Child care center;
- (e) Public park;
- (f) Public transit center;
- (g) Library; or
- (h) Any game arcade (where admission is not restricted to persons age 21 or older).

(3)(a) A city or county may, by local ordinance, permit cannabis businesses licensing within 1,000 feet but not less than 100 feet of the facilities listed in subsection (2) of this section except elementary and secondary schools, and playgrounds.

(b) If an applicant applies for a cannabis license at a location less than 1,000 feet of a recreation center or facility, child care center, public park, public transit center, library, or game arcade, the applicant must provide the LCB with a copy of the local ordinance that describes the distance required by the city or county where the facility will be located.

[Statutory Authority: RCW 66.08.030 and 2015 c 70. WSR 24-16-064, § 314-55-050, filed 7/31/24, effective 8/31/24. Statutory Authority: RCW 69.50.335, 69.50.336, 69.50.342, and 2022 c 16. WSR 22-21-058, § 314-55-050, filed 10/12/22, effective 11/12/22. Statutory Authority: RCW 69.50.325, 69.50.342, 69.50.345, and 69.50.369. WSR 18-22-055, § 314-55-050, filed 10/31/18, effective 12/1/18. Statutory Authority: RCW 69.50.342 and 69.50.345. WSR 16-11-110, § 314-55-050, filed 5/18/16, effective 6/18/16; WSR 14-06-108, § 314-55-050, filed 3/5/14, effective 4/5/14. Statutory Authority: RCW 69.50.325, 69.50.331, 69.50.342, 69.50.345. WSR 13-21-104, § 314-55-050, filed 10/21/13, effective 11/21/13.]

WAC 314-55-079 Cannabis retailer license—Privileges, requirements, and fees. (1) A cannabis retailer license allows the licensee to sell only useable cannabis, cannabis concentrates, cannabis-infused products, cannabis paraphernalia, and lockable boxes to store cannabis at retail in licensed retail outlets to persons 21 years of age and older, except as allowed for persons under 21 years of age consistent with RCW 69.50.357 and WAC 314-55-080.

(2) The board may accept applications for cannabis retail licenses at time frames published on its website at lcb.wa.gov. Using estimated consumption data and population data obtained from the office of financial management (OFM) population data, the board will determine the maximum number of cannabis retail locations per county.

(a) The number of retail locations will be determined using a method that distributes the number of locations proportionate to the most populous cities within each county and to accommodate the medical needs of qualifying patients and designated providers. Locations not assigned to a specific city will be at large. At large locations can be used for unincorporated areas in the county or in cities within the county that have no retail licenses designated.

Consistent with WAC 314-55-570 (4)(d), social equity licenses that are currently designated to specific cities may be located anywhere within the county in which the city is located. A license may not be transferred outside of that county.

(b) The number of retail licenses determined by the board can be found on the board website at lcb.wa.gov.

(3) Any entity and/or principals within any entity are limited to no more than five retail cannabis licenses.

(4) Application and license fees.

(a) The application fee for a cannabis retailer's license is \$250 consistent with RCW 69.50.325 (3)(a). The applicant is responsible for fees required by the approved vendor for fingerprint evaluation.

(b) The annual fee for issuance and renewal of a cannabis retailer license is \$1,381 consistent with RCW 69.50.325 (3)(a). The board will conduct random background checks at the time of renewal that will require the licensee to submit fingerprints for evaluation from the approved vendor. The licensee is responsible for all fees required for the background checks.

(5) Internet sales and delivery of product to customers is prohibited.

(6) Sales of cannabis-infused products not permissible under WAC 314-55-077 are prohibited.

(7) Cannabis retailers may not sell cannabis products below the current acquisition cost.

(8) All cannabis products must be stored behind a counter or other barrier to ensure a customer does not have direct access to the product.

(9) A cannabis retailer may not sell lockable boxes for less than the cost of acquisition or sell boxes received as a donation. The donation of lockable boxes must come from a person or entity that is not a licensed cannabis producer, processor, or retailer.

(10) Cannabis retailer licensees are allowed to have a maximum of four months of their average inventory on their licensed premises at any given time.

(11) A cannabis retailer may transport product to other locations operated by the licensee or to return product to a cannabis processor as outlined in WAC 314-55-085.

(12) A cannabis retailer may accept returns of open cannabis products. Products must be returned in their original packaging with the lot, batch, or inventory ID number fully legible.

(13) A cannabis retailer may dispose of cannabis products as provided in WAC 314-55-097.

(14) The board may take disciplinary action against any cannabis retailer that fails to comply with the provisions of WAC 246-80-021.

[Statutory Authority: RCW 69.50.335, 69.50.336, 69.50.342, and 2022 c 16. WSR 22-21-058, § 314-55-079, filed 10/12/22, effective 11/12/22. Statutory Authority: RCW 69.50.342 and 69.50.345. WSR 21-15-124, § 314-55-079, filed 7/21/21, effective 8/21/21. Statutory Authority: RCW 69.50.325, 69.50.342, 69.50.345, and 69.50.369. WSR 18-22-055, § 314-55-079, filed 10/31/18, effective 12/1/18. Statutory Authority: RCW 69.50.342, 69.50.345, 2016 c 170, 2016 c 171, and 2016 c 17. WSR 16-19-102, § 314-55-079, filed 9/21/16, effective 10/22/16. Statutory Authority: RCW 69.50.342 and 69.50.345. WSR 16-11-110, § 314-55-079, filed 5/18/16, effective 6/18/16; WSR 15-11-107, § 314-55-079, filed 5/20/15, effective 6/20/15; WSR 14-10-044, § 314-55-079, filed 4/30/14, effective 5/31/14. Statutory Authority: RCW 69.50.325, 69.50.331, 69.50.342, 69.50.345. WSR 13-21-104, § 314-55-079, filed 10/21/13, effective 11/21/13.]

WAC 314-55-137 Receiverships. (1) Service and notice.

(a) Any person who files any receivership or trustee action involving any cannabis licensee must serve the board with original notice of the action. Service is accomplished by delivery of the original notice of action to the board through one of the following methods:

(i) Delivery to the board at 1025 Union Avenue S.E., Olympia, WA 98504; or

(ii) Mailed to the board. Mailed notice must be addressed to: LCB, ATTN: Licensing - Receiverships, P.O. Box 43076, Olympia, WA 98504-3076 or, for certified mail, LCB, ATTN: Licensing - Receiverships, 1025 Union Avenue S.E., Olympia, WA 98504; or

(iii) Electronic delivery to the board at licensingappeals@lcb.wa.gov.

(b) The board will find a licensee compliant with this section only if it receives original notice of the action and the receiver is selected consistent with board requirements.

(2) The role of a receiver when a licensee is placed in receivership. If a cannabis licensee is placed under receivership, the receiver:

(a) Upon compliance with the requirements listed in this section, the receiver may operate the licensee's business during the receivership period;

(b) The receiver assumes all licensee reporting responsibilities under this chapter including, but not limited to, full responsibility for maintaining records and entries into the traceability system maintained by the board; and

(c) The receiver is required to comply with all applicable laws under chapter 69.50 RCW and rules in this chapter including, but not limited to, the responsibilities of cannabis licensees set forth in WAC 314-55-110.

(d) Failure to abide by the requirements set forth in chapter 69.50 RCW and this chapter as specified in this subsection may result in enforcement action against the licensee under chapter 69.50 RCW and rules under this chapter and may result in the receiver being disqualified to act as a receiver by the board.

(3) Who may serve as a receiver. Any person who meets the requirements of chapter 7.60 RCW and the following additional requirements may serve as a receiver for a cannabis business:

(a) Is currently in good standing on the preapproved receiver list maintained by the board; or

(b) Is approved by the board under the requirements in subsection (5) of this section to serve as a receiver of a cannabis licensee.

(4) Qualifying for the board's preapproved receiver list.

(a) The following requirements must be met to qualify for the board's preapproved receiver list:

(i) Submit a complete receiver application with the board;

(ii) Be a Washington state resident for at least six months prior to the application for preapproval as a receiver and maintain residency throughout the term of the receivership;

(iii) Submit to and pass a criminal background check;

(iv) Provide any financial disclosures requested by the board; and

(v) Disclose any interests the person has in any cannabis licensee(s).

(b) Review and qualification requirements in this subsection only apply to persons or entities actively participating in the management

of the receivership and do not apply to spouses of those persons or persons involved in a business entity or fellow members of a business entity that are not actively involved in the management of the receivership.

(c) A receiver placed on the preapproved receiver list maintained by the board must annually update all information and disclosures required under this subsection to remain eligible to act as a receiver and be on the preapproved receiver list. Annual updates must be made one calendar year after the date the receiver is approved.

(5) Appointing a receiver who is not preapproved by the LCB.

(a) Within two days of filing of any action to appoint a receiver, a proposed receiver must:

(i) Submit a complete application with the board to serve as receiver for the licensee;

(ii) Be a Washington resident for six months prior to appointment as a receiver and maintain residency throughout the term of the receivership;

(iii) Submit to and pass a criminal background check;

(iv) Provide any financial disclosures requested by the LCB; and

(v) Disclose any interest the proposed receiver has in any cannabis licensee(s).

(b) Review and qualification requirements in this subsection only apply to persons or entities actively participating in the management of the receivership and do not apply to spouses of those persons or persons involved in a business entity or fellow members of a business entity that are not actively involved in the management of the receivership.

(c) If the proposed receiver is denied approval by the board at any time, a substitute receiver may be proposed for board approval. The substitute receiver must provide all information required by this subsection.

(d) If the proposed receiver is not approved by the board at the time the receiver is appointed by the court, the receiver will not be considered compliant with this section, and may be subject to penalty under chapter 69.50 RCW, or as provided in this chapter and may result in the receiver being disqualified to act as a receiver by the board.

(6) Limitations on a person's ability to serve as a receiver.

(a) As operators and controllers of licensed cannabis establishments, receivers are subject to the same limits as licensees or any other person. Those limits include, but are not limited to:

(i) No person serving as a receiver of a licensed cannabis producer or licensed cannabis processor shall have a financial interest in, or simultaneously serve as a receiver for, a licensed cannabis retailer; and

(ii) No person shall serve as a receiver for, or be a true party of interest in, more than five cannabis retail licensees or more than three cannabis producer, processor, or producer/processor licensees at the same time.

(b) If the board determines that a receiver is violating or has violated the restrictions in this subsection, the receiver may be disqualified to act as a receiver by the board.

[Statutory Authority: RCW 66.08.030 and 2015 c 70. WSR 24-16-064, § 314-55-137, filed 7/31/24, effective 8/31/24. Statutory Authority: RCW 69.50.335, 69.50.336, 69.50.342, and 2022 c 16. WSR 22-21-058, § 314-55-137, filed 10/12/22, effective 11/12/22. Statutory Authority:

RCW 69.50.325, 69.50.342, 69.50.345, and 69.50.369. WSR 18-22-055, § 314-55-137, filed 10/31/18, effective 12/1/18.]

CERTIFICATION OF ENROLLMENT
ENGROSSED SUBSTITUTE SENATE BILL 5403

Chapter 250, Laws of 2025

69th Legislature
2025 Regular Session

CANNABIS RETAILERS—FINANCIAL INTEREST AGREEMENTS

EFFECTIVE DATE: January 1, 2026

Passed by the Senate April 18, 2025
Yeas 39 Nays 9

JOHN LOVICK
President of the Senate

Passed by the House April 11, 2025
Yeas 57 Nays 37

LAURIE JINKINS
**Speaker of the House of
Representatives**

Approved May 12, 2025 3:29 PM

BOB FERGUSON
Governor of the State of Washington

CERTIFICATE

I, Sarah Bannister, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 5403** as passed by the Senate and the House of Representatives on the dates hereon set forth.

SARAH BANNISTER

Secretary

FILED

May 14, 2025

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE SENATE BILL 5403

AS AMENDED BY THE HOUSE

Passed Legislature - 2025 Regular Session

State of Washington

69th Legislature

2025 Regular Session

By Senate Labor & Commerce (originally sponsored by Senators Saldaña, Krishnadasan, and Nobles)

READ FIRST TIME 02/21/25.

1 AN ACT Relating to limiting financial interest agreements for
2 licensed cannabis retailers; amending RCW 69.50.325; creating a new
3 section; and providing an effective date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 69.50.325 and 2022 c 16 s 54 are each amended to
6 read as follows:

7 (1) There shall be a cannabis producer's license regulated by the
8 board and subject to annual renewal. The licensee is authorized to
9 produce: (a) Cannabis for sale at wholesale to cannabis processors
10 and other cannabis producers; (b) immature plants or clones and seeds
11 for sale to cooperatives as described under RCW 69.51A.250; and (c)
12 immature plants or clones and seeds for sale to qualifying patients
13 and designated providers as provided under RCW 69.51A.310. The
14 production, possession, delivery, distribution, and sale of cannabis
15 in accordance with the provisions of this chapter and the rules
16 adopted to implement and enforce it, by a validly licensed cannabis
17 producer, shall not be a criminal or civil offense under Washington
18 state law. Every cannabis producer's license shall be issued in the
19 name of the applicant, shall specify the location at which the
20 cannabis producer intends to operate, which must be within the state
21 of Washington, and the holder thereof shall not allow any other

1 person to use the license. The application fee for a cannabis
2 producer's license shall be two hundred fifty dollars. The annual fee
3 for issuance and renewal of a cannabis producer's license shall be
4 one thousand three hundred eighty-one dollars. A separate license
5 shall be required for each location at which a cannabis producer
6 intends to produce cannabis.

7 (2) There shall be a cannabis processor's license to process,
8 package, and label cannabis concentrates, useable cannabis, and
9 cannabis-infused products for sale at wholesale to cannabis
10 processors and cannabis retailers, regulated by the board and subject
11 to annual renewal. The processing, packaging, possession, delivery,
12 distribution, and sale of cannabis, useable cannabis, cannabis-
13 infused products, and cannabis concentrates in accordance with the
14 provisions of this chapter and chapter 69.51A RCW and the rules
15 adopted to implement and enforce these chapters, by a validly
16 licensed cannabis processor, shall not be a criminal or civil offense
17 under Washington state law. Every cannabis processor's license shall
18 be issued in the name of the applicant, shall specify the location at
19 which the licensee intends to operate, which must be within the state
20 of Washington, and the holder thereof shall not allow any other
21 person to use the license. The application fee for a cannabis
22 processor's license shall be two hundred fifty dollars. The annual
23 fee for issuance and renewal of a cannabis processor's license shall
24 be one thousand three hundred eighty-one dollars. A separate license
25 shall be required for each location at which a cannabis processor
26 intends to process cannabis.

27 (3)(a) There shall be a cannabis retailer's license to sell
28 cannabis concentrates, useable cannabis, and cannabis-infused
29 products at retail in retail outlets, regulated by the board and
30 subject to annual renewal. The possession, delivery, distribution,
31 and sale of cannabis concentrates, useable cannabis, and cannabis-
32 infused products in accordance with the provisions of this chapter
33 and the rules adopted to implement and enforce it, by a validly
34 licensed cannabis retailer, shall not be a criminal or civil offense
35 under Washington state law. Every cannabis retailer's license shall
36 be issued in the name of the applicant, shall specify the location of
37 the retail outlet the licensee intends to operate, which must be
38 within the state of Washington, and the holder thereof shall not
39 allow any other person to use the license. The application fee for a
40 cannabis retailer's license shall be two hundred fifty dollars. The

1 annual fee for issuance and renewal of a cannabis retailer's license
2 shall be one thousand three hundred eighty-one dollars. A separate
3 license shall be required for each location at which a cannabis
4 retailer intends to sell cannabis concentrates, useable cannabis, and
5 cannabis-infused products.

6 (b)(i) An individual retail licensee and all other persons or
7 entities with a financial or other ownership interest in the business
8 operating under the license are limited, in the aggregate, to holding
9 a collective total of not more than five retail cannabis licenses.

10 (ii) A retail licensee and all other persons or entities with a
11 financial or other ownership interest may not enter into any
12 management agreement under RCW 69.50.331(1)(b)(iv) or any agreement
13 as referenced in RCW 69.50.395, whether or not in exchange for
14 payment, that confers a financial interest across more than five
15 retail cannabis licenses. For the purposes of this subsection,
16 "financial interest" includes, but is not limited to:

17 (A) Any sharing of profits or revenue;

18 (B) Any assistance, coordination, or recommendation for the
19 purchase of cannabis products whereupon pricing is coordinated or
20 discounted;

21 (C) The common use of intellectual property assets such as
22 branding, trade names, logos, social media accounts, or websites;

23 (D) Any operational control over the business or operational
24 support for typical day-to-day business operations, including core
25 business or executive functions of the retail cannabis license;

26 (E) Any sharing or coordination of marketing and advertising
27 efforts or expenses; and

28 (F) Any coordinated sharing of employment or hiring decisions,
29 including the shared employment of individuals.

30 (c)(i) A cannabis retailer's license is subject to forfeiture in
31 accordance with rules adopted by the board pursuant to this section.

32 (ii) The board shall adopt rules to establish a license
33 forfeiture process for a licensed cannabis retailer that is not fully
34 operational and open to the public within a specified period from the
35 date of license issuance, as established by the board, subject to the
36 following restrictions:

37 (A) No cannabis retailer's license may be subject to forfeiture
38 within the first nine months of license issuance; and

39 (B) The board must require license forfeiture on or before
40 twenty-four calendar months of license issuance if a cannabis

1 retailer is not fully operational and open to the public, unless the
2 board determines that circumstances out of the licensee's control are
3 preventing the licensee from becoming fully operational and that, in
4 the board's discretion, the circumstances warrant extending the
5 forfeiture period beyond twenty-four calendar months.

6 (iii) The board has discretion in adopting rules under this
7 subsection (3)(c).

8 (iv) This subsection (3)(c) applies to cannabis retailer's
9 licenses issued before and after July 23, 2017. However, no license
10 of a cannabis retailer that otherwise meets the conditions for
11 license forfeiture established pursuant to this subsection (3)(c) may
12 be subject to forfeiture within the first nine calendar months of
13 July 23, 2017.

14 (v) The board may not require license forfeiture if the licensee
15 has been incapable of opening a fully operational retail cannabis
16 business due to actions by the city, town, or county with
17 jurisdiction over the licensee that include any of the following:

18 (A) The adoption of a ban or moratorium that prohibits the
19 opening of a retail cannabis business; or

20 (B) The adoption of an ordinance or regulation related to zoning,
21 business licensing, land use, or other regulatory measure that has
22 the effect of preventing a licensee from receiving an occupancy
23 permit from the jurisdiction or which otherwise prevents a licensed
24 cannabis retailer from becoming operational.

25 (d) The board may issue cannabis retailer licenses pursuant to
26 this chapter and RCW 69.50.335.

27 NEW SECTION. **Sec. 2.** This act applies:

28 (1) Retroactively to agreements entered before the effective date
29 of this section; and

30 (2) Prospectively to agreements entered or renewed on or after
31 the effective date of this section.

32 NEW SECTION. **Sec. 3.** This act takes effect January 1, 2026.

Passed by the Senate April 18, 2025.

Passed by the House April 11, 2025.

Approved by the Governor May 12, 2025.

Filed in Office of Secretary of State May 14, 2025.

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