



# Washington State Liquor and Cannabis Board

## **Implementation of ESSB 5403**

Limiting financial interest agreements for licensed  
cannabis retailers

### **Stakeholder Feedback Sessions**

Thursday, November 6, 1:30-3:30 p.m.

Friday, November 7, 9:30-11:30 a.m.

Denise Laflamme, Policy & Rules Coordinator

[rules@lcb.wa.gov](mailto:rules@lcb.wa.gov)



# Washington State Liquor and Cannabis Board

## Objective

To inform and obtain public feedback on draft rule concepts and language being developed to implement ESSB 5403 related to financial interest agreements for cannabis retailers.

For feedback or questions on draft rules, contact [rules@lcb.wa.gov](mailto:rules@lcb.wa.gov)



# Washington State Liquor and Cannabis Board

## Notes

**During the meeting please keep the following in mind:**

- LCB is recording these sessions and recordings are subject to public disclosure. The purpose of the recordings is to make sure we collect all feedback, and they will be posted on the Rules webpage.
- While the Teams chat feature will be ON, any written questions submitted in chat will be saved in the rulemaking file and are **subject to public disclosure**.
- Questions and comments in the session's Team chat may not be responded to in real time, but will be **addressed at the end of the session, time permitting**.
- Participants will be muted and will only be unmuted when the session's facilitator enables their microphone.
- To ask questions during the sessions, participants must **use the raise hand** function and they will then be unmuted to ask their question.
- If you would like to submit questions before, during or after the engagement session, feel free to email the rules team at [rules@lcb.wa.gov](mailto:rules@lcb.wa.gov).



## What we will cover today:

1. Review of Legislation
2. Rulemaking Process & Timeline
3. Draft Rule Key Concepts and [Draft Language](#)
4. Questions/Comments



## Engrossed Substitute Senate Bill 5403

- Passed by the Washington State Legislature during the 2025 session
- Amends RCW 69.50.325(3): cannabis retailer's license
- **New law takes effect January 1, 2026**
- Applies retroactively prior to effective date and prospectively on or after effective date



## **Existing RCW 69.50.325(3)(b)**

(i) 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.



## Engrossed Substitute Senate Bill 5403

New 3(b)(ii) A retail licensee and all other persons or entities with a financial or other ownership interest may not enter into any management agreement under RCW 69.50.331(1)(b)(iv) or any agreement as referenced in RCW 69.50.395, whether or not in exchange for payment, that confers a financial interest across more than 5 retail cannabis licenses.



## Engrossed Substitute Senate Bill 5403

For the purposes of this subsection, “financial interest” includes, but is not limited to:

- (A) Any sharing of profits or revenue;
- (B) Any assistance, coordination, or recommendation for the purchase of cannabis products whereupon pricing is coordinated or discounted;
- (C) The common use of intellectual property assets such as branding, trade names, logos, social media accounts, or websites;



## Engrossed Substitute Senate Bill 5403

For the purposes of this subsection, “financial interest” includes, but is not limited to (cont’d):

- (D) Any operational control over the business or operational support for typical day-to-day business operations, including core business or executive functions of the retail cannabis license;
- (E) Any sharing or coordination of marketing and advertising efforts or expenses; and
- (F) Any coordinated sharing of employment or hiring decisions, including the shared employment of individuals.



## **Rulemaking** is needed to:

1. Align existing LCB rules with the new statutory requirements
2. Clarify ambiguity in the law
3. Address related stakeholder concerns, including those raised via recent petitions, within the same WAC section(s)



## Rulemaking Steps Completed So Far

- **7/23/2025** - [CR 101 \(Preproposal Statement of Inquiry\)](#) was filed with the Office of the Code Reviser
- **8/6/2025** - Notice was published in the Washington State Register under WSR 25-15-153
- **9/5/2025** - Informal comment period ended
- **10/20/2025** - Draft rule language posted on LCB webpage and Stakeholder Sessions Announced
- **11/6&7/2025** – Stakeholder Sessions



## Going Forward

- Conduct additional Stakeholder Sessions as needed
- Winter 2026:
  - Request Board Approval to File CR-102 and file [CR-102 \(Proposed Rule\)](#)
  - Notice is published in the Washington State Register
  - Hold Public Hearing
- Early Spring 2026:
  - Request Board Approval to File CR-103 and file [CR-103 \(Final Rule\)](#)
  - Notice is published in the Washington State Register
  - Rules are effective 31 days after filing



# Washington State Liquor and Cannabis Board

## Draft Rule Overview: Amended Rules

| WAC |            | Title                                                                                                |
|-----|------------|------------------------------------------------------------------------------------------------------|
| 1   | 314-55-018 | Prohibited practices – Money advances – Contracts – Gifts – Rebates, discounts, and exceptions, etc. |
| 2   | 314-55-035 | Qualifying for a cannabis license                                                                    |
| 3   | 314-55-050 | Withdrawal, denial, suspension, or cancellation of a cannabis license application of license         |
| 4   | 314-55-079 | Cannabis retailer license – Privileges, requirements, and fees                                       |
| 5   | 314-55-087 | Recordkeeping requirements for cannabis licenses                                                     |



## Key Concepts and Draft Rule Language by Section

| <b>WAC 314-55-018</b><br>Prohibited practices | Concept – Clarify 5 retail store limit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1)                                           | No industry member or licensee shall enter into any agreement, <u>written or otherwise</u> , 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, <u>for up to five retail stores owned and operated by one licensee</u> , and that are otherwise in compliance with chapter 69.50 RCW and this chapter. |



## Key Concepts and Draft Rule Language by Section

| <b>WAC 314-55-018</b><br><b>Prohibited practices</b> | <b>Concept – Preferential pricing is prohibited</b>                                                                                                                                                                                                                              |
|------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>New subsection (2)</b>                            | Any cannabis, useable cannabis, cannabis-infused products, or cannabis concentrates sold by a producer or processor to a cannabis retailer must be made available and sold under the same basic terms and conditions per purchased amount to all retailers on a statewide basis. |
| <b>(a)</b>                                           | Preferential pricing that includes offering different prices for the same amount of product to different retailers shall be considered a prohibited practice.                                                                                                                    |
| <b>(b)</b>                                           | Consignment sales are prohibited.                                                                                                                                                                                                                                                |
| <b>(c)</b>                                           | Rebates to retailers are prohibited.                                                                                                                                                                                                                                             |



## Key Concepts and Draft Rule Language by Section

|                                               |                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>WAC 314-55-018</b><br>Prohibited practices | <b>Concept – Exclusivity agreements, including white labeling or private labeling, is prohibited</b>                                                                                                                                                                                                                  |
| <b>New subsection (3)</b>                     | Any and all exclusivity agreements are prohibited, including white labeling, or private labeling, that result in products not being available to all retailers. For purposes of this section, white labeling, or private labeling, means cannabis products sold by retailers with their own retail branding and logo. |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

|                                               |                                                                                                                                                                       |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>WAC 314-55-018</b><br>Prohibited practices | <b>Concept – Cannabis retailers must be under the same ownership to negotiate collectively for lower product prices.</b>                                              |
| <b>New subsection (4)</b>                     | Multiple cannabis retail licenses, not under the same ownership, may not commit to purchasing, or purchase, products collectively to negotiate a lower product price. |



## Key Concepts and Draft Rule Language by Section

|                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>WAC 314-55-018</b><br>Prohibited practices | <b>Concept – Exclusionary practices are prohibited and penalties can result.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>New subsection (5)</b>                     | Any sales from a producer or processor to a retailer must not be coordinated, or agreed upon in writing or otherwise, to exclude any other retailer's ability or opportunity to purchase any product from the producer or processor. Exclusionary agreements between a producer or processor and a retailer, or the practice of excluding a licensee from purchase and sales will be considered a prohibited practice. Any violation of this subsection will be considered a category IV violation pursuant to WAC 314-55-523, except penalties will include license cancellation or a second offense for both the producer or processor, and retail licensees involved. |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

| <b>WAC 314-55-018</b><br>Prohibited practices | <b>Concept – Quantity discounts on cannabis products are prohibited under certain conditions.</b>                                                                                      |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>New subsection (6)</b>                     | No cannabis producer or processor shall provide quantity discounts, and no retailer shall receive quantity discounts:                                                                  |
| <b>(a)</b>                                    | on products that are negotiated for more than five cannabis retailer locations. All locations up to the limit of five must be owned and operated by the same cannabis retail licensee; |
| <b>(b)</b>                                    | for any combination of more than five licenses at any time;                                                                                                                            |
| <b>(c)</b>                                    | for multiple independent licensees at any time; or                                                                                                                                     |
| <b>(d)</b>                                    | based on a total volume or amount purchased over time, including conditional sale of products pursuant to WAC 314-55-017.                                                              |



## Key Concepts and Draft Rule Language by Section

|                                               |                                                                                                                                                                |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>WAC 314-55-018</b><br>Prohibited practices | Concept – Agreements under RCW 69.50.395 must not include activities associated with operational support of >5 retail licenses.                                |
| <b>New subsection (7)</b>                     | Agreements under RCW 69.50.395 must not include assisting with or advising on the day-to-day operations of the business across more than five retail licenses. |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

|                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>WAC 314-55-035</b><br>Qualifying for a cannabis license | <b>Concept – Person or entity replaces “married couple” and adds restriction for having a financial interest</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Amend subsection (2)</b>                                | <p><del>A married couple may not</del> <u>No person or entity may have a financial interest or</u> be a true party of interest in more than five retail cannabis licenses, more than three producer licenses, or more than three processor licenses. <del>A married couple</del> <u>A person or entity</u> 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. <u>Any industry member must not be a true party of interest in a certified cannabis testing laboratory.</u></p> |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

|                                                            |                                                                                                                                                                 |
|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>WAC 314-55-035</b><br>Qualifying for a cannabis license | <b>Concept – Licenses must not share employees across &gt;5 retail locations</b>                                                                                |
| <b>New subsection (3)</b>                                  | A cannabis retailer license must not share employees across more than 5 retail licenses. This includes shared hiring, management, or coordination of employees. |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

| <b>WAC 314-55-035</b><br>Qualifying for a<br>cannabis license | <b>Concept – Sharing or coordination of activities that<br/>support business operations must not involve &gt;5<br/>retail licenses</b>                                                                                             |
|---------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>New<br/>subsection (4)</b>                                 | The sharing or coordination of activities or resources that support day-to-day business operations must not involve more than five retail licenses. This includes assisting with or recommending services and purchases including: |
| <b>(a)</b>                                                    | facility maintenance contracts;                                                                                                                                                                                                    |
| <b>(b)</b>                                                    | security services;                                                                                                                                                                                                                 |
| <b>(c)</b>                                                    | ordering products or supplies;                                                                                                                                                                                                     |
| <b>(d)</b>                                                    | paying vendors; and                                                                                                                                                                                                                |
| <b>(e)</b>                                                    | marketing and advertising efforts.                                                                                                                                                                                                 |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

|                                                               |                                                                                                          |
|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <b>WAC 314-55-035</b><br>Qualifying for a<br>cannabis license | <b>Concept – Having an ownership or financial<br/>interest is limited to 5 retail licenses.</b>          |
| <b>New<br/>subsection (5)</b>                                 | No person or entity shall have any ownership or<br>financial interest in more than five retail licenses. |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

|                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>WAC 314-55-035</b><br>Qualifying for a cannabis license | <b>Concept – Expand definition of “control” for qualifying as a True Party of Interest.</b><br><b>Clarify employees and service providers are not included.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Renumber and amend (3)(a) to become (6)(a)</b>          | "Control" means any person or entity who exercises any operational control over the business including directing the operations or management of the business qualifies as a true party of interest. This includes activities associated with directing core or day-to-day business executive functions such as forecasting and managing costs, establishing staffing and hiring targets, establishing workplace and other business practices and policies, planning and executing marketing and advertising efforts, and approving and authorizing payments including for products and materials <del>the power to independently order, or direct the management, managers, or policies of a licensed business.</del> |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

|                                                               |                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>WAC 314-55-035</b><br>Qualifying for a<br>cannabis license | <b>Concept – Clarify definition of “control” for<br/>qualifying as a True Party of Interest.<br/>Exclude employees and service providers</b>                                                                                                                                               |
| <b>Under (6)(a)</b>                                           |                                                                                                                                                                                                                                                                                            |
| <b>New (i)</b>                                                | In cases where there is a person or entity who controls the day-to-day business operations (other than the owner or licensee) because of an agreement between the licensee and the operator, the operating party becomes a true party of interest.                                         |
| <b>New (ii)</b>                                               | Individual employees of a licensed business who are paid directly by the licensed business, whose work duties are directed by a manager or owner of the business, and whose work activities for the business do not involve more than 5 retail licenses, do not qualify as having control. |
| <b>New (iii)</b>                                              | Contract service providers, including for facility maintenance, security, cleaning, or accounting services do not qualify as having control.                                                                                                                                               |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

| <b>WAC 314-55-035</b><br>Qualifying for a<br>cannabis license | <b>Concept – Define “Financial Interest”<br/>to align with statute</b>                                                                                                                                                                    |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>New (6)(c)</b>                                             | “Financial interest” means the sharing or coordination of activities or resources, including as part of a management agreement under RCW 69.50.331(1)(b)(iv)) or any agreement under RCW 69.50.395. This includes, but is not limited to: |
| <b>New (i)</b>                                                | any sharing or receiving of profits or revenue, or the right to receive profits or revenue;                                                                                                                                               |
| <b>New (ii)</b>                                               | any assisting, negotiating, or recommending the purchase of cannabis products whereupon pricing is coordinated or discounted;                                                                                                             |
| <b>New (iii)</b>                                              | any planning, executing or directing the use of intellectual property assets such as branding, trade names, logos, social media accounts, or websites;                                                                                    |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

| <b>WAC 314-55-035</b><br>Qualifying for a<br>cannabis license | <b>Concept – Define “Financial Interest”<br/>to align with statute</b>                                                                                                                                                                    |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>New (6)(c) cont’d</b>                                      | “Financial interest” means the sharing or coordination of activities or resources, including as part of a management agreement under RCW 69.50.331(1)(b)(iv)) or any agreement under RCW 69.50.395. This includes, but is not limited to: |
| <b>New (iv)</b>                                               | providing any control over business operations, including core business or executive functions of the retail cannabis license;                                                                                                            |
| <b>New (v)</b>                                                | any sharing or coordination of activities or resources that support day-to-day business operations;                                                                                                                                       |
| <b>New (vi)</b>                                               | any sharing or coordination of marketing and advertising efforts or expenses;<br>and                                                                                                                                                      |
| <b>New (vii)</b>                                              | any coordinated sharing of employees.                                                                                                                                                                                                     |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

| <b>WAC 314-55-035</b><br>Qualifying for a cannabis license | <b>Concept – Clarify exceptions to being a True Party of Interest</b>                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Renumber (4):<br/>to new (7)</b>                        | For purposes of this chapter, "true party of interest" does not include (this is a nonexclusive list):                                                                                                                                                                                                                                                                                                                          |
| <b>Amend (d)</b>                                           | A consultant receiving a flat or hourly rate compensation under <u>any a written contractual agreement, provided the consultant or consulting company does not exercise control or have a financial interest in more than five retail licenses.</u>                                                                                                                                                                             |
| <b>Amend (f)</b>                                           | Any business or <del>individual</del> <u>person</u> 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 <u>business or person licensee does not exercise control over or have a financial interest across more than five retail licenses</u> <del>retains the right to and controls the business.</del> |
| <b>New (g)</b>                                             | Individual employees of a licensed retail business who are paid directly by the licensed business and are not employed as part of a contract or other agreement.                                                                                                                                                                                                                                                                |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

|                                                                                                |                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>WAC 314-55-050</b><br>Withdrawal, denial, suspension, or cancellation of a cannabis license | <b>Concept – Include any ownership or financial interest in &gt; 5 retail licenses as reason for suspension</b>                                                                                       |
| (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: |
| New<br>1 (b)                                                                                   | Owning, operating or having a financial interest in more than five cannabis retail locations.                                                                                                         |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

| <b>WAC 314-55-079</b><br>Cannabis retailer license<br>– privileges,<br>requirements, and fees | <b>Concept – Clarify and align retail cannabis<br/>license requirements with statute</b>                                                                                                                                                                                                                                                        |
|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Amend (3)</b>                                                                              | Any entity and/or principals within any entity are limited to <u>owning, operating, or having a financial interest in</u> no more than five retail cannabis licenses.                                                                                                                                                                           |
| <b>Amend (9)</b>                                                                              | 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 <del>a licensed cannabis producer, processor, or retailer</del> <u>considered a true party of interest by definition of this rule.</u> |
| <b>Amend (11)</b>                                                                             | A cannabis retailer may transport product to other locations <del>operated</del> <u>owned</u> by the licensee or to return product to a cannabis processor as outlined in WAC 314-55-085.                                                                                                                                                       |



# Washington State Liquor and Cannabis Board

## Key Concepts and Draft Rule Language by Section

|                                                                                  |                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>WAC 314-55-087</b><br>Recordkeeping<br>requirements for<br>cannabis licensees | <b>Concept – Include purchase agreements and<br/>services for inspection</b>                                                                                                                                                                                                                                                        |
| (1)                                                                              | Cannabis licensees are responsible to keep records that clearly reflect all financial transactions and the financial condition of the business. The following records must be kept and maintained on the licensed premises for a five-year period and must be made available for inspection if requested by an employee of the LCB: |
| <b>Amend (1)(a)</b>                                                              | Purchase invoices, <u>purchase agreements</u> , and supporting documents, to include the items and/or services purchased, from whom the items <u>and services</u> were purchased, and the date of purchase;                                                                                                                         |



# Washington State Liquor and Cannabis Board

## Next Steps

- Continue collecting feedback
- Meet with LCB project team to:
  - determine draft rule language changes, and
  - whether additional stakeholder sessions are warranted
- Finalize draft language incorporating public feedback
- CR-102 (Official Rule Proposal)
- Public Hearing
- CR-103 (Rule Adoption)

[LCB Current Rulemaking Activity page](#) *(put link in chat)*



# Washington State Liquor and Cannabis Board

## Thank You

for attending today's session



Please take our short survey to help  
us improve these sessions

[Session Survey](#) (*put link in chat*)

Current Rulemaking Activity page:

<https://lcb.wa.gov/laws/current-rulemaking-activity>

For any questions or feedback,  
please contact Policy & Rules at [rules@lcb.wa.gov](mailto:rules@lcb.wa.gov)