Washington State
Liquor and Cannabis Board

Date: November 4, 2026

To: Jim Vollendroff, Board Chair
Ollie Garrett, Board Member
Pete Holmes, Board Member

From: Denise Laflamme, Policy and Rules Coordinator

Copy: Will Lukela, Agency Director
Toni Hood, Agency Deputy Director
Becky Smith, Director of Licensing and Regulations
Larry Grant, Director of Enforcement and Education
Justin Nordhorn, Policy and External Affairs Director
Kevin Walder, Policy and Rules Manager

Subject: Board approval of proposed rules (CR 102) to Implement Engrossed Substitute Senate Bill (ESSB) 5403 on Financial Interest Agreements for Cannabis Retailers.

The Policy and Rules Coordinator requests approval to file a rule proposal (CR 102) to amend five rules in chapter 314-55 WAC to implement ESSB 5403 (chapter 250, Laws of 2025) as described in the CR 102 Memorandum attached to this order and presented at the Board meeting on November 4, 2026. If approved for filing, the tentative timeline for this rule proposal is as follows:

November 4, 2026	Board is asked to approve filing proposed rules (CR 102). CR 102 filed with the Office of the Code Reviser. LCB webpage updated, and notice circulated by GovDelivery distribution list. Formal comment period begins.
November 18, 2026	Notice published in the Washington State Register under WSR 26-22.
December 10, 2026	Public hearing held and formal comment period ends.
No earlier than January 6, 2027	Board is asked to adopt rules if no substantive changes are made (CR 103). Concise Explanatory Statement provided to individuals who offered written or oral comment at the public hearing or during the formal comment period, consistent with RCW 34.05.325. CR 103 and adopted rules are filed with the Office of the Code Reviser.

	LCB webpage updated, and notice circulated by GovDelivery distribution list.
February 6, 2027	If CR 103 with final rules is approved at the January 6, 2027, Board meeting, the rules would be effective 31 days after filing.

_____ Approve _____ Disapprove _____ 11/4/2026
Jim Vollendroff, Chair Date

_____ Approve _____ Disapprove _____ 11/4/2026
Ollie Garrett, Board Member Date

_____ Approve _____ Disapprove _____ 11/4/2026
Pete Holmes, Board Member Date

Attachment: CR 102 Memorandum

Washington State
Liquor and Cannabis Board

CR-102 Memorandum:	Implementation of Engrossed Substitute Senate Bill (ESSB) 5403 (chapter 250, Laws of 2025) – Cannabis Retailers – Financial Interest Agreements
Date:	November 4, 2026
Presented by:	Denise Laflamme, Policy and Rules Coordinator

Background

In 2019, HB 1794 amended RCW 69.50.395 to specifically permit intellectual property agreements among licensed cannabis businesses and third parties. Since that time, LCB staff have become aware that some licensees have used these types of agreements to attempt to legitimize shared ownership or control in excess of the 5 retail store limit required under RCW 69.50.325(3)(b). This has in turn resulted in cases in which more than 5 stores engage in coordinated purchasing and business activities, thus creating stronger buying power than compliant retail stores with 5 or fewer locations under common ownership or control.

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 ownership interest from entering into any management agreement under RCW 69.50.331(1)(b)(iv) or any agreement under RCW 69.50.395 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, trade names, logos, social media accounts, or websites; 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 coordinated sharing of employment or hiring decisions, including shared employees. This legislation became effective on January 1, 2026.

Additionally, two petitions for rulemaking submitted to the Board in 2025 were denied in part because of their relationship to this rulemaking. These petitions reported concerns about unfair trade practices and undue influence among larger retail chains in violation of existing prohibited practices under WAC 314-55-018 pursuant to RCW 69.50.328 (see Mattson Petition Response 8/13/25 and Sanders Petition Response 10/8/25). These petitions reported larger retailers pressuring processors to lower prices for their stores and to restrict sales to certain retailers.

The CR-101 was filed on July 23, 2025, as WSR 25-15-153. The informal public comment period on the CR-101 was open from July 23, 2025, to September 5, 2025. LCB received 52 comments on the CR-101 during this time. See Attachment A.

Stakeholder Engagement

The LCB project team for this rulemaking consisted of representatives from the Attorney General's Office, Enforcement & Education division, Licensing division, Finance division, Communications, Policy and External Affairs Office, and the Legislative Liaison.

Following several project team meetings, initial draft rule language for discussion was posted on the LCB website and circulated via a gov delivery message on October 20, 2025, along with a notice of stakeholder feedback sessions to be held on November 6 (recording here) and November 7, 2025 (recording here).

LCB staff received over 70 emailed comments from licensees, licensee associations and other stakeholders after the November 2025 stakeholder sessions. See Attachment B.

A second draft of rule language was posted with a notification sent via a gov delivery message to cannabis email lists on March 9, 2026. This message included a notice for stakeholder feedback sessions to be held on March 16 (recording here) and March 24, 2026 (recordings here and here).

The deadline for comments on the second draft rules was April 17, 2026, and LCB staff received over 130 emailed comments from licensees, licensee associations and other stakeholders. See Attachment C.

A third draft of rule language was posted on July 31, 2026, with a gov delivery message sent to cannabis email lists. The deadline for comments on the third draft was August 28, 2026. LCB staff received 15 comments from mainly industry associations and licensees. See Attachment D.

Focus Areas of Rulemaking

This CR-102 filing proposes to amend the following five existing rules:

WAC	Name
314-55-018	Prohibited practices—Money advances—Contracts—Gifts—Rebates, discounts, and exceptions, etc.
314-55-035	Qualifying for a cannabis license.
314-55-050	Withdrawal, denial, suspension, or cancellation of a cannabis license application or license.
314-55-079	Cannabis retailer license—Privileges, requirements, and fees.
314-55-087	Recordkeeping requirements for cannabis licensees.

This rulemaking focuses on the following areas:

Amend existing rules at WAC 314-55-018 to:

Prohibit preferential pricing and exclusivity agreements
Include preferential pricing and exclusivity agreements as prohibited practices under WAC 314-55-018(2) and WAC 314-55-018(3), respectively, to mitigate undue influence per existing rule language in WAC 314-55-018 and direct or indirect financial interest as prohibited under RCW 69.50.328. These items relate in part to a petition for rulemaking denied by the Board on October 8, 2025, where the petitioner reported undue influence involving larger cannabis retailer chains pressuring processors to exclude certain retailers from sales in exchange for carrying their products. This petition was denied because this rulemaking was already underway and we expected to address undue influence within this rulemaking. Other comments received by LCB and LCB Enforcement and Education Division observations also indicate that preferential pricing and exclusivity agreements are common tactics used by retailers with more than 5 stores sharing common control or ownership to unfairly manipulate the market and eliminate competition.

Add penalties for violations of exclusivity agreements
Penalties are described under WAC 314-55-018(3)(b) associated with violations of exclusivity agreements.

Allow discounts for sales from processors to retailers and prohibit consignment sales
Remove prohibition of discounts under WAC 314-55-018(4) to align with statutory language as RCW 69.50.325(3)(b)(ii)(B) resulting from ESSB 5403 indicates that processors are allowed to provide discounts to retailers. Consignment sales are added under WAC 314-55-018(4) as a form of money's worth that is prohibited.

Amend existing rules at WAC 314-55-035 to:

Revise definition of control for qualifying as a true party of interest
Definition of control under WAC 314-55-035(4)(a) is amended to align with statutory language under RCW 69.50.325(3)(b)(ii)(D).

Add new definitions for financial interest
Definitions and limitations for having a financial interest are added to WAC 314-55-035(4)(c) to align with RCW 69.50.325(3)(b)(ii).

Address coordinated or shared employees across licenses
WAC 314-55-035(4)(c)(vi) stipulates that coordination or sharing of employees across licenses constitutes a financial interest across licenses. A limited exception has been provided in cases where part-time employees who meet specified conditions may work for multiple licensees. This language has been modified for clarity over previous drafts in response to stakeholder feedback.

Specify that certain entities are not automatically considered a true party of interest or as having a financial interest
Definitions for consultants, service providers, and vendors under WAC 314-55-035(5) are amended to ensure that they will not be deemed a true party of interest or as having a financial interest solely because of their job title or the type of work they perform on behalf of a licensee.

Specify that mentors are not considered a true party of interest or as having a financial interest in their mentee's license
WAC 314-55-035(5)(e) provides an allowance for industry member mentors pursuant to RCW 43.330.540 to ensure they are not automatically considered a true party of interest or as having a financial interest. This exclusion is the result of stakeholder feedback.

Require licensees to notify and disclose agreements to LCB
Licensees are required to notify the board of agreements under WAC 314-55-035(6)(b) and to disclose information about agreements under WAC 314-55-035(7)(c).

Limit agreements to no more than five retail licenses
To align with RCW 69.50.325(3)(b)(ii), management agreements under RCW 69.50.331 and agreements as referenced in RCW 69.50.395 must not involve having a financial interest or exercising control involving more than five retail licenses under WAC 314-55-035(7)(a).

Amend existing rules at WAC 314-55-050 to:

Add penalties for violations from owning or having financial interest in more than five cannabis retail licenses
Penalties under WAC 314-55-050(1)(b) are added for any cumulative ownership or financial interest violations.

Amending existing rules at WAC 314-55-079 to:

Limit the number of retail licenses to five
To align with RCW 69.50.325(3)(b)(ii), any person or entity is limited to being a true party of interest or having a financial interest in no more than five retail cannabis licenses under WAC 314-55-079(3).

Amend existing rules at WAC 314-55-087 to:

Require licensees to maintain records for agreements.
Licensees are required to maintain information about agreements as part of recordkeeping under WAC 314-55-087(1)(b).

Estimated Costs of Compliance

Under the Regulatory Fairness Act (RFA) in chapter 19.85 RCW, agencies are required to consider the costs that complying with the proposed rules will impose on businesses, unless the proposed rules are subject to an exemption to this requirement. The CR-102 form describes these exemptions in more detail. Some exemptions apply as this rulemaking because portions of this rulemaking is being done to incorporate statutory changes.

LCB applied a default estimated compliance cost when analyzing whether the rules would have a disproportionate impact on small businesses as defined in RCW 19.85.020(3). This compliance cost was based on estimated costs for new notification and record-keeping requirements for providing information to LCB and maintaining information about agreements. Because licensees already submit contracts to LCB Division of Licensing, this cost is expected to be minimal and is estimated to be under $100. This is less than the minor cost calculated for each type of affected licensee, which is detailed in the Small Business Economic Impact Statement (SBEIS) section of the CR 102 form attached to this memo, to be filed with the Washington State Registrar after today's meeting.

Rule Necessity

These rule changes are needed to implement the new definition of financial interest in ESSB 5403, to include related requirements, and to clarify related existing prohibitions under RCW 69.50.328 pertaining to financial interest.

Description of Rule Changes

The proposed amendments to existing rules are identified in the table below.

WAC 314-55-018			
Section	**Old Language**	**New Language**	**Reason/Statutory Authority**
Title	Prohibited practices—Money advances—Contracts—Gifts—Rebates, discounts, and exceptions, etc.	Prohibited practices—Money advances—Contracts—Gifts—Rebates, and exceptions, etc.	Removed the term "discounts" as provided per RCW 69.50.325 (3)(b)(ii)(B)
(1)	No industry member or licensee shall enter into any agreement which causes undue influence over another licensee or	No industry member or licensee shall enter into any contract or agreement, including written or verbal, which causes undue influence over another licensee or industry member. This rule shall not be construed as	Added language to indicate that written or verbal agreements and contracts apply as financial interest agreements under RCW

	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.	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, for up to five retail cannabis licenses, and that are otherwise in compliance with chapter 69.50 RCW and this chapter.	69.50.325(3)(b)(ii). Added language to clarify that up to five retail cannabis licenses are permitted to place and accept orders.
(2)	N/a	Preferential pricing of cannabis, useable cannabis, cannabis-infused products, or cannabis concentrates sold by processors to cannabis retailers is prohibited.	Added language to clarify existing prohibition of preferential pricing as a form of indirect financial interest per RCW 69.50.328 and as undue influence under WAC 314-55-018.
(a)	N/a	For purposes of this section, preferential pricing means product pricing offered to cannabis retailers that is not offered to all retailers.	Definition is based on existing prohibition per RCW 69.50.328 and undue influence under WAC 314-55-018.
(b)	N/a	Any cannabis, useable cannabis, cannabis-infused products, or cannabis concentrates sold by a processor to a cannabis retailer must be made available and sold under the same basic terms and conditions to all cannabis retailers on a statewide basis.	
(3)	N/a	Exclusivity agreements between a processor and a retailer are prohibited.	Added language to clarify existing prohibition of exclusivity agreements as a form of indirect financial interest per RCW 69.50.328 and as undue influence under WAC 314-55-018.

(a)	N/a	For purposes of this section, an exclusivity agreement is any agreement between a processor and a retailer that:	
(i)	N/a	excludes or prevents a retailer from purchasing cannabis products from another processor as a condition of doing business;	Added definition of exclusivity agreements and conditions of sales.
(ii)	N/a	excludes or prevents a processor from selling their product to another retailer as a condition of doing business; or	
(iii)	N/a	creates white label or private label products. For purposes of this section, white label or private label products means products packaged and sold by a processor to a retailer with a label that includes the retailer's own branding or logo, or an exclusive product, brand or logo created for the retailer that is not made available to all other retailers.	Prohibits white or private labels as exclusivity agreements. Adds definition based on existing prohibition as a form of indirect financial interest under RCW 69.50.328 and undue influence under existing WAC 314-55-018.
(b)	N/a	Any violation of this subsection is subject to the same penalties established for engaging in prohibited practices under WAC 314-55-523.	Added language to indicate penalties for violations pursuant to RCW 69.50.342.
(4)(b)	(2)(b) Discounts	Consignment sales	Removed discounts as referenced in ESSB5403. Added language prohibiting consignment sales as a form of money's worth in existing WAC 314-55-018 and per RCW 69.50.328 as financial interest.
(5)(6)(7)	Renumbered (3), (4) and (5), to (5), (6), and (7) to reflect addition of (2) and (3).		
WAC 314-55-035			
(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 person, entity or married couple may not be a true party of interest, or have a financial interest as defined in this section, in more than five retail cannabis licenses, more than three producer licenses, or more than three processor licenses.	Added reference to include persons and entities consistent with language per RCW 69.50.325(3)(b)(ii).

(a)	N/a	Being a true party of interest or having a financial interest in any retail license counts towards the maximum number of five retail licenses allowed per person, entity or married couple.	Added language to clarify factors that count towards the number of retail licenses.
(b)	N/a	The maximum number of licenses applies to any combination of being a true party of interest or having a financial interest.	Added language to clarify that the sum of licenses for being a true party of interest or having a financial interest determines the total number of licenses allowed for a person, entity or married couple.
Note:	N/a	Note: Per RCW 69.50.325 (3)(b)(ii), “financial interest” includes, but is not limited to, any shared or common use of intellectual property assets such as branding, trade names, logos, social media accounts, or websites, and any sharing or coordinating of marketing and advertising efforts or expenses. See definitions in subsection (4) for additional information.	Added a note to reference subsection (4) for activities that qualify as having financial interests.
(3)	(2) 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.	A person, entity or 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.	Removed a portion of (2) to create new (3). Added language to include person and entity consistent with language per RCW 69.50.325(3)(b)(ii).
(4)(a)	(3)(a) "Control" means the power to independently order, or direct the management, managers, or policies of a licensed business.	(4)(a) "Control" means the power or authority to independently order, or direct the management, managers, or policies of a licensed business. Control may occur through ownership, entity management, by contract, or otherwise. Any person or entity which demonstrates control of a licensed business qualifies as a true party of interest.	Added language to clarify control as part of financial interest per RCW 69.50.325(3)(b)(ii)(D) and to clarify control as a qualifying condition for being a TPI.

(i)	N/a	Control consists of having decision-making authority to direct the core business or executive functions of the licensed business. Core business or executive functions include, but are not limited to, operations, production, marketing, sales, and finances. Indicators of control may include, but are not limited to, making or over-riding purchasing decisions; negotiating or approving contracts and agreements; adopting or requiring business policies, procedures, or marketing plans; requiring or directing uniform branding between stores; or making hiring and other personnel decisions.	Added language to describe activities qualifying as control as a part of financial interest in RCW 69.50.325(3)(b)(ii)(D).
(A)	N/a	Any of the actions described in this subsection constitute having control, notwithstanding the terms of any contract or agreement entered into by the parties.	Added language to indicate control can occur independent of terms of contracts or agreements.
(B)	N/a	References to any arrangement between two or more licensees as a consulting agreement does not preclude the board's determination of control based on the criteria in this definition.	Added language to indicate that a consulting agreement may qualify as control depending on actions.
(ii)	N/a	Commonly used vendors or service providers that do not confer decision-making authority for the business do not constitute control. (See subsection (5) for more detailed information regarding people and entities that are commonly not considered to be a true party of interest or have a financial interest.)	Added language to identify vendors and service providers who do not qualify as having control.
(c)	N/a	For the purposes of this section, having a financial or other ownership 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	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii).

		69.50.395. This includes, but is not limited to:	
(i)	N/a	Receiving a share of profits or revenue, or the right to receive profits or revenue;	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii)(A).
(ii)	N/a	Any assisting with, coordinating or recommending the purchase of cannabis products, whereupon pricing is coordinated or discounted. Coordinated pricing includes, but is not limited to, multiple stores combining or consolidating their orders;	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii)(B).
(iii)	N/a	Any shared or common use of intellectual property assets across licenses such as branding, trade names, trade dress, logos, social media accounts, or website;	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii)(C).
(iv)	N/a	Providing any operational support for typical day-to-day business operations. This includes, but is not limited to, recommending, coordinating, and assisting the licensee on day-to-day operations in an ongoing capacity; communicating with and paying vendors; setting and posting retail prices; scheduling and managing personnel; coordinating facility and other maintenance activities; and implementing marketing and advertising activities.	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii)(D).
(v)	N/a	Any sharing or coordinating of marketing and advertising efforts or expenses across licenses including, but not limited to, shared websites, marketing plans, sales promotions, or shared customer loyalty programs; and	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii)(E).
(vi)	N/a	Any coordination or sharing of employees across licenses. This includes coordinated or shared hiring, firing, training, management, human resources or payroll of personnel. This does not include part-time employees	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii)(F). Added language to exclude certain part-time employees from

		who work at multiple stores under the following conditions:	qualifying as having a financial interest
(A)	N/a	The employee does not exert control over the business; and	Added language to allow conditions for part-time employees to not have a financial interest under RCW 69.50.325(3)(b)(ii)(F).
(B)	N/a	Each licensee separately hires, manages, compensates, and maintains payroll and employment records for the employee.	Added language to allow conditions for part-time employees to not have a financial interest under RCW 69.50.325(3)(b)(ii)(F).
(vii)	N/a	Any actions listed in this subsection constitute having a financial interest notwithstanding the terms of any contract or agreement entered into by the parties.	Added language to specify that having a financial interest is dependent on actions.
(d)	(c) "Gross profit" means sales minus the cost of goods sold.	Renumbered as (d)	Renumbered (c) to (d) to reflect addition of new (c). .
(e), (f)	Renumbered (d) and (e) to (e) and (f)		
(5)	(4) For purposes of this chapter, "true party of interest" does not include (this is a nonexclusive list):	(5) For purposes of this chapter, "true party of interest" or having a financial interest does not include (this is a nonexclusive list):	Added language to include financial interest for exclusions.
(d)	A consultant receiving a flat or hourly rate compensation under a written contractual agreement.	A consultant who receives a flat fee for services or receives an hourly rate compensation, either of which is under a written contractual agreement, provided that compensation is not tied to sales or profits and the consultant does not exercise control over the business as defined in this section.	Added language to exempt certain consultants depending on meeting certain conditions from being a true party of interest or not having a financial interest.
(e)	N/a	An industry member who is participating as a mentor pursuant to RCW 43.330.540 to applicants and licensees through the Department of Commerce technical assistance grant program for social equity licensees.	Added language to exempt mentors under RCW 43.330.540.

(f)	Renumbered (e) to (f)		To accommodate new language for (e)
(g)	(f) Any business or person 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.	Any vendor, business entity, or person with a contract or agreement to provide services for a licensed business, unrelated to management agreements under RCW 69.50.331(1)(b)(iv) or any agreements under RCW 69.50.395, such as property or building maintenance, security, cleaning, software or technology support, payroll, human resources, or accounting, provided that compensation is not tied to sales or profits, and the vendor, business entity, or individual does not exercise control over the business as defined in this section.	Added language to exempt certain vendors who operate outside of management and other agreements depending on certain conditions.
(h)	(g)	Renumbered (g) to (h)	To accommodate new language in (e).
(6)	(5) 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.	Except as provided in this subsection (6)(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.	Corrected numbering reference.
(b)	N/a	Any contract or agreement entered into between a licensee and any person, business, or other entity must be disclosed to the board. This includes, but is not limited to, any management agreement under RCW 69.50.331(1)(b)(iv) or any agreement as referenced in RCW 69.50.395. Agreements disclosed to the board are not approved or denied by the board.	Added requirement for licensees to disclose agreements to the board pursuant to RCW 69.50.342(1)(b), and to ensure compliance with ESSB 5403, chapter 250, Laws of 2025.

(c) and (d)	(b) and (c)	Renumbered (b) and (c) to (c) and (d)	Accommodated new language in (b)
(7)	(6) Disclosure agreements and intellectual property.	(7) Disclosure of management, consulting, intellectual property and other agreements.	Added language for types of agreements to be disclosed to the board per existing requirements in RCW 69.50.395(2) and pursuant to agreements in RCW 69.50.325(3)(b)(ii).
(a)	Licensed cannabis businesses may enter into agreements consistent with the provisions of RCW 69.50.395.	Licensed cannabis businesses may enter into agreements consistent with the provisions of RCW 69.50.395 and RCW 69.50.331(1)(b)(iv). Any management agreement under RCW 69.50.331(1)(b)(iv) or any agreement as referenced in RCW 69.50.395 must not involve having a financial interest or exercising control involving more than five retail licenses.	Added language to incorporate limits for licenses based on financial interest or control pursuant to RCW 69.50.325(3)(b)(ii) resulting from ESSB 5403, chapter 250, Laws of 2025.
(c)	N/a	All management, consulting, intellectual property, and other agreements under RCW 69.50.331(1)(b)(iv) or any agreement as referenced in RCW 69.50.395 must be disclosed to the board prior to the effective date of the agreement and must include the following:	Added language requiring agreements be disclosed to the board pursuant to RCW 69.50.325(3)(b)(ii) resulting from ESSB 5403, chapter 250, Laws of 2025, and pursuant to RCW 69.50.395(2) and RCW 69.50.342(1)(b).
(i)	N/a	UBI number of the entity that is providing services or granting intellectual property rights;	Added language requiring UBI numbers in agreements be disclosed to the board.
(ii)	N/a	License number(s) of the licensed location(s) that are receiving services or rights to intellectual property; and	Added language requiring license numbers in agreements be disclosed to the board pursuant to RCW 69.50.342(1)(b), and to ensure compliance with ESSB 5403,

			chapter 250, Laws of 2025.
(iii)	N/a	The scope and duration of the agreement.	Added language requiring certain parameters of agreements be disclosed to the board pursuant to RCW 69.50.342(1)(b), and to ensure compliance with ESSB 5403, chapter 250, Laws of 2025.
(8)	(7)	Renumbered (7) to (8)	
WAC 314-55-050			
(1)(b)	N/a	Owning, operating or having a financial interest in more than five cannabis retail licenses. Any cumulative ownership violation under this section will result in penalties under WAC 314-55-523 for each licensed location, which may be aggravated for intentional violations of this section.	Added language to include financial interests in more than five retail licenses as a reason for potential withdrawal, denial, suspension, or cancellation of license per RCW 69.50.325(3)(b)(ii) resulting from ESSB 5403, chapter 250, Laws of 2025. Added language to indicate penalties for violations pursuant to RCW 69.50.342.
(c) – (q)	Renumbered (b) through (p) to (c) through (q)		To accommodate new language for (b)
WAC 314-55-079			
(3)	Any entity and/or principals within any entity are limited to no more than five retail cannabis licenses.	Any person or entity may not be a true party of interest or have a financial interest as defined in this chapter, in more than five retail cannabis licenses.	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii) resulting from ESSB 5403, chapter 250, Laws of 2025.
(11)	A cannabis retailer may transport product to other locations operated by the licensee or to return product to a cannabis processor	A cannabis retailer may transport product to other locations owned by the licensee or to return product to a cannabis processor as outlined in WAC 314-55-085.	Added language to clarify ownership requirements in WAC 314-55-085 pursuant to RCW 69.50.342(1)(k).

	as outlined in WAC 314-55-085.		
WAC 314-55-087			
(1)(a)	Purchase invoices and supporting documents, to include the items and/or services purchased, from whom the items were purchased, and the date of purchase;	Purchase invoices and supporting documents containing the following:	Added language to require information about service contracts be provided to the board the board pursuant to RCW 69.50.342(1)(b), and to ensure compliance with ESSB 5403, chapter 250, Laws of 2025.
(i)	N/a	All items purchased;	Added specific information to be maintained as part of recordkeeping about purchase invoices and services.
(ii)	N/a	All services purchased;	
(iii)	N/a	The name and any other available details, including the UBI number, of the vendor from whom the items or services were purchased; and	
(iv)	N/a	The date of each purchase.	
(b)	N/a	All management, consulting, intellectual property, and other agreements under RCW 69.50.331(1)(b)(iv) or any agreement as referenced in RCW 69.50.395, to include:	Added recordkeeping requirements for agreements under RCW 69.50.325(3)(b)(ii) pursuant to existing notification requirements under RCW 69.50.395(2) and RCW 69.50.342(1)(b), and to ensure compliance with ESSB 5403, chapter 250, Laws of 2025.
(i)	N/a	The effective date;	Added specific information to be maintained as part of recordkeeping about agreements.
(ii)	N/a	The UBI number of the entity that is providing services or granting intellectual property rights;	
(iii)	N/a	The license number(s) of the licensed location(s) that are receiving services or rights to intellectual property; and	
(iv)	N/a	The scope and duration of the agreement.	
(c) - (t)	(b) - (s)	Renumbered (b) through (s) to (c) through (t)	To accommodate new language in (b)

N/a – not applicable

Attachments:

A. Comments received during CR-101 informal comment period
B. Comments received on discussion draft posted on October 20, 2025
C. Comments received on draft posted on March 9, 2026
D. Comments received on third draft rules posted on July 31, 2026.

Attachment A - CR-101 Comments Combined

From: tw thegalleryco.com
To: LCB DL Rules
Cc: Mark Nelson
Subject: 5403 Rulemaking
Date: Friday, August 15, 2025 1:13:03 PM

External Email

We are for the implementation of of 5403 and retroactive fines/punishments and revocation of licenses that have been issued to stores and their owners who have been blatantly breaking the law for years now. This subject of stores like Zips and Kush 21 to name just 2 of the dozen of more that have multiple locations that share management, HR, purchasing has been brought to the LCB's attention for years and nothing had been done about it. We lobbied for this bill to return to an equitable playing field. The Gallery has been in operation since 2012, and we have always played by the rules. We, along with many others, have been and are being harmed by these cartels that use their size to force suppliers down on price and gain an unfair and **ILLEGAL** advantage in the marketplace.

The bill is clear. You can't have more than an interest in 5 stores and punishment is retroactive. Let's uphold the law and the WAC that the LCB has ignored for years.

Thank you,
Tedd Wetherbee
Owner
The Gallery (a chain of 5 licenses, not a bunch of cheats)

FW: Deadline Sept. 5 🚨 Support Fair Cannabis Licensing

Nordhorn, Justin T (LCB)
To **LCB DL Rules**

Reply | Reply All | Forward
Fri 8/15/2025 1:32 PM

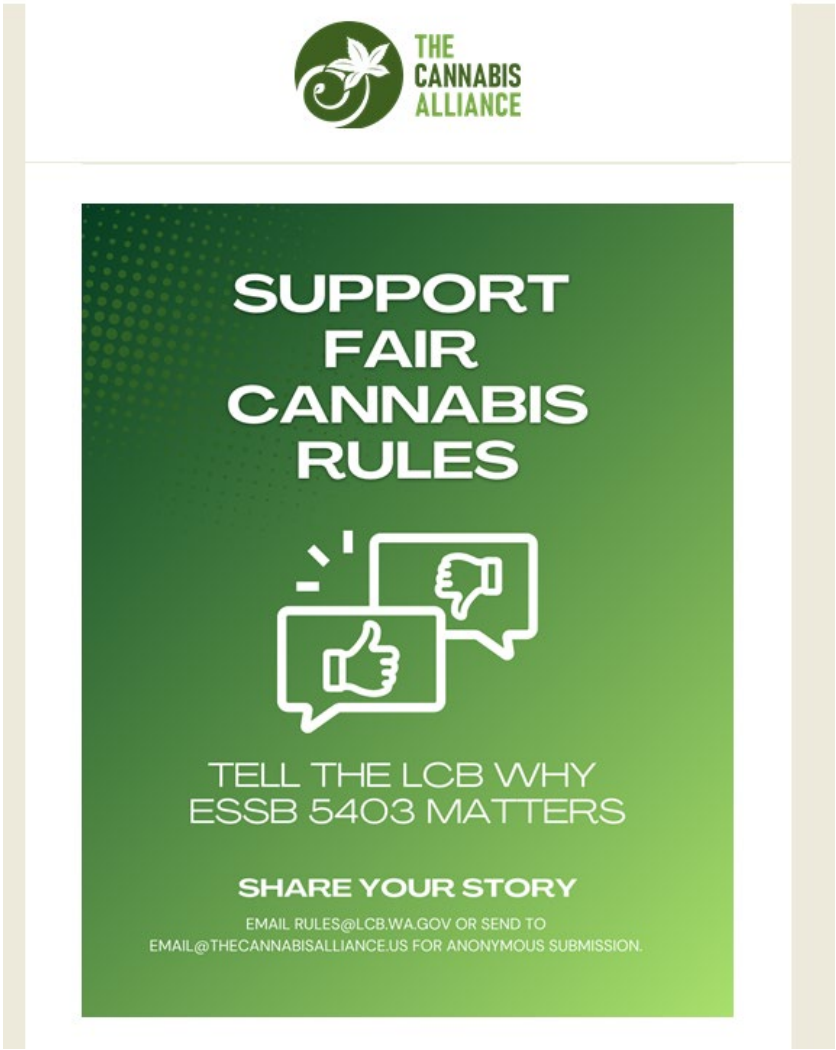
FYI

From: The Cannabis Alliance <email@thecannabisalliance.us>
Sent: Friday, August 15, 2025 1:00 PM
To: Nordhorn, Justin T (LCB) <justin.nordhorn@lcb.wa.gov>
Subject: Deadline Sept. 5 🚨 Support Fair Cannabis Licensing

External Email

THE CANNABIS ALLIANCE

SUPPORT FAIR



The Liquor and Cannabis Board (LCB) has opened rulemaking to implement ESSB 5403, which will prohibit retail licensees and anyone with a financial or other interest from entering into management agreements that create a financial interest across more than five retail cannabis licenses.

This is the time to share your experiences with the LCB. Real-world examples from licensees are the most powerful way to illustrate how these changes could impact day-to-day operations, partnerships, and the sustainability of our businesses.

We strongly encourage you to submit a comment during this pre-proposal stage of rulemaking, when the LCB is gathering input before drafting rule language.

How to Comment:

- **Directly to the LCB:** Email your comments to the Policy and Rules Coordinator at rules@lcb.wa.gov by **Thursday, September 5th**.
- **Through The Cannabis Alliance (Optional):** If you prefer to remain anonymous, send your comments to us at email@thecannabisalliance.us. We will compile and submit them without identifying you.

Why It Matters:

- The LCB needs to hear directly from operators about how management agreements are used in practice.
- Your perspective can help ensure rules are clear, fair, and do not unintentionally harm small and independent businesses.
- This is the best opportunity to shape the rule before it's written.

If you have questions or want help framing your comment, reply to this email. Your voice matters. Let's make sure it's heard.

Deadline to submit: Thursday, September 5, 2025

EMAIL THE LCB NOW

EMAIL THE LCB NOW

THE CANNABIS ALLIANCE

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The Cannabis Alliance
12345 Lake City Way NE #170
Seattle, WA 98125

You're receiving this email because you signed up via our website or at an event. Want to change how you receive emails from The Cannabis Alliance? Update your preferences or unsubscribe.

From: Pat Waters
To: LCB DL Rules; Pat Waters
Subject: 5403 Rulemaking
Date: Friday, August 15, 2025 9:08:33 PM

External Email

Rules regarding ownership should be returned to 3 retail stores period. No circumventing or creative methods to swallow the small businesses and stakeholders who brought forth this Washington industry that was started and supported by pre licensing entrepreneurs focusing on necessary medical, emotional and other issues, cannabis satisfied for the end users. I was a medical grower prior to I 502 and acquired a store in the initial lottery and have watched as all kinds of laws have been bent and broken to facilitate conglomeration for the industry. I still have my original retail store opened in 2016. We were promised to be fairly protected with the original rules, only to watch them change with no vote of the original Licensed owners.We have seen the multiple store owner receive more stores and special discounting from vertical owned companies with NO violations for the culprits, violating the SHERMAN ANTI TRUST LAWS initiated to protect commerce and business, not to mention the WA. State Franchise Protection Act. When as a State you write all of the rules, you have a moral,and lawful duty to care and protect all of the businesses you are governing. Not just monied claim jumpers. As for the farming end, the same cautions as above should be taken and the farmers should be Washington citizens with reasonable tenere, it is my hope that the original stakeholders are given more weight in their opinion and guidance to the LCB going forward on rule making. Change Medical so the Doctors that are paid the large fees provide the authorizations also provide the cards. Stop looking in our garbage cans for used packaging to give us a violation, change the rule for that and the rule that products leaving the stores need to be in a bag, wasteful, the kids know what comes out of the green stores!
Thank you for assistance in working forward to good rulemaking.
Regards,
Pat Waters

From: Jim Mullen
To: LCB DL Rules
Cc: Jim Mullen; Sara Eltinge; Bethany R
Subject: ESSB 5403 comments
Date: Monday, August 18, 2025 11:27:28 AM

External Email

Dear LCB Policy and Rules Coordinator,

Please accept these comments for the upcoming rulemaking regarding ESSB 5403.

It is critically important that the cap of five retail licenses is adhered to, very strictly, in every aspect. Stiff and mandatory penalties, including loss of license(s) must be adopted to prevent people from exploiting any revenue stream or ownership beyond 5 retail cannabis licenses.

The State began with a cap of three licenses, then the cap was increased to five. Five licenses is more than enough for good market presence, maintaining a strict cap of five licenses will prevent market domination/unfair bulk purchasing/marketing/reduced operating costs advantages and ensure a more level playing field.

ESSB 5403 prohibits trade name sharing, companies should not be able to share a trade name beyond five licenses/locations. Very similar trade names should not be allowed either. For example, The Herbery Seattle should be considered the same name as The Herbery or The Herbery Vancouver. Entities must have specific and unique identifiable names not associated with more than five licenses.

Ban shared social media accounts or store websites across more than five licenses, including online ordering platforms. If ten stores use one website or Instagram account, it signals unified control, dodging the law's intent. Prohibiting this keeps brands distinct and markets competitive. Shared marketing also reduces operational costs and provides efficiencies companies with five or less stores cannot compete with. No shared signage, graphic design, web page design, promotional material, etc. There should be no cross sharing of advertising or marketing is that provides an anti-competitive environment which currently exist today.

Product purchasing. No one entity, business or management agreement should be allowed to buy product for more than five stores. Mandatory auditing of retailers AND

producer/processors should be done on a semi-annual basis to confirm adherence. Multi store purchasing, group buying, buying via management agreements, etc. for anything beyond five stores should be strictly prohibited. Again, violations of this rule should have strict and mandatory enforcement such as $10,000 fines on first violation up to and including 30-day suspension of sales as a penalty on the second violation and license forfeiture on the third violation.

Social equity licenses, if financed by a current license holder, they should have its own unique company, name, website, graphics, marketing, advertising, etc. and should not be advertised a part of another retailer or company. That would be trade name franchising or sharing, whether free or for a fee. There should be no trade name sharing or franchising with social equity licenses as it provides a backdoor opportunity for market expansion and exploitation.

Thank you for your consideration of these comments.

Respectfully,
Jim Mullen
The Herbery
Vancouver, WA

From: Sam Hill
To: LCB DL Rules
Subject: Comment on Rulemaking for ESSB 5403
Date: Thursday, August 21, 2025 9:22:18 AM

External Email

Dear Liquor and Cannabis Board,

My name is Sam Hill, and I am currently the Strategic Project Manager at Bodhi (Conscious Ventures LLC). I have worked in the Washington cannabis market since 2017 and have held nearly every position from garden work to executive leadership in more than 50 producer/processors during my tenure in the industry. Over these years, I have watched the market evolve in many ways — but never like the shift we have seen in the past couple of years. The monopolization that is occurring is extremely concerning.

Why This Matters:
Management agreements, when used responsibly, allow small and independent operators to access needed capital, expertise, and operational support to remain competitive. Restricting or broadly redefining these agreements could unintentionally harm local businesses that depend on them for stability, compliance, and continuity.

Real-World Impact:
Large chains such as Kush21 and Zips have already demonstrated the negative effects of consolidation. Their pricing tactics have created a "race to the bottom" in the marketplace. By consistently seeking the lowest wholesale prices and prioritizing discounts over quality, they pressure producer/processors into unsustainable margins. This dynamic devalues products, harms brands, and undermines the long-term health of the industry.

Independent operators, who invest in quality, innovation, and community connection, cannot compete with this kind of volume-driven price suppression. The result is a widening market gap, where small businesses are squeezed out, leaving consumers with fewer choices and communities with less local reinvestment.

Considerations for Rulemaking:

- Clear definitions of "management agreements" and "financial interest" are needed to prevent unintended impacts on legitimate operational partnerships that do not create cross-ownership or control.

- The rules should recognize the difference between predatory consolidation tactics and supportive management agreements that help small operators remain compliant and competitive.

- Protecting diversity and sustainability in Washington's cannabis marketplace requires rules that check harmful retail consolidation while safeguarding small and independent operators.

I urge the Board to draft rules that target abusive practices without limiting the ability of independent businesses to responsibly use management agreements for survival and growth.

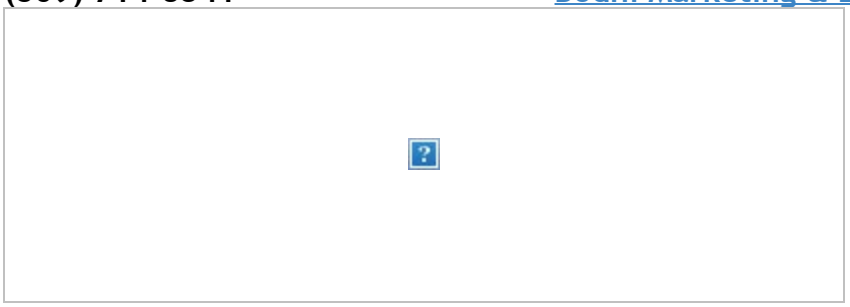
Thank you for considering the perspective of small operators in this important process.

Sincerely,

--

Sam Hill *dabknap*
Strategic Project Manager
(509) 714-8341

Cultivera Online Market Portal
Bodhi Linktree Bodhi Brands Menu
Bodhi Marketing & Education Media



From: Nordhorn, Justin T (LCB)
To: LCB DL Rules
Subject: FW: Cannabis Advisory Committee
Date: Friday, August 22, 2025 11:12:55 AM

FYI

From: Lukela, William (LCB) <william.lukela@lcb.wa.gov>
Sent: Thursday, August 21, 2025 9:41 AM
To: Nordhorn, Justin T (LCB) <justin.nordhorn@lcb.wa.gov>
Subject: FW: Cannabis Advisory Committee

FYSA

From: Jim Mullen <jim.mullen@theherberynw.com>
Sent: Wednesday, August 20, 2025 2:18 PM
To: Lukela, William (LCB) <william.lukela@lcb.wa.gov>; Holmes, Pete <pete.holmes@lcb.wa.gov>
Cc: Jim Mullen <jim.mullen@theherberynw.com>
Subject: Cannabis Advisory Committee

External Email

Director Lukela,

Regarding a comment at today's CAC meeting, PJ, who spoke first and relayed that he is having difficulty getting product is only telling half of the story. The part he didn't say is that their store, the Vancouver Weedery, opened advertising of 40% off all products and continues to offer that discount after several months. A 40% discount on all products every day is not sustainable.

The 40% discount is a game retailers play in various locations throughout the state. It is also destroying any possible positive revenue.

There are more retail stores for sale today than ever before. Look how many stores Kush 21 has. They drive the prices down to the point competition have to sell. Price competition, especially by companies with deep pockets, is seriously harming our industry. These stores have been bulk buying or charging vendors for advertising, operating under Management Agreements and or exploiting other loopholes to gain market share and market dominance.

Just thought you should have the full story.

Jim Mullen
360-907-9694

From: Ever Green
To: LCB DL Rules
Subject: 5403 Rulemaking
Date: Thursday, September 4, 2025 7:59:19 PM

External Email

Good afternoon and thank you for taking the time to review my opinion on 5403.

Being pioneers is tough. I know it's not easy for you either. It hurts watching people do whatever they want and bend the rules, if not totally disregard them, while we're doing everything we can to support this LEGAL industry, and scraping by while doing so. In hopes that one day this will all change and one could actually make some sense of it. I don't FEEL like I'm making an honest living anymore. How can we feel whole when the rules are stacked against us while people are doing whatever they want and nothing is being done? Furthermore we have no recourse, all it takes for us to struggle is one of these store owners doing whatever they want to offer some money to the previous owner who WAS following the rules but found it all just too offensive and decided to sell and get away from this mess. You see just because someone has a lot of money and is brazen, this does not mean they have the intelligence to operate a legit business, or harbor the desire to do so.

When we decided to get involved in this industry over a 10 years ago were told there was a limit on how many stores one could have financial interest in. It most obviously has not been enforced, and here we are.

We have worked tirelessly to form relationships with business owners and managers to build this industry that supports this state and its inhabitants, and we've ended up having to do business with people who seek to harm us, this industry and the state they seemingly reside in. There are few original OWNERS of retail licenses still involved and if you talk to them candidly you'll find out why they sold or have taken a step back and don't want anything to do with it.

We have been FORCED to do business with these people or suffer the losses. With no other alternative or outlet to sell our products we either have to accept the demands of these wrong-doers and fulfill their every command or we suffer. We have chosen to suffer... rather than be extorted by people very clearly breaking the rules, and those we put in place to protect us doing seemingly nothing. There has been talk of direct to consumer sales, but as expected that has went nowhere.

The state can't keep these guys in line or don't care for some reason, yet we still can't give it a try ourselves. Even if we are born in this state. Even if we have DECADES of experience running a business. We are forced to do business with people that wouldn't make it a week in the real world.

I will now give you some feedback on what has happened with stores that are owned by these people who do whatever they want.

In the last 5-7 years we've had nearly, if not all of our best selling stores purchased by one of two entities. When this happens the new company seeks to blackmail and extort us. They have had a "manager" call and threaten to drop our products from their shelves if we do not reward them with lower pricing so they can be more competitive. When this hasn't yielded the results they were looking for they have called on the phone and had a conference call with the owner of the business making the threats and attempting to extort us personally. We have been very blatantly told we need to stop selling to a store (or stores) within a community, which they decided to move into and buy a cannabis store. It doesn't take a genius to figure out what they are after and it's not embols

In one example our product was the number one selling flower product in Mr Bill's of Buckley for a number of years, a store that was regularly in the top 20 revenue producing stores in the state, even though they were outside the populated area. Our product was a town favorite. When Kush21 bought it we were already aware of multiple stores they had purchased and our sales immediately dropped. But this was the first time they reached out to us directly and told us they wanted specific and exclusive pricing, or else. When the subtle hints didn't work with the manager the manager requested a conference call with the owner. I decided to hear them out even though we were already decided we would not budge. Not because the previous manager quit when they purchased the store and he told us exactly what to expect, and he was right, but because we had already heard from others in the state what they were doing abs it was obvious what their intentions were but I wanted to hear it from them. I was told by the Kush21 owner and the person managing all their stores that if we gave them this lower price we would be in all their stores, but we also had to stop sales to their competitor in Buckley.

I told them no thank you.

They immediately pulled our product from their store. This a few days before April 20th...

A few days after April 20th they called in a panic and told us they ran out of our product

and needed a restock immediately and wanted us to do a vendor day, no special pricing needed. We obliged, for the people of Buckley. When we arrived, there was a poster they had made in the store (I still have a photo of it buried in my phone) it said something among the lines of "Buckley we hear you, doghouse is back". We were told by employees that they had a mass walkout of most employees and had to close on what is probably their busiest day of the year.

We are still available in their store, and the other store in Buckley. But not the other kush 21 stores, even though 3 of them were our top performing stores. If we weren't immediately pulled from those stores we were pushed out through what I can only assume we're predatory tactics. It is possible that the staff is totally incompetent, much more so than any other company we've ever done business with, and they are, but not probable that was the cause.

At one point they wrote us a check that didn't clear the bank and it took us over 2 months to get paid.

These are the kind of things that can happen when lawless people are allowed to break the rules without penalty. Why run a business efficiently when you can do whatever you want? If they are going to extort their way through, and ignore the rules, my guess is they really don't care about the reality a REAL business, not cheating everyone involved, must face. By far the worst company my staff and myself have ever communicated with. From the top down.

I could talk about this company and their practices for an hour, easy. But I'll spare you more specifics unless that is requested. They aren't the only company doing this and this is EXACTLY the type of situation criminal enterprises are born from. Lawlessness. Doing whatever they want.

Zips is another company that does whatever they want and follows similar business practices.

Why are stores being firebombed? Who would want to do that? What's the motive? Why are stores "specials" signs being stolen and lit on fire as well as the actual store being lit on fire... attacked repeatedly? Is it another cannabis store attacking them, perhaps one right up the street?

Perhaps the store right up the street that is CLEARLY doing whatever they want AND has been running the same gimmick "40% off" sale (marking up 5x and then telling the public

it is 40% off) didn't really like it when their competitor started running the same "deal" which was newly advertised down the street. Perhaps that store decided they would have someone go light their signs on fire, returning to steal them, returning to light the store on fire. One time is a fluke, and could have been anyone, multiple times is a sign of organized crime. Whether that is true, if they are participating in organized crime or not, this is the kind of situation where it is born.

Here's another question... why are farms being burglarized so badly? Should one suspect there is an outlet to sell this stolen product that isn't the black market??? This needs to be looked into very VERY closely!

What was wrong with no more than 5 stores!? I know many people who own more than one store GOOD PEOPLE. I also know many who have given up because of this States lack of response.

This is way past the point of correction. I'm not even sure why I'm writing this. Out of spite? Maybe. Because I certainly do NOT think the state isn't aware and we've not seen anything done to address this or the other issues making life very difficult for the people who create these products that create the revenue everyone is fighting over.

I'm very cynical, my family has put EVERYTHING into this, if feels like the state has abandoned us, set us up for extreme struggle, knows the situation, and does seemingly nothing for the good people... law abiding citizens who are operating this industry, and contributing billions to tax funds. It is very clear nobody is here to help us.

But yeah, if I'm being asked if the state should finally enforce what we were initially told about the limit of stores you can own, that is a resounding yes.

Thank you,

Chris Bell
DogHouse
360-953-6540

From: Emerald Peaks LLC
To: LCB DL Rules
Subject: 5403 Rulemaking
Date: Thursday, September 4, 2025 11:59:28 AM

External Email

Dear LCB,

I am writing to provide comment on SB 5403 and to highlight the urgent challenges that continued consolidation in the cannabis retail sector is creating for small producers and processors like ours.

Over the past few years, we have watched as large chains such as Kush21 acquire more and more independent stores. For us, and many other small operators, this has resulted in immediate and significant harm. Each time a store is acquired, we lose access as a vendor. In some cases, we have lost tens of thousands of dollars in monthly revenue. As a smaller company, we cannot make inroads with these large consolidated chains because of the massive buying power they wield. They are able to purchase product at extremely low prices that we cannot compete with.

This not only impacts us as producers—it also harms the small- and medium-sized retailers that remain independent. These retailers are being pushed out of business because they cannot match the pricing strategies of large chains. When they fail, we lose more distribution partners.

Consolidation also harms the state itself. Washington's cannabis tax revenues have already declined by more than $100 million year-over-year, despite consumer demand remaining steady. This shortfall is directly tied to the downward pressure large chains put on the market. By forcing lower wholesale and retail prices, they diminish total taxable sales, hurting both the state and small businesses alike.

The intent of Washington's cannabis framework was to create a diverse, competitive marketplace with opportunities for small businesses. Consolidation undermines that vision. If unchecked, it will result in a handful of large chains dominating the market, with fewer options for consumers, reduced competition, and less overall tax revenue for the state.

I urge the LCB to consider the negative impacts of consolidation when evaluating SB 5403 and to adopt measures that protect the viability of small businesses in this industry. Ensuring a balanced marketplace is in the best interest of producers, retailers, consumers, and the state of Washington as a whole.

Thank you for your time and consideration.

Sincerely,

Steven Letourneau

Emerald Peaks

(206)261-4213

Emerald Peaks
www.emeraldpeaks.com
(419) 777-3257
@emeraldpeaks - Facebook, Instagram

From: Chuck O"Brien
To: LCB DL Rules
Subject: 5403 Rulemaking
Date: Thursday, September 4, 2025 11:49:31 AM

External Email

I have a processor/producer license and I support this measure.
Having more than 5 stores is obviously going to give retailers dominance not only over other retailers but price fixing over producer/processors. You don't have to look very far to see examples of this in other industries... Starbucks, Walmart, to name a few. This has not only destroyed those industries but whole communities.
Also, to digress a little, supposedly there's a firewall between processors/producers and retailers, even this is being violated. It's always existed using nepotism but now I see people that seemingly have ownership of farms and stores. I'm assuming they ofuscate this somehow but it's still unfair competition.
I encourage more enforcement in the industry. If $100mm of the $450mm the state makes from cannabis excise tax, less than 1/4, is used towards enforcement I'm sure that would be enough. Real enforcement like we used to have, not consultants. Without that, none of these rules matter.

From: Rian Takahashi
To: LCB DL Rules
Cc: email@thecannabis.us
Subject: 5403 rule making
Date: Thursday, September 4, 2025 9:30:04 AM

External Email

Hello my name is Rian Takahashi and I'm a partial owner and President of United western green. The management agreements between numerous stores has hurt us significantly. When stores have absorbed many of our past retail clients we lost 30-40% of our retail revenue. When we tried to get back into these stores we were pushed to the point of losing money if we wanted to regain our shelf space. These stores have certain producer/processors who they have making their own brands for them that are exclusive only to their own stores and won't give us a chance. We are on barely holding on to our business due to these types of stores that have upwards of 20+ stores under their control. Everyone should have a chance for success in this industry and not just their personal white labels which they get preferred treatment.

Rian Takahashi
President/ Owner United Western Green
206-818-8797

From: Mitzi Vaughn
To: LCB DL Rules
Subject: Comments to ESSB 5403 CR-101
Date: Friday, September 5, 2025 2:45:13 PM
Attachments: ESSB 5403 CR-101 Comments for LCB Submission (Transmittal 09-05-25).pdf

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External Email

Please see attached comments we are submitting in response to the CR-101 for ESSB 5403.

Thank you,
Mitzi

Mitzi Vaughn (she/her)
Attorney at Law
MV Law PLLC
300 Lenora Street #6173
Seattle, WA 98104
425-553-0087

Mitzi Vaughn
Founder
300 Lenora St. #6173
Seattle, Washington 98121
Phone: 425-553-0087
mitzi@mitzivaughnlaw.com

September 5, 2025

Sent Via Email
Washington State Liquor and Cannabis Board
rules@lcb.wa.gov

RE: Comments in Response to CR-101 - Implementation of ESSB 5403

To Whom It May Concern:

I am an attorney who has represented cannabis clients since 2013. I have assisted in drafting successful legislation, rules, and internal LCB policies. I represent a number of retail clients who are concerned about the implementation of ESSB 5403. Not because they are bad actors, but because they see the risk of the bill being implemented in a manner that exceeds the boundaries of the bill's language and intent of the Washington State Legislature.

1. Legislative intent. All rulemaking related to ESSB 5403 should relate back to the purpose of the law – to protect producer/processors (P/Ps) from unfair business practices by retailers. It should not be used simply to punish retail licensees across the board. The actions being restricted are not unlawful or even unusual in the ordinary course of business, they are the subject of this bill expressly because in the past they have been used to manipulate and damage P/P licensees. This purpose of the bill should guide its rulemaking.

2. Implementation. Where a statute is clear on its face, its plain meaning should "be derived from the language of the statute alone." *Kilian v. Atkinson*, 147 Wash. 2d 16, 20, 50 P.3d 638 (2002) (*citing State v. Keller*, 143 Wash. 2d 267, 276, 19 P.3d 1030 (2001)). The statute only applies to management and intellectual property agreements. The new definition of "financial interest" does not apply to anything but management and intellectual property agreements. The statute is already incredibly broad and detailed. As such the agency need not interpret the rule beyond its statutory provisions – instead it should clarify and limit where such limitations are consistent with the statute.

3. Agreement. The statute is silent on whether an "agreement" may be written or unwritten. However, a determination that "agreement" means anything beyond a written agreement is an invitation to a perception (and potential reality) of agency overreach. Paired with the "with or out without payment" provision (addressed below), the agency would have the power to decide the statute has been violated without written evidence, without financial evidence, and thus with very little to no evidence at all. As the agency well knows, people regularly file complaints that are untrue, unsubstantiated, and/or quite clearly motivated by malice. These violations will not be the type that a walk-through inspection can identify by sight. Documentary evidence substantiating a violation should be required.

4. As discussed above, the definition of "financial interest" expressly applies only to the term's use in the new subsection. Rulemaking should not attempt to broaden the definition's reach. "Financial interest," for the purpose of new RCW subsection 69.50.325(3)(b)(ii) means:

    a. Profit sharing.

        This is already prohibited by WAC 314-55-035 whether applied to a management agreement, an intellectual property agreement (which exempts 10% of gross sales or less as being considered "profit sharing"), or any other agreement. No additional rulemaking is needed.

    b. Assistance, coordination, or recommendation for purchase of cannabis where pricing is coordinated or discounted.

        This is already prohibited by WAC 314-55-018(2) (no written or unwritten arrangements for discounts or rebates). In terms of "coordination," it should be interpreted to mean coordination that confers an actual financial benefit or results in undue influence over P/Ps while also being the subject of a management or intellectual property agreement. The "with or without a financial interest" applies to the consideration for the management or intellectual property agreement, not the result of the prohibited acts. In other words, coordination alone is not de facto evidence of a violation, the intent and impact on P/Ps as a result of the coordination is.

    c. Common use of intellectual property.

        If the common use of a mark is not governed by a management or intellectual property agreement, it is not prohibited by ESSB 5403.

    d. Any operational control or support for day-to-day business operations.

        This departs from long-standing LCB policy that day-to-day managers are not considered true parties of interest. Further, it conflicts with the express exclusion of staffing companies (and presumably their personnel) from true party of interest qualification. Rulemaking should clarify that companies providing staffing and their personnel are not subject to the five license cap in order to harmonize the new rule with the old. Implementation of ESSB 5403 should also include clarification that day-to-day managers that are not the subject of a management or intellectual property agreement are not affected by ESSB 5403.

        Employment of accountants, bookkeepers, security companies, cleaning companies, and many other businesses that provide support for multiple day-to-day business operations could be interpreted to result in retailer violations if rulemaking does not narrow the application of this provision. Rulemaking should define

"support" in a way that is keyed to the intent of the statute – to protect P/Ps from unfair business practices.

e. Coordination of marketing and advertising.
    i. If not the subject of an express management agreement or intellectual property agreement "coordination" should not be unlawful solely by virtue of ESSB 5403's implementation.
    ii. In rulemaking "coordination" must also be narrowed to stop absurd results in application. To harmonize with the legislative intent, "coordination" should mean coordination that results in marketing or advertising practices damaging P/Ps.
    iii. In short, any rulemaking on this issue should relate back to the purpose of the provision – to prohibit the use of coordinated marketing and advertising to damage a P/P's chance of success.

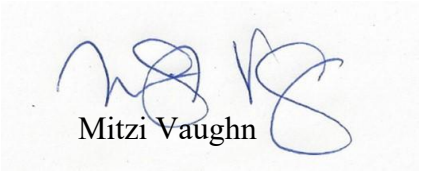
f. Employment and employee sharing.

    Rulemaking in connection with this provision is somewhat delicate. If two retailers use the same staffing agency then are they de facto in violation of this statute? Such an interpretation conflicts with the intent of WAC 314-55-035(4)(f) – exempting staffing agencies as true parties of interest. Rulemaking can also clarify that bona fide employees, working part-time for multiple retailers, do not somehow trigger the employer retailers to be automatically considered to have a "financial interest" in some other place where an employee chooses to work. The intent of this law was surely not to limit the opportunities of employees.

5. Penalties. Violation of these new rules should be equivalent to Category V's true party of interest penalties. WAC 314-55-524.

Should you have any questions or require further information please feel free to contact me.

Sincerely,



Mitzi Vaughn

From:	Washington Cannabis Licensee Association
To:	LCB DL Rules
Subject:	Rulemaking for Implementing Engrossed Substitute Senate (ESSB) Bill 5403
Date:	Friday, September 5, 2025 3:42:06 PM

External Email

Dear Liquor and Cannabis Board,

Thank you for the opportunity to comment on the proposed rulemaking to implement SB 5403. As the Director of the Washington Cannabis Licensee Association (WCLA), the largest stakeholder group composed exclusively of cannabis licensees in Washington, I represent a diverse membership of 71 companies holding a total of 121 retail, producer, processor, and transporter licenses.

Concerns with Current Market Practices

Our members are deeply concerned with the ongoing use of management agreements by chain retailers to control operations well beyond the five-store ownership limit. This allows those businesses to spread overhead costs across more than five stores, creating an uneven playing field where smaller licensees, those operating within the five-store cap simply cannot compete.

The most damaging impact of these agreements is their use to consolidate purchasing power and drive down prices to an unsustainable level. Every producer and/or processor in our membership has reported being approached by chain stores seeking bulk price discounts in exchange for product placement across their extended retail network. Increasingly, these chains are requesting the creation of exclusive white-label brands that are sold only in their stores (and a few outlying stores specifically to circumvent LCB scrutiny), further allowing them to dictate wholesale pricing.

Importance of a Clear Definition of Financial Interest

We believe the Legislature was intentional in defining “financial interest” under SB 5403, which includes:

- Sharing of profits or revenue
- Sharing of operational costs
- Coordinating or recommending cannabis purchases where pricing is discounted or coordinated
- Common use of intellectual property, such as branding, trade names, logos, social media, or websites
- Exercising operational control or providing day-to-day business or executive functions
- Sharing or coordinating marketing and advertising efforts or expenses

Coordinated sharing of employment or hiring decisions, including shared employees

These are precisely the loopholes being exploited today. Strong rulemaking is required to close them.

Related Petition and Broader Market Issues

We note that LCB recently denied the petition from Matthew Mattson on behalf of Seth Simpson of Greenside Recreational regarding unfair trade practices, perpetual sales, and wholesale pricing disparities, with the understanding that SB 5403 rulemaking would address those concerns. We urge LCB to ensure that these issues are squarely considered in this process.

One pressing concern is the proliferation of perpetual deep-discount sales, 40–50% off, every day, year-round. Many retailers in our membership lament that they are forced into these pricing schemes to compete, even though they recognize them as harmful and unsustainable. Consumers have been conditioned to expect "40-50% off," leaving compliant retailers with little choice but to follow suit. These practices destabilize the market and damage both retailers and producers. Addressing the issue that store-wide sales are limited to certain times of the year, such as holidays, seems like a reasonable solution. We are open to exploring ideas, including potentially capping discounts to 30%.

Enforcement Expectations

Administrative warnings or modest fines will not deter those deliberately circumventing the five-store ownership limit. We would like to see a quick escalation of the Administrative Violation Notice (AVN) structure that leads to the cancellation of the license, for example, a first offense fine of $2,500, a second offense should warrant a meaningful action, such as a 10-day suspension, with a third being a cancellation of the license.

Retailers that have blatant disregard of the law regarding SB5403 need to know that complete revocation and loss of licenses are on the table. Those exploiting loopholes have thrived in the gray areas of regulation, and the intent of SB 5403 was to put an end to that.

Conclusion

Washington's cannabis market needs stability, and SB 5403 is a critical step in that direction. We strongly encourage the LCB to implement the rules with clarity, strength, and consistent enforcement. WCLA members stand ready to collaborate and would welcome the opportunity to participate in a dedicated work group with LCB to ensure successful implementation.

Best Regards,

Bethany Rondeaux
Director, Washington Cannabis Licensee Association

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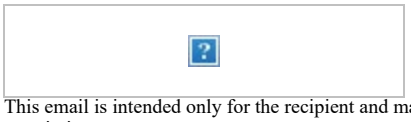
WCLA Board



This email is intended only for the recipient and may contain confidential information. Please do not share, forward, or distribute without express permission.

From: Micah Sherman
To: LCB DL Rules
Cc: JeremyMoberg (LCB External)
Subject: SB5403 CR 101 Comments
Date: Friday, September 5, 2025 3:55:09 PM
Attachments: WSCA comments cr101 SB5403.pdf

External Email

Please see attached PDF for our comments.

Best,

Micah Sherman
Owner/Operations Director

micah@ravengrass.com
www.ravengrass.com

O (360) 584 9538
M (917) 703 0621

guaranteed good vibes

Comments from WSCA to WSLCB

Re: SB5403 CR-101 –Management agreements and fair trade practices

In drafting the rules for the implementation of SB5403 we want to highlight some important points of how illegal coordination via management agreements has impacted the cannabis economy in the last several years and how SB5403 clarifies existing statute in order to provide the WSLCB with the capacity to prevent ongoing illegal activity that has thus far gone unaddressed by the state. We are looking for direct communication to replace the lack of response that has thus far been the agency approach in regard to this matter.

Here are examples of activities that must be addressed immediately upon enactment of this bill on January 1st 2026:

- There must be no communication or coordination between licensees, or their employees and contractors, that confer any financial interest between those licenses in excess of five. This means that they may not use third parties to assist in any purchasing or negotiations for products, intellectual property, employment contracting, et al. Any agreements that a retail licensee enters into related to or specified in the "financial interest" examples in the bill must be disclosed to the WSLCB and the third party that is entering into said agreement must not be providing any related services to other licensees in excess of five in total.
- Online menus and a store's online presence must be limited to five stores. Much of cannabis commerce is conducted online via third party service providers. Every one of these service agreements must be disclosed and vetted under SB5403. Significant illegal coordination and benefit is conducted within these platform businesses that has thus far gone unexamined by the state.
- White labeling is a now common practice that has been facilitated between retail and producer licenses through management agreement workarounds. It is our belief that the use of agreements to coordinate store specific branding in excess of five, to secure exclusive access to products and/or pricing is in violation of SB5403 and should be addressed in this rule making. This portion of the rulemaking will need to clarify that white labeling and discounting of any kind is disallowed currently and that using management agreements to obscure the relationship will no longer be acceptable.
- We highlight the repeated use of the word "any" in the examples given to describe financial interest in SB5403. As well financial interest is not limited to the examples given. We expect that the WSLCB will explore every possible use of management agreements to circumvent the fair market intent of our state licensed monopoly retail system. The WSLCB and the State of Washington as a whole have a legal

responsibility to ensure that every participant in this regulated monopoly system has fair access to the market and that fair pricing is fundamental to that system. For many reasons this has not been the case to date in the WSLCB regulated market. SB5403 was passed in an attempt to give clear directions on a matter that is fundamental to the state's obligation to maintain a fair market. We hope that by the end of the year rules are in place to ensure immediate enforcement against licensees who have taken advantage of ambiguity and inaction to destroy the livelihoods of the other licensees in that system.

- In order for the harm of these illegal management agreements to be ended as quickly as possible the penalties for continued violation after clarity is provided must be significant. At a minimum a category IV violation with license suspension on a first violation, on par with misuse of cannabis license, is needed.

In conclusion, the goal of this legislation is that the five-store limit should once again be absolute and no activity that confers ANY financial benefit across more than five stores should be allowed. This will require specific instruction about fair trade practices and what is and is not allowed to be asked of producer/processor's by the agents of retail stores. If all licensees do not know what is against the rules, there is no way for us to know when we are asked to do something that is in violation of those rules and to respond accordingly. Violation of this law and subsequent rules should come with a significant penalty to discourage breaking the rules as the financial benefit of doing so is very large.

Preventing illegal coordination on pricing and market access should be a top priority of the agency and we hope the implementation of SB5403 can be the beginning of the agency's vigorous enforcement of all the rules and laws related to these matters and create a fairer marketplace for licensees.

Regards,

Micah Sherman

Jeremy Moberg

Board Members – Washington Sun and Craft Grower's Association

From: Jim Mullen
To: LCB DL Rules
Cc: Jim Mullen; Sara Eltinge; Bethany R
Subject: ESSB 5403
Date: Friday, September 5, 2025 4:37:10 PM

External Email

Dear Liquor and Cannabis Board,

As a member of the Washington Cannabis Licensee Association (WCLA) I want to share our comments and suggestions for the implementation of ESSB 5403.

Concerns with Current Market Practices

Our members are deeply concerned with the ongoing use of management agreements by chain retailers to control operations well beyond the five-store ownership limit. This allows those businesses to spread overhead costs across more than five stores, creating an uneven playing field where smaller licensees, those operating within the five-store cap simply cannot compete.

The most damaging impact of these agreements is their use to consolidate purchasing power and drive down prices to an unsustainable level. Every producer and/or processor in our membership has reported being approached by chain stores seeking bulk price discounts in exchange for product placement across their extended retail network. Increasingly, these chains are requesting the creation of exclusive white-label brands that are sold only in their stores (and a few outlying stores specifically to circumvent LCB scrutiny), further allowing them to dictate wholesale pricing.

Importance of a Clear Definition of Financial Interest

We believe the Legislature was intentional in defining “financial interest” under SB 5403, which includes:

- Sharing of profits or revenue
- Sharing of operational costs
- Coordinating or recommending cannabis purchases where pricing is discounted and or in any way coordinated
- Common use of intellectual property, such as branding, trade names, logos, social media, marketing materials and or websites

- Exercising operational control or providing day-to-day business or executive functions
- Sharing or coordinating marketing and advertising efforts or expenses
- Coordinated sharing of employment or hiring decisions, including shared employees

These are precisely the loopholes being exploited today. Strong rulemaking is required to close them.

Related Petition and Broader Market Issues

We note that LCB recently denied the petition from Matthew Mattson on behalf of Seth Simpson of Greenside Recreational regarding unfair trade practices, perpetual sales, and wholesale pricing disparities, with the understanding that SB 5403 rulemaking would address those concerns. We urge LCB to ensure that these issues are squarely considered in this process.

Delaying enforcement undermines the rule of law, which is the principle that all individuals and licensees are accountable to. It gives anyone in current violation a free pass, it decimates any chance of a level playing field and it is a blatant and deliberate failure to uphold your own Mission Statement.

"To promote public safety, public health, and trust through fair administration, education, and enforcement of liquor, cannabis, tobacco, and vapor laws."

There is nothing fair to those who are following the law by delaying enforcement of known and ongoing violations. Kicking the can down the road is an utter failure in administrative management.

One pressing concern is the proliferation of perpetual deep-discount sales, 40–50% off, every day, year-round. Many retailers in our membership lament that they are forced into these pricing schemes to compete, even though they recognize them as harmful and unsustainable. Consumers have been conditioned to expect "40-50% off," leaving compliant retailers with little choice but to follow suit. These practices destabilize the

market and damage both retailers and producers. Addressing the issue that store-wide sales are limited to certain times of the year, such as holidays, seems like a reasonable solution. We are open to exploring ideas, including potentially capping discounts to 30%.

Enforcement Expectations

Administrative warnings or modest fines will not deter those deliberately circumventing the five-store ownership limit. We would like to see a quick escalation of the Administrative Violation Notice (AVN) structure that leads to the cancellation of the license, for example, a first offense fine of $2,500, a second offense should warrant a meaningful action, such as a 10-day suspension, with a third being a cancellation of the license.

Retailers that have blatant disregard of the law regarding SB5403 need to know that complete revocation and loss of licenses are on the table. Those exploiting loopholes have thrived in the gray areas of regulation, and the intent of SB 5403 was to put an end to that.

Conclusion

Washington's cannabis market needs stability, and SB 5403 is a critical step in that direction. We strongly encourage the LCB to implement the rules with clarity, strength, and consistent enforcement. WCLA members stand ready to collaborate and would welcome the opportunity to participate in a dedicated work group with LCB to ensure successful implementation.

Thank you,

Jim Mullen
Co- Owner & Co-Founder
The Herbery
Vancouver, WA
360-907-9694

From: Joshua Estes
To: LCB DL Rules
Subject: Public Comment on CR- 101 - ESSB 5403
Date: Friday, September 5, 2025 5:04:25 PM
Attachments: image.png
image.png
Public Comment CR 101 - ESSB 5403 - The Kushery .pdf

External Email

To the Board,

Please find the attached comments on behalf of The Kushery retail chain regarding CR-101 - ESSB 5403

If you have any questions, please feel free to contact me directly.

Warm Regards,

Joshua Estes

The content of this email is confidential and intended for the recipient specified in message only. It is strictly forbidden to share any part of this message with any third party, without a written consent of the sender. If you received this message by mistake, please reply to this message and follow with its deletion, so that we can ensure such a mistake does not occur in the future.

September 05, 2025

Liquor and Cannabis Board
P.O. Box 43080
Olympia, WA 98504-3080
Submitted via email: rules@lcb.wa.gov

RE: Public Comment on ESSB 5403 Rulemaking

To the Board:

The Kushery operates multiple licensed cannabis retail stores across Washington State under the same trade name. We appreciate the opportunity to comment on the Board's implementation of ESSB 5403.

At this early stage, we wish to reserve detailed comments until draft rules are available. However, we want to call attention to one area of concern that could have unintended consequences: the treatment of employees who work across multiple locations operating under the same DBA.

Currently, each employee is properly onboarded, paid under a separate EIN, and has a separate personnel file at each store where they work. This system allows us to provide stability in hours and income for employees, while ensuring stores remain adequately staffed. We ask that the Board take care in drafting rules to avoid disrupting this practice, which directly supports workers' livelihoods.

We look forward to reviewing the CR-102 and providing further input once proposed rule language is available.

Respectfully,

Joshua Estes

Joshua Estes
Community & Governmental Affairs
The Kushery Retail Chain

February 15th, 2026

To: LCB Rules and Policy Team
From: Voices of Cannabis Licenses
RE: Draft Rulemaking to Implement ESSB 5403

On behalf of the Voices of Cannabis Licenses (VOCL), we appreciate the opportunity to comment on the agency's draft rules implementing ESSB 5403. VOCL is a statewide organization of locally owned, and independently operated cannabis licensees comprised of producer/processors and retailers who create jobs, support local economies, and work hard to operate responsibly within Washington's regulated marketplace.

We value the Board's ongoing efforts to carry out the objectives of ESSB 5403 and share the goal of a transparent, successful cannabis market. However, our members have significant concerns that aspects of the current draft language are overly broad or unclear. Even for licensees making good-faith efforts to follow the rules, ambiguous language can create confusion, lead to inconsistent enforcement, and undermine confidence in the regulatory system.

Questions have been raised about whether certain draft rules extend beyond the scope of ESSB 5403. The law addresses management agreements in more than five retail licenses, but these draft rules go further, reaching into standard industry practices such as volume discounts, vendor referrals, and the basic freedom of licensees to choose how and who they conduct business with. These are not ownership issues and are not germane to the legislation at hand.

By folding unrelated business practices into this rulemaking, the LCB risks creating a legal landmine for the entire industry while also raising serious antitrust concerns. We respectfully urge that the final rules adhere closely to the intent of ESSB 5403 and maintain clarity and simplicity.

We note that the communication sent to licensees during the first week of February (included below) did a much better job of clearly defining compliance expectations in straightforward terms. We recommend the final rules follow that model - focused, clear, and closely aligned with the statute - rather than introducing broad language that creates more questions and problems than it answers.

We welcome the opportunity to discuss these concerns in more detail, and we appreciate the opportunity to provide input.

Thank you for your consideration, and please don't hesitate to reach out.

Samantha Louderback and Katie Beeson

The state passed a law (**ESSB 5403**) that clarifies what is considered a "financial or other ownership interest" (**RCW 69.50.325**) that prevents any individual person or entity from ownership in more than five cannabis retail licenses. The law went into effect on Jan. 1, 2026.

A financial interest now includes, but is not limited to:

- Any sharing of profits or revenue;
- Any assistance, coordination, or recommendation for the purchase of cannabis products if pricing is coordinated or discounted;
- The common use of intellectual property such as branding, trade names, logos, social media accounts, or websites;
- Any operational control over the business or operational support for typical day-to-day business operations, including core business or executive functions (business decisions or oversight) of the retail cannabis license;
- Any sharing or coordination of marketing and/or advertising efforts or expenses; and
- Any coordinated sharing of employment or hiring decisions, including the shared employment of individuals.

The Liquor and Cannabis Board (LCB) must ensure all retail cannabis licensees are following the laws and rules preventing any person from having an interest in more than five retail licenses.

The law does not allow any existing agreements to continue past Jan. 1, 2026. This includes consulting services agreements, intellectual property agreements that include use of certain retail cannabis trade names, and/or other management services agreements which were previously reviewed by the LCB. Beginning Jan. 1, 2026, all agreements must meet the clarified legal requirements.

Attachment B - Summary of comments on Oct. 25, 2025, DRAFT Rules

Summary of comments provided during Nov. 2026 feedback sessions and over 70 written comments sent via email on draft rules posted Oct2. 20, 2025.

WAC 314-55-018:

1. Preferential pricing. Comment that prohibited practice language is too broad and questions how will be enforced.

2. Exclusivity and all retailers having access to all products. Not feasible to have all products available to all retailers – considerations in terms of scale, shipping/delivery costs, etc.

3. White labeling/private labeling. Questions about white labels and private labels, and if retailers are able to have products using exclusive branding.

4. Bulk discounts. Unclear language around **bulk discounts/quantity discount** restrictions and if it changes current requirements. Currently WAC 314-55-018(2)(b) discounts are not allowed under money's worth.

5. Confusing language around different ownership negotiating for prices, asked for clarification.

WAC 314-55-035

6. Retain married couple language. Maintain existing language around married couple not permitted >5 stores to include with "person or entity".

7. Definition of "control". WCLA offered language to include drafting, recommending, and pre-approving activities. Scott Atkison Zips written comments: comments related to new language defining "control" doesn't allow advisors/expertise.

General

8. Some language too broad: draft contains broad language in places where more specific language will help to understand requirements and related enforcement actions.

9. Draft goes beyond legislation/statute: Scott Atkison Zips written comments: too broad/goes beyond and does not align with purpose of legislation. Other comments related to new language defining "control" doesn't allow advisors/expertise.

10. Enforcement starting 1/1/26 and before rules. Questions about how statute will be enforced when it becomes effective 1/1/26? This includes moving forward, but also existing agreements as it applies retroactively.

11. Off-loading stores in preparation. Heard that some owners with multiple stores are preparing for this new law by selling locations and locations are being bought up by larger retailers.

12. Clarify law is retroactive in rules. Include in rules language re: applying retroactively to existing agreements.

WAC 314-55-018

(2). Clarify bulk discount language. Draft seems to allow bulk discounts (Shea Hynes 3 retail stores in Seattle): not in favor of bulk discounts and currently bulk discounts are prohibited. Language seems to allow bulk discounts? Currently retailers cannot receive bulk discounts.

Comments that P/P making products available to all retailers statewide is not feasible (included also in written comments from Scott Atkison). Reasons given include a producer/processor doesn't make enough of single products or have the scale of production to offer to all retailers, variability among batches for dried flower, differences in shipping costs and delivery costs depending on locations & size of order, force p/p to do business with other businesses where there may have been problems (harassment was given as an example), established local relationships and other business relationships, question about how long a p/p would have to keep available products, etc..

Comment that some producers and processors will offer exclusive drops with limited quantity and this could be used to go around this requirement.

Comments that language especially around prohibited practices is very broad and should be made more clear to understand interpretation related to enforcement.

(3). Exclusivity agreements including white labeling or private labeling. Questions about whether this just applies to store brands, or if trade names or unique brands created for retailers are included.

A written comment (Scott Atkison) suggested that private label **arrangements be transparently disclosed** to the Board and not sued to disguise ownership or control.

(4). Clarify that an owner with up to 5 stores can negotiate lower prices but any combination of stores with different owners/ownership may not negotiate together (collectively) regardless of the number of stores. Comment that there seems to be some contradictory language around this.

(5) Comment to add verbally in language as part of "agreed upon in writing or otherwise".

Clarify processor selling to retailers, not producer or processor.

Scott Atkison comments:

- While likely intended to prevent anti-competitive behavior, the wording here could be interpreted to mean that retailers must purchase every product offered by a producer or processor, or risk being accused of "exclusionary conduct" as choosing not to purchase a product could be construed as excluding a producer/processor from a sale.
- To align with SB 5403's objectives, the Board might clarify that "exclusionary" means coordinated or coercive restraints; ordinary product curation is permissible.

(6) Are quantity discounts the same as **bulk discounts**? Previous comment about language in (2) allowing bulk discounts when currently bulk discounts are not allowed.

Address comment that this section seems to contradict section (4). Clarify language around exclusivity.

Uncouple reasonable volume discounts from exclusivity (Scott Atkison)

(7) No comments.

WAC 314-55-035

(2). Keep Married couple language as TPI. (WCLA and Scott Atkison)

WCLA adds specific requirements for identifying TPI including name, ssn, UBI # and federal tax ID. Comments in chat were around looking up ownership information on Dept. of Revenue.

WCLA provided language around identifying TPI. They also provided language related to employees.

(6)(a) New definition of Control: WCLA has recommended language around drafting, recommending, pre-approving or directing the operations…

Scott Atkison: overly broad definition of control; should be able to use advisors.

From Comments received on draft for discussion at Feedback Sessions:

1. Scott Atkison, Zips Cannabis – submitted Oct. 23, 2025

Attachment C - Summary of comments on March 26, 2026, DRAFT Rules

Comments on ESSB 5403 draft rules dated March 6, 2026

Overview and versions of form letters

Summary:
1. Form Letter 1 opposed to discounts: Total of 75 emails; 54 ostensibly from 21 businesses. Templates for retail owner, employee, and producer/processor, Jonathan Swartz, & WCLA.

- Does not support any form of volume or bulk (wholesale) discounts – except to allow products > 6 months if necessary
- Prices are lower; allowing volume discounts will push them lower
- Keep existing preferential pricing framework

2. Form Letter 2 supports volume discounts: Total of 35 emails; 34 from retailer Main Street Marijuana.

- Supports clearly authorizing discounts
- Requests clearer language at the point of sale for application across licensed retailers (seems to be addressing retailer to consumer discounts)
- Adopt clear, concise language to allow reasonable discounting practices

3. Form Letter 3 supports discounts with clear allowances mostly from producers/processors; 7 emails with versions from VOCL (Beeson comments) and Paula Sardinas.

- Concerns that rulemaking exceeds scope of 5403
- Wants clear, concise, and focused requirements for licensees to understand obligations and enforcement is applied consistently
- Preferential pricing: outline allowable pricing structures in a clear manner. Examples of vendor managed inventory and accounting for delivery/freight costs and efficiencies.
- Definition of control is too broad
- Definition of financial interest beyond scope of 5403
- Remove white label restrictions (Beeson)

4. Form Letter 4 retailer supports discounts with clear language about what is allowed: 10 emails seemingly from employees of retailer A Greener Today.

- Need clear language re: what kinds of sales and discounts are allowed. Seems to include discounts for retail sales to consumers.
- Definition of control is too broad encompassing normal vendors
- Clarify definition of financial interest to exclude normal staff and vendors working for an owner

5. Form Letter 5 opposes volume-based pricing: 4 emails from HWY420
   - Make clear volume discounts are prohibited
   - Asks that regular price and listed price are clearly defined

Form Letter Version 1 (75 emails;13 businesses accounting for 54 emails & WCLA)

Dear LCB Rulemaking Team <employee form letter>,
I am writing as **a cannabis retail employee** in Washington State to share my perspective on the rulemaking process currently underway to implement ESSB 5403. The decisions being made in this rulemaking will directly affect my livelihood and the livelihoods of thousands of workers like me across this state, and I believe that perspective deserves to be heard.
I talk to customers, I know our products, and I care deeply about the health of this industry. When I heard that the LCB was considering allowing volume and bulk wholesale discounts through this rulemaking, I felt compelled to speak up.
Cannabis prices in Washington are already at historic lows. Wholesale and retail prices have been under sustained pressure for years and the market is still working through significant oversupply. The last thing this industry needs right now is a policy decision that pushes prices even lower. Volume and bulk discounts would do exactly that. When wholesale costs drop for the largest operators, retail prices compress across the board. When margins shrink, businesses respond the way all businesses do: they cut hours, reduce staff, and find ways to operate leaner. For employees like me that is not an abstract concern, it is a real one.
I do not support volume or bulk wholesale discounts in any form, and I would respectfully ask the Board not to participate in driving cannabis prices lower than they already are. The existing framework prohibiting preferential pricing has been an important stabilizing force for this market and for the businesses and employees within it, and it should remain intact. If the Board has determined that the definitional question around the word "discount" must be addressed, I would ask that the only compromise considered be limiting discounting strictly to dated product defined as product with a Certificate of Analysis six months or older, offered uniformly and on equal terms to all retail licensees. That is a narrow, fair, and measurable solution that does not add further downward pressure to an already challenging market. Thank you for taking the time to consider this perspective.

Dear LCB Rulemaking Team <Owner for letter>,
I am writing as a **small independent cannabis retailer** in Washington State to share my concerns about the rulemaking process currently underway to implement ESSB 5403.
I do not support any form of wholesale volume or bulk discounting. The current regulatory framework prohibiting preferential pricing exists to protect retailers like me, and it should stay intact. I was deeply concerned to learn that the LCB may be considering interpreting

the word "discount" in ESSB 5403 in a way that would authorize volume-based wholesale pricing structures. That interpretation would be a serious mistake and would cause real harm to independent retail operators across this state.
I have heard the argument that volume discounts would help smaller retailers compete with larger chains by giving them access to lower wholesale prices. That argument does not hold up to scrutiny and frankly misrepresents how volume pricing structures actually work in practice. Large multi-location operators will always have more purchasing power than a single store. They will always be able to hit higher volume thresholds and unlock deeper discounts. The gap between what I can access and what they can access does not close under a volume discount structure. It widens. My cost of goods goes up relative to theirs, my margins shrink further, and my ability to compete on price diminishes. That is not competition. That is consolidation dressed up as opportunity.
ESSB 5403 was passed to rein in the outsized advantages that large management company operators have accumulated. Allowing volume discounts through rulemaking would hand those same operators a new tool to extend their advantage, directly contradicting what the Legislature set out to accomplish.
I do not support any discount structure beyond what currently exists. However, if the Board has determined that the definitional gap around the word "discount" must be addressed, then the only compromise I could accept is the one being proposed by independent industry stakeholders: limiting discounting strictly to dated product defined as product with a Certificate of Analysis six months or older, offered uniformly and on equal terms to all retail licensees. This narrow exception is the only one that does not create structural advantages for large operators. It is equitable, it is measurable, and it is fair to every licensee regardless of size or purchasing power.
I urge the Board to reject any broader interpretation of the discount language that referred to coordinated discounts that were retail-to-consumer-facing in ESSB 5403, and to adopt only the dated product compromise if a definition is deemed necessary. Anything beyond that would undermine the very purpose of this legislation and would deal a serious blow to the independent retailers and social equity licensees this bill was written to support.
Thank you for the opportunity to provide public comment. My store, my employees, and my community are counting on the Board to get this right.

Producer/processor letter:
I am writing as a licensed **cannabis producer and processor** in Washington State to share my serious concerns about the potential introduction of volume and bulk wholesale discounting through the rulemaking process currently underway to implement ESSB 5403.
I do not support any form of volume or bulk wholesale discounting, and I would urge the Board to resist interpreting the word "discount" in ESSB 5403 in a way that authorizes it. That interpretation was never the Legislature's intent, as the bill sponsor, Senator Saldaña, so clearly articulated in her recent letter to LCB, and acting on it would cause measurable harm to producers and processors across this state.

Growing and processing cannabis in Washington is already an extraordinarily difficult business. Wholesale flower prices have been driven to historic lows by years of oversupply and an excise tax structure that is the highest in the nation. Producers and processors are operating on margins that leave almost no room for error.
Volume and bulk discounts would make an already difficult situation significantly worse. When large retail chains with significant purchasing power are able to negotiate lower wholesale prices based on order size, it does not stay contained to those transactions. It becomes the new baseline expectation across the market. Retailers who are not accessing volume discounts begin to demand matching prices or take their business elsewhere. Wholesale prices compress further. What remains is a market increasingly dominated by the largest operators while the small, medium, independent and craft producers who built this industry are pushed out.
This is precisely the dynamic that ESSB 5403 was designed to address at the retail level. Allowing it to take root at the wholesale level through rulemaking would undermine everything the Legislature worked to accomplish with this bill.
I do not support any discount structure beyond what currently exists. However, if the Board has determined that a definition of "discount" must be established through this rulemaking and there is absolutely no option to keep things as they are, the only compromise I could support is the one being proposed by independent industry stakeholders: limiting discounting strictly to dated product defined as product with a Certificate of Analysis six months or older, offered uniformly and on equal terms to all retail licensees. This narrow exception gives producers and processors a meaningful and fair outlet to move aging inventory without creating the kind of preferential pricing pressure that would further erode wholesale prices across the market. It is the only compromise that does not cost us.
I urge the Board to hold firm on the existing prohibition against preferential wholesale pricing and to adopt only the dated product language if a definition is deemed necessary, that said my preference is no discounts. The survival of Washington's small, medium, independent and craft producers and processing operations depends on a market where pricing reflects quality and fair dealing, not the purchasing leverage of the largest retail chains.
Thank you for the opportunity to provide public comment on this critical rulemaking.

Form Letter Version 2 – 35 emails
On behalf of Main Street Marijuana, a Washington State retailer operating five licensed locations and employing approximately 120 individuals, we appreciate the opportunity to provide comment on the draft rules implementing ESSB 5403. Main Street Marijuana is a diverse, locally rooted business that reflects the communities it serves and is committed to operating in full compliance with Washington’s regulatory framework.

We write in support of clearly authorizing discounts within the Washington Administrative Code, consistent with the intent and structure of ESSB 5403. As enacted, ESSB 5403 contemplates and permits certain coordinated business activities among licensed entities, including those conducted pursuant to management agreements and relationships involving disclosed true parties of interest under RCW 69.50.331 and RCW 69.50.395. These provisions recognize that licensees may engage in coordinated operational practices so long as such arrangements are transparent and compliant with statutory requirements.

Within this framework, discounting constitutes a standard retail pricing practice and does not, in and of itself, create an impermissible financial interest or undue influence where it is conducted in compliance with the statute and applicable disclosure requirements. Accordingly, the statute reasonably supports the inclusion of discounting as a lawful activity, and the rules should reflect this interpretation.

As currently drafted, the absence of explicit direction creates unnecessary ambiguity at the point of sale and increases the risk of inconsistent application across licensed retailers. Codifying permissible discounting practices in rule will promote uniformity, support compliance, and strengthen the integrity of the regulatory framework.

We respectfully urge the Board to adopt clear, concise language that affirms the allowance of reasonable discounting practices under ESSB 5403, consistent with the statutory framework governing management agreements, financial interests, and true parties of interest. Thank you for your consideration and for your continued engagement with stakeholders.

Form Letter Version 3 – 7 emails including from VOCL and Paula Sardinas

On behalf of Mt. Baker Homegrown, we appreciate the opportunity to comment on the agency's draft rules implementing ESSB 5403.

My name is Jake Sage, I manage the inventory and compliance for Mt. Baker Homegrown. Mt. Baker Homegrown is a producer/processor that has been growing over the course of 13 years of which I have happily been a part of for just over 2.

We continue to have concerns that the rulemaking to implement ESSB 5403 exceeds the scope of the underlying legislation and leaves too much to interpretation. The latest draft rules remain overly broad and unclear, which create confusion, invite inconsistent or subjective enforcement, and undermine confidence in the overall regulatory framework. Given the aggravated penalty structure contemplated in the draft rules, it is especially important that any requirements adopted to implement ESSB 5403 be clear, concise, and narrowly tailored so licensees can understand their obligations and enforcement can be applied consistently.

Preferential Pricing: ESSB 5403 created an opportunity to clarify business practices regarding preferential pricing and discounts. The current language offered by the LCB fails to outline allowable pricing structures in a clear manner. As a producer/processor, pricing

flexibility is essential to operating responsibly across a geographically large state with real logistical and operational costs. Two common examples illustrate why:

- **Vendor-managed inventory (VMI) and data-sharing discounts.** Some retailers provide us with sell-through data, shelf-space commitments, or allow us to manage replenishment directly. These arrangements reduce stockouts, cut our forecasting and delivery costs, and keep fresher product in front of consumers. A modest pricing incentive in exchange for that operational partnership is a routine practice in consumer packaged goods and should be expressly permitted in cannabis.
- **Delivery and freight costs.** Washington is a large state, and the cost to deliver product to a retailer in Spokane, Walla Walla, or the Olympic Peninsula is meaningfully higher than the cost to deliver to a retailer five miles from our facility. Vendors routinely account for this through delivery minimums, route-based pricing, or modest price adjustments that reflect actual logistics costs. Without that flexibility, either the vendor absorbs losses on distant accounts or rural retailers lose access to competitive wholesale pricing.

We recommend adding language that expressly preserves flexibility in pricing structures and recognizes these and similar commercially reasonable practices.

Defining Control: The definition of control is too broad and has the potential to capture business agreements beyond the scope of the bill, such as marketing agencies and HR firms.

We recommend instead defining control “as having the ability to direct, or the authority to direct, the core or executive functions of the licensed business, including its overall business strategy or key operational decisions. Indicators of control may include authority to make or override significant purchasing decisions, to negotiate or approve material contracts and agreements, to adopt or require business policies, procedures, or marketing plans, to require uniform branding between multiple licensees, or to make final hiring and other significant personnel decisions. Ordinary commercial or professional relationships that do not confer such decision-making authority, standing alone, should not be deemed to constitute control; this includes typical vendors such as marketing agencies, HR firms, payroll providers, landlords, and software or technology providers.”

Accordingly, we recommend striking the current, more prescriptive list of examples and replacing it with a narrower definition.

Financial Interest: The current draft rules extend the definition of financial interest beyond the scope of ESSB 5403. We recommend defining financial interest as “the sharing or coordination of activities or resources as part of a management agreement under RCW 69.50.331(1)(b)(iv) or any agreement under RCW 69.50.395” and adding a new bullet that states: “The provisions of this subsection apply only to agreements and arrangements as described in the opening of this subsection. They do not apply to operational coordination, shared services, centralized purchasing, uniform branding, shared employment, or management assistance among licensees in which the person or entity is a disclosed true party of interest. The provisions of this subsection further do not apply to employees,

contractors, or agents performing operational functions — including purchasing, marketing, human resources, or management — on behalf of and at the direction of a person or entity who is a disclosed true party of interest on all licenses for which those functions are performed."

We look forward to continuing to engage in this process to ensure the new rules are workable for all sectors of the cannabis industry and create a healthy, transparent, viable cannabis market.

Form Letter Version 4 – 10 emails

Thank you for letting me comment on these draft rules. I have worked in the cannabis industry for **BLANK YEARS.**

I work on the sales floor every day. These rules will affect my job, my coworkers, and our customers. My concern is simple: the draft rules are confusing, and the penalties are serious. When rules are unclear, honest people get punished for doing their jobs the way they always have. I am asking the LCB to make the final rules clear and easy to follow.

Pricing and Discounts

When pricing changes or a promotion gets confusing, I am the one who has to deal with it at the counter. Customers get frustrated, and I am the one explaining it to them. The current draft does not clearly spell out what kinds of sales and discounts are allowed, which makes my job harder. I urge the LCB to make the pricing rules more flexible so stores can run fair, consistent promotions and I can keep my customers happy.

What "Control" of a Store Means

The draft says outside companies can "control" a cannabis store. But the definition is so broad it could include normal vendors every business uses — marketing agencies, payroll companies, software providers.. None of them actually run our store. Please focus the definition on who really makes the big decisions — like setting business strategy, approving major contracts, and making management and final hiring calls — not on everyday vendors we pay for a service.

What "Financial Interest" Means

Under the draft rule, outside people and companies that we might hire to help us, like HR, managers, and marketing firms, could be treated like owners of the store. They are not. They are people we pay for a service. Please make clear this rule is not about normal staff and vendors working for an owner who is already disclosed.

Respectfully,

Form Letter Version 5 – 4 emails

Re: Comments on ESSB 5403 Draft Rules / Proposed WAC 314-55-018

Dear Board Members,

I am writing in support of clear rule language under ESSB 5403 and proposed WAC 314-55-018.

My concern is that the current draft could still leave room for volume-based pricing as long as it is technically offered to all retailers. In practice, that is not equal access. Smaller retailers simply do not have the same purchasing power as larger chains or multi-store groups.

If a lower price depends on buying more product, then the pricing is not meaningfully available on the same terms. Allowing that structure would give the largest operators another advantage and make it even more difficult for small retailers and smaller producers to remain competitive.

I ask the Board to make clear that **volume discounts are prohibited**, including pricing tied to:

- purchase volume
- minimum order amounts
- percentage of product carried
- shelf or display placement
- store count
- retailer affiliation
- other conditions that smaller retailers cannot reasonably meet

I also ask the Board to clearly define **regular price** and **listed price**.

- **Regular price** should mean the normal, non-sale price charged most of the time.
- **Listed price** should mean a price publicly posted and available to all retailers without conditions.

This would still allow producers to occasionally lower pricing for all retailers, including for older inventory, as long as that price is posted wherever the producer normally lists product and pricing and is equally available to all retailers.

I also respectfully encourage the Board to consider the practical impact on small and equity retailers. Many equity licensees are also small businesses and may be among those most negatively affected by any pricing structure based on volume.

Thank you for considering these comments.

Respectfully, CEO, **HWY 420**

Attachment D - Summary of comments on July 31, 2026, DRAFT Rules

Summary of comments on 7/31/26 draft rules to implement ESSB 5403 (revised draft 9/1/26)

Comments ESSB5403 (date received)		Supports Volume Discounts?	Other comments/concerns
1	Brian Bodge, budsgarage.com (8/2)	NA	Question re: sharing common reciprocal customer loyalty programs between Zips, Lids, Kush21 etc.
2	Christy Stanley, social equity licensee, Hail Mary, LLC (8/2)	NA	Comment page 23 draft rules: conflict with WAC 314-55-570(4)(d) re: transfer to social equity licenses.
3	Shawn Stuart, Social equity license holder/NW Brand Development Cannabis sales and Consulting (8/5)	NA	Generally supports draft rules but has concerns re: preferential pricing
4	Paul Gardner (8/8) (no affiliation)	NA	Supports draft re: unfair pricing practices
5	Ezra Eickmeyer, Producers NW (8/21)	Yes	Concerns re: scope for including producers and processors
6	Tran Du, kempscannabis.com (8/25)	Yes	
7	Zach Dexter, greenerdazecannabis.com (8/25)	Yes	
8	Aaron Tulloch, Paula Fillmore-Sardinas, FMS Global Strategies, LLC (8/26)	Yes	Clarifying combined orders for independent stores, definition of sharing under financial interest, technical assistance exclusions, disclosure of contracts, volume pricing conditions, economic impacts for small businesses, statutory scope
9	VOCL, Samantha Louderback (8/27)	Yes, but not as written	Contracts inferred from conduct language, clarify shared employee provision, discounts put burden on producers and processors and administrative burden for tracking over time, cost of acquisition application to producer/processors & true value questions.
10	Matthew Friedlander, Skagit Organics, Cannabis Alliance (8/27)	No	Contradicts legislation
11	Marco Hoffman, Evergreen Herbal, processor (8/28)	No	Antitrust concerns with post and hold, statutory authority for regulating transactions, unintended consequences of pricing structure on small processors
12	Brooke Davies, WACA (8/28)	Yes, but not as written	Clarify language for consultants and vendors, discounts language is unnecessarily restrictive and burdensome, record retention schedule is too long, aging inventory at retail,
13	Caitlein Ryan, Cannabis Alliance (8/28)	No, address in separate rulemaking	Discounts are outside of rulemaking scope, favors multi-store operations, price post and hold & antitrust review, needs consistent contractor language and gave suggested language.
14	Sharon Harvey Hughes, OMWBE (8/28)	Yes	Volume discounts can help social equity licensees
15	Bethany Rondeaux, WCLA (8/28)	No, address in separate rulemaking	Prohibiting preferential pricing requires producers to sell to retailers on same basic terms so discounting language is not needed. Harmful to smaller sized businesses who can get volume pricing.

AMENDATORY SECTION (Amending WSR 24-16-064, filed 7/31/24, effective 8/31/24)

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 contract or agreement, including written or verbal, 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, for up to five retail cannabis licenses, and that are otherwise in compliance with chapter 69.50 RCW and this chapter.

(2) Preferential pricing of cannabis, useable cannabis, cannabis-infused products, or cannabis concentrates sold by processors to cannabis retailers is prohibited.

(a) For purposes of this section, preferential pricing means product pricing offered to cannabis retailers that is not offered to all retailers.

(b) Any cannabis, useable cannabis, cannabis-infused products, or cannabis concentrates sold by a processor to a cannabis retailer must be made available and sold under the same basic terms and conditions to all cannabis retailers on a statewide basis.

(3) Exclusivity agreements between a processor and a retailer are prohibited.

(a) For purposes of this section, an exclusivity agreement is any agreement between a processor and a retailer that:

(i) Excludes or prevents a retailer from purchasing cannabis products from another processor as a condition of doing business;

(ii) Excludes or prevents a processor from selling their product to another retailer as a condition of doing business; or

(iii) Creates white label or private label products. For purposes of this section, white label or private label products means products packaged and sold by a processor to a retailer with a label that includes the retailer's own branding or logo, or an exclusive product, brand, or logo created for the retailer that is not made available to all other retailers.

(b) Any violation of this subsection is subject to the same penalties established for engaging in prohibited practices under WAC 314-55-523.

(4) 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~~)) Consignment sales;

(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)~~)) (5) "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)~~)) (6) 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)~~)) (7) 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.

AMENDATORY SECTION (Amending WSR 24-21-051, filed 10/9/24, effective 1/7/25)

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

Entity	True party(ies) of interest
Nonprofit corporations	All individuals and entities having membership rights in accordance with the provisions of the articles of incorporation or bylaws

(2) A person, entity, or married couple may not be a true party of interest, or have a financial interest as defined in this section, in more than five retail cannabis licenses, more than three producer licenses, or more than three processor licenses.

(a) Being a true party of interest or having a financial interest in any retail license counts towards the maximum number of five retail licenses allowed per person, entity, or married couple.

(b) The maximum number of licenses applies to any combination of being a true party of interest or having a financial interest.

Note: Per RCW 69.50.325 (3)(b)(ii), "financial interest" includes, but is not limited to, any shared or common use of intellectual property assets such as branding, trade names, logos, social media accounts, or websites; and any sharing or coordinating of marketing and advertising efforts or expenses. See definitions in subsection (4) of this section for additional information.

(3) A person, entity, or 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)~~)) (4) The following definitions apply to this chapter unless the context clearly indicates otherwise:

(a) "Control" means the power or authority to independently order, or direct the management, managers, or policies of a licensed business. Control may occur through ownership, entity management, by contract, or otherwise. Any person or entity which demonstrates control of a licensed business qualifies as a true party of interest.

(i) Control consists of having decision-making authority to direct the core business or executive functions of the licensed business. Core business or executive functions include, but are not limited to, operations, production, marketing, sales, and finances. Indicators of control may include, but are not limited to, making or overriding purchasing decisions; negotiating or approving contracts and agreements; adopting or requiring business policies, procedures, or marketing plans; requiring or directing uniform branding between stores; or making hiring and other personnel decisions.

(A) Any of the actions described in this subsection constitute having control, notwithstanding the terms of any contract or agreement entered into by the parties.

(B) References to any arrangement between two or more licensees as a consulting agreement does not preclude the board's determination of control based on the criteria in this definition.

(ii) Commonly used vendors or service providers that do not confer decision-making authority for the business do not constitute control. (See subsection (5) of this section for more detailed information regarding people and entities that are commonly not considered to be a true party of interest or have a financial interest.)

(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) For the purposes of this section, having a financial or other ownership 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:

(i) Receiving a share of profits or revenue, or the right to receive profits or revenue;

(ii) Any assisting with, coordinating, or recommending the purchase of cannabis products, whereupon pricing is coordinated or discounted. Coordinated pricing includes, but is not limited to, multiple stores combining or consolidating their orders;

(iii) Any shared or common use of intellectual property assets across licenses such as branding, trade names, trade dress, logos, social media accounts, or websites;

(iv) Providing any operational support for typical day-to-day business operations. This includes, but is not limited to, recommending, coordinating, and assisting the licensee on day-to-day operations in an ongoing capacity; communicating with and paying vendors; setting and posting retail prices; scheduling and managing personnel; coordinating facility and other maintenance activities; and implementing marketing and advertising activities;

(v) Any sharing or coordinating of marketing and advertising efforts or expenses across licenses including, but not limited to, shared websites, marketing plans, sales promotions, or shared customer loyalty programs; and

(vi) Any coordination or sharing of employees across licenses. This includes coordinated or shared hiring, firing, training, management, human resources, or payroll of personnel. This does not include part-time employees who work at multiple stores under the following conditions:

(A) The employee does not exert control over the business; and

(B) Each licensee separately hires, manages, compensates, and maintains payroll and employment records for the employee;

(vii) Any actions listed in this subsection constitute having a financial interest notwithstanding the terms of any contract or agreement entered into by the parties.

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

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

((~~(e)~~)) (f) "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)~~)) (5) For purposes of this chapter, "true party of interest" or having a financial 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~~)) who receives a flat fee for services or receives an hourly rate compensation, either of which is under

a written contractual agreement, provided that compensation is not tied to sales or profits and the consultant does not exercise control over the business as defined in this section.

(e) An industry member who is participating as a mentor pursuant to RCW 43.330.540 to applicants and licensees through the department of commerce technical assistance grant program for social equity licensees.

(f) 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)~~)) (g) Any vendor, business entity, or ((~~individual~~)) person with a contract or agreement ((~~for~~)) to provide services ((~~with~~)) for a licensed business, unrelated to management agreements under RCW 69.50.331 (1)(b)(iv) or any agreements under RCW 69.50.395, 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~~)) property or building maintenance, security, cleaning, software or technology support, payroll, human resources, or accounting, provided that compensation is not tied to sales or profits, and the vendor, business entity, or individual does not exercise control over the business as defined in this section.

((~~(g)~~)) (h) A financial institution.

((~~(5)~~)) (6) **Notification.**

(a) Except as provided in ((~~this subsection (4)~~)) (a)(i), (ii), and (iii) of this subsection, 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) Any contract or agreement entered into between a licensee and any person, business, or other entity must be disclosed to the board. This includes, but is not limited to, any management agreement under RCW 69.50.331 (1)(b)(iv) or any agreement as referenced in RCW 69.50.395. While agreements disclosed to the board are reviewed for compliance, they are not approved or denied by the board.

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

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

((~~(6)~~)) (7) **Disclosure of management, consulting, intellectual property, and other agreements ((~~and intellectual property~~)).**

(a) Licensed cannabis businesses may enter into agreements consistent with the provisions of RCW 69.50.395 and 69.50.331 (1)(b)(iv). Any management agreement under RCW 69.50.331 (1)(b)(iv) or any agreement as referenced in RCW 69.50.395 must not involve having a financial interest or exercising control in more than five retail licenses.

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

((~~(7)~~)) (c) All management, consulting, intellectual property, and other agreements under RCW 69.50.331 (1)(b)(iv) or any agreement as referenced in RCW 69.50.395 must be disclosed to the board prior to the effective date of the agreement and must include the following:

(i) UBI number of the entity that is providing services or granting intellectual property rights;

(ii) License number(s) of the licensed location(s) that are receiving services or rights to intellectual property; and

(iii) The scope, duration, and terms of the agreement.

(8) **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.

AMENDATORY SECTION (Amending WSR 24-16-064, filed 7/31/24, effective 8/31/24)

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) Owning, operating, or having a financial interest in more than five cannabis retail licenses. Any cumulative ownership violation under this section will result in penalties under WAC 314-55-523 for each licensed location, which may be aggravated for intentional violations of this section;

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

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

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

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

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

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

((~~(j)~~)) (k) 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)~~)) (l) 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)~~)) (m) 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)~~)) (n) 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)~~)) (o) The operating plan submitted with the application does not demonstrate that the applicant meets the criteria for licensure((~~.~~));

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

((~~(p)~~)) (q) 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.

AMENDATORY SECTION (Amending WSR 26-14-119, filed 7/1/26, effective 7/1/26)

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 person or entity ((~~and/or principals within any entity are limited to no~~)) may not be a true party of interest or have a financial interest as defined in this chapter, in 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 $1,781 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~~)) owned 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.

AMENDATORY SECTION (Amending WSR 24-19-040, filed 9/11/24, effective 10/12/24)

WAC 314-55-087 Recordkeeping requirements for cannabis licensees. (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:

(a) Purchase invoices and supporting documents((~~, to include the items and/or services purchased, from whom the items were purchased, and the date of purchase;~~

~~(b)~~)) containing the following:

(i) All items purchased;

(ii) All services purchased;

(iii) The name and any other available details, including the UBI number, of the vendor from whom the items or services were purchased; and

(iv) The date of each purchase.

(b) All management, consulting, intellectual property, and other agreements under RCW 69.50.331 (1)(b)(iv) or any agreement as referenced in RCW 69.50.395, to include:

(i) The effective date;

(ii) The UBI number of the entity that is providing services or granting intellectual property rights;

(iii) The license number(s) of the licensed location(s) that are receiving services or rights to intellectual property; and

(iv) The scope, duration and terms of the agreement.

(c) Bank statements and canceled checks for any accounts relating to the licensed business;

((~~(c)~~)) (d) Accounting and tax records related to the licensed business and each true party of interest;

((~~(d)~~)) (e) Records of all financial transactions related to the licensed business, including contracts and/or agreements for services performed or received that relate to the licensed business;

((~~(e)~~)) (f) All employee records to include, but not limited to, training, payroll, and date of hire;

((~~(f)~~)) (g) Records of each daily application of pesticides applied to the cannabis plants or growing medium. For each application, the producer shall record the following information on the same day the application is made:

(i) Full name of each employee who applied the pesticide;

(ii) The date the pesticide was applied;

(iii) The name of the pesticide or product name listed on the registration label which was applied;

(iv) The concentration and total amount of pesticide per plant; and

(v) For outdoor production, the concentration of pesticide that was applied to the field. Liquid applications may be recorded as, but are not limited to, amount of product per 100 gallons of liquid spray, gallons per acre of output volume, ppm, percent product in tank mix (e.g., one percent). For chemigation applications, record "inches of water applied" or other appropriate measure.

((~~(g)~~)) (h) Soil amendment, fertilizers, or other crop production aids applied to the growing medium or used in the process of growing cannabis;

((~~(h)~~)) (i) Production and processing records, including harvest and curing, weighing, destruction of cannabis, creating batches of cannabis-infused products and packaging into lots and units;

((~~(i)~~)) (j) Records of each batch of extracts or infused cannabis products made, including at a minimum, the lots of useable cannabis or trim, leaves, and other plant matter used (including the total weight of the base product used), any solvents or other compounds utilized, and the product type and the total weight of the end product produced, such as hash oil, shatter, tincture, infused dairy butter, etc.;

((~~(j)~~)) (k) Transportation records as described in WAC 314-55-085;

((~~(k)~~)) (l) Inventory records;

((~~(l)~~)) (m) All samples sent to an independent testing lab and the quality assurance test results;

((~~(m)~~)) (n) All free samples provided to another licensee for purposes of negotiating a sale;

((~~(n)~~)) (o) All samples used for testing for quality by the producer or processor;

((~~(o)~~)) (p) Sample jars containing useable cannabis provided to retailers;

((~~(p)~~)) (q) Records of any theft of cannabis seedlings, clones, plants, trim or other plant material, extract, cannabis-infused product, or other item containing cannabis;

((~~(q)~~)) (r) Records of any cannabis product provided free of charge to qualifying patients or designated providers;

((~~(r)~~)) (s) Detailed sale records including, but not limited to, date of sale, sale price, item sold, and taxes assessed;

((~~(s)~~)) (t) Records for medical cannabis patient excise tax exemptions as required in WAC 314-55-090.

(2) If the cannabis licensee keeps records within an automated data processing (ADP) and/or point-of-sale (POS) system, the system must include a method for producing legible records that will provide the same information required of that type of record within this section. The ADP and/or POS system is acceptable if it complies with the following guidelines:

(a) Provides an audit trail so that details (invoices and vouchers) underlying the summary accounting data may be identified and made available upon request.

(b) Provides the opportunity to trace any transaction back to the original source or forward to a final total. If printouts of transactions are not made when they are processed, the system must have the ability to reconstruct these transactions.

(c) Has available a full description of the ADP and/or POS portion of the accounting system. This should show the applications being performed, the procedures employed in each application, and the controls used to ensure accurate and reliable processing.

(3) The provisions contained in subsections (1) and (2) of this section do not eliminate the requirement to maintain source documents, but they do allow the source documents to be maintained in some other location.

CODE REVISER USE ONLY

PROPOSED RULE MAKING

CR-102 (June 2024)
(Implements RCW 34.05.320)
Do **NOT** use for expedited rule making

Agency: Washington State Liquor and Cannabis Board (LCB)

☒ **Original Notice**

☐ **Supplemental Notice to WSR _____**

☐ **Continuance of WSR _____**

☒ **Preproposal Statement of Inquiry was filed as WSR** 25-15-153 **; or**

☐ **Expedited Rule Making--Proposed notice was filed as WSR _____; or**

☐ **Proposal is exempt under RCW 34.05.310(4) or 34.05.330(1); or**

☐ **Proposal is exempt under RCW _____.**

Title of rule and other identifying information: (describe subject) Implementing ESSB 5403, chapter 250, Laws of 2025. The Washington State Liquor and Cannabis Board (LCB) is proposing to amend the following existing rules:

WAC	Name
314-55-018	Prohibited practices – money advances – contracts – gifts – rebates, discounts, and exceptions, etc.
314-55-035	Qualifying for a cannabis license
314-55-050	Withdrawal, denial, suspension, or cancellation of a cannabis license application or license
314-55-079	Cannabis retailer license – privileges, requirements, and fees
314-55-087	Recordkeeping requirements for cannabis licenses

Hearing location(s):

Date:	Time:	Location: (be specific)	Comment:
December 10, 2026	1:00 PM	Public hearings related to Liquor and Cannabis Board rulemaking activity will be held in a "hybrid" environment. This means that the public will have options for in-person or virtual attendance and for providing verbal comments during public rules hearings. A meeting room will be set up at headquarters building in Olympia (1025 Union Avenue, Olympia, WA 98504) for in-person attendance and the public may also login using a computer or a device, or call-in using a phone, to listen to the meeting through the Microsoft Teams application. Please note that although the meeting room will be staffed during the hearing, agency staff may appear virtually.	The LCB encourages those who would like to provide public comment to register in advance. Those who have not registered by 1 p.m. on the hearing date, or who arrive after the hearing has started, cannot be guaranteed the opportunity to speak. For questions about providing verbal comments at rules public hearings, and to register in advance to provide verbal comments, please email publichearings@lcb.wa.gov. For more information about providing verbal comments at rules public hearings, please visit https://lcb.wa.gov/publichearings

Date of intended adoption: No earlier than January 6, 2027 (Note: This is **NOT** the **effective** date)

Submit written comments to:

Name Denise Laflamme, Policy and Rules Coordinator

Address PO Box 43080, Olympia, WA 98504

Email rules@lcb.wa.gov

Fax 360-704-5027

Assistance for persons with disabilities:

Contact Jonnita Thompson, ADA Coordinator, Human Resources

Phone 360-974-9591

Fax 360 664 9689

TTY 7-1-1 or 1-800-833-6388

Other Beginning (date and time) November 4, 2026, 12:00 PM By (date and time) December 10, 2026, 11:59 PM	Email jonnita.thompson@lcb.wa.gov Other By (date) December 3, 2026

Purpose of the proposal and its anticipated effects, including any changes in existing rules: The purpose of these proposed rules is to implement Engrossed Substitute Senate Bill 5403, chapter 250, Laws of 2025, codified in RCW 69.50.325 for cannabis retailers and financial interest agreements and to incorporate related limitations and requirements.

This rulemaking focuses on the following areas to:

Prohibit preferential pricing and exclusivity agreements. Include preferential pricing and exclusivity agreements as prohibited practices under new WAC 314-55-018(2) and WAC 314-55-018(3), respectively, to mitigate undue influence per existing rule language in WAC 314-55-018 and direct or indirect financial interest as prohibited under RCW 69.50.328.

Add penalties for violations of exclusivity agreements. Penalties are described under WAC 314-55-018(3)(b) associated with violations of exclusivity agreements.

Allow discounts for sales from processors to retailers and prohibit consignment sales. Remove prohibition of discounts under WAC 314-55-018(4) to align with statutory language as RCW 69.50.325(3)(b)(ii)(B) resulting from ESSB 5403, which indicates that processors are allowed to provide discounts to retailers. Consignment sales are added under WAC 314-55-018(4) as a form of money's worth that is prohibited.

Revise definition of control for qualifying as a true party of interest. Definition of control under WAC 314-55-035(4)(a) is amended to align with statutory language under RCW 69.50.325(3)(b)(ii)(D).

Add new definitions for financial interest. Definitions and limitations for having a financial interest are added to WAC 314-55-035(4)(c) to align with RCW 69.50.325(3)(b)(ii).

Address coordinated or shared employees across licenses. WAC 314-55-035(4)(c)(vi) stipulates that coordination or sharing of employees across licenses constitutes a financial interest across licenses. A limited exception has been provided in cases where part-time employees who meet specified conditions work for multiple licensees.

Specify that certain entities are not automatically considered a true party of interest or as having a financial interest. Definitions for consultants, service providers, and vendors under WAC 314-55-035(5) are amended to ensure that they will not be deemed a true party of interest or as having a financial interest solely because of their job title or the type of work they perform on behalf of a licensee.

Specify that mentors are not considered a true party of interest or as having a financial interest in their mentee's license. WAC 314-55-035(5)(e) provides an allowance for industry member mentors pursuant to RCW 43.330.540 to ensure they are not automatically considered a true party of interest or as having a financial interest.

Require licensees to notify and disclose agreements to LCB. Licensees are required to notify the board of agreements under WAC 314-55-035(6)(b) and to disclose information about agreements under WAC 314-55-035(7)(c).

Add penalties for violations exceeding five cannabis retail licenses. Penalties under WAC 314-55-050(1)(b) are added for any cumulative ownership or financial interest violations.

Limit agreements to no more than five retail licenses. To align with RCW 69.50.325(3)(b)(ii), management agreements under RCW 69.50.331 and agreements as referenced in RCW 69.50.395 must not involve having a financial interest or exercising control involving more than five retail licenses under WAC 314-55-035(7)(a) and any person or entity is limited to being a true party of interest or having a financial interest in no more than five retail cannabis licenses under WAC 314-55-079(3).

Require licensees to maintain records for agreements. Licensees are required to maintain information about agreements as part of recordkeeping under WAC 314-55-087(1)(b).

Reasons supporting proposal: The reasons supporting these proposed rules, in addition to those described above, are identified in the tables below that describe each of the proposed amendments to existing rules.

WAC 314-55-018			
Section	**Old Language**	**New Language**	**Reason/Statutory Authority**
Title	Prohibited practices—Money advances—Contracts—Gifts—Rebates, discounts, and exceptions, etc.	Prohibited practices—Money advances—Contracts—Gifts—Rebates, and exceptions, etc.	Removed the term "discounts" as provided per RCW 69.50.325 (3)(b)(ii)(B)

(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.	No industry member or licensee shall enter into any contract or agreement, including written or verbal, 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, for up to five retail cannabis licenses, and that are otherwise in compliance with chapter 69.50 RCW and this chapter.	Added language to indicate that written or verbal agreements and contracts apply as financial interest agreements under RCW 69.50.325(3)(b)(ii). Added language to clarify that up to five retail cannabis licenses are permitted to place and accept orders.
(2)	N/a	Preferential pricing of cannabis, useable cannabis, cannabis-infused products, or cannabis concentrates sold by processors to cannabis retailers is prohibited.	Added language to clarify existing prohibition of preferential pricing as a form of indirect financial interest per RCW 69.50.328 and as undue influence under WAC 314-55-018.
(a)	N/a	For purposes of this section, preferential pricing means product pricing offered to cannabis retailers that is not offered to all retailers.	Definition is based on existing prohibition per RCW 69.50.328 and undue influence under WAC 314-55-018.
(b)	N/a	Any cannabis, useable cannabis, cannabis-infused products, or cannabis concentrates sold by a processor to a cannabis retailer must be made available and sold under the same basic terms and conditions to all cannabis retailers on a statewide basis.	
(3)	N/a	Exclusivity agreements between a processor and a retailer are prohibited.	Added language to clarify existing prohibition of exclusivity agreements as a form of indirect financial interest per RCW 69.50.328 and as undue influence under WAC 314-55-018.
(a)	N/a	For purposes of this section, an exclusivity agreement is any agreement between a processor and a retailer that:	Added definition of exclusivity agreements and conditions of sales.
(i)	N/a	excludes or prevents a retailer from purchasing cannabis products from another processor as a condition of doing business;	
(ii)	N/a	excludes or prevents a processor from selling their product to another retailer as a condition of doing business; or	
(iii)	N/a	creates white label or private label products. For purposes of this section, white label or private label products means products packaged and sold by a processor to a retailer with a label that includes the retailer's own branding or logo, or an exclusive product, brand or logo created for the retailer that is not made available to all other retailers.	Prohibits white or private labels as exclusivity agreements. Adds definition based on existing prohibition as a form of indirect financial interest under RCW 69.50.328 and undue influence under existing WAC 314-55-018.
(b)	N/a	Any violation of this subsection is subject to the same penalties established for engaging in prohibited practices under WAC 314-55-523.	Added language to indicate penalties for violations pursuant to RCW 69.50.342.

(4)(b)	(2)(b) Discounts	Consignment sales	Removed discounts as referenced in ESSB5403. Added language prohibiting consignment sales as a form of money's worth in existing WAC 314-55-018 and per RCW 69.50.328 as financial interest.
(5)(6)(7)	Renumbered (3), (4) and (5), to (5), (6), and (7) to reflect addition of (2) and (3).		

WAC 314-55-035			
Section	**Old Language**	**New Language**	**Reason/Statutory Authority**
(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 person, entity or married couple may not be a true party of interest, or have a financial interest as defined in this section, in more than five retail cannabis licenses, more than three producer licenses, or more than three processor licenses.	Added reference to include persons and entities consistent with language per RCW 69.50.325(3)(b)(ii).
(a)	N/a	Being a true party of interest or having a financial interest in any retail license counts towards the maximum number of five retail licenses allowed per person, entity or married couple.	Added language to clarify factors that count towards the number of retail licenses.
(b)	N/a	The maximum number of licenses applies to any combination of being a true party of interest or having a financial interest.	Added language to clarify that the sum of licenses for being a true party of interest or having a financial interest determines the total number of licenses allowed for a person, entity or married couple.
Note:	N/a	Note: Per RCW 69.50.325 (3)(b)(ii), "financial interest" includes, but is not limited to, any shared or common use of intellectual property assets such as branding, trade names, logos, social media accounts, or websites, and any sharing or coordinating of marketing and advertising efforts or expenses. See definitions in subsection (4) for additional information.	Added a note to reference subsection (4) for activities that qualify as having financial interests.
(3)	(2) 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.	A person, entity or 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.	Removed a portion of (2) to create new (3). Added language to include person and entity to align with language in RCW 69.50.325(3)(b)(ii).
(4)(a)	(3)(a) "Control" means the power to independently order, or direct the management, managers, or policies of a licensed business.	(4)(a) "Control" means the power or authority to independently order, or direct the management, managers, or policies of a licensed business. Control may occur through ownership, entity management, by contract, or otherwise. Any person or entity which demonstrates control of a licensed business qualifies as a true party of interest.	Added language to clarify control as part of financial interest per RCW 69.50.325(3)(b)(ii)(D) and to clarify control as a qualifying condition for being a TPI.
(i)	N/a	Control consists of having decision-making authority to direct the core business or executive functions of the licensed business. Core business or executive functions include, but are not limited to, operations, production, marketing, sales, and finances. Indicators of control may include, but are not limited to, making or over-riding purchasing decisions;	Added language to describe activities qualifying as control as a part of financial interest in RCW 69.50.325(3)(b)(ii)(D).

		negotiating or approving contracts and agreements; adopting or requiring business policies, procedures, or marketing plans; requiring or directing uniform branding between stores; or making hiring and other personnel decisions.	
(A)	N/a	Any of the actions described in this subsection constitute having control, notwithstanding the terms of any contract or agreement entered into by the parties.	Added language to indicate control can occur independent of terms of contracts or agreements.
(B)	N/a	References to any arrangement between two or more licensees as a consulting agreement does not preclude the board's determination of control based on the criteria in this definition.	Added language to indicate that a consulting agreement may qualify as control depending on actions.
(ii)	N/a	Commonly used vendors or service providers that do not confer decision-making authority for the business do not constitute control. (See subsection (5) for more detailed information regarding people and entities that are commonly not considered to be a true party of interest or have a financial interest.)	Added language to identify vendors and service providers who do not qualify as having control.
(c)	N/a	For the purposes of this section, having a financial or other ownership 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:	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii).
(i)	N/a	Receiving a share of profits or revenue, or the right to receive profits or revenue;	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii)(A).
(ii)	N/a	Any assisting with, coordinating or recommending the purchase of cannabis products, whereupon pricing is coordinated or discounted. Coordinated pricing includes, but is not limited to, multiple stores combining or consolidating their orders;	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii)(B).
(iii)	N/a	Any shared or common use of intellectual property assets across licenses such as branding, trade names, trade dress, logos, social media accounts, or website;	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii)(C).
(iv)	N/a	Providing any operational support for typical day-to-day business operations. This includes, but is not limited to, recommending, coordinating, and assisting the licensee on day-to-day operations in an ongoing capacity; communicating with and paying vendors; setting and posting retail prices; scheduling and managing personnel; coordinating facility and other maintenance activities; and implementing marketing and advertising activities.	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii)(D).
(v)	N/a	Any sharing or coordinating of marketing and advertising efforts or expenses across licenses including, but not limited to, shared websites, marketing plans, sales promotions, or shared customer loyalty programs; and	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii)(E).

(vi)	N/a	Any coordination or sharing of employees across licenses. This includes coordinated or shared hiring, firing, training, management, human resources or payroll of personnel. This does not include part-time employees who work at multiple stores under the following conditions:	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii)(F).Added language to exclude certain part-time employees from qualifying as having a financial interest
(A)	N/a	The employee does not exert control over the business; and	Added language to allow conditions for part-time employees to not have a financial interest under RCW 69.50.325(3)(b)(ii)(F).
(B)	N/a	Each licensee separately hires, manages, compensates, and maintains payroll and employment records for the employee.	Added language to allow conditions for part-time employees to not have a financial interest under RCW 69.50.325(3)(b)(ii)(F).
(vii)	N/a	Any actions listed in this subsection constitute having a financial interest notwithstanding the terms of any contract or agreement entered into by the parties.	Added language to specify that having a financial interest is dependent on actions.
(d)	(c) "Gross profit" means sales minus the cost of goods sold.	Renumbered as (d)	Renumbered (c) to (d) to reflect addition of new (c).
(e), (f)	Renumbered (d) and (e) to (e) and (f)		
(5)	(4) For purposes of this chapter, "true party of interest" does not include (this is a nonexclusive list):	For purposes of this chapter, "true party of interest" or having a financial interest does not include (this is a nonexclusive list):	Added language to include financial interest for exclusions.
(d)	A consultant receiving a flat or hourly rate compensation under a written contractual agreement.	A consultant who receives a flat fee for services or receives an hourly rate compensation, either of which is under a written contractual agreement, provided that compensation is not tied to sales or profits and the consultant does not exercise control over the business as defined in this section.	Added language to exempt certain consultants depending on meeting certain conditions from being a true party of interest or not having a financial interest.
(e)	N/a	An industry member who is participating as a mentor pursuant to RCW 43.330.540 to applicants and licensees through the Department of Commerce technical assistance grant program for social equity licensees.	Added language to exempt mentors under RCW 43.330.540.
(f)	Renumbered (e) to (f)		To accommodate new language for (e)
(g)	(f) Any business or person 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.	Any vendor, business entity, or person with a contract or agreement to provide services for a licensed business, unrelated to management agreements under RCW 69.50.331(1)(b)(iv) or any agreements under RCW 69.50.395, such as property or building maintenance, security, cleaning, software or technology support, payroll, human resources, or accounting, provided that compensation is not tied to sales or profits, and the vendor, business entity, or individual does not exercise control over the business as defined in this section.	Added language to exempt certain vendors who operate outside of management and other agreements depending on certain conditions.
(h)	(g)	Renumbered (g) to (h)	To accommodate new language in (g).
(6)	(5) Except as provided in this subsection (4)(a)(i), (ii), and (iii), after licensure the licensee must continue to	Except as provided in (a)(i), (ii), and (iii) of this subsection, after licensure the licensee must continue to disclose the source of all funds to be invested in the licensed	Corrected numbering reference.

	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.	business, including all funds obtained from financiers, prior to investing the funds into the licensed business.	
(b)	N/a	Any contract or agreement entered into between a licensee and any person, business, or other entity must be disclosed to the board. This includes, but is not limited to, any management agreement under RCW 69.50.331(1)(b)(iv) or any agreement as referenced in RCW 69.50.395. While agreements disclosed to the board are reviewed for compliance, they are not approved or denied by the board.	Added requirement for licensees to disclose agreements to the board pursuant to RCW 69.50.342(1)(b), and to ensure compliance with ESSB 5403, chapter 250, Laws of 2025.
(c) and (d)	(b) and (c)	Renumbered (b) and (c) to (c) and (d)	Accommodated new language in (b)
(7)	(6) Disclosure agreements and intellectual property.	Disclosure of management, consulting, intellectual property and other agreements.	Added language for types of agreements to be disclosed to the board per existing requirements in RCW 69.50.395(2) and pursuant to agreements in RCW 69.50.325(3)(b)(ii).
(a)	Licensed cannabis businesses may enter into agreements consistent with the provisions of RCW 69.50.395.	Licensed cannabis businesses may enter into agreements consistent with the provisions of RCW 69.50.395 and RCW 69.50.331(1)(b)(iv). Any management agreement under RCW 69.50.331(1)(b)(iv) or any agreement as referenced in RCW 69.50.395 must not involve having a financial interest or exercising control ~~involving~~ **in** more than five retail licenses.	Added language to incorporate limits for licenses based on financial interest or control pursuant to RCW 69.50.325(3)(b)(ii) resulting from ESSB 5403, chapter 250, Laws of 2025.
(c)	N/a	All management, consulting, intellectual property, and other agreements under RCW 69.50.331(1)(b)(iv) or any agreement as referenced in RCW 69.50.395 must be disclosed to the board prior to the effective date of the agreement and must include the following:	Added language requiring agreements be disclosed to the board pursuant to RCW 69.50.325(3)(b)(ii) resulting from ESSB 5403, chapter 250, Laws of 2025, and pursuant to RCW 69.50.395(2) and RCW 69.50.342(1)(b).
(i)	N/a	UBI number of the entity that is providing services or granting intellectual property rights;	Added language requiring UBI numbers in agreements be disclosed to the board.
(ii)	N/a	License number(s) of the licensed location(s) that are receiving services or rights to intellectual property; and	Added language requiring license numbers in agreements be disclosed to the board pursuant to RCW 69.50.342(1)(b), and to ensure compliance with ESSB 5403, chapter 250, Laws of 2025.
(iii)	N/a	The scope and duration, and terms of the agreement.	Added language requiring certain parameters of agreements be disclosed to the board pursuant to RCW 69.50.342(1)(b), and to ensure compliance with ESSB 5403, chapter 250, Laws of 2025.
(8)	(7)	Renumbered (7) to (8)	

WAC 314-55-050

Section	Old Language	New Language	Reason/Statutory Authority
(1)(b)	N/a	Owning, operating or having a financial interest in more than five cannabis retail licenses. Any cumulative ownership violation under this section will result in penalties under WAC 314-55-523 for each licensed location, which may be aggravated for intentional violations of this section.	Added language to include financial interests in more than five retail licenses as a reason for potential withdrawal, denial, suspension, or cancellation of license per RCW 69.50.325(3)(b)(ii) resulting from ESSB 5403, chapter 250, Laws of 2025. Added language to indicate penalties for violations.
(c) – (q)	Renumbered (b) through (p) to (c) through (q)		To accommodate new language for (b)

WAC 314-55-079			
Section	**Old Language**	**New Language**	**Reason/Statutory Authority**
(3)	Any entity and/or principals within any entity are limited to no more than five retail cannabis licenses.	Any person or entity may not be a true party of interest or have a financial interest as defined in this chapter, in more than five retail cannabis licenses.	Added language to incorporate requirements in RCW 69.50.325(3)(b)(ii) resulting from ESSB 5403, chapter 250, Laws of 2025.
(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.	A cannabis retailer may transport product to other locations owned by the licensee or to return product to a cannabis processor as outlined in WAC 314-55-085.	Added language to clarify ownership requirements in WAC 314-55-085 pursuant to RCW 69.50.342(1)(k).

WAC 314-55-087			
Section	**Old Language**	**New Language**	**Reason/Statutory Authority**
(1)(a)	Purchase invoices and supporting documents, to include the items and/or services purchased, from whom the items were purchased, and the date of purchase;	Purchase invoices and supporting documents containing the following:	Added language to require information about service contracts be provided to the board the board pursuant to RCW 69.50.342(1)(b), and to ensure compliance with ESSB 5403, chapter 250, Laws of 2025.
(i)	N/a	All items purchased;	Added specific information to be maintained as part of recordkeeping about purchase invoices and services.
(ii)	N/a	All services purchased;	
(iii)	N/a	The name and any other available details, including the UBI number, of the vendor from whom the items or services were purchased; and	
(iv)	N/a	The date of each purchase.	
(b)	N/a	All management, consulting, intellectual property, and other agreements under RCW 69.50.331(1)(b)(iv) or any agreement as referenced in RCW 69.50.395, to include:	Added recordkeeping requirements for agreements under RCW 69.50.325(3)(b)(ii) pursuant to existing notification requirements under RCW 69.50.395(2) and RCW 69.50.342(1)(b), and to ensure compliance with ESSB 5403, chapter 250, Laws of 2025.
(i)	N/a	The effective date;	Added specific information to be maintained as part of recordkeeping about agreements.
(ii)	N/a	The UBI number of the entity that is providing services or granting intellectual property rights;	
(iii)	N/a	The license number(s) of the licensed location(s) that are receiving services or rights to intellectual property; and	
(iv)	N/a	The scope and duration of the agreement.	

(c) through (t)	(b) through (s)	Renumbered (b) through (s) to (c) through (t)	To accommodate new language in (b)

N/a – not applicable

Statutory authority for adoption: RCW 69.50.325; RCW 69.50.328; RCW 69.50.342; RCW 69.50.345; Engrossed Substitute Senate Bill (ESSB) 5403 (chapter 250, Laws of 2025)

Statute being implemented: RCW 69.50.325

Is rule necessary because of a:

Federal Law?	☐ Yes	☒ No
Federal Court Decision?	☐ Yes	☒ No
State Court Decision?	☐ Yes	☒ No

If yes, CITATION:

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters: None

Name of proponent: (person or organization) Washington State Liquor and Cannabis Board
Type of proponent: ☐ Private. ☐ Public. ☒ Governmental.

Name of agency personnel responsible for:

	Name	Office Location	Phone
Drafting	Denise Laflamme, Rules & Policy Coordinator	1025 Union Avenue, Olympia WA, 98504	360-819-0452
Implementation	Becky Smith, Director of Licensing	1025 Union Avenue, Olympia WA, 98504	360-664-1753
Enforcement	Lawerence Grant, Director of Enforcement and Education	1025 Union Avenue, Olympia WA, 98504	360-974-9567

Is a school district fiscal impact statement required under RCW 28A.305.135? ☐ Yes ☒ No

If yes, insert statement here:

The public may obtain a copy of the school district fiscal impact statement by contacting:
Name
Address
Phone
Fax
TTY
Email
Other

Is a cost-benefit analysis required under RCW 34.05.328?

☐ Yes: A preliminary cost-benefit analysis may be obtained by contacting:
Name
Address
Phone
Fax
TTY
Email
Other

☒ No: Please explain: The proposed amended rules do not qualify as a type of rule requiring a cost-benefit analysis under RCW 34.05.328(5). The LCB is not a listed agency under RCW 34.05.328(5)(a)(i), so the cost-benefit analysis requirements in RCW 34.05.328 are not applicable to the proposed rules unless voluntarily applied or made applicable by the joint administrative rules review committee under RCW 34.05.328(5)(a)(ii).

Regulatory Fairness Act and Small Business Economic Impact Statement
Note: The Governor's Office for Regulatory Innovation and Assistance (ORIA) provides support in completing this part.

(1) Identification of exemptions:
This rule proposal, or portions of the proposal, **may be exempt** from requirements of the Regulatory Fairness Act (see chapter 19.85 RCW). For additional information on exemptions, consult the exemption guide published by ORIA. Please check the box for any applicable exemption(s):

☐ This rule proposal, or portions of the proposal, is exempt under RCW 19.85.061 because this rule making is being adopted solely to conform and/or comply with federal statute or regulations. Please cite the specific federal statute or regulation this rule is being adopted to conform or comply with, and describe the consequences to the state if the rule is not adopted.
Citation and description:

☐ This rule proposal, or portions of the proposal, is exempt because the agency has completed the pilot rule process defined by RCW 34.05.313 before filing the notice of this proposed rule.

☐ This rule proposal, or portions of the proposal, is exempt under the provisions of RCW 15.65.570(2) because it was adopted by a referendum.

☒ This rule proposal, or portions of the proposal, is exempt under RCW 19.85.025(3). Check all that apply:

- ☐ RCW 34.05.310 (4)(b) (Internal government operations)
- ☐ RCW 34.05.310 (4)(c) (Incorporation by reference)
- ☒ RCW 34.05.310 (4)(d) (Correct or clarify language)
- ☒ RCW 34.05.310 (4)(e) (Dictated by statute)
- ☐ RCW 34.05.310 (4)(f) (Set or adjust fees)
- ☐ RCW 34.05.310 (4)(g) ((i) Relating to agency hearings; or (ii) process requirements for applying to an agency for a license or permit)

☐ This rule proposal, or portions of the proposal, is exempt under RCW 19.85.025(4). (Does not affect small businesses).

☐ This rule proposal, or portions of the proposal, is exempt under RCW _____.

Explanation of how the above exemption(s) applies to the proposed rule:

(2) Scope of exemptions: *Check one.*

☐ The rule proposal: Is fully exempt. *(Skip section 3.)* Exemptions identified above apply to all portions of the rule proposal.

☒ The rule proposal: Is partially exempt. *(Complete section 3.)* The exemptions identified above apply to portions of the rule proposal, but less than the entire rule proposal. Provide details here (consider using this template from ORIA):

☐ The rule proposal: Is not exempt. *(Complete section 3.)* No exemptions were identified above.

(3) Small business economic impact statement: *Complete this section if any portion is not exempt.*

If any portion of the proposed rule is **not exempt**, does it impose more-than-minor costs (as defined by RCW 19.85.020(2)) on businesses?

☒ No Briefly summarize the agency's minor cost analysis and how the agency determined the proposed rule did not impose more-than-minor costs. Agencies are required to consider costs imposed on business and costs associated with compliance with proposed rules. Agencies are not required under chapter 19.85 RCW to consider indirect costs not associated with compliance. Here, the agency considered potential administrative costs that a licensee may incur complying with the proposed rules.

There is no single NAICS code for the cannabis industry. Cannabis businesses are classified based on the primary activity of each business, i.e., growing, manufacturing, wholesaling or retailing, and not on the product itself. Recommendations for applicable NAICS codes are available at: https://siccode.com/page/naics-code-for-marijuana .

Using NAICS code 325411 for cannabis processors, the US Census NAICS describes this code for establishments primarily engaged in (1) manufacturing uncompounded medicinal chemicals and their derivatives (i.e., generally for use by pharmaceutical preparation manufacturers) and/or (2) grading, grinding, and milling uncompounded botanicals. The US Census NAICS code description at https://www.census.gov/naics/?input=325411&year=2022&details=325411 doesn't specifically identify cannabis processing, but cannabis manufacturing and processing is consistent with the businesses listed under this code.

Using NAICS code 424590 for cannabis producers, the US Census NAICS describes this code for establishments primarily engaged in the merchant wholesale distribution of farm products (except grain and field beans, livestock, raw milk, live poultry, and fresh fruits and vegetables). The US Census NAICS code description at: https://www.census.gov/naics/?input=marijuana&year=2022&details=424590 identifies cannabis merchant wholesalers, as an example of a business that uses this code.

Using NAICS code 459991 for cannabis retailers, the US Census NAICS describes this code for establishments primarily engaged in retailing cigarettes, electronic cigarettes, cigars, tobacco, pipes, and other smokers' supplies. The US Census NAICS code description at https://www.census.gov/naics/?input=marijuana&year=2022&details=459991 identifies marijuana stores, medical or recreational, as an example of a business that uses this code.

LCB applied a default estimated compliance cost when analyzing whether the rules would have a disproportionate impact on small businesses as defined in RCW 19.85.020(3). This reflects an estimate of $100.00 for every cannabis retail licensee to comply with new notification and recording-keeping requirements to provide and maintain information about agreements for the LCB.

Per RCW 19.85.020(2), a minor cost means a cost per business that is less than three-tenths of one percent of annual revenue or income, or one hundred dollars, whichever is greater, or one percent of annual payroll.

Data for estimated revenue by business type under each NAICS code is provided by reference to the minor-cost threshold calculator provided by the Office of Regulatory Innovation & Assistance available at https://www.oria.wa.gov/Portals/_oria/VersionedDocuments/RFA/Regulatory_Fairness_Act/Minor-Cost-Threshold-Calculator.xlsx

2024 Industry NAICS Code	Estimated Cost of Compliance	Industry Description	NAICS Code Title	Minor Cost Estimate	1% of Avg Annual Payroll (Threshold)	0.3% of Avg Annual Gross Business Income (Threshold)
325411	$100.00	Estimated for CBD, hemp oil, THC extraction & processing	Medicinal and Botanical Manufacturing	$16,666.01	$16,666.01 2024 data Dataset pulled from ESD	$15,650.36 2024 data Dataset pulled from DOR
424590	$100.00	Marijuana/ cannabis merchant wholesalers	Other Farm Product Raw Material Merchant Wholesalers	$9,877.48	$7,468.70 2024 data Dataset pulled from ESD	$9,877.48 2024 data Dataset pulled from DOR
459991	$100.00	Marijuana stores, recreational or medical	Tobacco, Electronic Cigarette, and Other Smoking Supplies Retailers	$4,007.44	Unavailable*	$4,007.44 2024 data Dataset pulled from DOR

As the table demonstrates, the estimated cost of compliance of $100 does not exceed the threshold for any of the potential NAICS codes applicable to cannabis licensees. Therefore, implementation of this amended rule is not anticipated to result in more than minor costs on businesses as defined in RCW 19.85.020(2).

DOR – Washington State Department of Revenue.
ESD – Employment Security Department Washington State
CBP – County Business Patterns

DOR data available at https://apps.dor.wa.gov/ResearchStats/Content/GrossBusinessIncome/Results.aspx?Year=2023Q4,2023Q3,2023Q2,2023Q1,&Code1=450000&Code2=460000&Sumby=n6&SicNaics=2&Format=HTML

* - Average annual payroll data was unavailable due to redaction of dataset from the U.S. Bureau of Labor Statistics (USBLS).

☐ Yes Calculations show the rule proposal likely imposes more-than-minor cost to businesses and a small business economic impact statement is required. Insert the required small business economic impact statement here:

The public may obtain a copy of the small business economic impact statement or the detailed cost calculations by contacting:

Name Denise Laflamme
Address 1025 Union Avenue, Olympia, WA 98504
Phone (360) 819-0452
Fax
TTY
Email rules@lcb.wa.gov
Other

Date: November 4, 2026	**Signature:** Place signature here
Name: Jim Vollendroff	
Title: Chair	