

Facts & Figures • Top Retailers • Industry Pioneers



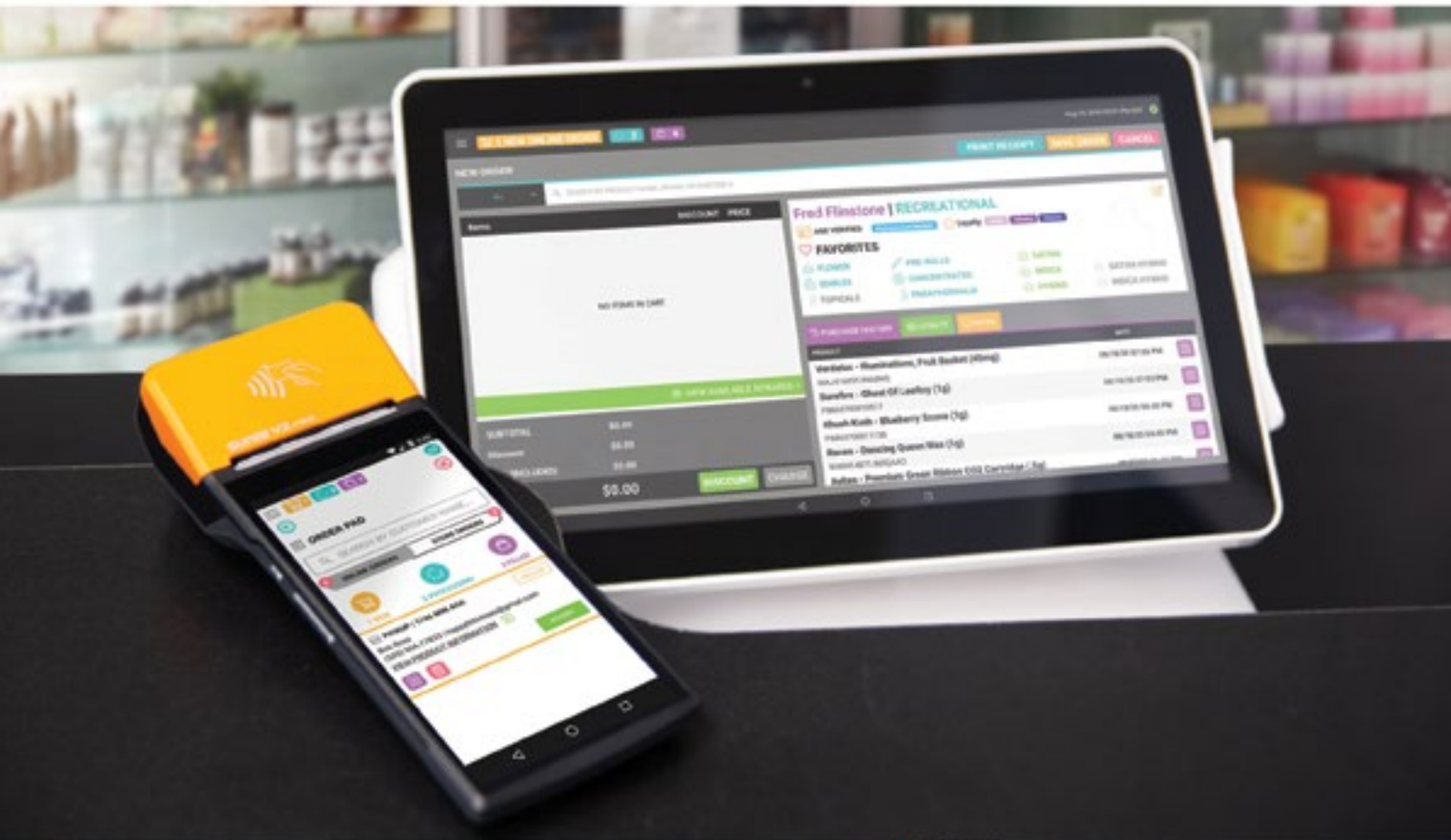
Cannabis in

WASHINGTON

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CANNABIS IN WASHINGTON

Over the course of the coming months, Marijuana Venture will explore every legal market in the country with a series focused on each state's ever-changing rules and regulations, market trends, state demographics, business leaders and more.

This month, Marijuana Venture presents Cannabis in Washington, a look at the second state in the country to begin adult-use sales.

Washington has been one of the most progressive states in the country when it comes to cannabis policy, legalizing medical marijuana in 1998 and adult-use marijuana in 2012. The Evergreen State was the first in the nation to create an adult-use regulatory program from the ground up, resulting in an industry unlike any other: Vertical integration and out-of-state ownership are prohibited, and individuals are limited in the number of licenses they can hold.

Rec sales began in July 2014, and though Washington has lagged behind Colorado in growth, state-licensed retailers are still generating more than \$1 billion in sales each year and Washington state consumers enjoy a wider variety of products at retail than any other market in the U.S.

Next month, Marijuana Venture will look at Oregon (February), followed by Alaska (March), Northern California (April) and Southern California (May) and other states in future months. For information about upcoming issues or to learn about advertising and sponsorship opportunities, email Editor@MarijuanaVenture.com.

SPECIAL THANKS

A special thanks to the sponsors who made this issue possible: Always Greener, American Harvest, Boggy Boon, Craft Cannabis Coalition, Cultiva Law, Green Revolution, Origins, Sativa Sisters, Starbuds, White Rabbit Cannabis and Zoobees Doobies.



ABOUT MARIJUANA VENTURE

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Legal Overview

BY NEIL JUNEJA

Washington, like Colorado, legalized recreational cannabis for adult use in the 2012 election. It has now been more than six years since the first stores opened and the Washington State Liquor and Cannabis Board is dialing in the regulations known as “Cannabis 2.0.”

Unlike most other regulatory systems in the United States, Washington prohibits vertical integration. As a result, the products and branding are far more developed than other states and countries due to competition. The primary licenses, with applications accepted in 2013 for just 30 days, included an unlimited number of producer and processor licenses and 554 retail licenses, broken down by municipality and allotted by lottery, though not all retail licenses were allotted due to bans and moratoria at the local level. A producer license is required to cultivate cannabis. A processor license is required to package the plant material and create the breadth of products for sale. One can own a maximum of three producer and three processor licenses.

A retail license allows one to sell prepackaged products and at this time, an individual can hold a maximum of five retail licenses. In order to have an ownership interest in any Washington license, one must be a resident of Washington for at least six months prior to

applying and then submit to a financial and criminal background check. After 2013, producer and processor license applications were never reopened. As a result, the cost to buy an existing license is now more than \$100,000. Retail licenses, meanwhile, can cost more than \$1 million in the city of Seattle. The Washington State Liquor and Cannabis Board has issued 1,821 total cannabis business licenses.

THE COST TO BUY AN EXISTING LICENSE IS NOW MORE THAN \$100,000. RETAIL LICENSES CAN COST MORE THAN \$1 MILLION IN THE CITY OF SEATTLE

accolades including selection as one of the 40 under 40 most influential people in the cannabis industry, five SuperLawyers Rising Star awards and the National Law Journal Cannabis Trailblazer award. He can be reached at Neil@gleamlaw.com.

In 2019, the cannabis excise tax, a rate of 37% on the sale to the consumer, raised \$390.4 million for the state, on total cannabis sales of more than \$1 billion. The cannabis excise tax expenses are more than \$172 million greater than the liquor sales in the state, which is remarkable considering the Washington liquor taxes are the highest in the country, at \$32.52 per gallon.

The Legislature and the Liquor and Cannabis Board continue to tweak rules to improve one of the first legal cannabis industries in the world.

Neil Juneja is the founder and managing partner of Gleam Law. He has appeared in Newsweek, Time Magazine, and on several documentaries for his work in the industry. He has been awarded numerous

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CANNABIS MARKETS

Art by Pique Jacques

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WASHINGTON: BUZZ-WORTHY

• • • BY BRIAN BECKLEY



COVID.....

As the COVID-19 pandemic spread through the country, decimating large parts of the economy, Washington’s cannabis industry proved its mettle, generating record revenue numbers after being deemed an “essential” industry.

The state passed temporary rules allowing for curbside pickup at retail shops and sales from walk-up windows that met certain criteria. The temporary rules also allowed stores to give out masks and hand sanitizer and, with school closures putting a strain on childcare, allowed the children of producer/processors to be on premises.

Aaron Pickus, spokesman for one of the state’s largest trade groups, the Washington CannaBusiness Association (WACA), praised the state’s decision to keep cannabis businesses open.

Pickus says Washington’s industry adapted accordingly, including turning the annual 4/20 celebration into a two-week event in order to promote social distancing. The change resulted in zero complaints or violations, which Pickus says showed the industry was serious in not only protecting employees and customers, but in complying with regulations.

“We’re pretty proud of that,” he says.



OUT-OF-STATE FINANCING.....

One of the most contentious issues facing Washington’s cannabis industry is the prohibition on non-resident ownership that hinders many businesses from raising capital. The state does not technically prohibit outside investment, but the strict residency requirement on true parties of interest limits licensees to raising money inside state borders.

Some businesses are staunchly opposed to opening the industry up to outside investment. Others see it as necessary to grow and compete on a national level, particularly with the prospect of federal legalization on the horizon. Washington is one of the few states to impose such a restriction.

“Having this kind of artificial cap on access to capital is really destructive,” Pickus says. “What we have seen in practice is that nobody wants to finance a cannabis business in Washington because they cannot receive an equity stake in the business.”

Rick Garza, director of the Washington State Liquor and Cannabis Board, says the state Legislature has heard several proposals on changing the law to allow out-of-state ownership, but the Liquor Control Board, as a regulating body, has taken a “rather neutral position on the issue” because it is a matter of law.

“Some people are concerned if they’re a smaller business in the cannabis space that they can be overtaken by out-of-state interest or money,” he says. “But to lock yourself up to just the dollars that are in Washington? I’m not sure about that.”

“WHAT WE HAVE SEEN IN PRACTICE IS THAT NOBODY WANTS TO FINANCE A CANNABIS BUSINESS IN WASHINGTON BECAUSE THEY CANNOT RECEIVE AN EQUITY STAKE IN THE BUSINESS.”

...SOCIAL EQUITY & LICENSING

Like many of the first states to legalize, Washington is working to add a meaningful social equity aspect to its cannabis regulations, and Pickus says that is a priority for WACA as well as state regulators.

Pickus says WACA supports the state’s new social equity task force, which began meeting in late 2020, and is looking forward to its recommendations, particularly in the reallocation of 34 licenses that are no longer active. However, Pickus says WACA does not necessarily support the creation of new licenses, saying that the allocation of licenses was driven by census data and should continue to be done in that way.

“We believe that, as an industry, any kind of broader change to the amount of licenses should be driven by data,” he says.

But at the state level, Garza says many people feel like the returned licenses are “breadcrumbs” and “not enough.”

“But those are the ones we have available today,” he says. “I suspect the task force is probably going to recommend that there needs to be a greater number of licenses available.”



.....TRACEABILITY

One of the major complaints from the industry has been Washington’s track-and-trace systems, which have been problematic since the beginning, but have become an even greater source of anger since MJ Freeway became the state’s traceability provider.

Originally, BioTrackTHC held the contract, but opted out of renewing in 2017 when the state added requirements that BioTrack said it could not support. MJ Freeway’s Leaf Data system was chosen to replace it, but there were delays and problems in getting it up and running. To this day, many operators report numerous bugs, crashes, inaccuracies of data and other quirks that require tedious workarounds.

Pickus says it’s just time to scrap the whole system and replace it with a robust self-report-and-audit system, like those used in Canada and other regulated industries such as alcohol.

“It just isn’t working,” he says. “We just think there’s a better way to do it.”

Pickus believes the state’s cannabis industry has the “culture” to self-report because of its high compliance rate compared to tobacco and alcohol.

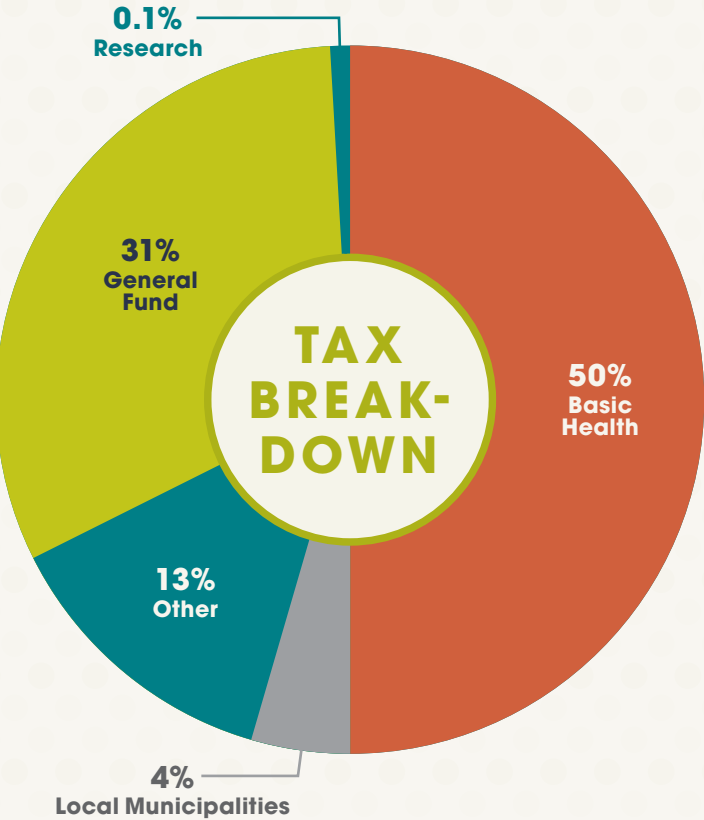
“We do have quite a bit of experience under our belt that we didn’t have in the beginning and what’s become clear is this kind of state-run, central traceability system is not the best tool for achieving the policy goal we all want, which is upholding integrity in the market and ensuring product remains in the legal marketplace and isn’t diverted.”



WASHINGTON: MARKET TRENDS

Total marijuana sales since 2014

• \$4,768,600,000 •



WHERE DOES THE MONEY GO?

Washington law requires certain amounts of cannabis tax money to be sent to specific causes and then uses a complicated formula to disburse the rest. The percentage breakdown for FY2019, the last year for which there is full data, is pictured at left.

TOTAL TAX REVENUE
\$2.08 BILLION

LOCAL FUNDING

The following were the top five municipalities receiving cannabis tax money during fiscal year 2019:

1. KING COUNTY.....\$2,268,971
2. CITY OF SEATTLE.....\$1,414,017
3. PIERCE COUNTY.....\$1,051,416
4. SNOHOMISH COUNTY...\$1,050,287
5. SPOKANE COUNTY.....\$591,942

CHOICES, CHOICES

Unlike every other legal state, Washington law specifically prohibits vertical integration, which has resulted in Evergreen State consumers having a larger selection of product choices than anywhere in the world. According to Headset, the average Washington cannabis dispensary carries more unique SKUs than a Trader Joe's supermarket.

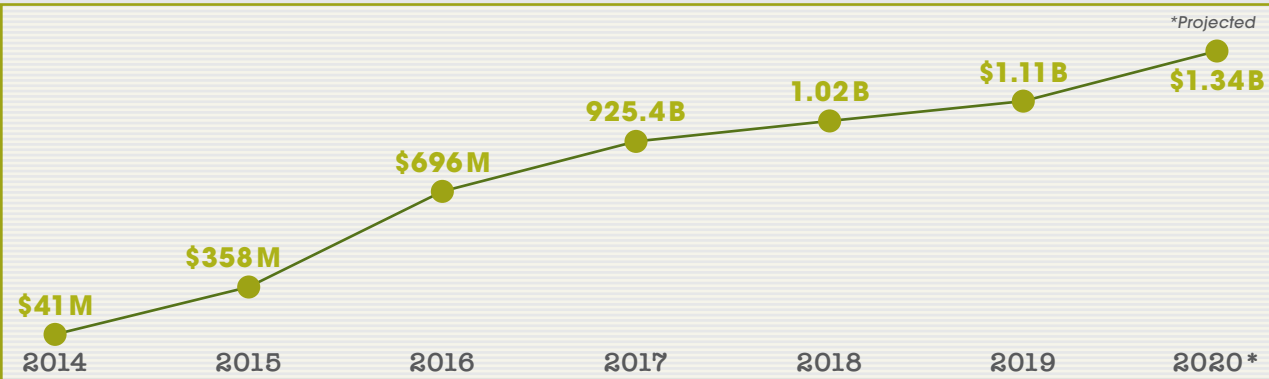
DISTINCT SKUS

Distinct SKUs sold at cannabis shops (Oct. 2020)

- WASHINGTON: **32,008**
- CALIFORNIA: **17,691**
- OREGON: **15,917**
- COLORADO: **12,380**
- NEVADA: **4,257**

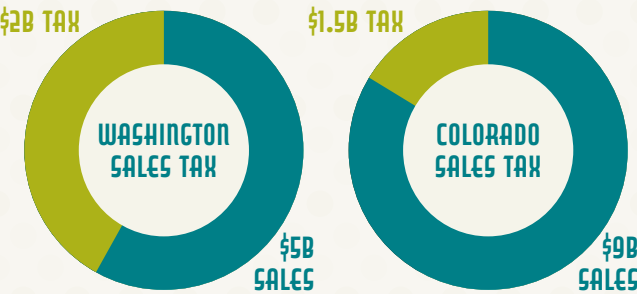
TOTAL SALES

Through state-licensed cannabis retailers



Washington's Medical Market

Washington's medical and recreational markets were combined in mid-2016 with the passage of the controversial Senate Bill 5052. Since then, sales of medical cannabis products, which are tax exempt for those with medical cards, have remained low, but relatively stable, averaging about 1.3% of the market. Total medical sales in the first half of 2020 averaged \$1.3 million per month — the highest average since SB5052 went into effect. In 2015, unlicensed dispensaries averaged \$9.3 million per month in total sales and accounted for 31% of the legal market, according to state estimates.



Washington vs. Colorado

Although voters in Washington and Colorado approved the recreational use of marijuana on the same day in 2012, each state set up its system differently, resulting in two unique, but forever-linked, cannabis industries. The main differences between the two states is Washington's ban on vertical integration.

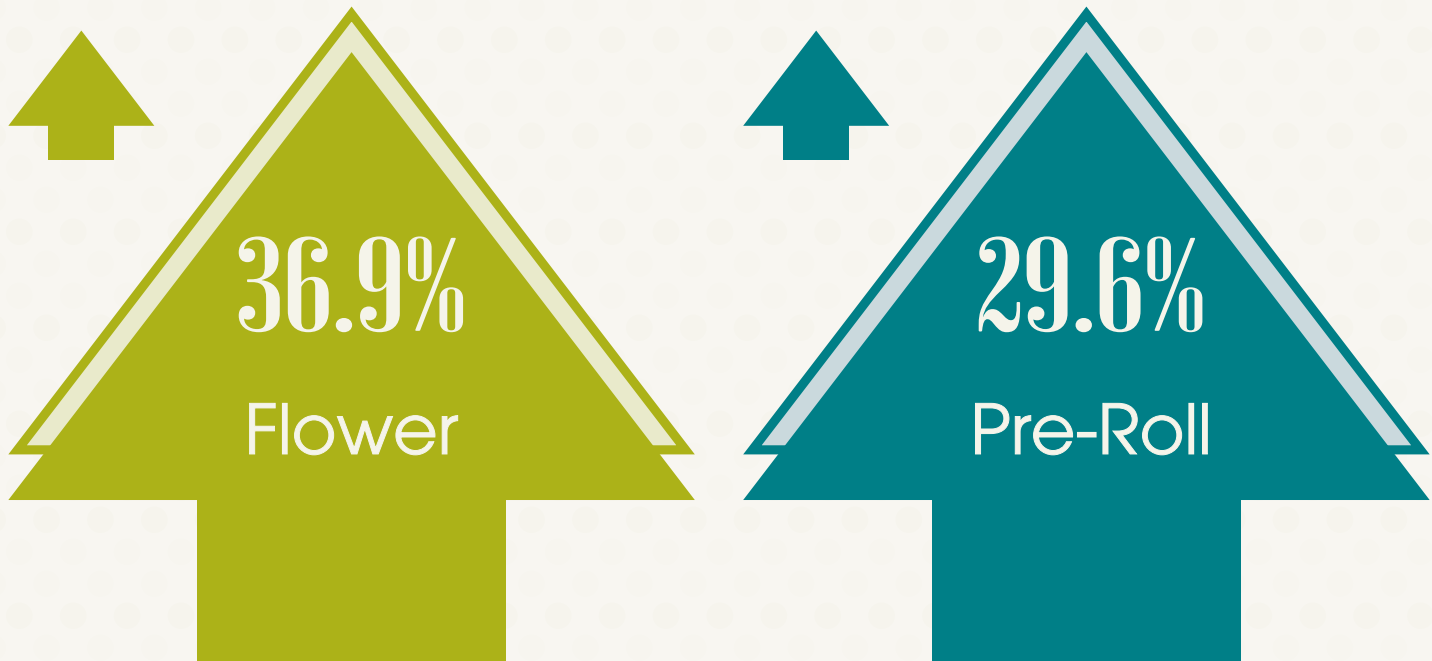
Because Colorado prioritized the state's medical dispensaries for recreational licensing, stores in Colorado opened January 1, 2014, whereas Washington took longer crafting its regulations and license structure, opening the first stores on July 8, 2014. Since then, the Colorado industry has generated more than \$9.2 billion in legal sales, compared to nearly \$5 billion in Washington. However, because of Washington's substantially higher tax rate, the Evergreen State has generated more tax revenue, a total of \$2.08 billion vs. \$1.5 billion in Colorado.

TOTAL CONTRIBUTIONS TO THE GENERAL FUND

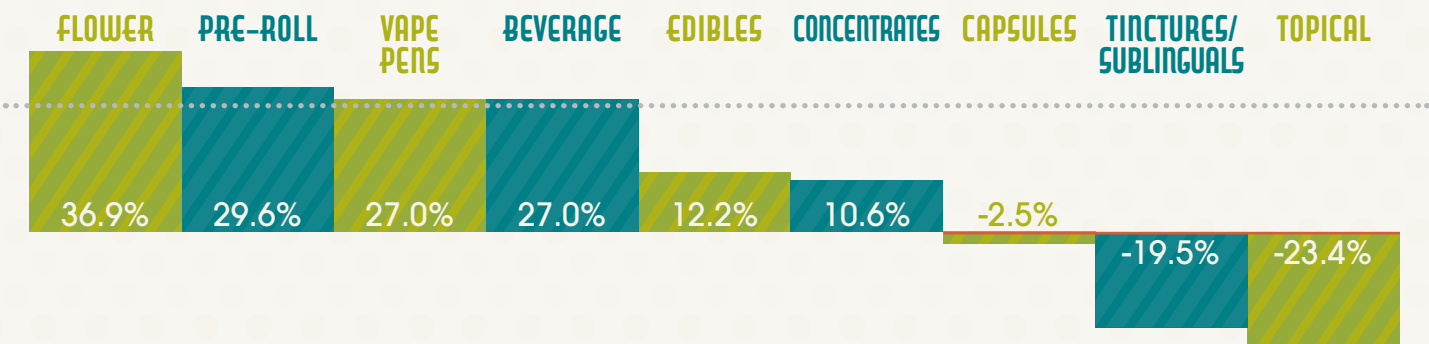
(Fiscal year 2019)



WASHINGTON: MARKET TRENDS

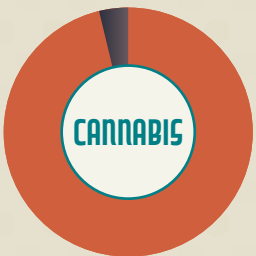


YEAR-OVER-YEAR GROWTH: OCTOBER 2019 VS OCTOBER 2020



Preventing sales to minors

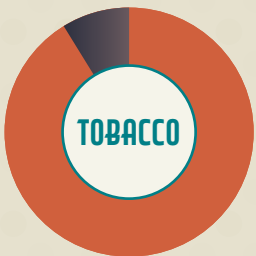
Of the four product categories regulated by the Washington State Liquor and Cannabis Board, the cannabis industry ranks first in compliance when it comes to sales to minors.



2019: 96.2%
2018: 94.6%
2017: 93.2%



2019: 84.2%
2018: 81.3%
2017: 83.2%



2019: 91.2%
2018: 89.0%
2017: 83.7%



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Timeline of Events

1995

The Green Cross Patient Co-op on Bainbridge Island is the first buyers club in the country to be raided by law enforcement. The case was later dismissed on grounds that the warrant was invalid, and the club reopened in Seattle.

1998

Washington voters approve Initiative 692 by a margin of 59% to 41%, legalizing medical marijuana. The law covered multiple conditions, including chemotherapy-related nausea and vomiting, AIDS wasting syndrome, epilepsy, multiple sclerosis, glaucoma and some forms of intractable pain. Although the law did not specifically allow for dispensaries, it led to the opening of the state's first retail storefronts.

2011

Then-Governor Christine Gregoire vetoes much of a bill that would have expanded Washington's medical marijuana program, believing state employees regulating the industry would be put at risk of federal prosecution. Washington's medical industry was left in a legal gray area for another five years.

2012

Voters approve Initiative 502 by a vote of 56% to 44%, legalizing recreational use by adults and creating a taxed and regulated commercial industry. The new law did not initially affect the state's medical cannabis industry or the numerous unlicensed dispensaries around the state.

2014

Recreational sales begin July 8 at the first four state-licensed cannabis shops: Top Shelf Cannabis in Bellingham, Altitude in Prosser, Cannabis City in Seattle and Spokane Green Leaf.

2015

Governor Jay Inslee signs SB-5052, merging the state's mostly unregulated medical industry with the highly regulated recreational one and forcing the closure of unlicensed medical dispensaries.

2016

Cannabis retailers in Washington surpass \$1 billion in total cannabis sales in July.

2020

Due in part to the COVID pandemic, during which cannabis was deemed an "essential" industry by the state, sales reach a record high in July, generating more than \$50 million in tax revenue for the first time ever.



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Zoobees, Inc.

Located in the mountains above Liberty Lake in Eastern Washington, Zoobees is a small, privately owned and operated cannabis farm. The unique geography of the immediate area provides a microclimate that is surprisingly well suited for cannabis production, given the northerly latitude and higher elevation. A small, dedicated team of professionals all share the same goal: Clean cannabis for Washington.

CLEAN CANNABIS: Operating since 2014, Zoobees strives to provide the cleanest cannabis possible to the people of Washington. This goal has driven every aspect of the production process, beginning with its in-house soil recycling program and an organic fertilizer program that very nearly eliminates outside inputs.

Additionally, a holistic, health-based approach to production allows the company to avoid relying on chemical pesticides and helps non-toxic mechanical and cul-

tural controls to be effective.

CANNABIS CONSERVATIONISTS: Zoobees has taken every care to ensure its long-term impact on the environment is minimal, both locally and regionally. Cannabis is produced outdoors, using only the energy provided by the sun, and indoors, where moderate-intensity LED lighting provides exceedingly high-quality results with a minimal carbon footprint.

Aware of the damage cannabis production can potentially cause to groundwater sources through overfertilization, leaching and runoff, Zoobees has taken several measures to prevent such damage. From reducing or eliminating the use of phosphate and nitrate fertilizers, using only organic inputs, to building up the soil in and around their facility to ensure an adequate buffer between the facility and the water table, Zoobees believes there is more to growing clean cannabis than just the flowers.

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Green Revolution

When you do something well, you tend to stick with it. Not so with Green Revolution. Instead, we ask, time and time again, how do we make it better?

The passion for innovation is at the heart of our enterprise. And it is precisely this relentless desire to explore, refine and improve that has transformed the company, over the last six years, into one of Washington's preeminent producer/processors. One of the first entrants into the Washington market, Green Revolution today produces more than 100 SKUs, and its products are now available in more than 90% of the stores in Washington.

Green Revolution has been recognized with a host of the industry's top honors: six Dope Cups, a Sun Cup, a People's Choice Award and numerous others. The brand recently branched out into California market where one of its new innovations has been awarded the prestigious Weed-con cup as the finest tincture available.

For us, innovation is not an abstract goal; it is a daily practice, reflected in everything we do. This means bringing novel products to market like Vegan Doozies and a line of Avocado Tinctures that uniquely combine the benefits of cannabis and superfoods like Reishi mushrooms and turmeric. It means unlocking the palliative potential of the plant's other cannabinoids like CBN and CBG and utilizing them in our formulations. It means the adoption of environmentally friendly packaging across all our product lines so that both our

products and our packaging are in harmony with nature. And it means the implementation of cutting-edge technologies like Ultrasonic Nanoemulsification (UNET) that enable us to create the fastest acting, most bioavailable formulations on the market. The UNET technology has been implemented in Green Revolution's Wildside energy shots and will be incorporated in the majority of our products in the coming year.

"Green Revolution believes the miracle of this cannabis plant can be used to support and enrich all aspects of someone's life," says Leo Shlovksy, CEO and co-founder of Green Revolution. "We use the best of science and nature to chart a clear path so that our users can enjoy consistent, reliable experiences that transform their lives for the better."

Green Revolution offers a diverse lifestyle set of products — edibles, tinctures, topicals, vapes and concentrates — that help people capture peak moments. By utilizing all of the components of the cannabis plant, as nature intended, we're able to create products that articulate the cannabis plant in its fullest form. Our products fall into four distinctive experience categories — fly, elevate, chill and relief — so that our users can achieve precise goals in their wellness agenda.

Today's consumers want to know what went into making that product — the process, the ingredients, the sources of the raw material and the people who made it.

We believe this era of the informed consumer is exactly

why Green Revolution has differentiated itself in the cannabis industry.

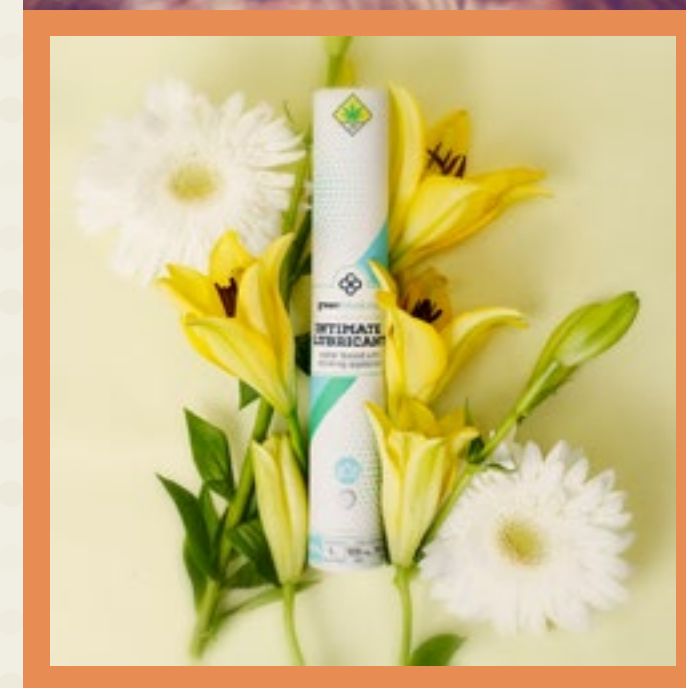
Keenly aware of the need for transparency at the consumer level, Green Revolution has brought products into the market that are clean, capture the whole plant extraction and are always native to the plant.

Through all of our products, you can find strain-specific cannabis terpene profiles that really amplify those associated effects of a sativa or indica or CBD-dominant product. We have captured the best that cannabis has to offer by taking both the terpenes and the cannabinoids and combining them in ratios to really truly deliver precise, powerful experiences at the consumer level.

Green Revolution has created products that are simple, easy to take, easy to understand and loaded with knowledge. On the back of every package, an integrated QR code gives the consumer all the information they need to make a decision about whatever product they're looking for and how that product will interact with them.

Think of our products as beautifully precise, finely honed tools that inspire and enable positive change. The full potential of cannabis is still to be unlocked. Green Revolution is leading the charge to help people use the rich gifts of this wondrous plant to bring about a positive change in their lives.

More information: [GreenRevolution.com](https://www.GreenRevolution.com)





"I WANTED TO ENSURE
THE STORE WAS
IMPROVING THE LOCAL
COMMUNITY AND NOT
BEING A HINDERANCE."



American Harvest

American Harvest owner Kelani Mirau went to great lengths making sure every detail was just right at her cannabis retail shop in Peshastin, Washington.

From the moment customers walk in the door, they're greeted with a welcoming, home-spun atmosphere designed to make everybody feel comfortable, whether they're shopping for their medical needs or seeking recreational products.

"I think a lot of our tourists are really surprised with how welcoming and warm it feels," Mirau says. "First impressions are so important. I like to turn the stigma on its head and kind of disprove a lot of what makes people perceive cannabis to be this horrible, negative thing."

American Harvest, located at 7550 U.S. Highway 97, is the closest cannabis shop to the town of Leavenworth, a Bavarian-themed tourist destination that attracts almost 2 million visitors each year. In addition to its shopping, nightlife and abundance of outdoor activities, the city's Oktoberfest is

the biggest in the state and its winter festivities are a hit with Americans and foreign visitors alike. Mirau knew many of her customers would be experiencing legal cannabis for the first time, so she wanted to have the right look and feel, from the music being played to the way products are displayed.

"Within the first couple of seconds that a person comes into the store, they're already deciding whether or not they're going to trust you," she says.

Over the past six years of running American Harvest, Mirau has learned a great deal about the marijuana industry, the scientific intricacies of the cannabis plant, the many uses of cannabis and how to more effectively run her company, but she's also had to take a crash course in zoning and real estate scouting. American Harvest is now in its third location since opening its doors in 2014, but she says the current spot is by far the best yet, and she's looking forward to staying put for a long time.

"There's been a lot of a lot of hard work and a lot of sweat equity, but we didn't really have a lot to start with," she says. "I'm just thankful to be in such a visible location."

Now that American Harvest is set up for the future, Mirau has big plans for the 6.5-acre property on which the cannabis shop resides. She hopes to subdivide the property to bring in a variety of other businesses, including a helicopter company that provides aerial tours of the Cascade Mountains.

And perhaps some day — if Washington ever changes its regulations — the property could house a cannabis consumption lounge. When tourists visit Washington, it's hard for people to consume in areas in which they're not violating any rules or laws, because technically cannabis can only be consumed in a person's residence. It's one of the primary rules Mirau would love to see changed in the near future. "Having a safe area, like a bar, that is regulated for safe consumption of cannabis, would be wonderful to

eventually offer in Washington," she says.

Although operating a cannabis business in Chelan County has its fair share of challenges, Mirau says the local community "has been incredibly good to us" and she does everything she can to give back, getting involved in annual food drives that support local residents, volunteering as a clean-up crew after Oktoberfest every year and participating in the Leavenworth Chamber of Commerce.

"We try to be as conscious as possible about our neighbors since we have a few residential properties located close by," she says. "I wanted to ensure the store was improving the local community and not being a hinderance."

American Harvest

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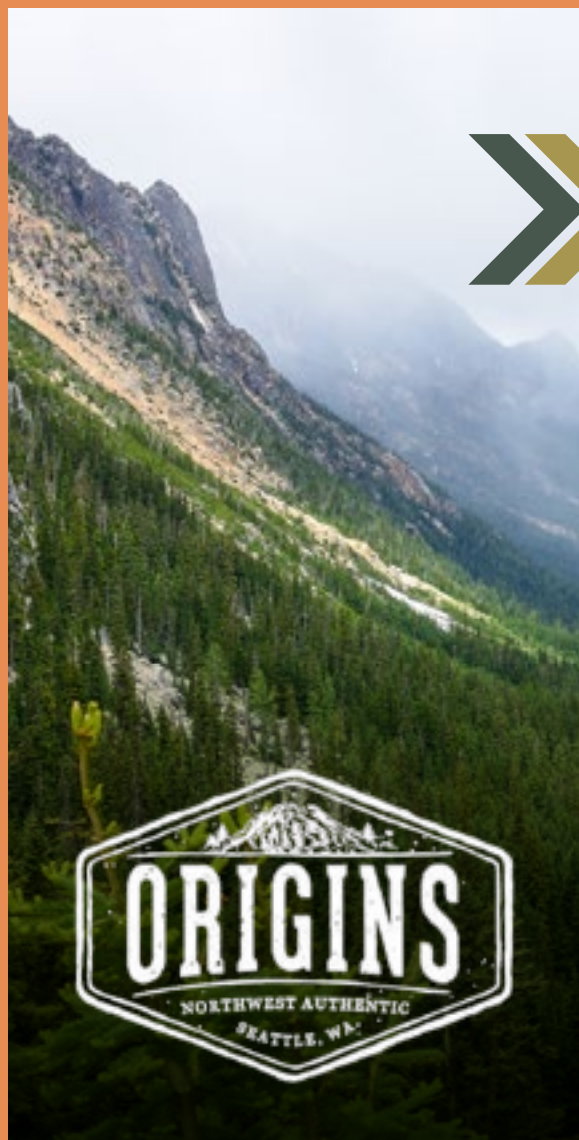
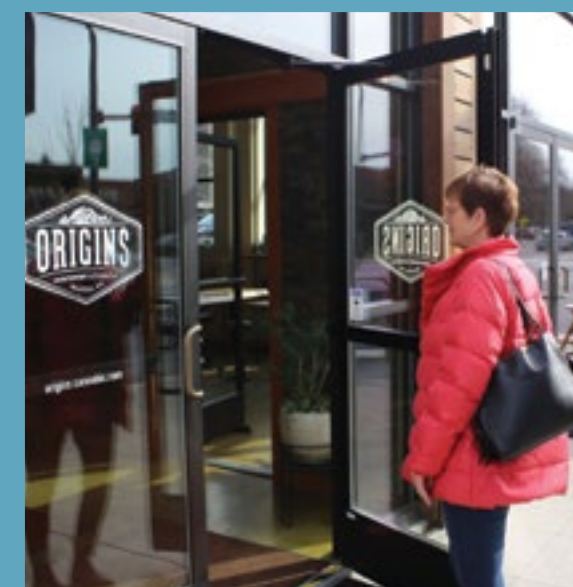
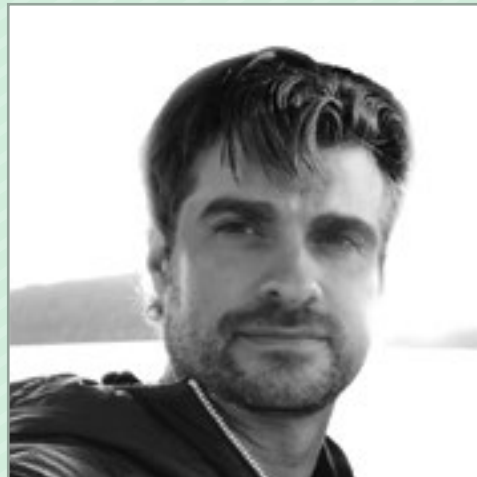


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Emerald Harvest products are available at all leading hydroponic retailers.



Origins

How a Seattle retailer changed the way consumers think about cannabis

BY AL OLSON

Not all cannabis consumers are the same. The same goes for retailers. After years of analyzing purchasing behavior and studying cannabinoid ratios, Origins — a Seattle-based retailer — has created a new way to match cannabis products with shoppers.

It's all about establishing the desired lifestyle effect the consumer is seeking and matching it with a product's cannabinoid ratio. Using a proprietary data algorithm, cannabis consumers receive recommendations based on what products will hit their individual sweet spot. It is not rocket science — but it is science.

"From Day 1, our goal at Origins was to focus on lifestyles and not potency," says Sean Miller, managing partner of Origins Enterprises. "We also wanted our relationship with the customer to be relational, not transactional."

Unsatisfied with selling cannabis products based on the amount of THC — and relying on strain names that no longer served the consumer — Miller used his background in technology to engineer a "decision engine" for his customers. The crunched data includes consumer preferences, past purchases, reviews and customer demographics.

"We knew that there was a massive consumer base out there hungry for education and honest information," he says. "We also knew we could build a technical solution

that would help our customers find the right product specifically for them."

When customers visit an Origins retail store, they will see products organized by cannabinoid profile and ratio, which are then categorized into "Lifestyles." The Origins cannabinoid ratio measures the ratio of THC to all other measurable cannabinoids (CBD, CBG, CBN, CBC, etc.). Origins uses these cannabinoids to identify and recreate the desired experience. The ratio acts as a marker that holds true across cannabis strains and products. The decision engine also analyzes terpenes to guide the customer experience.

Origins worked with scientists and cannabis experts to map its products to consumer lifestyle preferences, tailoring products to six lifestyle profiles.

The Lifestyles created at Origins include:

- **Party Go'er:** Ratios: 23:1 and up. More of a body effect.
- **After Hours:** Ratios: 3:1 to 22:1. For consumers who want to chill out and relax.
- **Holistic:** Ratios: 1:1. For those who prefer natural therapeutic remedies to treat ailments. Most CBD-dominant products are found here.
- **Social:** Ratios: 3:1 to 15:1. More of a balanced experience that is conducive to being with friends.
- **Adventurous:** Ratios: 16:1 to 28:1. More energetic. Good for outdoor activities.

• **Self-Discovery:** Ratios: 29:1 and up. For introspection, reflection and mindfulness.

"Our ultimate goal was to bring structure and meaning to the shopping experience," Miller says. "It feels much more transparent and helpful than a strain name. The cannabis consumer simply is not being served by a collection of product names with no real value."

All cannabis guides (Origins prefers this title over "bud-tenders") receive training on the lifestyle method and the decision engine.

"With these tools we have found that cannabis guides are empowered with relevant data and information to make educated recommendations versus relying on personal favorites," according to Miller.

After establishing a foothold in Washington state, the lifestyle-focused brand is going national.

"We already have five licensing agreements in California, three in Maine, two in Massachusetts and six in Oklahoma," Miller says about his company's expansion efforts. For Miller, educating new markets is exciting for him and his team.

"When we opened in 2015, Washington consumers had a head start because we already had a thriving medical retail market," he says. "Even with somewhat sophisticated consumers, we were able to demystify and educate Washingtonians. The opportunity to educate and inform is even greater in these emerging markets."

White Rabbit Cannabis

In “Alice in Wonderland,” young Alice follows a curious white hare down a rabbit hole and embarks on a remarkable journey of discovery and enchantment. If you follow White Rabbit Cannabis, then get ready for another kind of eye-opening adventure of discovery and growth.

In the Lewis Carroll masterpiece, after drinking a magic potion, Alice learns quickly in Wonderland that even small things can become quite large. But in this case, how will a little shop in Washington’s competitive market experience potentially gigantic growth? By distilling its brand and operational strategies into a recipe for success, then turning it into a unique potion labeled “Franchise.”

White Rabbit’s highly respected, medically endorsed retail cannabis shop in Lynnwood has turned a profit since opening.

As many new retailers learn, this is not always easy. High taxes and competition require more than just turning on the lights and expecting to print money. White Rabbit’s business model is designed to maximize profitability, even in a highly competitive market. Creating a franchise model based on those business secrets and success strategies was the next logical step.

The White Rabbit ownership group partnered with an established franchising firm and sought additional legal expertise and franchise consulting.

In franchising, White Rabbit Cannabis seeks to expand on its core values as well. In an area where many competitors wage brutal price wars, White Rabbit Cannabis focuses on quality and service. White Rabbit Cannabis looks for small, boutique-style producers with quality products, and focuses on service. Most importantly, the shop also still caters to the medicinal market with the highest-quality therapeutic cannabis products like tinctures, CBD topicals and RSO.

The company will also encourage its “good neighbor” policies, like forming a helpful relationship with the community. For example, currently White Rabbit Cannabis maintains a food drive to benefit a local shelter providing for families in need.

Producers also deeply respect the White Rabbit way of doing things. LeafWerx recently included White Rabbit Cannabis in the special limited-edition launch of its new and remarkable full spectrum line of extracts. Edward from Green Revolution adds, “White Rabbit has been with us since day one, and I wish more retailers operat-

ed with the same level of professionalism. Truly a pleasure to do business with.”

The credit belongs to founding partners Teresa Chilleli-White and Bruce White along with Craig Kimball. Having come from professional backgrounds in construction and real estate, they grasped early on the importance of building a strong foundation for success. Watch every penny, stay compliant and keep suppliers and customers more than satisfied. That’s the way to build an operation to survive any storm, including things like pandemics and increased competition.

The idea to franchise sprouted early on when ownership took the time to trademark and copyright its branded marks, then constantly refine its operations for efficiency. Already forward-thinking, the partners anticipated spreading legalization would eventually present the opportunity to grow via franchising.

Now White Rabbit Cannabis sets its sights on being on the front lines of this remarkable opportunity. By assembling a team with deep franchise marketing and legal cannabis expertise, the White Rabbit partners seek to innovate the industry.

Right now, the company has two goals. In the Washington market, it is looking for new shops and existing retailers that would like to come under the franchising umbrella and enjoy the benefits that go along with it, like brand recognition, product discounts and local marketing. In states outside Washington, White Rabbit Cannabis seeks those who want to be licensed retailers, but don’t want to spend too long learning the ropes. Business owners that appreciate the benefits of the franchise model, as well as those who are new to franchising, are both welcome prospects.

For ownership, the idea of franchising does not mean selling out and becoming something sterile and corporate. Instead, the company wishes to uphold its core values. Simply expressed in its motto “Peace, love, and great cannabis,” White Rabbit Cannabis creates its own special Wonderland. Now they are planning to bring that to a legal cannabis market near you.

If you wish to follow them down this path, then it is never too late, but hurry to learn more about this remarkable opportunity when time permits.

Learn more about White Rabbit’s franchising opportunities at www.marijuanafranchise.com.





"WE CREATED A VERY WARM, COMFORTABLE, INVITING PLACE AND A LOT OF PEOPLE COME HERE FOR THEIR FIRST ENTRY INTO THE RECREATIONAL CANNABIS WORLD."



Sativa Sisters

Sativa Sisters has been a leader and trailblazer in Washington's adult-use cannabis industry since the state launched recreational sales in 2014. The Spokane-based retail chain enjoys a level of loyalty from customers, employees and vendors that is rarely seen in today's fast-paced retail world.

General manager Eric Skaar says the key difference between Sativa Sisters and other retail stores is simple: the company treats employees, customers and vendors as family.

"We really try to show all the love and appreciation we can to our growers because we are nothing without them," Skaar says. "The same can be said of our customers and our team members."

Founded in 2014, Sativa Sisters was one of the first stores licensed in Washington. The company was founded by Don and Gale Henrichs, and Cathy and Cary Smith. Both families share a history as serial entrepreneurs, having launched businesses ranging from architecture

firms to restaurants. But when Gale was diagnosed with multiple sclerosis and Cary was diagnosed with cancer, both couples turned their attention to the state's existing medical cannabis industry and then the looming recreational market that voters approved in 2012. Together, they applied for a license and received one shortly thereafter. The only problem was that neither couple had any experience in the cannabis industry.

To fill their gap in cannabis knowledge, Gale contacted Skaar, the son of a childhood friend who was already working at a Seattle medical marijuana dispensary. Skaar helped the two families develop a business plan to open the first Sativa Sisters location in Spokane. As sales grew, the company opened a second location in Clarkston, and Skaar became a partner at the business and took on the title of general manager.

Sadly, Cary passed away several years ago, but Skaar says his spirit is still very much alive at both stores.

Over the years the chain earned itself the moniker of "your grandma's pot shop," because of its homespun charm and the familiar faces that have been greeting customers since its launch. The store's highly trained budtenders delight in sharing their wealth of knowledge to first-time users or novices and enjoy seeing happy customers leaving the store with a smile on their faces.

"Our shop was designed to appeal to an older demographic from the very beginning," Skaar says. "We created a very warm, comfortable, inviting place and a lot of people come here for their first entry into the recreational cannabis world. It's not uncommon for us to be teaching an 80-year-old person on how to use a pipe for the first time."

The business has also expanded beyond the world of retail cannabis with its own line of CBD skincare products called Yogastey and two Amsterdam Coffee Club locations. The Amsterdam Coffee Club was originally conceived as a smoking lounge, but Washington law prohibits on-site consumption, so the cafés now specialize in CBD drinks and non-THC products. The Amsterdam Coffee Club in Clarkston will soon be offering beer and wine to customers, and both locations can be turned into consumption lounges, once Washington law changes. Skaar says the company plans to open a few more coffee shops over the next couple of years.

"There's only so many cannabis retail licenses in the state, but you can open as many coffee shops as you want," Skaar says. "We want to always be on the forefront of everything, pushing the envelope. We are prepared for smoking lounges once that becomes a thing."

Sativa Sisters is also reinvesting in the customer experience as it prepares the Spokane location for a full remodel that will more than double the size of its sales floor.



Craft Cannabis Coalition

The Washington Craft Cannabis Coalition's mission is to protect and promote an equitable craft cannabis industry in Washington state through advocacy, education and relationships.

As the first adult-use market in the country, Washington's unique regulatory framework created an environment in which smaller, family-owned cannabis businesses can thrive, providing consumers access to the best products in the world.

Although cannabis use in some form is legal in more than 30 states, its illegal status under federal law casts a large shadow over cannabis operations. State-legal businesses face extraordinary costs with reduced access to capital and high regulatory risks. Washington businesses pay the highest excise tax in the country, yet are unable to write off basic business expenses under federal tax code 280E. And while businesses have managed to achieve some level of stability in spite of these

obstacles, the industry is still incredibly fragile.

The Craft Cannabis Coalition's goal is to do everything possible to protect and promote the interests its members: the producers, processors and retailers in Washington. The organization does that by meeting with legislators and regulators and advocating for sensible policy that enables business to thrive.

In addition to helping defeat a bill that would have implemented forced unionization, the Craft Cannabis Coalition convinced the Liquor and Cannabis Board to allow tips for our employees and protected our rights to billboard advertising.

In addition to advocacy, the Craft Cannabis Coalition creates and nourishes community among producers, processors and retailers, through engaging events and networking opportunities.

MORE INFORMATION: craftcannabiscoalition.com



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LEGACY: HEMPFEST

• • • BY BRIAN BECKLEY



It's fitting that Washington was one of the first states to legalize cannabis, as for the past 29 years it has been the home of Seattle Hempfest, one of largest and longest-running cannabis events in the world.

Due to COVID-19, Hempfest was forced to go virtual in 2020, with attendees dropping in on the free speech "profestival" from more than 30 countries, but organizers wonder what the future holds for the iconic event.

"Next year will be our 30th anniversary, and we end this year not really knowing what the landscape will look like in 2021," executive director and co-founder Vivian McPeak says. "We don't know if the pandemic will be under control enough that large gatherings such as Hempfest will be authorized to happen, or what the conditions might be if that happens. And we are facing economic challenges along with scores of other businesses and public events."

Organizers have created a GoFundMe campaign to help raise money to ensure the festival's continuation.

Launched in 1991 as the Washington Hemp Expo, the festival grew from 500 attendees to nearly a quarter-million people at its peak in 2012. Over the past three decades, it has featured hundreds of musicians and speakers, including in 2006 former Seattle Police Chief Norm Stamper, which organizers say is the first time a police chief spoke at a pro-marijuana event. Following legalization, the Seattle Police handed out Doritos to attendees, and Hempfest continued as a focal point of the cannabis community, though attendance numbers began to shrink. However, organizers say the protestival is more important than ever, and in 2019, still featured three stages of non-stop speakers and music and more than 400 arts, crafts, food and informational vendors.

"Hempfest today is equal parts victory celebration and call to action," McPeak told Marijuana Venture in early 2020. "It's critical that we maintain this momentum we have and finish the job. You don't retreat when you win a battle; you retreat when you win the war. If anything, when you win a battle, you advance and ramp up your offensive. That's what really needs to happen."



Cultiva Law



Fabiola Jimenez says the key to a good attorney-client relationship is trust.

"You really need to have someone that understands your vision, understands your concerns and understands your goals," she says. "I see myself as a partner with my clients and I really try to understand their growing pains and see their vision for the next step in their business."

At Cultiva Law, she's able to develop those relationships as she focuses on a wide range of needs for her clients, including mergers and acquisitions, business development, intellectual property, portfolio management, regulatory compliance and anything related to licensing for cannabis businesses. She joined the Seattle-based firm, which also has offices in Los Angeles, San Francisco and Portland, Oregon, in 2019. Prior to that, she'd been working with the cannabis industry for a couple years, including a stint with a major Seattle tech company as it developed policies regarding the sale of CBD products in the lead-up to the signing of the 2018 Farm Bill.

"That was when I basically stopped fighting my destiny and decided to pursue cannabis full time in my legal career," she says.

When Jimenez met Cultiva Law founder and managing partner Aaron Pelley, she knew she'd found the right firm. She says Cultiva's exponential growth is a testament to how the lawyers treat their clients.

"I think our law firm is very different than other firms in the sense that everyone on the team is very passionate" she says. "We really want to be those attorneys that provide the best service to our clients, and we're really here to advocate for the industry."

WASHINGTON STATE LIQUOR & CANNABIS BOARD BY BRIAN BECKLEY

Washington's state-licensed cannabis retailers opened their doors in mid-2014, and the industry has seen steady growth since, tallying more than \$4.7 billion in sales, \$1.7 billion in excise taxes collected and \$322 million in retail sales tax.

And the upward trend continued through 2020.

"Even with COVID-19, when we look over the last five years, we continue to see growth. In fact, year-over-year versus 2019, we see substantial growth," says Rick Garza, director of the Washington State Liquor and Cannabis Board. "We always look at the excise tax being collected: It was \$390 million in FY19 and we're looking at \$446 million this year."

There are currently more than 1,800 licensed cannabis businesses in the state, though unlike other states, Washington prohibits vertical integration and limits the total number of licenses any one person may own.

But there's room for even further growth, as large parts of the state still have bans and moratoria in place, though Garza says there has not been much movement in that regard.

As part of its focus on Washington, Marijuana Venture interviewed Garza on the state of Washington's legal marijuana industry and the agency's plans for the next year.

MARIJUANA VENTURE: *This industry has created thousands of jobs, generated in billions in revenue and brought in billions in taxes. Where does the cannabis industry fit into the overall economy of Washington?*

Rick Garza: The revenues that are being generated in this short period of time that we've been regulating the industry are equal to and surpassing the alcohol industry, as far as the business itself, and it continues to grow. It just tells you that even before legalization, cannabis has been something that citizens of our state and consumers have used for many, many years and wish to use.

Legalization provides an opportunity to come out from under the shadow of prohibition and provide an industry that's vital and meets the needs of consumers. To see where we are today with six years of retail sales, it just proves that prohibition failed for a lot of reasons, whether it was alcohol or whether it was cannabis.

MV: *Social equity has been a major topic in the industry over the past year, because the industry is overwhelmingly white. What is Washington doing on the social equity front?*

RG: It's interesting that Colorado, Oregon, Washington and Alaska, the first four states for adult use, did not (initially) have a social equity lens in their laws. It's not something we heard back when we legalized cannabis in 2012, but certainly as other states that have large communities of color began to legalize, there was an effort to create a social equity lens to make sure that we provide access to this marketplace for those who were disproportionately impacted by the War on Drugs.

When we merged the medical and recreational markets [2016], there were thousands of medical dispensaries in the state, and we only allowed 222 retail locations [in addition to the initial 334 stores licensed in the first stage of recreational licensing]. That meant that many of the 2,300 folks that applied did not get a license. And many of them, as we're learning, were from communities of color.

That has brought on a real concern from those communities that they were left out and, in some instances, individuals believe it was intentional. Of course, the LCB would say it was never intentional, but of course we understand systemic racism, we understand institutional racism, and we had some outreach meetings the last three weeks with communities of color that were difficult. They were upset at how difficult the process was for licensure. A lot of people got left out of that system. And if you're a person from a community of color, this is a story they've heard before, and they're pretty outraged by what happened. We're trying to do everything we can today and in the future to bring them into our system.

The work of the social equity task force is an effort to determine how we're going to take the existing retail licenses that we have that have been returned and provide those to folks who meet these social equity requirements. But I can tell you the sense from those who were left out of the merger is that it's not enough. And it's true. We've got 34 licenses, I think 15 of them are not in bans or moratoria, so you've got a pretty small number of licenses. But those are the ones we have available today.

MV: *As one of the first states in the country to legalize marijuana, what are some of the lessons learned you would want other states to know?*

RG: Well, it's very difficult to put a system in place when you're defying federal law. Look at the obstacle of getting into the business when you can't bank. It becomes quite clear that the people who are going to get into this business to begin with are either going to have the capital up front, or they know an investor. So people with money are going to have the first access to this market. That's a lesson learned that we never would have seen before because we have this issue of banking in this can-

nabis industry.

When I look at the alcohol industry that we also regulate, you don't see that problem. One of the reasons is that anyone can get a liquor license.

Also, we had to try and create a marketplace that would only grow enough cannabis to meet the demand of the people in the state of Washington over 21. Can you imagine anything more difficult for an industry, for Chateau Ste. Michelle, for example, than saying, "You're only going to sell wine in the state of Washington."

So we put together a pretty strict system that made it difficult for everyone to enter this marketplace. California is struggling with this right now, with bringing their illegal market in, because that industry has been so huge in that state for years that people are not choosing to move over to the legal market because of the cost and regulations.

MV: *What are the Liquor and Cannabis Board's top priorities for the next 12 months?*

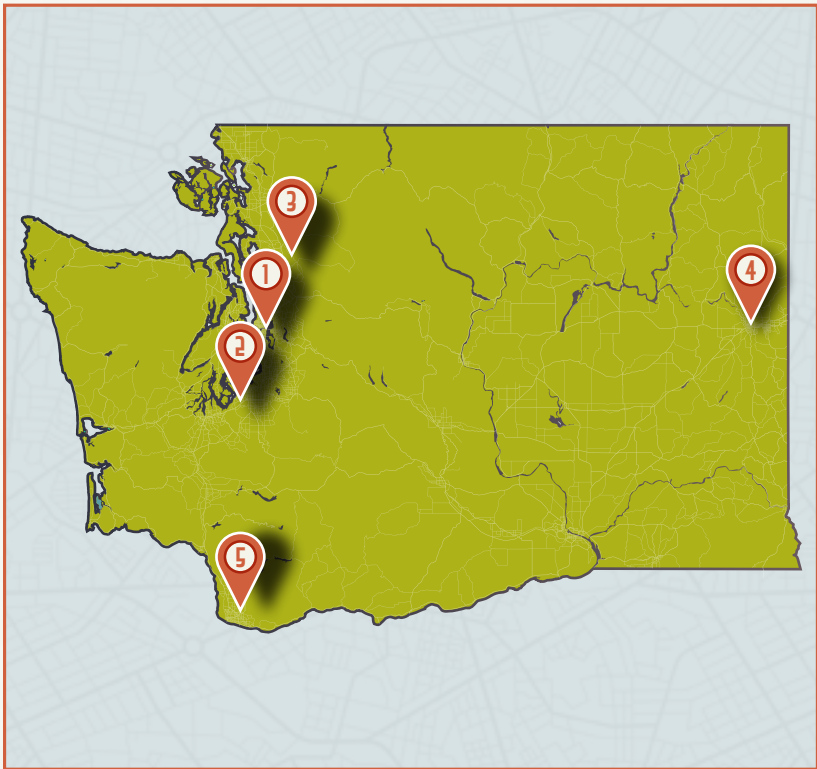
RG: I think one is this social equity law that passed; doing everything we can to bring folks in to the industry that reflect, not only the state as far as its diversity, but reflect those that were in the industry before we had legalization.

No. 2, we had some difficult times with respect to our enforcement. We reorganized our enforcement division. We want to work closer with the industry, we want to do more outreach and communication with the industry. It's very difficult to maneuver around our rules and laws, with respect to cannabis. We know we need to do a better job with businesses on outreach and communication.

This interview has been edited for length and clarity.

"Even with COVID-19, when we look over the last five years, we continue to see growth. In fact, year-over-year versus 2019, we see substantial growth."

WASHINGTON: AT A GLANCE



5 MOST POPULATED COUNTIES

1. King County
Population: 2,260,800 | Largest City: Seattle
Cannabis sales per capita: \$12.55

2. Pierce County
Population: 900,700 | Largest City: Tacoma
Cannabis sales per capita: \$14.76

3. Snohomish County
Population: 830,500 | Largest City: Everett
Cannabis sales per capita: \$13.46

4. Spokane County
Population: 522,600 | Largest City: Spokane
Cannabis sales per capita: \$21.53

5. Clark County
Population: 499,200 | Largest City: Vancouver
Cannabis sales per capita: \$12.40

**Cannabis sales per capita are based on average monthly sales for 2020.*

Population
7.62 MILLION
RANK: 13
Comparable to Virginia and Arizona

Median Household Income
\$74,073
RANK: 10
Comparable to Alaska and Virginia


Geographic Area
71,298 SQUARE MILES
RANK: 18
Comparable to North Dakota and Oklahoma

DID YOU KNOW?

The Olympic Peninsula in northwestern Washington is home to the only **RAIN FORESTS** in the continental U.S.


In 1907, the world's first **GAS STATION** opened in Seattle.

The first American team ever to win the **STANLEY CUP** was the Seattle Metropolitans in 1917.


At more than 472 million cubic feet, the Boeing final assembly plant in Everett is the **WORLD'S LARGEST** building by volume.

In the city of Wilbur, it is illegal to ride an **UGLY HORSE**.

WASHINGTON: Tech and Tillage



While Washington was once known for lumberjacks and then as home to the Boeing corporation (founded in Seattle in 1916), the Evergreen State is now most famous as a hub of the tech industry and home to two of the most valuable companies in the world.



\$1.6 trillion
Microsoft is the second-most valuable publicly traded company in the world, with a market cap of more than \$1.6 trillion. Amazon ranks third with a market cap of more than \$1.5 trillion.



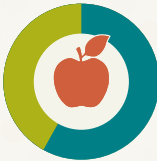
57.2%
Washington tops the list of IT service exports, with a whopping 57.2% of all services exported from the state relating to technology, more than double the next state, Massachusetts (28.2%).



#5
Washington ranks fifth among the states (including the District of Columbia) in terms of technology workers as a share of the overall workforce, with 13.2% of all Washingtonians employed in tech. In Seattle, that number grows to 19%, highest in the nation.



35,900
Eastern Washington has some of the best farmland in the country (and not just for cannabis) with Washington generating more than \$9.1 billion in agricultural products from 35,900 farms covering a total of 14.7 million acres, 95% of which are family-owned.



58%
Washington produces 58% of the apples grown annually in the United States (171 million bushels, valued at \$2.4 billion) and 73% of the country's hops (82 million pounds, valued at \$476 million), and is the No. 1 producer of blueberries, pears and sweet cherries. The Evergreen State is the second-largest producer of premium wines with more than 1,000 wineries and 60,000 acres of grapes, resulting in more than \$8.4 billion in economic activity.



SOMETHING NEW IS COMING



CONFIDENCE ANALYTICS 2021



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