

Cannabis Legalization in Canada - What You Need to Know

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Overview of the Federal Regime



- In force as of October 17, 2018
- Creates a licensing and regulatory regime for the production, testing, packaging, transportation, sale, possession and disposal of cannabis on a medical and non medical basis
- The former “ACMPR” medical cannabis program under the *Controlled Drugs and Substances Act* is continued under the *Cannabis Act*
- Federal government regulates production; provinces responsible for retail distribution of adult-use cannabis
- Federal law allows consumption in certain public places; provinces may enact stricter restrictions
- Impact is huge – Capital markets, debt markets, insurance, agrifood, environmental, real estate, zoning, patents, taxes, pharma, alcohol, employment, transportation, packaging, cosmetics and more

Overview of the Federal Regime



- Minimum age of 18; provinces can set higher age limit
- Personal possession limited to 30 grams / 4 plants
- Production of alternatives to smoked cannabis (e.g., oils) is permitted
- Oils & Vaporizers starting to dominate market
- Edibles, concentrated oils, etc. will not be permitted until a later date which is prescribed to be prior to October 17, 2019
- Limited export or import (i.e. for limited medical or scientific purposes)
- Producers are subject to a rigorous licensing, security clearance, inspection, testing and disclosure regime, with strict quality standards



Federal Regime - Promotion in Canada

- Limited marketing, especially for youth, but some branding allowed
- Promotional content is limited to:
 - Factual and accurate information on cannabis (ingredients, THC and CBD levels)
 - Information that allows consumers to distinguish between brands
- These types of promotion are only authorized in publications and locations that are inaccessible to minors

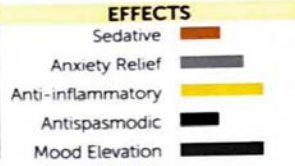
Federal Regime - Promotion in Canada



Pineapple Tonic

Hybrid

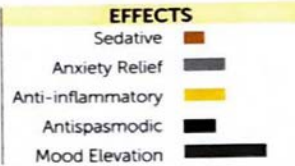
A blend of Hawaiian Pineapple & Cannatonic, evergreen buds with pineapple aromatics. Peaceful and happy, great for day in the park or relaxing after work.



Strawberry Cough

Sativa Dominant Hybrid

This flower with unknown genetics, has a beautiful olive green color, accompanied by a fruity, skunky scent. A well balanced sativa, mood elevating, energizing, and creatively stimulating, this is a great smoke for all of your endeavors.



Source: Times Magazine (U.S.)

| Indica | Sativa | Hybrid |
|---|---|--|
| | | |
| Its effects are usually described as potentially calming, relaxing or sleep-inducing. | Its effects are usually described as potentially energizing, uplifting or mentally stimulating. | Its effects are usually described as potentially being a mix of Indica and Sativa effects. |
| Cannabis Indica plants tend to be short and stout and have compact, dense flower heads. | Cannabis Sativa plants tend to be more willowy and narrow-leaved than Indica plants. Their flower heads are typically longer and less dense than those of the Indica species. | Hybrids are a botanical cross between the Indica and Sativa species. As such, they have characteristics of both species. Hybrids can be Indica-dominant, Sativa-dominant or an equal blend of the two species. |

How to choose a product?

| | | | |
|-------------------|---|----------------|--|
| Types of cannabis | <ul style="list-style-type: none"> Indica sativa hybrid | Strength | <ul style="list-style-type: none"> moderate medium strong |
| Types of products | <ul style="list-style-type: none"> dried flower ground pre-rolled oil oral spray pill | Natural aromas | <ul style="list-style-type: none"> |



Source: Société Québécoise du Cannabis (SQDC)

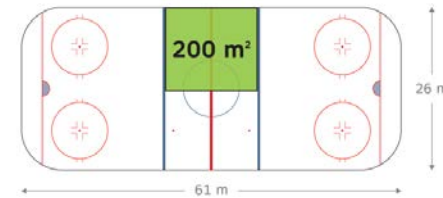


Federal Regime – Cannabis Regulations

- Licenses:
 - Cultivation (standard, micro, nurseries)
 - Processing licenses (standard and micro)
 - Federal sales licenses (i.e. for medical)
- License period from 3 to 5 years
- Outdoor cultivation permitted
- Increased personnel security

Federal Regime – Licenses and Authorizations

| I want to... | The licence I need to apply for is... | This allows me to... |
|------------------------------------|--|--|
| grow cannabis | <p>on a large scale? → STANDARD CULTIVATION</p> <p>on a small scale (<200 m²)? → MICRO-CULTIVATION</p> <p>for starting material (plants and seeds)? → NURSERY</p> | <p>produce dried, fresh, plants, seeds</p> <p>produce plants, and seeds in area up to 50 m²</p> |
| make cannabis products | <p>on a large scale? → STANDARD PROCESSING</p> <p>on a small scale (using < than the equivalent of 600 kg dried cannabis/year)? → MICRO-PROCESSING</p> | manufacture cannabis products |
| sell cannabis for medical purposes | SALE FOR MEDICAL PURPOSES | sell cannabis to registered clients |
| do testing of cannabis | ANALYTICAL TESTING | any testing (i.e., third party) |
| do research with cannabis | RESEARCH | do research and development |



Federal Regime – Cannabis Regulations



- Detailed inspection, record keeping and reporting rules
- National Tracking System for supply chain of cannabis
- Expanded use of cannabis and CBD in non-prescription drugs, natural health products, medical devices, veterinary drugs, veterinary health products and cosmetics

Federal Regime – Packaging and Labeling

Container must:

- be opaque or translucent
- prevent contamination of the cannabis
- contain a feature that ensures packaging has not been opened prior to receipt
- be child-proof
- contain standard health warnings, cannabis symbol as provided by the *Cannabis Regulations*, and information concerning the cannabis product



Federal Regime – Packaging and Labeling



Exemple de l'**AVANT (espace principal)** sur fond blanc ou vierge avec le nom de la marque ou du titulaire d'une licence de transformation



Exemple de l'**ARRIÈRE (espace secondaire)** sur fond blanc ou vierge



Federal Regime – State of the Market



- 132 Licensed Producers, with more than 20 public listings of some kind
- Supply Shortage – short term; Excess – long term
- Consolidation
- CBD / Wellness products
- Medical Developments / R&D
- Failures / Insolvencies
- Agriculture / Outdoor Grow
- Strategics (Pharma / Alcohol / Tobacco / Vaping / Food)

Cannabis Legalization in Canada

British Columbia



LDB monopoly over cannabis distribution in BC

- The provincial Liquor Distribution Branch has a monopoly over wholesaling, warehousing and distribution in the Province
- Both the LDB and licensed private stores may operate Cannabis Retail Stores in the Province
- LDB monopoly over online sales of cannabis
- The LDB remits net revenues daily to the Consolidated Revenue Fund; shortfalls funded from liquor revenues or from CRF
- Recent *Business Technical Advisory Panel Report (Liquor Policy)* recommends changes to improve LDB efficiency and reduce conflicts of interest

Cannabis Legalization in Canada

British Columbia



Regulation of Cannabis retailing in BC

- *Liquor and Cannabis Regulation Branch* responsible for licensing and enforcement
- Prohibition on Licensed Producers holding Retail Licenses
- Limit of 8 licenses per affiliated group, significant shareholder or family
- Tied House Rules – prohibit retailers from agreeing to sell the product of one producer to the exclusion of other producers
- Prohibition on inducements - giving or accepting money or gifts to promote or induce the sale of a particular brand of cannabis

Cannabis Legalization in Canada

British Columbia



What is required to get a Retail License in BC

| Provincial Approval | Recommendation of Municipality or First Nation |
|--|---|
| <ul style="list-style-type: none">• ownership requirements and restrictions• security screening• financial integrity check• ‘fit and proper’ determination• Inspection of store premises | <ul style="list-style-type: none">• public consultation through written submissions, public hearing or plebiscite• may require zoning changes• municipalities differing in their approach and receptiveness |

Cannabis Legalization in Canada

British Columbia

Applicable legislation, regulation and policy

- *Cannabis Distribution Act*
- *Cannabis Control and Licensing Act*
- *Cannabis Licensing Regulation*
- Non-Medical Cannabis Retail Store Licence Terms & Conditions Handbook
- Cannabis licensing application portal - <https://justice.gov.bc.ca/cannabislicensing/>
- BC LDB Cannabis Updates <https://justice.gov.bc.ca/cannabislicensing/>

Cannabis Legalization in Canada

Alberta



- One of the first provinces to develop and implement a recreational regime
- Hybrid retail model
 - ❑ Alberta Gaming, Liquor and Cannabis Commission (AGLC) responsible for licensing, distribution and online sales
 - ❑ Private operators responsible for brick and mortar sales
- Primarily governed by
 - ❑ *Gaming, Liquor and Cannabis Act*
 - ❑ *Gaming, Liquor and Cannabis Regulations*

Cannabis Legalization in Canada

Alberta



- May buy, possess and consume cannabis in Alberta if you are 18 or over
- Can have up to 30 grams of dried cannabis (or equivalent) in public
- Can grow a maximum of four plants per household
- May smoke/vape cannabis in public subject to certain restrictions

Cannabis Legalization in Canada

Alberta

- AGLC is responsible for licensing and enforcement
- Licences are non-transferable and automatically terminate on a change of control
- LPs that wish to open a retail store must comply with separation of business requirements
- Retail stores may sell cannabis, cannabis accessories and other prescribed things
- Must be a prescribed distance from various sensitive sites
- Processing of applications has currently been suspended

Cannabis Legalization in Canada

Ontario



- Adopted hybrid retail model similar to Alberta
 - ❑ Ontario Retail Cannabis Corporation responsible for distribution
 - ❑ OCS responsible for online retail sales
 - ❑ Private operators responsible for brick and mortar retail sales
- No private distribution or online sales
- Primarily governed by:
 - ❑ *Cannabis Control Act, 2017*
 - ❑ *Ontario Cannabis Retail Corporation Act, 2017*
 - ❑ *Cannabis Licence Act, 2018*
 - ❑ *Smoke-Free Ontario Act, 2017*

Cannabis Legalization in Canada

Ontario



- May buy, consume and grow recreational cannabis in Ontario if you are 19 or over
- Can have up to 30 grams of dried cannabis (or equivalent) in public
- Can grow a maximum of four plants per household
- Can smoke cannabis in certain public places subject to some restrictions

Cannabis Legalization in Canada

Ontario



- Alcohol and Gaming Commission of Ontario is the regulator and licensing authority
- Will begin accepting applications on December 17, 2018 with a view to having stores open on April 1, 2019
- Stores can sell cannabis, cannabis accessories and shopping bags
- Persons under 19 are not allowed on site
- Must be located at least 150 meters from certain schools
- Ontario expects to initially have 500-1000 retail locations
- LPs and their “affiliates” are limited to one store authorization

Cannabis Legalization in Canada

Manitoba

Legislation:

- *The Liquor, Gaming and Cannabis Control Act*
- *The Non-Smokers Health Protection Act*
- *The Public Schools Act*

Regulatory Authorities:

- Liquor, Gaming & Cannabis Authority (LGCA): regulates, licenses, inspects, audits
- Manitoba Liquor & Lotteries Corporation (MBLL): manages distribution to licensed private sector retailers
- Growth, Enterprise and Trade (GET): monitors the sector for expansion opportunities, supply and demand

Cannabis Legalization in Canada

Manitoba

Legal Age: 19

- note: drinking age is 18

Public Consumption:

- cannabis cannot be consumed in an indoor (restaurant, arena), or outdoor public space (parks, streets, sidewalk, beach)
- includes e-cigarettes, vaping

Home Cultivation

- not permitted in Manitoba

Cannabis Legalization in Canada

Manitoba



- private sector operates all retail locations in the Province
- supply managed by distributors approved by the Province
Cultivation (Federal) → Processing (Federal) → Distribution (Provincial) → Liquor & Lotteries Corporation (Provincial) → Retailers (Provincial) → Consumers (Provincial)
- Manitoba has made marked effort to include Indigenous-affiliated entities in retail landscape
- no minors permitted to view, or allowed in stores
- written materials (LGCA approved) handed to purchasers
- advertisements must contain social responsibility message

Cannabis Legalization in Canada

Atlantic Canada



Newfoundland & Labrador:
Government- regulated distribution but permitting private licensed retailers

Nova Scotia, New Brunswick, & Prince Edward Island:
Integrated, Government-regulated & owned distribution & retailing system

Cannabis Legalization in Canada

Atlantic Canada



Div. of NS Liquor Corp.

Cannabis Control Act:
Possibility of future
non-government
retailers



Separate Crown Corp.

Cannabis Control Act:
Possibility of future
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Separate Crown Corp.

Legislation prohibits retail sale of cannabis except by authorized persons

Cannabis Legalization in Canada

Atlantic Canada



NL Liquor Corp.
Licenses retailers;
Authorizes LPs to sell products to
licensed retailers; and
Controls wholesale & retail pricing



Pay to NL government % of
gross profit of sales to NL
retailers

Legislation prohibits sale of cannabis except per licence



Cannabis Legalization in Canada

Québec

- Only the *Société Québécoise du Cannabis* (“**SQDC**”) can buy cannabis from a cannabis producer, transport it, store it and sell it
- Statutory age for the purchase, use and possession of cannabis is set at 18, which corresponds to the minimum age required to obtain and consume alcohol and tobacco in Quebec
- Production of cannabis for personal use is prohibited, even though the *Cannabis Act* allows this practice



Cannabis Legalization in Canada Québec

- To be authorized to enter into a sales contract with the SQDC, a producer must first obtain authorization to contract from the *Autorité des marchés financiers* (“**AMF**”) as if it were a public contract covered by the *Act respecting public bodies contracts*
- In appraising the high standards of integrity expected from a cannabis producer, the AMF will consider the cannabis producer’s funding sources
- Even if a producer holds a Health Canada license, there is no guarantee that it will then be able to do business with the SQDC

Cannabis Legalization in Canada

Québec



Prohibited when it:

- is intended for minors
- is made in a false or misleading manner or likely to create a false impression
- associates cannabis use with a lifestyle
- uses certificates or testimonials
- uses a slogan
- includes a text that refers to real or fictional people, characters or animals
- contains something other than text, with a few exceptions.
- is distributed other than in newspapers and written magazines with at least 85% of their readers over the age of 18

Cannabis Legalization in Canada

Québec

- Prohibited to smoke cannabis where tobacco is already prohibited, in hospitals, educational institutions and other buildings that are accessible to the public
- Possible to smoke in some indoor environments provided that the installation of a smoking area is permitted
- Visible signs indicating areas where smoking is prohibited must be installed



Questions?



LexMundi
World Ready

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