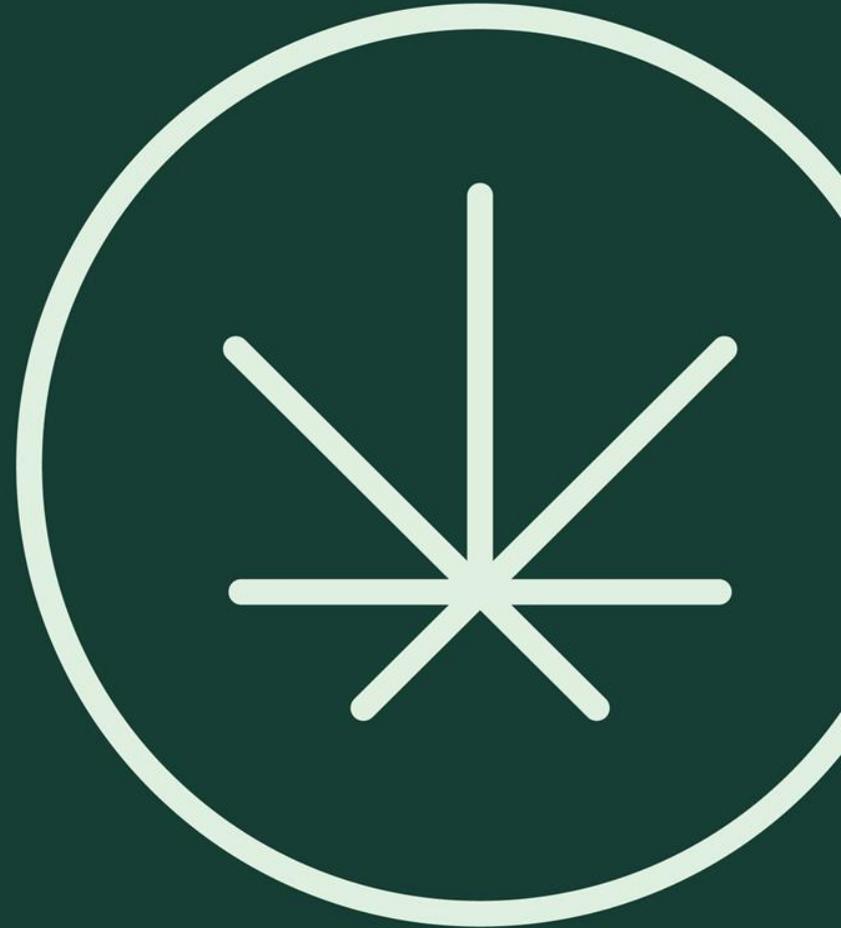


Moving Forward with Cannabis Retailing

Technical Briefing
September 27, 2018



Enabling Private Retail

- The government is introducing legislation which, if enacted, would create a tightly regulated licensing model and regulatory framework for private retail of cannabis in Ontario
- The design of the model was informed by engagement with municipalities, Indigenous leadership, and key public safety, industry, and health stakeholders
- In this new model:
 - Private retailers would be licensed by the Alcohol and Gaming Commission of Ontario (AGCO)
 - The Ontario Cannabis Retail Corporation (OCRC) would be the exclusive wholesaler and online retailer of cannabis in the province
 - Municipalities would be able to pass a council resolution by January 22, 2019 to opt-out of retail stores
 - First Nation communities would be able to opt-out of cannabis deliveries and retail stores
- The province will provide \$40 million over two years to help municipalities with the costs of recreational cannabis legalization
- Proposed legislation, if enacted, would support this direction with the intent of enabling the AGCO to begin to accept applications in December 2018



Provincial Regulator

- The government is introducing legislation which, if enacted, would enable the implementation of a tightly regulated licensing and regulatory framework for private storefront cannabis retailing in Ontario and establish the AGCO as the provincial regulator for cannabis storefronts
- AGCO currently licenses, regulates and ensures compliance in the alcohol, gaming and horse racing industries in Ontario, and as such offers considerable experience and expertise as a regulator of controlled substances
- If the legislation were passed, AGCO, as the independent provincial regulator, would oversee the private channel and ensure the province's objectives related to cannabis retailing, protecting youth and combatting the illegal market are met
- If the proposed legislation is enacted, AGCO would:
 1. Issue a Retail Operator Licence after investigation (i.e. due diligence) into the business
 2. Issue a Retail Store Authorization to a licensed Retail Operator for the operation of a specified retail store after a local public notice process (administered by the AGCO), and upon confirmation of meeting certain requirements (e.g. safety and security plans in place)
 3. Issue certain individuals a Cannabis Retail Manager Licence
 4. Conduct compliance and audit processes, including store inspection prior to opening



Licensing Parameters

Licensing Eligibility

- The proposed legislation, if enacted, would establish due diligence requirements and specific eligibility criteria for the issuance of licenses and store authorizations, including financial responsibility and conduct based on the principles of integrity and public interest.
- If legislation is passed, persons operating in contravention of provincial and federal Cannabis legislation would not be eligible to operate a cannabis retail store
- The proposed licensing framework would:
 - Not cap the total number of licenses or authorizations
 - Enable ownership concentration limits for private retailers to be established by regulation in advance of December 2018 following appropriate consultation
 - Prohibit the sale or transfer of licences
 - Permit licensed producers to operate a single store at a single production facility in Ontario, per company, including all affiliates
 - Require authorized retailers to display the cannabis retailer seal and create new offences for false representations as an authorized cannabis retailer.

Store Operating Parameters & Distance Buffers

- Additional store operating parameters (e.g. store format, security requirements, staff training requirements) would be established by regulation or by AGCO Registrar's standards and requirements subject to additional consultation and before the AGCO begins accepting applications in December 2018
- A distance buffer between private cannabis retail stores and schools would be set through regulation in advance of December 2018 following further consultation with municipalities and key stakeholders



Municipalities

- It is proposed that local municipalities would be provided with the opportunity to opt-out of cannabis retail stores in their communities by January 22, 2019
 - Municipalities that opt-out of cannabis retail stores could allow them in the future, but municipalities that do not opt-out of stores by January 22nd, cannot opt-out of them at a later date
- In municipalities that have not opted-out of stores, if a request for a store location authorization request is received, the AGCO would initiate a public notice process in which the affected municipality and the public would have an opportunity to identify any comments within a 15-day period
 - AGCO Registrar would consider any comments raised through this process when making its final decision to grant an authorization for that location
 - MAG will continue to consult with municipalities on the implementation of this process
- Municipalities would not be able to designate cannabis retail as a separate land use from retail generally or create a cannabis retail licensing regime within their jurisdiction



Municipal Funding

- The province will provide \$40 million over two years to help municipalities with the implementation costs of recreational cannabis legalization, with each municipality receiving at least \$10,000 in total
- As soon as possible this year, the province would make the first payment to all municipalities on a per household basis, with at least \$5,000 provided to each municipality
- The province would then distribute a second payment following the proposed deadline for municipalities to opt-out, which would be January 22, 2019
 - Municipalities that have not opted-out as of that date would receive funding on a per household basis
 - This funding would support initial costs related to hosting retail storefronts
 - Municipalities that have opted-out would receive only a second \$5,000 each
- The province is considering setting aside a certain portion of the municipal funding in each of 2018-19 and 2019-20 for unforeseen circumstances, and priority would be given to municipalities that have not opted-out
- Finally, if Ontario's portion of the federal excise duty on recreational cannabis over the first two years of legalization exceeds \$100 million, the province will provide 50% of the surplus only to municipalities that have not opted-out as of January 22, 2019



First Nations

On Reserve Delivery Prohibition

- Proposed amendments would require that OCRC implement a prohibition of on-reserve delivery when requested by a First Nation community through a band council resolution

Retail Store Opt-out & Approval

- First Nations would be able to opt out of private cannabis retail stores by way of band council resolution
 - A First Nation community's ability to prohibit stores on reserve would not be time-limited to accommodate for First Nation election cycles and ongoing community engagement
- A band council resolution would be required to approve a store on reserve before the AGCO issues a retail store authorization

Agreement with Council of the Band

- The Attorney General would be able to enter into agreements with First Nation communities on a wide scope of legislative components (e.g. minimum age, retail, etc.)



Places of Use

- Smoking of cannabis (medical and recreational) would be prohibited in the same places where the smoking of tobacco is prohibited (e.g. enclosed public places, enclosed workplaces, and other specified places)
 - The vaping of cannabis would be captured by existing provisions in the *Smoke-Free Ontario Act, 2017* (not yet in force) that will regulate the use of an electronic cigarette
- All methods of consuming cannabis (e.g. smoking, vaping, ingestion) would be prohibited in vehicles and boats that are being driven or under a person's care or control, subject to certain exceptions that would be prescribed by regulation (e.g. use of medical cannabis edibles by a passenger who is a medical cannabis user)
- Generally speaking, municipalities could pass by-laws further restricting the use of cannabis
- The government's commitment to review rules regarding vapour products prior to implementation of the Act are also included in the bill
 - Rules for the display and promotion of vapour products would be separate from the display and promotion rules for tobacco products and tobacco product accessories:
 - Any seller of vapour products could display and promote products subject to restrictions outlined in the federal *Tobacco and Vaping Product Act*. There would be no additional provincial restrictions
 - Specialty vape stores would be permitted to let customers sample vapour products within the store, subject to certain conditions



Ontario Cannabis Retail Corporation

- On October 17th, the OCRC will be the exclusive online retailer for legal cannabis in Ontario
 - Consumers 19 and older will be able to purchase cannabis via OCRC's online retail platform
 - Online sales would be implemented in a socially responsible manner, including secure home delivery with age verification at the customer's door, and no packages left unattended at the door
- The OCRC would also be the exclusive wholesaler to future private retail stores
- Proposed changes to the governance structure of the OCRC would result in the agency's board reporting directly to the Minister of Finance rather than operating as a subsidiary of the LCBO
 - This change would better support the mandate of OCRC as Ontario's online retailer and cannabis wholesaler



Next Steps

- If legislation is enacted, regulations would be developed to enable the AGCO to accept applications in December 2018
- Municipalities would have the opportunity to opt out of retail stores by January 22, 2019
- The government will continue to consult on further details to enable private retail stores by April 1, 2019

