

Cannabis law talks



Cannabis law update – Ontario U-turns on retail rollout

December 2018 Cannabis

On December 13, Ontario announced significant changes to its cannabis retail licensing system. In response to concerns about shortages in the supply of legally produced cannabis, Ontario will only be licensing 25 retail locations in advance of April 1, 2019. Instead of making the licensing application available on December 17, the Alcohol and Gaming Commission of Ontario (AGCO) will be holding a lottery on January 11, 2019, to determine who will be eligible to apply for the first 25 licenses. The AGCO will be accepting “expressions of interest” between January 7-9, which will allow prospective applicants to enter the lottery process.

Expressions of interest will be tied to a particular region and the initial 25 licenses will be distributed among five regions as follows:

Region	Licenses
North	2
East	5
West	7
City of Toronto	5
GTA (consisting of Durham, York, Peel and Halton regions)	6

A full description of the above-noted regions can be found in the text of [Ontario Regulation 497/18](#). The government has stated that the lottery system is a temporary measure that will only be used until it is satisfied there is adequate legal supply.

Other key points of the new regulation:

- **One store per applicant:** Prospective applicants may express interest in multiple regions but may only be selected to apply for one region. Prospective applicants who submit multiple expressions of interest for the same region will be barred from applying.
- **Affiliates may not operate in the same region:** If a prospective applicant is affiliated with another prospective applicant, they may not express interest in the same region. Ontario's regulations cast an extremely broad net in terms of who is considered an "affiliate" of a company. We discussed this concept in a [previous update](#).
- **Small communities and licensed producers cut out:** None of the initial 25 licenses will be allocated to municipalities with fewer than 50,000 residents or federally licensed cannabis producers and their affiliates.
- **Approval for corporate changes:** The AGCO has indicated it will require applicants to notify and seek AGCO approval if there are any changes in the legal or beneficial ownership of an applicant or licensee.

The new regulation will stay in effect until December 13, 2019, or until the government decides to amend it.

Other news

Municipal opt-ins and opt-outs

The AGCO is maintaining a list of municipalities who have opted into or opted out of allowing cannabis retail stores within their boundaries. This list can be accessed on the AGCO's website [here](#). The AGCO is also maintaining a list of First Nations communities who have similarly opted into or out of permitting retail stores within their boundaries, which is available [here](#). Municipalities and First Nations communities have three days within passing an opt-out or opt-in resolution to notify the AGCO of their decisions.

AGCO's retail standards

The AGCO also held part 2 of its Cannabis Licensing webinar series on December 14. In that webinar, the AGCO discussed its standards that were released on December 5. As we [previously reported](#), the standards provide some clarity to what kind of advertising and promotion will be permitted inside and outside retail cannabis stores. The standards also provide some guidance on permitted sensory display containers as well as security expectations and surveillance requirements. The full version of the AGCO's standards is available [here](#).

Ontario's cannabis-related announcements continue to surprise. Subscribe to stay in the loop as we learn more information.

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The author wishes to thank articling student Daniel Weiss for his help in preparing this legal update.

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