

CANNABIS

RETAILER

Business Magazine for Canadian Retailers

WORKING WITH MUNICIPALITIES

Address your
community's concerns

PAGE 6



Pricing for Profitability

An overview of prices across
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Destigmatizing Cannabis

Educate non-users and
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EDITOR'S NOTES

by Joyce Hayne

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The first quarter of legal recreational cannabis sales has been riddled with problems, from moldy product to such a short supply of cannabis that Alberta decided to suspend issuing licences until the supply crisis has been resolved. Due to the lack of supply, Ontario has decided to take a phased in approach to licensing which will see only 25 stores open in April.

Of course, we all knew that it would be a bumpy road as we define this new economy, and that everyone would be learning along the way, and that's exactly what has happened.

Hopefully, the next quarter will see these issues alleviated as packaging processes are refined and Health Canada approves more licensed producers along with micro producers to expand the selection of products available to stores. We will also see edibles and topicals entering the market in 2019 to give consumers even more choice.

Some retailers have seen soaring sales. As of December 6, National Access Cannabis (NAC) achieved \$3.95 million in cumulative sales in its first 50 days of retail cannabis operation through 18 stores. However, other retailers have had such a supply shortage that they've had to close their doors until a new shipment of cannabis arrives. The landscape will continue to change as more retailers start opening stores, and we hope to hear more success stories as the industry starts maturing.

Our current scenario is not that different than what happened south of the border. Colorado legalized recreational cannabis in 2014 and suffered initial supply problems too. Washington also underwent similar growing pains. Rob Hendrix, owner of Cannabis Central LLC in Ellensburg, Washington spoke at a recent conference and chuckled recalling the issues they were dealing with 5 years ago now that their industry has normalized. Hendrix says, "We need to push hard and get on the back of the black market and we're doing a good job of that."

In this issue of *Cannabis Retailer*, we're providing tips on how to work with your municipality to get their acceptance to allow a cannabis store in their neighbourhood, and we review the security systems and safety standards you should have in place before opening your doors. We also take a look at the range of wholesale and retail prices across Canada.

Finally, we look at what you can do to eliminate the stigma surrounding cannabis. This will take a long time, but it's already starting to gain more acceptance as professional looking retail stores have entered the market and store owners and staff are building relationships with their communities and neighbours. We all need to work together to be stewards of this industry and build it into a respected sector.

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Effective and Affordable Technology – What technology can retailers implement to improve their efficiencies?

Developing and Sustaining a Culture that Engages Employees – Leaders need to identify their company's purpose and values as well as champion valued behaviours.

Creating a Great Shopping Experience – In order to promote customer loyalty your staff must make every customer enjoy their experience.

Quality Assurance – What programs are in the market to ensure quality control in cannabis?

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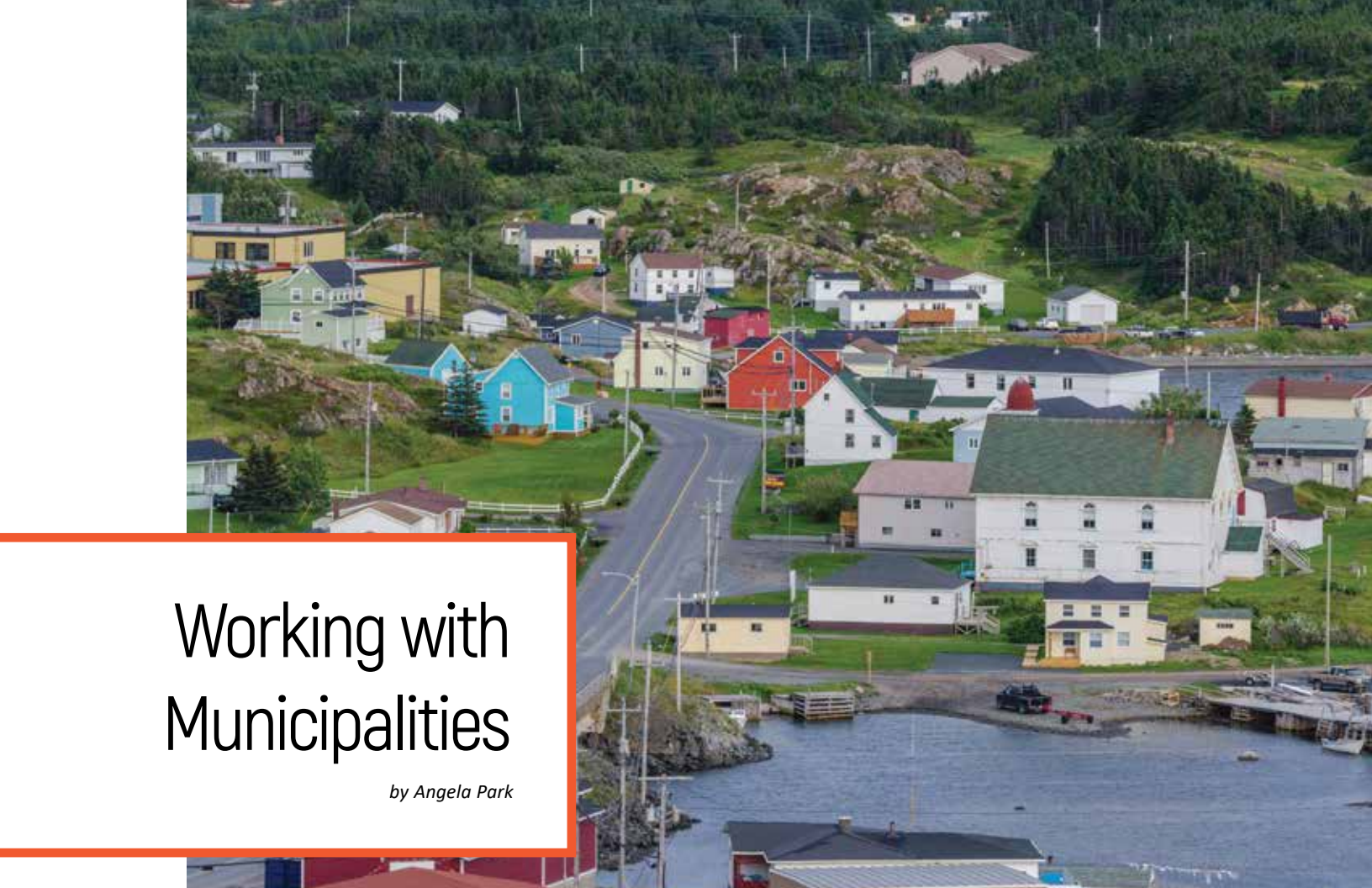
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Working with Municipalities

by Angela Park

Many believe that the first step and biggest hurdle towards opening a retail location is the licensing application to the provincial or territorial government. Although an applicant must obtain a licence from this level of government prior to opening for business, there is one key component that is often overlooked—the role of the municipal government. Across the country, municipalities are in varying stages of readiness for issuing cannabis retail licensing applications and therefore, it's critical to be educated on where they are in this process. Getting involved at the municipal level early, is a key advantage to laying the groundwork for a successful retail location. Collaborate with municipal staff members who can serve as your liaison and designate someone from your organization to be the city's contact person. Good communication between the city and business community is important, so be aware of the different ways that the municipality communicates (e.g. newsletters, website, Facebook, Twitter, email blasts, etc.).

Research Bylaws

For those municipalities that have developed bylaws, know what is required to open a cannabis retail store in the municipality. Some municipalities have applications specifically for cannabis retail stores. Permits and licence issuance remains an important part of the bylaw enforcement function for many local governments. The

Provincial Licensing

British Columbia - In BC, the local government recommendation that a licence be given to an applicant must show that the government has reviewed the location of the proposed store. A written report is required to include the views of the local government on the general impact on the community. They must include the views

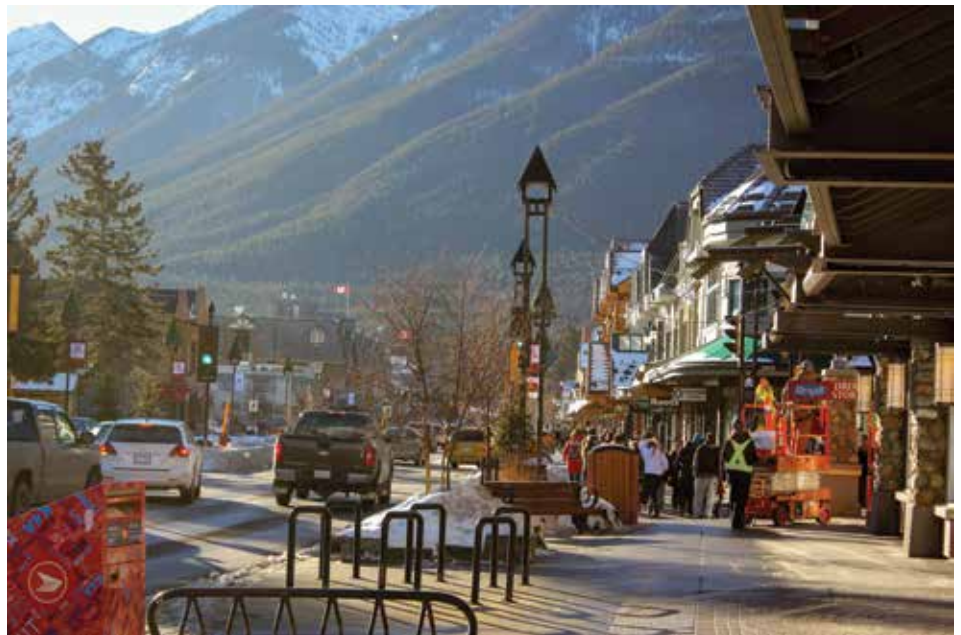
Without the recommendation of the municipality, the application will not be considered by the Province of BC.

application varies across provinces and territories depending on the regulations and authorities they provide to local governments. Building permit and business licence applications are also a significant opportunity for local governments to review bylaw compliance and bylaw officers will be enforcing compliance.

of residents, if the local government has gathered resident's views, and a description of how the views were gathered. This must be unique to each application that is received and cannot be based on a past recommendation. The report must state whether the application should be approved or rejected along with the reasons upon

which the recommendation is based and any supporting documents that are referenced in the report. Without the recommendation of the municipality, the application will not be considered by the Province of BC.

Once an application contains the required documentation and the fee has been paid, the Liquor and Cannabis Regulation Branch (LCRB) will contact the local government of the area where the proposed store will be located and request approval. A licence will not be granted until the municipality approves of the location. Knowing how the municipality assesses the application is the key to success. In BC and Alberta, each municipality was given the opportunity to develop bylaws and municipal applications for cannabis retail stores. The information required for an application varies as do the bylaws surrounding zoning, hours of operation, and store requirements. As part of the municipal approval process you might be required to provide additional information in the form of a municipal application. The application may be available online or



you may be required to apply in person. Some municipalities also request in person interviews with the applicant.

Alberta - Alberta Gaming, Liquor and Cannabis (AGLC) post the location of proposed sites online for 21 days allowing for submission objections by anyone. Objections

can be made based on the number of existing stores in the municipality, the distance between stores, community image, safety, and property values. The applicant must obtain a municipal business licence and or development permit. In Alberta, there is no formal exchange between the province and

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the municipality—the municipality's approval is demonstrated by the presence of a business licence and/or development permit, which must be provided to the AGLC. The AGLC will not issue a retail licence without them.

Ontario - In Ontario, the municipalities have until January 22, 2019 to inform the Alcohol and Gaming Commission of Ontario (AGCO) if they wish to opt-out of having retail cannabis stores in their community. Municipalities that choose to opt out can later opt in at any time, but once they opt-in they cannot later opt-out. For First Nation Reserves, a cannabis store must receive approval of the Band Council. Potential locations will be identified in two ways, proposed locations will be posted on the AGCO website, and placards will be posted in the proposed site. Residents living in the municipality of a proposed cannabis store location can share their views with the AGCO before a retail store is authorized, during a fifteen day period. Objections are to be based on public safety, protecting youth, restricting their access to cannabis, and preventing illicit activities in relation to cannabis.

Address Your Community's Concerns Early

Working with the municipality and addressing concerns the community has during the time in which your application is

the municipality is dealing with prospective retailers. Be prepared to learn as well as educate councillors and members of the community and be the best advocate for your cannabis retail plan. ▀

Be aware of any appeal processes if your application is initially rejected at the municipal level.

being considered is essential. Be prepared to address these concerns and work with the councillors to resolve any issues. Be aware of any appeal processes if your application is initially rejected at the municipal level.

Opening a retail cannabis store is not an easy task, nor should it be taken lightly. Once the decision has been made to enter the retail cannabis market, do your homework. Learn everything there is to know about the way

Angela Park is Retail Licensing Manager at Cannabis Compliance Inc., which is the largest cannabis consulting firm in Canada and abroad that provides advice on licensing applications in adherence with the Cannabis Act in Canada. Their expertise spans from the licensing through to quality assurance, cultivation, business planning, security and facility design, and medical import/export in Canada and across the globe.

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RESEARCH

by Joyce Hayne

CBD Treatment for Epilepsy

Epilepsy and other neurological conditions have been studied and hotly debated for a number of years. In June 2018, the U.S. Food & Drug Administration (FDA) approved Epidiolex®, which is a plant-based cannabidiol (CBD) oral solution for the treatment of seizures associated with two epilepsy syndromes—Lennox-Gastaut syndrome (LGS) and Dravet syndrome—in people two years of age or older. This new medication is the first ever FDA-approved medication to treat seizures in Dravet syndrome.

Clinical Trials

Researchers studied Epidiolex® in controlled clinical trials for a number of years. These gold standards studies used a control group, with some people taking a placebo while others were given CBD at different doses. Researchers did not know who was getting the placebo and who was getting CBD.

In controlled and uncontrolled trials in people with LGS and Dravet syndrome, 689 people were treated with Epidiolex®. 533 people were treated for more than six months and 391 people were treated for more than one year. Other studies included expanded access and compassionate use, where 161 people with Dravet syndrome and LGS were treated with Epidiolex®, including 109 people treated for more than 6 months.

All study participants were taking other seizure medications, and the side effects were not severe enough to stop most people from taking the medicine. The most common side effects were sleepiness, decreased appetite, diarrhea, change in liver function, fatigue, malaise, asthenia (weakness or lack of energy), rash, insomnia, sleep disorder, poor quality sleep, and infections. Interestingly, people getting the placebo also reported diarrhea and an upset stomach, which may be due to both products being oil.



The addition of CBD to a traditional seizure medication decreased the frequency of drop seizures significantly.

Results from Gold Standard Studies

A study recently published in the *New England Journal of Medicine* showed that the addition of CBD to a traditional seizure medication decreased the frequency of drop seizures significantly in children and adults with LGS.

Another *New England Journal of Medicine* study, conducted in May 2017, examined the effectiveness of Epidiolex® in people with drug resistant seizures with Dravet syndrome. This study showed that the use of CBD resulted in a greater decrease in

convulsive-seizures than the placebo among people with the Dravet syndrome. However, it also showed that CBD was associated with higher rates of adverse events.

Additional CBD Studies

A number of clinical trials are underway to show the effects of using Epidiolex® in people with Tuberous Sclerosis Complex and Sturge-Weber Syndrome.

Source: *Epilepsy.com*



Pricing for Profitability

by Michael Burton

Operating a retail cannabis store is fraught with challenges. From dealing with a current lack of supply to setting a price to compete with the black market, store owners need to carefully consider their pricing policy.

How an entrepreneur can enter into the market and turn a profit isn't as simple as buying low and selling high. Competition will increase as more players enter the industry and major retailers are beginning to sell cannabis. Setting the right price and differentiating your product offering to bring in return business will be the key to your success.

Competing with the Black Market

In Canada's legal market, price points for a single gram of cannabis remain much higher than in the black market. Despite this, for now, consumers seem to have no issue with the higher price points, but as the industry evolves and grows consumers will expect to see more competitive pricing. Ontario is expected to have private brick and mortar stores in the spring, resulting

in a consumer landscape with extensive options and competitors.

Depending on the province, the price of legal cannabis supplied through government-run websites has ranged anywhere from \$8 to \$12 per gram. With the level of interest experienced by stores like the OCS, price points have remained appealing to consumers, despite black market retailers offering significantly cheaper prices.

In Canada's legal market, price points for a single gram of cannabis remain much higher than in the black market.

The black market has gone head to head with legal sources, but the point has been proven that many consumers are willing to spend a few extra dollars per gram, perhaps out of novelty, to purchase through legal sources. Cannabis grown through licensed producers is said to be more consistent

and provides a wider selection of products, while offering insights on the cannabinoid profile of a particular strain.

Knowing what is in legal cannabis remains a selling point for many consumers, but it's typically medical cannabis patients that need specialty cannabis products high in CBD.

However, looking at the bigger picture, the alarmingly high demand for legal cannabis products is set to subside, and the black

market will position itself to undercut the legal industry and pull consumers back into an illegal market. Shipping and supply delays also complicate the legal market, and if consumers can't access product when they want it, they are likely to head back to their dealer.



Longtime recreational consumers are not familiar with the extensive list of strain names and specialty products that legal sources offer, so there's an opportunity to educate these customers on a wider selection of products. These consumers are accustomed to bulk discounts, purchasing upwards of 14 grams or even an ounce at a time, which is just over 28 grams.

Black market online retailers have been reported to be selling entire ounces for under \$150, including free shipping. This translates to an eye-opening \$5.30 per gram, far lower than any product offered legally online. The black market can't offer the extensive selection of multiple licensed producers, but the black market isn't adhering to any specific guidelines, so they are selling edibles

and vape pens and offering incentives to spend more and increase consumer savings by buying in bulk.

Considering shipping times and higher price points in the legal markets, there isn't much to compel those who have been purchasing from the black market to make their way into the legal market. There remains a need to draw in the long-time cannabis user into

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the legal market, as the spike in demand experienced on October 17 will eventually subside.

Challenges of An Evolving Legal Market

After the initial rush of cannabis sales and increased legal competition, margins might be slim for retailers trying to make their mark in the industry.

consumers save money. The laws in Canada will need to evolve or retailers will struggle to remain profitable.

Price points will need to go down as well, as the average per gram price from legal sources is simply too high to be viable in the long run. Prices will need to float around \$7 per gram, taking advantage of a consumer's desire to purchase legally, while not being drawn to the much cheaper black market.



Longtime recreational consumers are not familiar with the extensive list of strain names and specialty products that legal sources offer.

Bill C-45 outlines that any company within the industry cannot promote or glamorize the consumption of cannabis, complicating the practice of promotion and customer retention. With recreational legalization, loyalty programs are now also unavailable, something that did exist within the medical framework in Canada.

Many pundits believe that the industry will evolve over time, and eventually resemble what the alcohol industry looks like. There are many brands and advertisers in the alcohol industry that glamorize drinking in an attempt to speak to different demographics.

Furthermore, loyalty programs are already available in the US helping dispensaries retain customers, offer deals, and help

Creativity is Key

Supplying demand has been a challenge thus far, but sustainability will be the big challenge for retailers and the rest of the industry. Customer retention, along with developing your brand will present hurdles that require creative answers and skilled staff.

The companies that survive through the early days of the recreational industry will need to develop an extensive menu of products, and continually analyze consumer data to predict the needs of the industry and plan accordingly.

Those that find the sweet spot between the legal and illegal industries will ultimately thrive. ▀

Michael Burton is with CB2 Insights and can be reached at michael.burton@cb2insights.com.

Federal & Provincial Taxes

- A federal excise duty is applied to recreational cannabis in Canada, paid on behalf of the licensed producer during the packaging stage. This is \$1 per gram, or 10% of the final retail price, whichever is higher. Provinces have a 75-25 cut of this excise tax with Ottawa.
- Consumers of recreational cannabis are responsible for paying any applicable GST/HST, depending on the province. This could range anywhere between 5-15% of the retail price.
- Alberta does not charge PST on cannabis sales like other provinces, however, the province imposed their own 10% tax on the retail prices of cannabis.

Wholesale vs. Retail Prices by Province

Alberta

Consumer: \$9.00 - \$15.50/g
Wholesale Average: \$9.00/g

British Columbia

Consumer: \$7.00 - \$16.00/g
Wholesale: \$5.00 - \$11.00/g with quality improving with higher price points

Manitoba

Consumer: \$10.00 - \$12.00/g
Wholesale: Additional 6% social responsibility markup added to retailers starting January 1, 2019.
Province adds \$0.75 plus an additional 9% to the wholesale price as well.

New Brunswick

Consumer: \$7.00 - \$15.00/g
Wholesale: Reported minimum 20% markup from wholesale to retail

Newfoundland & Labrador

Consumer: \$7.00+/g
Wholesale: Restricted to 8% markup from wholesale prices

NWT

Consumer: \$8.00 - \$14.50/g
Wholesale: No wholesale prices available

Nova Scotia

Consumer: \$6.50 - \$11.00/g
Wholesale: No wholesale prices available

Nunavut

Consumer: \$13.00/g
Wholesale: No wholesale prices available

Ontario

Consumer: \$8.00 - \$13.25/g
Wholesale: No limit on retail markups

PEI

Consumer: \$5.50+/g
Wholesale: 25% markup from wholesale to retail

Quebec

Consumer: \$5.25 - \$11.30/g
Wholesale: No wholesale prices available

SASK

Consumer: \$6.00 - \$18.00/g
Wholesale: Retailers can work directly with wholesalers for large purchases

YUKON

Consumer: \$6.00 - \$20.00/g
Wholesale: No wholesale prices available



Shoppers Drug Mart Will Sell Medical Cannabis

by Jon Hiltz

It was recently announced that Canada's largest pharmacy chain was granted permission by Health Canada to sell medical cannabis online.

Shoppers Drug Mart, owned by supermarket retail giant Loblaw Companies Ltd., has set up a web portal which officially validated the rumours that medical cannabis sales through their secure website will be coming soon. The portal also outlines that the cannabis will be coming from a number of licensed producers with strict quality and safety standards. The move could be an enormous step toward ending the stigma surrounding marijuana that has been prevalent for the last several decades in Canada and around the world.

A spokesperson for Loblaw Companies Limited commented that it's too soon to say

exactly when orders will begin, as right now Shoppers Drug Mart is working through a "technical issue" with Health Canada. There was no indication what that issue is, but the website announcement implies the company is confident that it will not be something which will hold back the eventual sales by the drug store behemoth.

Shoppers Drug Mart initially applied to be a licensed cannabis producer in October 2016. The company says it has no interest in actually growing and manufacturing medical cannabis and its derivatives, but the LP designation allows them to sell the product to patients with a valid prescription.

The pharmacy will now be allowed to sell dried and fresh cannabis as well as plants, seeds, and oil. ▀

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TRENDS

Cannabis Oil Consumption Tools

Article and photos by Simon Booth

Cannabis oil has become immensely popular over the past few years, however, the substance in its variety of forms faces a fundamental problem: how do you consume it effectively? While it is possible to simply blend and smoke oil with raw cannabis, other methods are preferred to avoid waste and inefficiency. To address these issues, the smoking accessory industry has responded with innovative solutions for vaporizing including dabbing and electronic vaporizers.



Dabbing

The tool used for dabbing oil, known as a nail, has undergone tremendous changes through the years, utilizing various materials and designs. In its current state, the preferred tool and material is a quartz banger, which is a small bucket with a tube fixed at the top that feeds into a water pipe. The banger is heated from the bottom with a blowtorch to the desired temperature, at which point the user will wait for a short period of time, typically 30-45 seconds. When cool, the user will dab cannabis oil in the hot bucket, vaporizing the oil. The vaporized

oil is covered with a carb cap—a sphere or spinning top shaped tool with a restricted air hole—that sits on top of the bucket to direct air against the vaporizing oil. Once capped, the user will inhale through their water bong. Quartz has the benefit of managing extreme heat fluctuations remarkably well, while not giving off any flavour.

The last popular material for nails was titanium, which although durable, has a tendency to give off a metallic taste. Another issue with titanium was the expense and necessity of purchasing a pure titanium nail. Most cheap titanium nails are riddled with impurities, which can contain metals that give off minute amounts of harmful gasses when heated. Quartz, on the other hand, even in its cheapest and most basic form, does not give off any harmful gasses. The relatively malleable nature of molten quartz has resulted in some unique designs. In particular, Highly Educated out of the US manufactures nails that take advantage of this malleability, with unique innovations. For example, by injecting thousands of small bubbles into the base of their bangers, Highly Educated found that this affected area was capable of holding heat

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for much longer periods of time. Users were now able to consume larger amounts of oil at lower temperatures, creating a smoother vapor and accentuating the natural terpene flavour of the cannabis oil. Overall, the trends in dabbing have led towards higher quality products that accentuate the taste of oil, at low, mid-range, and expensive price points.

Vaporizers

A basic cannabis oil vaporizer is a battery powered device that heats an oil soaked coil to the point of vaporizing. These coils are usually a small bucket with a material wrapped in metal filament placed at the base of the bucket. A mouthpiece is attached to the top of the coil where the vapor is inhaled. A massive variety of these devices are available. Vaporizers may come with multiple temperature settings, unique coil materials such as ceramic, quartz and cotton, multiple coils that feed into a singular mouthpiece, auto regulating temperature settings, onboard cannabis oil storage, and even vaporizers disguised as lighters.

Despite all these features, it is important to note that the largest shift that has



taken place in the cannabis oil vaporizer market is quality. Through innovation and customer demands, the market for lower quality vaporizers is being largely rejected. Customers are demanding reliable vaporizers with uncorrupted flavour. An example of this shift is Puffco, a vaporizer manufacturer out of the US that launched their handheld unit, the Puffco Pro, in 2014. The Pro was designed with a ceramic coil wrapped in a titanium filament, and although it was considered

a success, many customers complained of poor battery life and flavour. After their initial product launch, Puffco abruptly and inexplicably ceased production of the Pro long enough for competitors to take over market share. After the vaporizer market had all but forgotten Puffco, they launched their updated model, the Plus, in 2016. It featured a ceramic bucket with an element tucked underneath the ceramic, thereby allowing the cannabis oil to be heated without directly touching metal. The updated model created better tasting oil, with even vaporizing, that revolutionized vaporizer accessories. Puffco used the success of the Plus to follow up with the also massively successful Peak, a portable electronic dab rig that sells for over \$350, a price point very few portable dab rigs were sold at.

Consumers are becoming increasingly well informed when choosing their smoking accessories, just like any other electronic device. It is important to realize that consumers no longer need to claim that their bongs are for tobacco and vaporizers are for essential oils. We are in a period where consumers know what to expect from their smoking accessories and are willing to pay for quality.



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MJB Lawyers has been watching the evolution of cannabis rules carefully, as mandated by the Federal, Provincial, and Local Governments.

Dennis Coates, who has specialized in liquor licensing and enforcement matters for the past 25 years, will continue to apply this expertise as it relates to cannabis marketing and retailing in B.C.

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Destigmatizing Cannabis

by Mark Glenning

Courtesy of Fire & Flower

Canada is rightly applauded for its progressive attitude towards cannabis. As the first G7 nation to legalize recreational use, it's made a major step to present significant business opportunities to legitimate businesspeople, remove any criminal element associated with growing and distribution, and worked to educate the public in the safest way to consume. Despite this amazing situation we find ourselves in, there is still a stigma attached to cannabis. What part can you play as a licensed producer or retailer in combatting it?

Some historical context is essential to understanding the situation. Emily Murphy, a police magistrate and suffragist, wrote *The Black Candle*, which was published in 1922. She used anecdotes from police and anti-drug reformers to argue that a link between drugs and race existed and that immigrants from different countries posed a threat to white women.

Cannabis was outlawed in 1923 under the *Narcotics Drug Act Amendment Bill*. Some historians dispute the influence that Murphy's book had on this decision, but

it was widely read and certainly helped to create panic across Canada. Although it was reprinted in 1973, it's not the sole reason why cannabis has been stigmatized for so long; pop culture and politics have played their part. It's no wonder that people are naturally wary of a substance that has been illegal for nearly a century.

The more we can educate, the more that stigma will fall away.

Robbing Stigma of its Power

Nathan Mison, Vice President, Government and Stakeholder Relations of Fire & Flower, one of the first companies to receive approval from Alberta to sell legal recreational cannabis, thinks that increasing people's understanding of cannabis is key. He says, "One of the most critical aspects of the Fire & Flower business model is education; we recognize that there is still a stigma around cannabis in Canada, despite

the recent change in its legal status."

"A critical element of our partnership philosophy—how we work with the communities in which we operate—is to show that the stigma is based on a lack of education. The more we can educate, the more that stigma will fall away. What we

want to do is really become a part of the community and show that this new and exciting Canadian industry is committed to true community citizenship."

Education can be part of the customer experience. Many customers will be curious yet wary, and as a licenced producer or retailer, it's part of your job to shine a light on the truth and dispel any myths. This means having staff that are well equipped with the facts about cannabis, such as:



Courtesy of Jimmy's Cannabis Shop

- A thorough knowledge of the products you sell.
- The physical and mental risks associated with cannabis consumption.
- An in depth understanding of the supply chain, which will reinforce legitimacy and quality control in the minds of your potential customers.
- An awareness of the laws and penalties involved for breaking them, such as selling to youths and where cannabis can be consumed.

Of course, your strategy and tactics need to aim beyond your interactions with customers. Mison says, "Working to establish the cannabis industry as a legitimate Canadian industry will be an important step."

Inclusion as a Way to Fight Stigma

Milson also emphasizes the importance of respecting indigenous communities; it can cultivate a philosophy of harmony and inclusion at your core, and contributing financially and socially is something that should be aspired to. It can help to dispel stigma by embodying traditional Canadian values. He adds, "Our indigenous-guided business framework is consistent with the values that make Canada a welcoming and multicultural country. We believe that these values are largely influenced by Canada's indigenous peoples; to welcome everyone and share what we have. In our

case, we want to share our knowledge through education, our philosophy through community engagement, and our spirit through collaboration with community members."

Inclusion is not restricted to recognizing consumers; acknowledging non-users, or those who only occasionally consume, is also important. David Thomas, the co-owner of Jimmy's Cannabis Store, made sure that this approach was adopted by its four locations in Saskatchewan. His approach to stigma could be described as treating it as "no big deal"; after all, cannabis is now another product legally available to the public. He explains, "Our method was to treat it as any other store; we designed it to be welcoming, so that on legalization day it felt like a familiar retail location."

The months of Canada being under the scrutiny of the world's media seemed to work in the industry's favour. Thomas adds, "People were ready for it to happen and when we trained our budtenders, we wanted to make sure to make customers welcome, regardless if they used cannabis every day or if they were trying it for the first time."

"It's important to me that when I enter a store, I feel welcome. That was such an important way to remove stigma, and I'm, surprised at how quickly it has had a positive effect."

Although a lot of naturally curious people want to try cannabis products, not everyone


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wants to and respecting their decision is essential. Some people still see cannabis as an element of counter-culture and trying to coerce them into trying it may be interpreted as an assault on their values. Fostering a positive perception amongst non-users is important to de-stigmatizing cannabis.

local business community really speaks to how far the industry has come in such a short time.

The Way Forward

Cannabis consumers are beginning to step into the light, are confident to share that

“Getting away from the idea that cannabis is for people on the fringes of society will also be critical. Since cannabis has been legalized, we have seen long lines at retail stores across Canada. This shows that it is more mainstream than some people might have thought. There is some built-in legitimacy when you have a product that is in high demand, but the idea that the industry as a whole is run by people on the societal fringe needs to be combatted.”

Fire & Flower is an excellent example of this. Its board of directors includes Norman Inkster, who was the 18th Commissioner of the RCMP, and a former president of INTERPOL. The core of Canada’s cannabis industry consists of highly skilled, experienced businesspeople—precisely the same as any other industry operating today. However, no other industry has had an uphill battle for acceptance quite like cannabis has had. Legalization is not the end of the story, and destigmatizing cannabis will help the industry grow beyond our expectations. ▀

Getting away from the idea that cannabis is for people on the fringes of society will also be critical.

How can this legitimacy be gained? Through engagement. Having a policy of being as active in the community as other businesses is key to this. You may achieve this through knowledge-sharing sessions with community groups. Investigate the feasibility of setting up a corporate social responsibility program, such as helping people in the community whose lives have been affected by addiction. Being a model corporate citizen helps too; abiding by the law and being active in the

they use cannabis. Society is starting to see that you can be serious about your job, ambitious and motivated, all while consuming cannabis. It’s a far cry from the stereotypical stoner dropout caricature, a hangover from the hippy culture that has been attached to users to this day.

With legalization, cannabis has gone mainstream, but the industry needs to underscore this. Milson points to its popularity as evidence of this, saying:



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Call it Cannabis

by Faai Steuer

The negative cannabis stigma, reinforced by terms like reefer, pot, weed, and grass is still around and has impeded the growth of the cannabis industry. With an estimated 1,000 words for marijuana, Cova believed that it was time for industry professionals to discuss the power of language, so the cannabis retail software company decided to launch the *Call it Cannabis* campaign. The core of the campaign was the call to action “*Call it Cannabis*”, a simple phrase meant to spark a discussion about the dire need to break the negative cannabis stigma.

The campaign launched at Cannabis World

Congress Business & Expo in New York City on May 31, 2018, and engaged passionate industry professionals from the US and Canada. The response was overwhelmingly positive! The software company received more than 400 t-shirt entries and reached more than 95,000 people on social media and at cannabis industry events combined.

By promoting the hashtag #callitcannabis on social media platforms, it sparked a dialogue and as a result, the hashtag is now used industrywide. *Call it Cannabis* t-shirt recipients were selected at random and answered the question, “Why do you call it cannabis?”

Professor Dave in Denver said, “I call it cannabis because the “M” word is a derogatory slur created by opposing political and media pundits who sought to destroy this miraculous plant for personal gain. I work directly with cancer patients. I see the amazing ability of this God-given plant every day. I’ll wear this til the sleeves come off!!!”

Campaign partners included Cannabis Compliance Inc., Aura Dispensary, Village Bloomery, GreenRush, Native Roots, Baker Technologies, City Cannabis, CannaReps, and Medicon. ▀

Ontario's *Cannabis Licence Act*, 2018 and its associated regulations came into force on November 16, 2018. The regulations provide much-anticipated clarity on Ontario's framework for the forthcoming sale of recreational cannabis by private retailers.

In this issue, Ranjeev Dhillon, Partner and Co-Lead of the National Cannabis Group at McCarthy Tétrault LLP, answers some of your questions regarding the Ontario retail framework and how it compares to other provinces across Canada.

Q: How will recreational cannabis be sold?

A: Currently, in Ontario, recreational cannabis is exclusively sold online through the government-run Ontario Cannabis Store website. As of April 1, 2019, recreational cannabis may also be sold at authorized brick-and-mortar stores. Licensing and authorization will be overseen by the Alcohol and Gaming Commission of Ontario (AGCO).

The retail frameworks vary from province to province. They range from permitting sales exclusively through the private sector (Manitoba, Saskatchewan) to sales through both the private and public sector (Ontario, Alberta, BC, Newfoundland and Labrador) to sales only through the public sector (Nova Scotia, New Brunswick, Prince Edward Island, Quebec).

Q: Where will recreational cannabis be sold?

A: Retail cannabis stores in Ontario must be "standalone" or separated from other retail stores by physical walls, and cannot share a common space (other than a common area of an enclosed shopping mall). This prohibits the use of a store-within-a-store model. Across all provinces, stores must be a prescribed distance away from schools. In Ontario, that distance is 150 metres.

It is unclear whether the AGCO will consider population density when awarding licences across Ontario municipalities. Notably, before January 22, 2019, municipal governments have the ability to opt-out of having any cannabis retail stores in their jurisdictions at all.

Q: How do I become eligible to sell cannabis in Ontario?

A: To operate a legal store, an applicant must obtain three separate licences:

1. A retail operator license (required for the individual/business that will operate retail stores);
2. A retail store authorization (required for each physical store that will be opened); and
3. A retail manager license (required for each manager of a cannabis retail store).

Licences require initial fees of \$6,000, \$4,000, and \$750, respectively, plus renewal fees for either two- or four-year terms.

Applications for licences in Ontario will open on December 17, 2018. Other provinces have already begun the application process and in some cases, stores are already open for business.

Q: Who can become a recreational cannabis retailer?

A: In Ontario, applicants are not eligible to become a retailer if they have been charged or convicted of an offence in contravention of cannabis laws. This prohibits applicants who operated illegal cannabis stores after October 17, 2018 from participating in the new retail licence regime.

An applicant, together with any affiliates, may not operate more than 75 retail stores across Ontario. Unlike some provinces (such as Manitoba and Saskatchewan), Ontario has not placed an upper limit on the total number of retail store authorizations that may be issued. However, the province will be phasing in stores and only issuing 25 licences in April. Alberta and BC have adopted similar approaches, where there is no cap on the total number of retail licences in the province, but limits on how many licences an entity may hold.

Q: What involvement can Licensed Producers of cannabis have in the retail market?

A: The Ontario Regulations limit the retail role of Licensed Producers (LPs). Corporate applicants cannot obtain a licence if more than 9.9% of the corporation is owned or controlled by an LP or its affiliates. LPs and their affiliates are restricted to operating only one retail store, which may only be located at the LP's production facility.

In Alberta, LPs may hold retail licences, subject to a general limit of holding no more than 15% of the retail licences in the province. Similarly to Ontario, BC instituted provisions to mitigate the potential for LPs to dominate the cannabis retail sector in that province.

Q: What products can be sold in the store?

A: In Ontario, retail stores may only sell cannabis, shopping bags, and "cannabis accessories", as defined in the federal *Cannabis Act*. Accessories include rolling papers, pipes, bongs and vaporizers, or other things represented to be used for the consumption of cannabis.

These restrictions are similar across Canada, with the exception of Saskatchewan, which permits the sale of ancillary items such as cookbooks, magazines, and branded apparel.

All cannabis products and accessories must be kept behind the counter, prohibiting a self-service model. Retail store operators must take caution to ensure that cannabis or accessories are not displayed in a way that is visible to young persons, even from outside the store. Individuals will need to provide identification before entering the stores.

Despite the regulations and restrictions on the sales of recreational cannabis, we are seeing tremendous innovation in the retail sector across the country. Without any brick-and-mortar stores in Ontario yet, we look forward to seeing what is to come in Ontario's private sector.

A recognized leader known for his pragmatism, business knowledge, and industry expertise, Ranjeev Dhillon and McCarthy Tétrault LLP assist clients successfully navigate the evolving demands of the high-growth cannabis market in Canada and abroad. Ranjeev is regarded as a market leader and ranked Band 1 Cannabis lawyer in Chambers Canada. The McCarthy Tétrault LLP Cannabis Group has significant experience in assisting cannabis retailers in Canada.

National Access Cannabis Working with First Nations

by Joyce Hayne

National Access Cannabis (NAC) is quickly rolling out new stores and is partnering with First Nations in Manitoba to open retail stores. As of mid-December, four First Nations retail stores had opened under the META brand, and NAC plans to open four other stores in partnership with Manitoban First Nations in early 2019.

Two of the stores partnered with the Long Plain First Nation, and on December 7 the first legal store opened on a Winnipeg urban reserve. A signatory to Treaty One, Long Plain First Nation is a proud Ojibway and Dakota community in the Central Plains Region of Manitoba, situated on a land base of 10,800 acres. The three-acre property became an urban reserve in 2013, making history as the first of its kind in the province.

Another store opened in Thompson on December 12 and is operated by the Nisichawayasihk Cree Nation (NCN) supporting NCN's vision to sustain a prosperous socio-economic future by providing new jobs and an ongoing revenue source. The store's first purchase was to Thompson's mayor Colleen Smook.

Supply

Long Plain Madison Reserve will supply legal cannabis, following the META model of safety, security, and harm reduction while providing its community economic opportunities and access to safe and legal cannabis.

Staffing & Training

The stores will be staffed by First Nations' members who have been trained using NAC's proprietary model to ensure safe, secure, and responsible distribution of legal cannabis.

Sarah Bezanson, Director of Training for NewLeaf Cannabis, explains, "Cannabis is coming out of a long period of prohibition, which has led to many misconceptions, and a lot of misinformation. We wanted a program that would address that frankly and provide a scientific grounding in cannabis for our staff, equipping them to share that knowledge with our community."

NAC's Growth Plans

Mark Goliger, CEO of NAC, says, "Adding six [META] stores in Manitoba to our 14 NewLeaf locations in Alberta, brings us to a total of 20 stores, maintaining NAC as the largest private retailer in Canada. This is just the beginning—we're still growing."

NAC is looking to open a total of 50 locations between META and NewLeaf across Canada by the end of the year and plans to have a total of 150 retail locations operational during 2019, subject to regulatory approvals. Goliger states, "With our growth plans over the next 12 months we expect to remain the largest private cannabis retailer in the country and to utilize both our scale and operational expertise to drive returns for our shareholders."

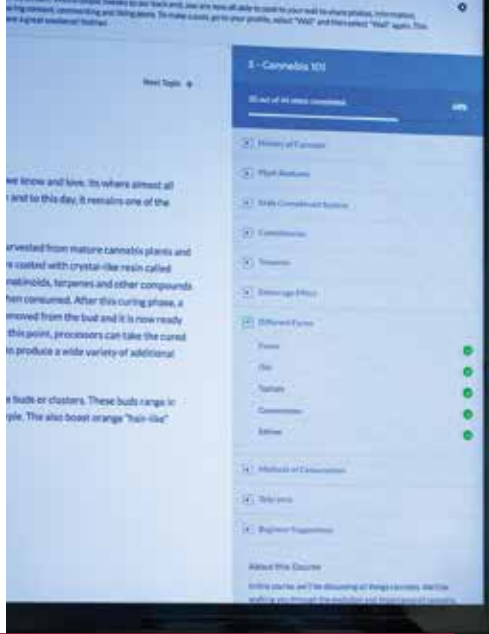


Meta Cannabis Supply Co. store opening at the Long Plain Madison Reserve in Winnipeg. L-R: Onekanew (Chief) Christian Sinclair, Opaskwayak Cree Nation, Tim Daniels, CEO Arrowhead Development Corporation, Heather Pelletier, Manager, Chief Dennis Meeches, Long Plain First Nation



Mayor, Colleen Smook makes the first purchase at the META store in Thompson as Chief Marcel Moody of Nisichawayasihk Cree Nation looks on.

NAC achieved \$3.95 million in cumulative sales from 18 stores in its first 50 days from retail operations. The average gross margin on these sales was over 30%, with consumable cannabis making up 94% of total sales. ▀



Store Security & Employee Safety

by Danielle Leroux

Courtesy of Spirit Leaf

Having the proper security systems and standards in place is key to keeping your premises secure, your employees safe, and your customers happy.

Cannabis retail store operators must first ensure they comply with all mandatory security and safety requirements, based on the province they're operating in. Additional information on provincial security requirements can be found at the end of this article.

While some provinces have specified a wide range of requirements, others have left it largely up to store designers and management.

Consequently, many operators are choosing to implement additional security and loss prevention systems.

Physical Security Measures

Security expert Barry Davidson at David Hyde & Associates, recommends creating your security program at the store design stage and working with a professional to understand your location's unique security and crime risks.



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While extra physical security measures are important, “rarely are you just protecting property,” says Davidson. “Your security strategy must fit the context of the store.” For instance, perimeter protection, such as roll shutters, window protections, and surveillance and access control need to work together to protect the store. “Physical security measures must also take into account store operation and staff training and acceptance,” notes Davidson.

Nova Cannabis Stores in Alberta use this comprehensive approach. A Chief Security Director works with a loss prevention team to protect the stores. Nova Stores have additional physical security measures, including roll shutters on store fronts, extra cameras along with a 360-degree camera, card access, an advanced locking system for showcases, and shock and vibration sensors installed in any walls adjacent to other businesses.

Preventing Disturbances In and Around your Store

Once physical security measures have been addressed, operators must consider how to prevent disturbances in and around your store. Davidson says it is critical that “store operators and owners connect with and understand their surrounding community and neighbours.”

Davison suggests employing Crime Prevention Through Environmental Design (CPTED) strategies to “mitigate social disorder and potential risks to the store and ensure the safety of everybody in the area.” This includes lighting, spatial design, and the use of colour, along with traditional security strategies like guards, patrols, and barriers.



Courtesy of Alcanna

Working with External Security Companies and Local Law Enforcement

Beyond working with their neighbours, operators can also work with external security companies and local law enforcement to protect their store and keep their community safe.



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Nova Cannabis Stores work closely with external security companies to respond to alarm calls and monitor their CCTV and alarm systems. “In addition to these measures, all stores are equipped with panic buttons in the event that there is an emergency, such as a robbery,” explains Cook. “All locations receive regular armored car deliveries and pickups for any coin drops or cash deposits going to the bank.”

Spiritleaf operates stores in Saskatchewan and Alberta and has worked with external security firms and the RCMP to establish security best practices for their stores. They ensure “local law enforcement are notified immediately of any illegal activity or disturbances,” says Nathan Noble, National Training Coordinator.

Training your Staff

Your security program will not be successful without the proper training and support of your staff.

Safety should be integrated into the “day-to-day training and culture of a store,” explains Davidson. He recommends that your training program “take into account perceived threats and quantified threats. This is critical to empowering staff [so they] know what to do should a situation arise and can identify solutions to potential issues.”

Staff must also recognize the heightened risk that a cannabis store operates in compared to traditional retail stores. Davidson suggests additional training around cash handling, teamwork in a crisis, and personal safety.

At Nova Cannabis Stores, employees can utilize the loss prevention team emergency on-call number 24/7 for any type of

emergency response or advice. “The loss prevention team also provides in-store training to all staff and managers on a regular basis,” says Cook. The company’s electronic on-boarding process covers the general topics of loss prevention and health and safety. Staff use a case management system to report on every type of incident that may occur on site.

Similarly, Spiritleaf focuses on “safety and security training on day one of training to ensure that all staff feel confident and safe when working in our stores,” says Noble. “This includes communicating and logging any problematic customers and security issues.”

By taking this information and ensuring you have the appropriate tools in place—like panic buttons, barriers, and a saferoom—“your duty of care is met, and your staff are comfortable working in your space,” says Davidson.

Next Steps

Once you have consulted provincial recommendations, work with your local police and security providers to establish best practices and execute an individualized security plan.

Beyond keeping your store secure and your employees safe, security standards “have a direct impact on the quality of staff, insurance premiums, investor confidence, and overall business viability and sustainability,” says Davidson. “Ensure that you obtain professional advice from experts in your specific business and do your homework on anything that could put your business at risk.” ▴

Provincial Store Security Minimum Requirements

Review the links below to learn about the minimum security requirements in your province.

British Columbia

Cannabis Retail Store Licence Handbook

Alberta

Section 3.3, *Retail Cannabis Store Handbook*

Manitoba

Part 8, *Terms and Conditions, Retail Cannabis License, Age-Restricted Store*

Saskatchewan

Saskatchewan Liquor and Gaming Authority website

Ontario residents can only purchase cannabis through the Ontario Cannabis Store website

Quebec

The SQDC is the only licensed retailer of non-medical cannabis in Quebec

New Brunswick

Bill 17, *Cannabis Management Corporation Act*

Prince Edward Island

Cannabis Policy and Legislation

Newfoundland & Labrador

Cannabis Control Regulations under the *Cannabis Control Act*

Nunavut

Residents can only purchase cannabis online via Tweed

Yukon

The only licensed retailer of cannabis is a temporary retail cannabis store run by the Yukon Liquor Corporation

Northwest Territories

Retail Cannabis Framework Information Guide

Nova Scotia

The Nova Scotia Liquor Corporation is the only authorized retailer of cannabis in the province.

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Courtesy of Janelle Hewines

Ontario Phasing in Retail Licences

Citing the severe supply shortages in the industry and the desire to protect the interests of private retailers, Ontario has decided to phase in private cannabis retail stores and initially issue only 25 licences in April 2019. The Honourable Caroline Mulroney, Attorney General and the Honourable Vic Fedeli, Minister of Finance explain, “To ensure a fair and transparent process, the Alcohol and Gaming Commission of Ontario (AGCO) will implement a lottery system to determine who is eligible for the initial licences to legally operate a store in Ontario. All interested parties will be able to submit an expression of interest form online to the AGCO from January 7 to January 9, 2019. The expressions of interest will be put into a lottery pool for a draw. The draw will

be conducted on January 11, 2019, with the results to be posted on the AGCO’s website within 24 hours.

The lottery process will be overseen by a third-party fairness monitor to ensure equality and transparency in the treatment of the expressions of interest, as well as an appropriate distribution of stores in each region of the province, which is set out in the regulation. Further details on the lottery system will be available on the AGCO website.

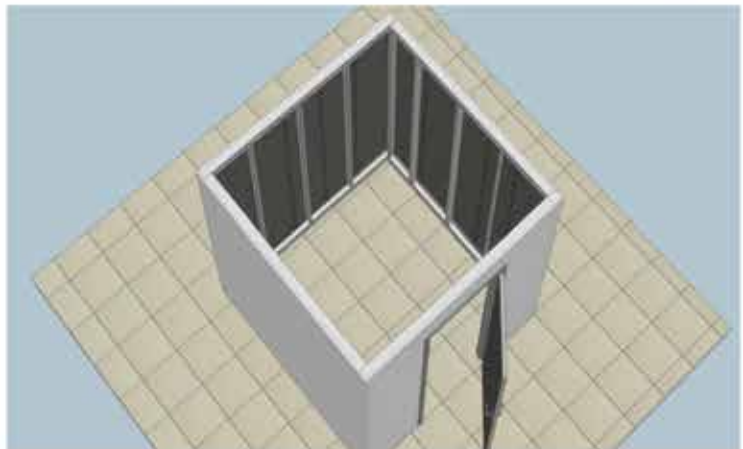
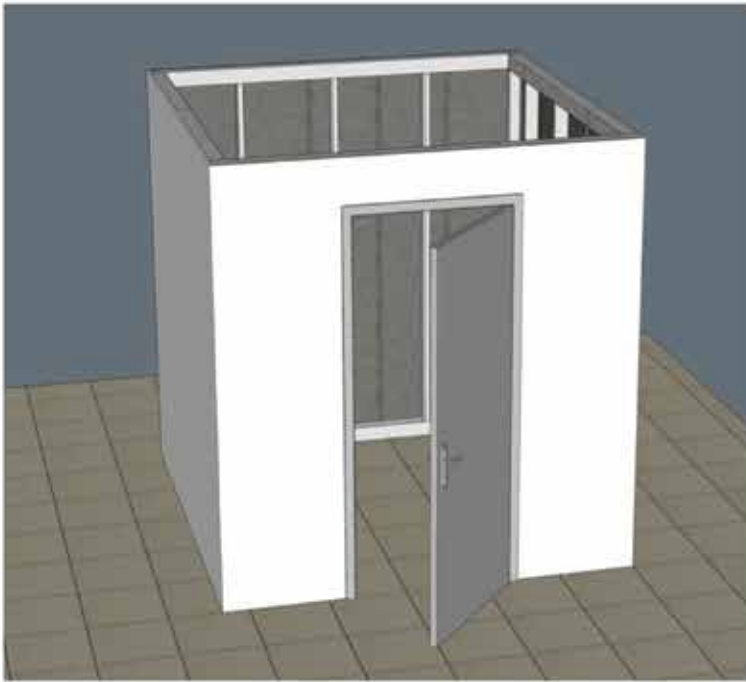
The OCS continues to work closely with federally licensed producers to monitor the availability of supply and to secure supply for Ontario, including through regular product calls and frequent visits to producer facilities. The lottery is going to be a temporary model

for issuing private retail licences. When Ontario has determined that the federal government has provided for enough reliable supply, Ontario will communicate next steps for additional private retail stores.

Our government refuses to compromise the viability of Ontario businesses. Private retailers need certainty from the federal government that there will be a reliable supply of cannabis to support their business and combat the illegal market.

We will continue to urge the federal government to take immediate action to ensure licensed producers ramp up production in order to meet the anticipated market demand for recreational cannabis.” ▀

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What can we Learn from Ontario's Mistakes?

by Jon Hiltz

Ever since Canadians were informed that cannabis would be legalized, the rollout of retail has been filled with rumour, innuendo, and ultimately reality. Nobody in the cannabis sector would argue that it has been a smooth ride and the journey is far from over.

"It's been a bit of a patchwork," says Koby Smutylo, COO of INDIVA in an interview with Cannabis Retailer. INDIVA is a licensed cannabis producer based in London, Ontario, and like many in the cannabis sector, in Canada's most populated province, he is unhappy with the way things have progressed regarding retail.

The Provincial Patchwork

Smutylo goes on to state that when the federal government originally shouldered responsibility over to the provinces to enact different retail frameworks, it made things much more complicated than necessary from the outset.

"It's different province by province which, I would say, makes it difficult and presents challenges to companies that want to do

business and essentially do it in multiple provinces," he notes. Smutylo would have preferred to see federal rules for retail across the board.

Ontario Does an About-face

On the subject of how retail is doing currently, Smutylo feels that specifically Ontario has turned into a real issue.

"We can use Ontario as an example of what's problematic," he says. "The [Ford] government announced that applications would be accepted on the 17th of December and there would be an application process and different categories of licences. [They] sort of indicated what the system for regulation would be. Then two business days before that date, when the process was supposed to start, the government announced a completely different process."

Smutylo pointed out the fact that companies and individuals had already spent money and hired people, and were then forced to put things on hold. This meant that inevitably individuals had to be let go and others

were not hired at all, simply due to these last minute drastic changes. "It was a real disaster and not good governance. Good governance for business is predictability, stability, and policy-driven decision making," he explains.

As for trying to understand the Ontario government's reasoning behind the change in policy, Smutylo is at a loss. "They didn't [explain why]. The system they had announced they were going to do was supposed to be a merit-based system, very regulated, very organized, and now they say it's going to be a lottery. I don't see how that's better."

Smutylo says that the Ford government did offer up an excuse but he believes it's a thinly veiled one.

Supply Chain Issues

"The government has said that it's due to supply issues, but my impression is that there are supply chain issues. The supply is going to come online and I don't see why the government should be so concerned. I don't

think the solution they have implemented to respond to the problem they identified is necessarily connected. If there is a supply problem this solution doesn't necessarily solve that problem."

Smutylo also says that these changes create issues not just for the retailers that were banking on opening, but for the entire legal cannabis system as well. "[It] really creates an incentive and a reason for the black market to re-emerge and continue to operate, because [illegal businesses] can do that without any rules," he states. "What the government has just taught us in Ontario, is if you try and play by the rules you're going to struggle and you can't rely upon them, because they shift out from under you without notice."

The supply chain issues that Smutylo is referring to have to do with what he calls "an inefficient system" where the product is sent from producer to the government, and then the government to retail. He continues, "The product is already highly regulated and monitored coming out of the producer, why it has to go and get cleared through the government makes absolutely no sense from my perspective."



Learning from Mistakes

So, perceived mistakes on behalf of the government aside, how can we learn from this and move forward? Smutylo believes that, first and foremost, Ontario should reconsider the lottery system they have recently announced. "I don't see a lottery system in any other industry and I don't understand why a lottery makes sense in this industry."

As for what will happen in actual reality, at this point Smutylo is unsure. "What I've learned with cannabis regulation is it's anybody's guess. If you're somebody that's predicting the future, chances are you better do it with some humility. You might be right for the next five minutes but probably not in the long run." ▀



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Status of BC Retail Licence Applications

by Joyce Hayne

Interest in BC's cannabis retail sector is strong and applications continue to roll in. Below is a recap from the Liquor and Cannabis Regulation Branch on the status of applications and licences as of December 11th.

•**359 Paid Applications** – Once applicants pay the \$7500 fee, the application and documentation are reviewed for completeness. Note: There are an additional 384 applications that have been started in the online portal but are not yet paid.

•**185 Application Packages Forwarded to Local Governments or Indigenous Nations** – Once an application contains the required documentation and the fee has been paid, the Province forwards the application to the local government or Indigenous nation of the area where the proposed store will be located. 183 applications have been forwarded to local governments, and 2 applications have been forwarded to an Indigenous nation. Note: While a local government or Indigenous nation works on their recommendation, the Province continues to vet the application.

•**100 Applications Forwarded to a 'Ready' Jurisdiction** – This is the number of applications forwarded to local governments which have indicated they are ready to consider non-medical cannabis retail store applications at this time.

•**3 Licences Issued, 1 Approved in Principle (AIP)** – Once an application has passed financial integrity assessment and security screening, the Province issues Approval in Principle. A licence is issued after a successful inspection of the retail location for regulatory compliance. ▴



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