

ALCOHOL AND GAMING COMMISSION OF ONTARIO ROLLS OUT LICENSING REGIME FOR CANNABIS RETAILERS

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Cannabis was legalized across Canada on Oct. 17, but since that date the only way to legally obtain it in Ontario has been through the province's dedicated, online shop. In the new year, that's all about to change.

On Tuesday, November 27, 2018, the Alcohol and Gaming Commission of Ontario (AGCO) published the first sections of the Cannabis Retail Regulation Guide via its webpage, which provides an overview of the new, legislative requirements and describes the authorizations required to open a cannabis, retail location in Ontario. As part of these requirements, prospective retail operators must obtain a retail operator licence, as well as a retail store authorization. Additionally, every retail store must have a licensed retail manager (also overseen by the AGCO).

Included in the guide is a detailed outline of the cannabis licensing and application process. The AGCO will begin accepting applications on December 17, 2018. The cost to apply has been established as \$6,000 for an operator's licence, \$4,000 for a retail store authorization (required for each retail location) and \$750 for a cannabis retailer manager licence (all of which are valid for a two-year term). Renewal fees have been set as \$2,000, \$3,500 and \$500 respectively (also for two-year terms). Four-year renewal terms will also be available. As per AGCO guidance, these fees must be paid upon submission of the application.

While the newly released guidance is helpful, it does not address two significant unknowns, which should be of concern to aspiring cannabis retailers in Ontario:

- First, until January 22, 2019, approximately one month after the AGCO retail licence portal opens, municipalities may still exercise their one-time opportunity to opt out of

allowing retail cannabis stores in their jurisdictions.

- Second, licensed retailers in Ontario will be required to purchase all cannabis products from the Ontario Cannabis Retail Corporation, operating as the Ontario Cannabis Store (OCS). To date, neither the AGCO nor the OCS has released wholesale cannabis pricing. While the AGCO has no control over the municipality opt out, they have full control over cannabis pricing.

Of course, both items are problematic, as to become a licensed retailer, one must submit the necessary application and pay the application fee as previously discussed. For a modest business plan of one store, one must invest over \$10,000 without knowing the cost of goods and whether the business model will even be permitted in a given jurisdiction.

Indeed, the ability of prospective retailers to prepare a detailed business plan outlining their retail operations would be advantageous and make good business sense. Such a plan would most certainly include typical operating costs, such as leasing, building improvements, staffing, insurance, etc., but would also typically include cost of goods (i.e., the cannabis products themselves).

It seems that there is a disconnect between the licensing process and the setting of wholesale prices for cannabis in Ontario. Upon contacting the AGCO this week, we were informed that inquiries for wholesale pricing should be directed to the OCS. Upon contacting the OCS we were informed that AGCO would release wholesale cannabis pricing to licensed retailers some time in the new year. Unfortunately, until this disconnect is bridged, prospective cannabis retail applicants are in a difficult situation, since planning any business without knowing the cost of goods is simply a shot in the dark.

As an update to this article, on December 5, 2018, the AGCO has recently [published a list of municipalities](#) that have formally notified the AGCO of their decision to allow or prohibit cannabis retail stores in their jurisdictions, as well as [a list of the First Nations](#) that have formally notified the AGCO of Band Council resolutions about whether to allow or not allow cannabis retail stores.

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