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CANNABIS

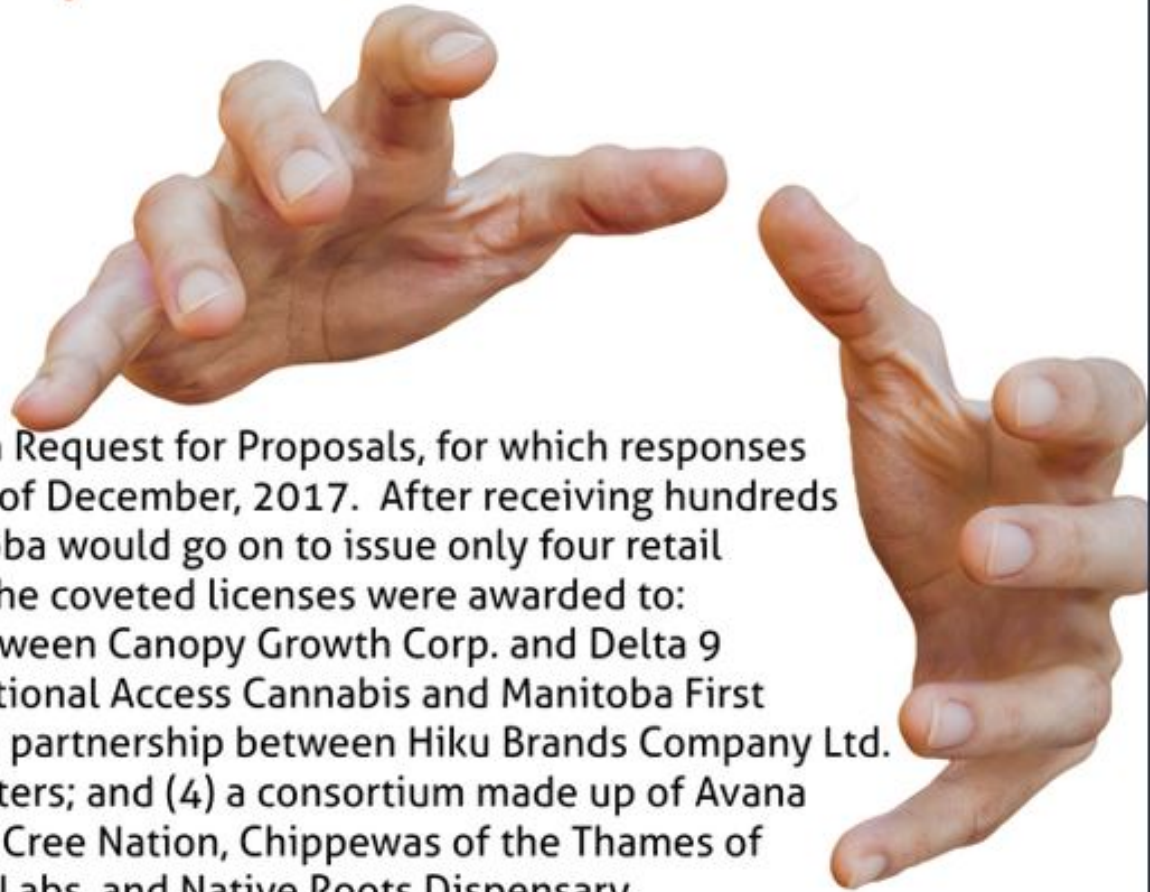
RETAIL

ACROSS

CANADA

**COVETED LICENSES
UP FOR GRABS**

Recreational cannabis will be sold in retail stores across the country. In some of Canada's provinces, retail will be run by the government, and in others, by private companies. The provinces who have announced private retail, Manitoba, British Columbia, Alberta, Saskatchewan and Newfoundland and Labrador, have also announced unique application processes to ultimately lock down a coveted retail license.



Manitoba issued a Request for Proposals, for which responses were due at the end of December, 2017. After receiving hundreds of responses, Manitoba would go on to issue only four retail cannabis licenses. The coveted licenses were awarded to: (1) a partnership between Canopy Growth Corp. and Delta 9 Cannabis Inc.; (2) National Access Cannabis and Manitoba First Nations groups; (3) a partnership between Hiku Brands Company Ltd. and B.O.B. Headquarters; and (4) a consortium made up of Avana Canada, Fisher River Cree Nation, Chippewas of the Thames of Ontario, MediPharm Labs, and Native Roots Dispensary.

Saskatchewan's request for Proposals, for which responses were due on April 10, 2018, allowed proponents to apply for up to 32 cities or municipalities, for a maximum of one permit in each city or municipality. Responses which meet the mandatory requirements will be entered into a random lottery where the lucky applications drawn will have an opportunity to apply for a permit.

In Newfoundland and Labrador Responses to the Request for Proposals are specific to Area/Postal Code. The RFP's allocations indicated 41 total licenses across each of the area codes. Canopy Growth Corporation is guaranteed four retail locations as part of its agreement with the Government of Newfoundland and Labrador. Responses to the Newfoundland RFP were due March 29, 2018.

Alberta opened its application process for private cannabis retailers on March 6, 2018. While Alberta's municipalities begin drafting by-laws to prepare for legalization, applications have already begun to roll in. Municipal approval is required before the AGLC will issue a retail cannabis store license. Unlike the other Provinces so far, there is no hard deadline that has been set by the Alberta Government for applications to be submitted, and there is no cap to the number of applications that one entity can submit. Alberta has mandated, however, that no person or entity can hold more than 15 percent of retail cannabis licenses in the province.

British Columbia opened its application process for private cannabis retailers on March 6, 2018. While Alberta's municipalities begin drafting by-laws to prepare for legalization, applications have already begun to roll in. Municipal approval is required before the AGLC will issue a retail cannabis store license. Unlike the other Provinces so far, there is no hard deadline that has been set by the Alberta Government for applications to be submitted, and there is no cap to the number of applications that one entity can submit. Alberta has mandated, however, that no person or entity can hold more than 15 percent of retail cannabis licenses in the province.

So, as many in the industry have been diligently working to respond to various RFPs, how successful one entity could be if successful across all of the private retail provinces? What may the market look like if certain entities hold licenses in each province.

Look at Canopy, for example. Canopy, alongside Delta 9, will be making sales in Manitoba. Canopy is also guaranteed four locations in Newfoundland and Labrador. In theory, if Canopy applied for, met the mandatory requirements, and somehow won licenses across all 32 cities and municipalities in Saskatchewan, Canopy would have an enormous market share of retail across the country. For Canopy however, British Columbia may be an interesting province. Private cannabis retailers in B.C. with a close association to a licensed producer will be prohibited from selling any of that licensed producer's products in store. This is with the stated intention of the provincial government to ensure diversity in the market and to avoid monopolization by certain LPs. Given this, Canopy may not be applying to open up retail in British Columbia, as they would not be able to sell their own products in store, which would directly assist their competition, affect their use of branding, in addition to other considerations.

It is interesting to anticipate what the market will look like after all of the retail licenses are given out. Many wonder if private retail will really allow smaller players to have a presence in the cannabis industry or if the Canopys of the industry will have the lion's share of the market.

