

Chun Law

Professional Corporation

Into the Weeds:
An overview of
Cannabis & the law



Outline

- History
- Laws
- Regulators
- Risk
- Compliance
- Practice Areas

About Me



Production

BY RUTH CHUN, LAW '06,
General Counsel, Newstrike Brands
Ltd./Up Cannabis, Toronto*

Biggest changes

Ramping up cannabis supply and distribution has arguably been the toughest challenge facing producers since legalization. The reality is that supply will not be able to meet market demand in the immediate near term, despite industry's collective efforts to grow quality, compliant product as efficiently as possible. But this comes from an operational standpoint, not a legal one.

The proposal to amend the *Cannabis Act* and its regulations to create three new categories of cannabis – edibles, extracts and topicals – is an exciting expansion of the adult-use market and facilitates the entry of high-margin derivative products. The cannabis industry moves at lightning speed, and getting market-ready for new products means reviewing and commenting on the proposed legislation and guiding the operations and marketing teams based on the anticipated legal framework, while also dealing with everyday regulatory, marketing and capital markets work.

ALUMNI PROFILE

Planting seeds for a national growth industry

Ruth Chun, Law '06, has joined the legal professionals putting down roots and proposing the rules for Canada's complex new sector – cannabis

BY GEORGIE BINKS

If you're a legal professional suddenly involved in the brave new world of Canada's cannabis industry, as Ruth Chun is at Newstrike Brands Ltd.^{*}, you may have to prepare for a different kind of work experience. First, there are all those plants – more specifically, the pot plants. Then there's the music you have to play to the plants. "It's a scientific fact: music assists with their growing," Chun explains. "Of course, we're playing Tragically Hip songs to ours."

That's because Newstrike's partners include Kingston-based rock band The Tragically Hip. Newstrike, which owns licensed producer Up Cannabis Inc., has two Ontario growing operations, one a state-of-the-art indoor facility in Brantford, the other a greenhouse in the fruit belt's Beamsville. Newstrike has also partnered with Neal Brothers Inc., a Canadian food specialty company, to create and distribute cannabis edibles when the regulations allow, later this year.

All this partnering has meant a varied and groundbreaking new legal career in cannabis for Chun, who joined Newstrike in Toronto in February 2017. "I'm at the forefront of a nascent industry while its laws are being drafted as we speak," she muses. "That's been a real joy for my legal career, as has being in-house and seeing how the laws and regulations actually get put into practice as we grow the product, package and sell it."

Adult-use cannabis became legal last October, with the legalization of other cannabis categories due to follow a year later, so in February Chun completed a submission to Ottawa on the regulations proposed for three of those categories: edibles, concentrates and topicals. "After October, sales of these products become provincial responsibilities, so Newstrike is dealing with each one individually. It's all quite complex."

Seeing legal professionals working in the cannabis industry takes some getting used to because of pot smoking's past stigma. "At first," Chun laughs, "I described myself as 'working in pharma.' For my parents, it's still my in-house pharma job."

When it comes right down to it though, it's still the practice of law. Chun says, "We fended off a hostile takeover while testing the new takeover rules for the first time, did two equity financings, raising over \$100 million last year, and also a convertible debenture the previous year. We've done various private M&As, some public company investments, supply agreements with seven provinces, and agreements with various vendors." Despite the industry myths, it doesn't leave a busy counsel much time for refreshing walks through the company's greenery.

Before Newstrike, Chun's career took her abroad – first to London as an associate at Shearman and Sterling, then to Windhoek for seven years, five as a Director of ENSAfrica, Africa's largest law firm, and later to Holland Insurance as its first female executive committee member and Head of Legal and Compliance (2015-2017).

"I'm at the forefront of a nascent industry while its laws are being drafted as we speak."

It was a Queen's Law exchange to the Netherlands' University of Groningen that first whetted her appetite for international work, she says. "Experiencing the international flavour of the Queen's Law program through that exchange opened my eyes to a law degree's many possibilities."

That vaulted Queen's alumni network has blossomed since Chun's foray into the marijuana sector through Newstrike's then-Executive Chairman Scott M. Kelly (Arts'03). Two Law '06 classmates, Ranjeev Dhillon and Matt Maurer, are cannabis practitioners with whom she interacts regularly at industry events, and yet another, Sarah Crowe, assisted with Newstrike's greenhouse purchase.

Chun adds that the well-rounded law education she received at Queen's is helping in her current position when it comes to "being able to pivot to whatever needs to be addressed next. I think the Queen's Law curriculum is very good for that."

Which also may be why she's found it so easy and enjoyable to embrace her new job – plants, music, and all.

* Since this interview, Newstrike has entered into a definitive arrangement agreement under which HEXO Corp. of Quebec will acquire all Newstrike shares.

QUEEN'S LAW REPORTS 39

Promotions

'Weed kings': Tragically Hip strikes partnership with medical marijuana company Newstrike

The Tragically Hip says it's partnering with a medicinal marijuana producer to contribute "creatively to their efforts"

Toronto

Tragically Hip goes into partnership with medical marijuana upstart



Marijuana companies may have limited abilities to advertise after federal legislation is passed

 Solomon Israel · CBC News · Posted: May 30, 2017 9:27 AM ET | Last Updated: May 30, 2017



The Tragically Hip  @thehipdotcom · May 30, 2017

The Tragically Hip announce partnership with Licensed Medical Marijuana Producer - Newstrike - More info - thehip.com/cannabis



 49  518  1.2K 

Testing Take-over Rules

Tragically Hip-backed Newstrike confirms merger talks with CanniMed

The proposed deal would see Newstrike shareholders receive 3.3 CanniMed shares for every 100 they hold in Newstrike



The Tragically Hip perform on their farewell tour in 2016. Frontman Gord Downie, centre, died last month after battling brain cancer. THE CANADIAN PRESS/Jonathan Hayward

CanniMed bristles at Aurora's hostile, all-share offer to create \$3B cannabis giant

The hostile takeover bid would be 'what we believe to be the first in the space,' according to an analyst



Marijuana plants grown in one of the ten grow rooms inside Aurora Cannabis' 55,000 square foot medical marijuana production facility near Cremona, Alberta. Gord Young/Postmedia

Aurora Cannabis buys CanniMed in Canada's biggest deal

Cremona, Alta.-based Aurora agrees to pay \$43 a share in stock, cash for each Saskatoon-based CanniMed share.

CBC News · Posted: Jan 24, 2018 8:46 AM ET | Last Updated: January 26, 2018



Aaron Salz
@StoicAdvisory

Biggest winner is Newstrike \$HIP. They go from relative obscurity to front page news, ~4x valuation increase, and now \$9.5mm in free cash. Wheat Kings or Weed Kings?



1/24/18, 8:33 AM

13 Retweets 31 Likes

Left at the altar, Newstrike wasn't lonely for long

The Tragically Hip-backed brand quickly secured \$80 million in financing



Members of The Tragically Hip, including Johnny Fay, Paul Langlois and Rob Baker (left to right) at Newstrike's Up Cannabis grow room in Brantford, Ontario. Photo courtesy of David Bessito

Take a bow



NEWSTRIKE

BRANDS

HEXOTM
→ CORP

Historical Overview

- 1923 Cannabis is added to the Schedule of the Opium and Narcotic Control Act.
- 1999 / 2000 **R. v. Parker** - held that individuals with a medical need had the right to possess marijuana for medical purposes; constitutional right to use medicinal cannabis (Section 56 exemption)
- 2001 **Medical Marijuana Access Regulations** grant legal access to cannabis for individuals with HIV/AIDS and other illnesses (medical cannabis regime is born)
- 2013 **Marihuana for Medical Purposes Regulations**. Canadian medical marijuana access rules changed, shifting to licensed commercial growers for supply and away from homegrown. Some 37,800 people authorized to possess marijuana under the federal program, up from fewer than 100 in 2001

- 2015 Supreme Court of Canada, in **R. v. Smith**, decided that restricting legal access to only dried marijuana was unconstitutional; right to use and create other forms of cannabis
- 2016 **Allard v. Canada** held that requiring individuals to get their marijuana only from licensed producers violated liberty and security rights protected by section 7 of the Canadian Charter of Rights and Freedoms. The Court found that individuals who require marijuana for medical purposes did not have “reasonable access”
- 2016 **Access to Cannabis for Medical Purposes Regulations**. Regime for licensed producers

- 2017 **Cannabis Act**, October 17, 2019 allows for recreational cannabis federally; provinces are responsible for retail channels for cannabis
- 2019 **Cannabis Act** amendments to allow for new classes of cannabis including concentrates, edibles and topicals

Why the Law?

- The Plant (cultivate, distribute, sell)
- People (who can do what with the plant, regulating impairment)
- The Government (tax, regulators)
- Criminal
- Regulatory
- Immigration
- Corporate
- Securities
- Governance
- M&A / Securities
- Banking
- Litigation
- Labour & Employment

Licensing

Types of Licences (Regulation 8)

1. Cultivation
2. Processing
3. Analytical Testing
4. Sale
5. Research
6. Cannabis Drug Licence

What Do You Need For a Licence?

- Regulatory requirements
- Site build and inspection (security, municipal, security clearances, Good Production Practices)
- Cannabis Tracking and Licensing System registration (including for corporation)
- Application
- (Lots of patience and capital)

Cannabis 2.0

Current	After October 17, 2019
Dried cannabis	Edible cannabis
Cannabis oil	Cannabis extracts*
Fresh cannabis	Cannabis topicals
Cannabis plants	Dried cannabis
Cannabis plant seeds	Fresh cannabis
	Cannabis plants
	Cannabis plant seeds



FINAL REGULATIONS: EDIBLE CANNABIS, CANNABIS EXTRACTS, CANNABIS TOPICALS

	EDIBLE CANNABIS (EATING OR DRINKING)	CANNABIS EXTRACT (INGESTING)	CANNABIS EXTRACT (INHALING)	CANNABIS TOPICAL (APPLYING TO SKIN, HAIR, NAILS)
THC LIMIT	<ul style="list-style-type: none"> ▶ 10 mg of THC per package 	<ul style="list-style-type: none"> ▶ 10 mg of THC per unit (such as a capsule) or dispensed amount ▶ 1000 mg of THC per package 	<ul style="list-style-type: none"> ▶ 1000 mg of THC per package 	<ul style="list-style-type: none"> ▶ 1000 mg of THC per package
PRODUCT RULES	<ul style="list-style-type: none"> ▶ No added vitamins or minerals ▶ No nicotine or added alcohol ▶ Limits on caffeine 	<ul style="list-style-type: none"> ▶ No added vitamins or minerals ▶ No nicotine ▶ No caffeine ▶ No added sugars, sweeteners or colours 	<ul style="list-style-type: none"> ▶ No added vitamins or minerals ▶ No nicotine or alcohol ▶ No caffeine ▶ No added sugars, sweeteners or colours 	<ul style="list-style-type: none"> ▶ No nicotine or alcohol ▶ For use only on skin, hair and nails ▶ Not for use in eyes or on damaged skin
PACKAGING	<ul style="list-style-type: none"> ▶ Child-resistant ▶ Plain 	<ul style="list-style-type: none"> ▶ Child-resistant ▶ Plain ▶ Maximum package size of 90 mL for liquid extracts if under 3% THC ▶ Must include dispensing device if a liquid and not in unit form ▶ Maximum package size of 7.5 g for extracts if over 3% THC 	<ul style="list-style-type: none"> ▶ Child-resistant ▶ Plain ▶ Maximum package size of 90 mL for liquid extracts if under 3% THC ▶ Maximum package size of 7.5 g for extracts if over 3% THC 	<ul style="list-style-type: none"> ▶ Child-resistant ▶ Plain
LABEL	<ul style="list-style-type: none"> ▶ Standardized cannabis symbol for products containing THC ▶ Health Warning Message ▶ THC/CBD content ▶ Equivalency to dried cannabis to determine public possession limit ▶ Ingredient list ▶ Allergens ▶ Nutrition Facts Table 	<ul style="list-style-type: none"> ▶ Standardized cannabis symbol for products containing THC ▶ Health Warning Message ▶ THC/CBD content ▶ Equivalency to dried cannabis to determine public possession limit ▶ Ingredient list ▶ Allergens ▶ Intended use 	<ul style="list-style-type: none"> ▶ Standardized cannabis symbol for products containing THC (and directly on accessories such as vape cartridges) ▶ Health Warning Message ▶ THC/CBD content ▶ Equivalency to dried cannabis to determine public possession limit ▶ Ingredient list ▶ Allergens ▶ Intended use 	<ul style="list-style-type: none"> ▶ Standardized cannabis symbol for products containing THC ▶ Health Warning Message ▶ THC/CBD content ▶ Equivalency to dried cannabis to determine public possession limit ▶ Ingredient list ▶ Intended use
OTHER	<ul style="list-style-type: none"> ▶ Must not be appealing to youth ▶ Must not make health claims ▶ No elements that would associate the product with alcoholic beverages, tobacco products, or vaping products ▶ Must not make dietary claims ▶ Must not make cosmetic claims 	<ul style="list-style-type: none"> ▶ Must not be appealing to kids ▶ Must not make health claims ▶ No elements that would associate product with alcoholic beverages, tobacco products, or vaping products ▶ Must not make cosmetic claims 	<ul style="list-style-type: none"> ▶ Must not be appealing to youth ▶ Must not make health claims ▶ No elements that would associate product with alcoholic beverages, tobacco products, or vaping products ▶ Must not make cosmetic claims 	<ul style="list-style-type: none"> ▶ Must not be appealing to youth ▶ Must not make health claims ▶ No elements that would associate product with alcoholic beverages, tobacco products, or vaping products ▶ Must not make cosmetic claims

Disclaimer: This is not a complete list of the regulatory rules for each class of cannabis. It is also not a complete list of product examples. For more information on the amendments to the *Cannabis Regulations*, please visit Canada.ca/Cannabis.

\$1.6 billion – Edibles

\$2.7 billion – Edibles & alternatives



Immigration

- 30 grams (equivalent of dried cannabis) within Canada
- US Border issues:

A Canadian citizen working in the legal cannabis industry in Canada, coming to the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S. However, if a traveler is found to be coming to the U.S. for reason related to the cannabis industry, they may be deemed inadmissible.

Litigation

- Product Liability
- Class actions (securities law)
- Director Liability

Labour & Employment

- Cannabis Policies
- Talent & Recruitment
- Industry specific compliance
- Opportunity & Risk

Real Estate

- Landlord & Tenant
- Condominiums
- Purchase & Sale Agreements
- Mortgage

Thank you and Questions?

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