



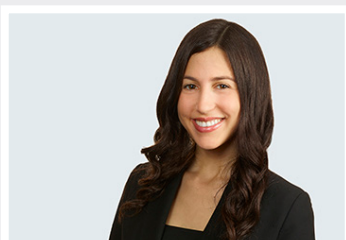
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## Is Cannabis Coming to a Pharmacy Near You? Aphria Signs Deal with Shoppers to Supply Medical Cannabis

On December 4, 2017, Aphria Inc. (“Aphria”) (TSE:APH), a Leamington, Ontario-based licensed producer, announced that after many months of discussion, it has entered into a five year agreement to supply Shoppers Drug Mart Corporation (“Shoppers”) with various dried and oil cannabis products (the “Supply Agreement”). Shoppers, which is owned by Loblaw Companies Limited, is Canada’s largest pharmacy chain with over 1,300 locations across the country.

The Supply Agreement makes Aphria the first of Shoppers’ suppliers for cannabis products. The Supply Agreement contemplates a one-way exclusivity whereby Aphria is unable to supply any other pharmacy brands with its products. This exclusivity is maintained only if Shoppers meets the minimum annual volume requirements contemplated by the Supply Agreement; such terms are not publicly available. This does not preclude Shoppers, however, from seeking to procure cannabis products from other licensed producers. As such, it is possible that Shoppers will broaden its suite of cannabis

products in the future by entering into agreements with other licensed producers.

All of this is still subject to Shoppers obtaining a license to sell medical cannabis under the *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”), which it has yet to receive from Health Canada. If granted, the products sold by Shoppers through the Supply Agreement will all be Aphria-branded. Shoppers has not announced any intention to grow cannabis or brand its own cannabis products. While Canada is on track to legalize recreational cannabis in July 2018, Aphria has indicated that all discussions with Shoppers have been focused on medical cannabis sales, not recreational.

Under the current ACMPR framework, Shoppers will not be permitted sell cannabis products at any of its physical stores across Canada. Instead, it will be subject to the same online model as other licensed producers, whereby patients register and purchase products online and have them mailed direct to their private

residence. Shoppers and Aphria, among others, are hopeful that the Government of Canada will amend the current framework to permit the dissemination of medical cannabis in pharmacies. The Government of Canada, however, has not made any announcements indicating that such a change is being contemplated.

Among those advocating for a legislative change to permit a pharmacy exception is the Canadian Pharmacists Association, which maintains that pharmacists can and should play an important role in the safe dispensing of, and education about cannabis as a medicinal drug. Accordingly, if pharmacists were permitted to dispense medical cannabis, patients would have greater access to the drug as well as professional care and oversight. Further, given their expertise and ability to access patient medication records, pharmacists would be well-equipped to help prevent, monitor and report any side effects of the consumption of medical cannabis while taking other medications. For these reasons, we suspect that in due course there will be a meaningful role for pharmacists to play in the Canadian medical cannabis regime.

The Supply Agreement is one of several deals that have been recently entered into between licensed producers and pharmacies. In March of this year, Saskatchewan-based CanniMed Therapeutics Inc. (TSE:CMED) signed a letter of intent to become PharmaChoice's exclusive medical cannabis distributor. The

letter of intent is on hold until a change is made, if any, to the legislative framework to permit pharmacies to distribute medical cannabis. Similarly, in November of this year, Maricann Group Inc. entered into a letter of intent with Lovell Drugs Inc. to be its primary and exclusive producer of medical cannabis. It remains to be seen whether other major chains such as Rexall and Jean Coutu will follow suit and enter into the medical cannabis market through supply agreements with licensed producers.

It is certainly expected that the involvement of a respected national brand such as Shoppers and other established pharmacies will enhance the legitimacy of the cannabis industry and the use of the drug for medical purposes. The key question that remains is whether the Government of Canada will permit in-store sales of cannabis products at pharmacies. It also remains to be seen how the legalization of recreational cannabis will change the medical cannabis landscape, as many provinces have introduced regulations that contemplate in-store sales of recreational cannabis whereas medical cannabis may only be sold online under the current ACMPR regime.

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