



**AGREEMENT RELATING TO THE DIRECT SALE AND DELIVERY OF BRITISH
COLUMBIA MANUFACTURED PRODUCT – BREWERY**

This agreement is effective the day the Manufacturer is licensed by the Liquor and Cannabis Regulation Branch to manufacture Products covered by this Agreement.

BETWEEN: HIS MAJESTY THE KING IN RIGHT OF THE PROVINCE OF
BRITISH COLUMBIA as represented by the General Manager of the
LIQUOR DISTRIBUTION BRANCH
3383 Gilmore Way
Burnaby, BC V5G 4S1
(the “LDB”)

AND:

Name of Holder of Brewery Licence

Name of Brewery Establishment for which a Brewery Licence is issued

Address of Holder of Brewery Licence

Address of Brewery Establishment

(the “Manufacturer” or “you” or “your” as the context requires)

WHEREAS:

- A. The Manufacturer is licensed by the Liquor and Cannabis Regulation Branch to manufacture a specific type of liquor and is authorized by the LDB to directly sell and deliver that liquor to specific customers in the Province of British Columbia.
- B. You are classified as a Brewery by the LDB.
- C. Your sale of liquor you manufacture and your accounting of such sales must be in accordance with the terms and conditions set out in this Agreement.
- D. This Agreement is authorized under Section 5 of the *Liquor Distribution Act*.

FOR GOOD AND VALUABLE CONSIDERATION, THE PARTIES AGREE AS FOLLOWS:

Definitions and Authorization

1. For the purposes of this Agreement any capitalized terms have the meaning set out in the Definitions found in Appendix B or as defined in the Applicable Legislation unless indicated otherwise.
2. This Agreement authorizes you, as a holder of a Manufacturer Licence issued under the Applicable Laws, to sell your Products to specified Wholesale Customers, Hospitality Customers and Special Event Permittees in British Columbia under the terms and conditions set out in this Agreement.
3. For greater certainty, this Agreement, while authorizing the sale of your Product to your retail store authorized under your Manufacturer On-site Store Endorsement, is not applicable to any sales you make to your allowable retail customers through this on-site store.
4. As a Manufacturer, you acknowledge/warrant that:
 - a. You are licensed as a manufacturer under the Applicable Laws;
 - b. If your Manufacturer Licence has a Manufacturer On-site Store Endorsement, you are registered for sales taxes that apply to the Products that you sell. You will charge, collect and remit appropriate taxes directly to the relevant tax authorities including all federal or provincial taxes that may be collectable on any of your sales transactions. You accept liability for unpaid taxes and any related penalties or interest;
 - c. All Product will be of merchantable quality;
 - d. You will store your Product at your Licensed Establishment or Warehouse and will provide written notification of Warehouse locations as set out in the Reporting Requirements and Procedures;
 - e. All costs, risks and liabilities with respect to your Product, its sale and any sale proceeds (including losses or damages arising out of the manufacture, transport, storage, sale return/exchange, destruction or consumption of Product) are for your account; and
 - f. You are not authorized to sell any other type or kind of liquor other than Product of your Licensed Establishment, unless otherwise authorized by the LDB, Liquor and Cannabis Regulation Branch or under the Applicable Laws.

Sale and Delivery of Product

5. All Products you sell in the province must be registered with the LDB.
6. Subject to LDB policy, you may sell Product to Wholesale Customers and deliver such Product to them and any sale must be at the Wholesale Price.
7. Subject to LDB policy, you may sell Product to Hospitality Customers and deliver such Product to them and any sale must be at the Wholesale Price.

8. Subject to LDB policy, you may sell Product to Special Event Permittees and delivery such Product to them and any sale may be at the price you set but such a price is subject to Applicable Laws.
9. You must obtain from each Wholesale Customer, Hospitality Customer and Special Event Permittee full payment for all Product sold prior to transferring possession of such Product to the purchaser, unless otherwise authorized by the LDB.
- 9.1 You must have in place and maintain a PAD Account and at least once per week you must deposit into your PAD Account the Remittance Funds received that week for Product sold.
10. By way of set-off, you will retain your proceeds from the sale of Product, including the cost of Product sold, from the funds described in Section 9. For greater clarity, your proceeds from the sale of Product will be equal to the funds described in Section 9 less the Remittance Funds.
11. Subject to Section 10, you must hold all monies, including all cash and monetary equivalent of all non-cash forms of payment you accept (e.g. credit card receipts, debit card receipts) from Wholesale Customers, and Hospitality Customers, but not Special Event Permittees (see Reporting Requirements and Procedures), received for Product sold, in trust for the LDB until the LDB debits the Remittance Funds from your PAD Account.
12. Any shortage or deficiency in the weekly reporting of sales will be treated as trust funds owed to the LDB and the LDB may collect the Remittance Funds due and owing to the LDB in respect of those sales by:
 - a. set off from any payments, howsoever arising, owing by the LDB to you, or
 - b. any other form of payment as agreed to by the LDB.
13. All costs associated with the sale and delivery of Product to Wholesale Customers, Hospitality Customers and Special Event Permittees and the reporting of such sales, including all costs of compliance with any processing requirements, service fees or bank charges for the acceptance/use of debit or credit cards and all expenses or losses (including the acceptance of counterfeit monies) due directly or indirectly to the form of payment accepted, are for your account.

Records and Sales Report Requirements

14. You must create and retain the Records.
15. You must provide Sales Reports to the LDB.
16. You must retain the Records, Sales Reports and Excise Documents for a period of six years.

Inspection and Audit Requirements

17. You must conduct an annual inventory count of all Product in your possession or control physically located in British Columbia no matter where situated in the province, as set out in the LDB Brewery Sales Agreement – Last updated December 14, 2022

Reporting Requirements and Procedures. Such a count must be performed at your cost, and if specifically requested by the LDB, must be conducted by an independent third party qualified to perform such services at your cost.

18. You must submit or make the Records, Sales Reports and Excise Documents available to the LDB as we direct. Any of our authorized representatives may inspect, copy, or audit any Records, Sales Report and Excise Documents at any time.
19. In addition to the count referred to in Section 17, the LDB may at any time conduct an inspection or audit at your Licensed Establishment or Warehouse to verify inventory at the location where Product is stored or under your possession or control and to verify compliance with the Reporting Requirements and Procedures.
20. If any inspection or audit of your Licensed Establishment, Warehouse, Records, Sales Reports or Excise Documents discloses that you have acted in a manner contrary to the terms and conditions of this Agreement, you must pay us the expenses associated with the inspection or audit, and any payment assessed as due and owing as a result of your failure to comply, as determined by the LDB using reasonable audit standards.

Product Not Accounted For

21. If the LDB determines after a review of Product inventory, Records, Sales Reports and/or Excise Documents, that you are responsible for Lost Product, you will be charged mark-up for such Lost Product. The mark-up charged will be based on the Lost Product being treated as having been sold to you at the Wholesale Price, as applicable in the Audit Period. You will also be responsible for interest on the mark-up charged, calculated at the rate equal to three percentage points above Prime, compounded monthly for the duration of the Audit Period. In addition to the mark-up plus interest, you will be charged for the container deposits and container recycling fees associated with the Lost Product, plus any applicable taxes. The LDB will issue you an invoice for these amounts, after which interest may be charged on any outstanding accounts in accordance with Applicable Laws. Such amounts may be collected by the LDB by way of set off from any amounts the LDB owes you, howsoever arising or as otherwise agreed by the parties.

Insurance and Indemnity

22. You must purchase and maintain sufficient insurance, as a reasonably prudent business operator, to cover your liabilities under this Agreement and to ensure your ability to indemnify the LDB in accordance with the terms of this Agreement. You must provide the LDB with a copy of your Certificate of Insurance upon request.
23. You must indemnify and save the LDB (including its employees, agents or contractors) harmless from all losses, damages, claims, actions, causes of actions, costs, and expenses (including legal expenses) that the LDB may suffer or be put to at any time which are in any way based upon or arise out of this Agreement including any of your acts or omissions or those of your employees, officers, directors, agents or contractors.

Noncompliance and Termination

24. If you:
- a. no longer are licensed by the Liquor and Cannabis Regulation Branch as a Licensed Establishment;
 - b. do not hold or deposit the Remittance Funds as required under this Agreement;
 - c. do not provide the Sales Reports as required under this Agreement;
 - d. do not provide Records or Excise Documents, or allow an inspection or audit of your Licensed Establishment or Warehouse as required under this Agreement;
 - e. do not hold an annual count as required under this Agreement; or
 - f. act in a manner contrary to any other provision of this Agreement and do not remedy such actions within thirty days of receiving notice from the LDB to rectify your actions (each an “Event of Default”) then the LDB may take one or more of the actions set out in Section 24.1.
- 24.1 On the happening of an Event of Default, or at any time thereafter, the LDB may, at its option, elect to do any one of more of the following:
- a. by written notice to you, require that the Event of Default be remedied within a time period specified in the notice;
 - b. seek reimbursement for expenses (e.g. for NSF) the LDB incurs as a result of the Event of Default;
 - c. charge interest on overdue accounts in accordance with Applicable Laws;
 - d. report your noncompliance with this Agreement to the Liquor and Cannabis Regulation Branch;
 - e. withhold your registration of any new Product;
 - f. require you to provide a letter of credit from your financial institution;
 - g. pursue any remedy or take any other action available to it at law or in equity;
 - h. suspend this Agreement thereby suspending your authorization to conduct sales in accordance with the terms of this Agreement; or
 - i. terminate this Agreement thereby revoking your authorization to conduct sales in accordance with the terms of this Agreement.
25. The LDB is not responsible for any losses you may suffer as a result of the LDB electing to take any one or more of the actions outlined in Section 24.1 including suspension and/or termination of this Agreement, made in good faith, based on the information available to the LDB at the time those actions were taken.

Information

26. You and the LDB will have access to and receive information about each other and others including information about sales to customers. The LDB is subject to provisions of the *Freedom of Information and Protection of Privacy Act*. You acknowledge that all or part of the information you are required to keep, may be information deemed to be under the control of

the LDB and may be subject to the provisions of *Freedom of Information and Protection of Privacy Act* if a request is made to the LDB for such information.

27. You consent to the exchange of any information related to your storage, sale and delivery of Product with entities that may have need of this information for the operation of their own programs including but not limited to the Liquor and Cannabis Regulation Branch, and provincial Consumer Taxation Branch and will execute any further documents necessary to allow such exchange to occur.

General

28. This Agreement is governed by, and is to be interpreted and construed in accordance with the laws applicable in British Columbia.
29. You must comply with the Reporting Requirements and Procedures as revised from time to time as applicable to your type of manufacturing facility.
30. You must comply with all Applicable Laws, and any other applicable laws, statutes, regulations, bylaws, orders, directives, policies and procedures of general application imposed by the LDB or its General Manager, or by any other governmental authority (federal, provincial or municipal) which affects the importation, transport, manufacture, storage, sale, delivery or consumption of liquor or in any way related to the performance of the services you provide.
31. This Agreement and its terms and conditions which authorize you to sell and deliver Product reflect current government policies applicable to your type of manufacturing facility. Government policies, however, may be changed without prior notice to you. Should such policies change, all or part of the terms and conditions in this Agreement may be revoked or unilaterally changed by the LDB to reflect the then current policies in place. You will be notified of changes in the terms and conditions that affect your type of manufacturing facility in due course. You acknowledge that these changes may occur and agree to either adhere to any revised terms and conditions, or that this Agreement will be terminated, all without any claim against the LDB for losses such revisions or termination may cause you.
32. Any trust funds, debts or amounts owed by you to the LDB, howsoever arising, will survive the termination of this Agreement and any other sections of this Agreement which, by their terms or nature are intended to survive the termination of this Agreement will continue in force indefinitely, even after this Agreement ends.
33. If any term or condition of this Agreement cannot be enforced, the provision is to be considered separate and removable from this Agreement.
34. You must not assign any of your rights under this Agreement without the LDB's prior written consent, but the LDB may assign all or any part of this Agreement without your consent.

35. A waiver of any term or breach of this Agreement is effective only if it is writing and signed by or on behalf of, the waiving party and is not a waiver of any other term or breach.
36. This Agreement and its Appendices (Appendix A Reporting Requirements and Procedures and Appendix B Definitions) form the entire agreement between the parties and should a conflict arise between the wording of this Agreement and the wording in the Appendices, the wording of this Agreement will take precedence.
37. Any communications related to this Agreement (including any notice provisions) may be made by prepaid mail (assuming no work stoppage by Canada Post), hand-delivered, by facsimile or e-mail as follows:

to the LDB, addressed to:

Chief Financial Officer, Finance, LDB
3383 Gilmore Way
Burnaby, BC V5G 4S1
Facsimile: (604) 775-0536
Email: regemail@bcladb.com

to the Manufacturer, addressed to:

Name _____
Position _____
Address _____

Phone _____
Facsimile _____
E-mail _____

38. Any notice mailed will be treated as if received on the fifth business day after the date of mailing. Any notice received by facsimile or e-mail, will be treated as received on the same day of sending if received before 4:00 pm, or on the next business day, if received after 4:00 pm.
39. Notwithstanding the date of execution and delivery of this Agreement, this Agreement will be effective as of the day you are licensed by the Liquor and Cannabis Regulation Branch to manufacture Products covered by this Agreement.

40. This agreement may be entered into by a separate copy of this Agreement being executed by, or on behalf of, each party and that executed copy being delivered to the other party by a method provided for in Section 37.

Agreed to by the parties:

Province of British Columbia as represented by the Liquor Distribution Branch

Signature _____
Name _____
Title _____
Date _____

Manufacturer

Manufacturer Name _____

Authorized Signatory (1) _____

Print Name _____

Title _____

Date _____

Authorized Signatory (2) _____

Print Name _____

Title _____

Date _____

Appendix A

Brewery – Reporting Requirements and Procedures

1. Introduction

The purpose of this document is to describe the reporting requirements of the British Columbia Liquor Distribution Branch (“LDB”) with regard to operating a Brewery in British Columbia.

This document also serves as Appendix A to the Agreement Relating to the Direct Sale and Delivery of British Columbia Manufactured Product – Brewery (“Agreement”). Provisions in the Agreement require adherence to the requirements set out in this document.

The definitions in the Agreement will apply to this document unless indicated otherwise.

Any questions regarding the information in this document should be directed to:

Liquor Distribution Branch
Attention: Finance – Regulatory and Compliance
– Private Distributors Reporting
3383 Gilmore Way
Burnaby, BC
V5G 4S1

Or by Email: wpdr@bcldb.com
Phone: 604-252-7564

2. Brewery Reporting

As a Brewery, you are required to regularly report information about the sales of your packaged beverage alcohol and your annual product movement. Sections 2 and 3 of this document describe in detail what this information is and how you need to report it.

2.1 Why Report

The LDB requires you as a Brewery to report information on your sales of your packaged beverage alcohol to your customers in British Columbia (the “Sales Reports”) in order to fulfill the LDB’s reporting and revenue collection responsibilities to the Provincial Government. The LDB and the Provincial Government use the information you provide for monitoring, reporting, and financial control purposes.

2.2 When to Report

It is important that you report your sales in a timely manner. LDB reporting is done based on **Financial (Fiscal) Year** calendar which is different from a calendar year:

- fiscal year begins on April 1 and ends on March 31 of the following year;

Appendix A
Brewery – Reporting Requirements and Procedures

- each fiscal year is comprised of 12 fiscal periods;
- each fiscal period is based on 4-5 full weeks (except last period which always ends on March 31); and
- each fiscal week spreads from Sunday through Saturday.

A current copy of the Financial (Fiscal) Year calendar can be found here: www.bcldb.com/direct-sales-web-reporting-user-guides.

You are required to report to the LDB on your daily sales-related activities. The LDB must receive your Sales Reports no later than the first business day of the week following each week of sales.

If you did not process any sales or returns in any given week, or plan to temporarily cease sales operations for a longer period, please email Data Management at the LDB Finance department.

2.3 What to Report

2.3.1 General Rules on Sales Reporting

The rules listed below are applicable to reporting sales to all customer types. Rules specific to individual customer groups are listed in Sections 2.3.2 through 2.3.4 below. See Exhibit A for rules on pricing to each customer type.

1. You are required to report sales of packaged beverage alcohol by your Brewery to your Wholesale Customers, Hospitality Customers and Special Event Permittees. Do not include your sales to the BC (Government) Liquor Stores or LDB Distribution Centres.
2. Report your sales of packaged Product from your Manufacturer On-site Store Endorsement at the Wholesale Price as sales to your on-site store. Do not report your sales made to final consumers from your on-site store.
3. When transferring Product to your brewery lounge or special event areas operated under endorsements to your Manufacturer's Licence, report the transfer as a sale to your on-site store (i.e., a Wholesale Customer) at the Wholesale Price providing your LDB-issued store number as a customer number. Do not report your sales made to final consumers from those endorsements. Further explanations on how to report sales to your on-site store will be found in Section 2.3.2.
4. Do not report your sales outside of British Columbia. You must however keep all the records related to all sales and dispositions of your products for annual filing of the Packaged Product Movement Summary attached as Exhibit B ("Product Movement Summary") and possible audit.

Appendix A
Brewery – Reporting Requirements and Procedures

5. Sales to Ship Chandlers should not be reported as they are treated as export shipments out of British Columbia.
6. Any packaged beverage alcohol including growlers you use for promotion, tasting or sampling purposes, or provide to your employees or customers must be purchased from your on-site store or another authorized retailer. If the Product for sampling or tasting was taken from your Brewery inventory, it must be reported by the Brewery as a sale to your on-site store.
7. You may sell Product to Special Event Permittees. You must report such sales as sales to your on-site store, if you have a Manufacturer On-site Store endorsement. If you do not have such an endorsement you may sell to Special Event Permittees and must report such sales as if you had an on-site store.
8. Please note that your Product SKUs must be registered and the Wholesale Price set up by the LDB before you can start selling these Products. You should not process any sales until the pricing is completed by the LDB. Please contact LDB Wholesale department (or such other department as the LDB may advise from time to time) on how to register your products.
9. Growlers have to be registered by the LDB and reported as packaged Product sales to your onsite-store only if you are filling the growlers directly out of your beer tank. If you are transferring a keg to your on-site store and then filling growlers from it, report the sale of the keg to the on-site store.
10. All sales must be reported in selling units as per LDB product registration. If a Product is registered and priced as a 6-pack then for each unit sold, the quantity reported must be '1', and the price is per a 6-pack.
11. Container recycling fee is included in the Wholesale Price.
12. You must collect and remit a container deposit on all your sales to Wholesale and Hospitality Customers and Special Event Permittees as per the rate schedule established by the container stewardship organizations effective on the date of transaction. Please see the Container Deposit Schedule currently in effect: www.bcldb.com/direct-sales-web-reporting-user-guides. The LDB will transfer the container deposit to the container stewardship organization on your behalf.
13. If your Brewery reported a sale in a metal refillable keg you must collect the refillable keg deposit from your Wholesale Customers, Hospitality Customers and Special Event Permittees including sales to your on-site store and endorsements and report it to the LDB. The LDB will include the refillable keg deposit into the payment back to the brewery; therefore, when the net payment is collected from the brewery, the refillable keg deposit reported on sales of Product will be offset by the refillable keg deposit amount paid back to the brewery so the net cash impact will be nil.

Appendix A
Brewery – Reporting Requirements and Procedures

14. The reporting is done by creating sales documents and compiling these sales documents into a batch before submission. You can include documents from prior periods into a batch, for example, to correct errors or report missing transactions, but cannot report sales for future dates. Once your batch has been submitted and passed through the LDB systems, you will receive the following email notifications:
- LDB Cost Details for Direct Sales report listing the supplier cost of products, and applicable GST and metal refillable keg deposits pertaining to the reported sales; and
 - LDB Pre-Authorized Debit (PAD) Settlement Notification report indicating the amount to be withdrawn from your PAD Account.
15. Please refer to Exhibit A for the taxes and price applicable to each customer type.

Please refer to the next Sections for reporting requirements on sales to specific types of customers.

2.3.2 Reporting Wholesale Sales of Packaged Products to Your Manufacturer On-site Store

You must report to the LDB on a weekly basis all sales and returns of Products to your on-site store operated under your Manufacturer On-site Store Endorsement.

Your brewery must have registered for and received a PST (Provincial Sales Tax) registration number to be able to sell products from your endorsement areas.

Report the following as sales to your Manufacturer On-site Store:

- Product sold through your on-site store;
- Product sold to your lounge or special event endorsement area;
- Product sold at farmers markets to retail customers;
- Product you have used for tasting and sampling or given to your employees; and
- Product sold to Special Event Permittees.

If the sale price had not changed during a reporting week, you can report the net sales (sales net of returns) for the period by product SKU on a single sales document. Alternatively, you can report each sale and return transaction individually as you process them.

The following information is required for online reporting:

- **Transaction Date** – the date when the wholesale sale or return occurred. If you report all **net** (value of sales less returns) wholesale sales for a period on a single document, use the last day of the reporting week as a transaction date. The date defines the price being in effect for all transactions reported on this document.
- **Transaction Number (Invoice Number)** – a reference number that uniquely identifies

Appendix A
Brewery – Reporting Requirements and Procedures

the wholesale sale or return document.

- **Customer Type** – use “MOS” Manufacturer On-site Store.
- **Customer Number** – use your LDB-issued store number. For example, if you report your sales as store number 999, select customer number ‘999’ to report your retail sales to your on-site store.
- **LDB Product Number** – (SKU) and description.
- **Price** – Wholesale Price per selling unit.
- **Quantity** – sold in selling units as per the LDB product registration.
- **Container Deposits** – container deposits you collected. Please note that the LDB online reporting system will calculate the deposit amount but you may want to compare it with the amount you collected to identify any errors.

2.3.3 Reporting Sales and Returns to/from Hospitality Customers and Wholesale Customers Except Your On-site Store

You must report to the LDB on a weekly basis all sales and returns of Products to Hospitality Customers and Wholesale Customers. For such sales:

1. The customer’s Liquor and Cannabis Regulation Branch (“LCRB”) issued licence number must be valid and the customer must be eligible to purchase alcohol for resale on the date of the sale.
2. The customer must have registered for and received a PST (Provincial Sales Tax) registration number.
3. Each individual sale or return must be reported on a separate document, indicating the customer’s LCRB licence number.
4. The reporting must be completed using the Wholesale Price and tax rate effective on the date of the sale.

The following information is required for online reporting for Hospitality Customer and Wholesale Customer sales/returns:

- **Store number** – enter your reporting store number.
- **Document type** – identify if this is a sale or return.
- **Transaction date** – the date when the original sale occurred (system pricing in effect according to date).
- **Invoice reference number** – a reference number that uniquely identifies the sale or return document.
- **Original invoice number** – only for returns – a reference number that was used in the original sale of the Product.
- **Customer number** – the customer’s licence number assigned by the LCRB, or a store number for Wine stores as assigned by the LDB.
- **Customer type** - (e.g. Hospitality Customer, Licensee Retail Store, Rural Licensee Store, etc.) based on the information in Exhibit A.

Appendix A
Brewery – Reporting Requirements and Procedures

- **Payment method** – ‘cash’.
- **SKU** – an identification number that will provide information to the system of the Product being sold or returned.
- **Selling Price** – Wholesale Price effective on the date of the transaction.
- **Quantity** – sold, in selling units.
- **Quantity** – sold, in selling units.
- **Container Deposits** – container deposits you collected. Please note that the LDB reporting system will calculate the deposit amount owed based on the sales reported but you may want to compare with the amount you collected to identify any errors.
- **Return Reason Code** – code which identifies the reason the Product is being returned, if applicable.

2.4 How to Report

Unless you have been authorized by the LDB to report in another manner, all reporting must be done online through the Internet via the LDB application used for reporting called Direct Sales Web Reporting (“DSWR”). DSWR is a very simple and intuitive application that uses a secured gateway built by the Provincial Government to grant business and individuals on-line access to various provincial government services.

LDB has developed very comprehensive user manuals for DSWR system that are available at: www.bcldb.com/direct-sales-web-reporting-user-guides

The application can be accessed from the following page:
<http://www.bcldb.com/doing-business-ldb/direct-sales-reporting>

For any new Brewery, shortly after the signing of your Agreement, you will:

- be assigned a LDB-issued store number (3- or 4- digit number) to use when reporting;
- receive by email the full package of instructions on how to register, access, and use the DSWR application; and
- be offered to schedule an optional web-based training session on using the DSWR reporting application.

Please note that you need to apply for a BCeID account through www.bceid.ca to start reporting. The registration process may take up to 4 weeks, so please apply in advance to avoid delays.

If you are using a bookkeeping service to assist you with reporting and filing, you need to register your company as well as your representatives for BCeID first, and then grant your representatives permissions to use online services on your behalf.

2.5 Alternative Reporting Options

LDB offers an alternative reporting system if your organization uses a computerized system to process sales and returns and you need an effective tool to report a significant number of transactions. This system will allow you to upload your file in a LDB-specified .CSV format to the

Appendix A

Brewery – Reporting Requirements and Procedures

LDB server. You may need to make changes to your system to enable it to produce the file in the format according to the .CSV specification the LDB provides. Please contact LDB Data Management to obtain the upload file specification and further instructions or access this information at: www.bclddb.com/direct-sales-web-reporting-user-guides.

3. Product Movement Summary

3.1 Purpose

You are required to report, on an annual basis, the movement of your packaged beverage alcohol in British Columbia. The **Product Movement Summary** form is attached as Exhibit B to these Reporting Requirements and Procedures. This report is used by the LDB to ensure that your Product is duly accounted for. Any unaccounted for Product will be dealt with as set out in the Product Losses section of this Agreement, as further explained below.

3.2 Report Completion

3.2.1 Generally

- **For the Period** – The annual period covered is April 1 to the following March 31. Enter the appropriate year. For the first year of operation, the reporting period is from the date you began your operations to March 31.
- **Types of Product** – You must account for the movement of all Product.
 - **Packaged (Bottles/Cans/Growlers/Kegs)** – This refers to all Product packaged in all vessels including cans, bottles, growlers and kegs
- **Unit of Measure** – Hectolitres (1 hectolitre = 100 litres).

3.2.2 For Each Type of Product You Report, You Need to Complete the Following Details:

- **Opening Inventory** – Report the total hectolitres of packaged beverage alcohol you store in any Warehouse located in British Columbia as at the beginning of business on April 1 (the start of your 12 month reporting period).
- **Production** – Report the total hectolitres of packaged beverage alcohol you produced at your manufacturing facility during the 12 months ending March 31. This total should include any packaged beverage alcohol other British Columbia manufacturers made for you during the 12 months ending March 31.
- **Product Returns** – Report the total hectolitres of packaged beverage alcohol that your customers returned to you. For the subsequent disposition of the returned Product, include these movements of your inventory in the appropriate columns of the Product Movement Summary (for example: include it in the 'Breakage, Defective Reported to CRA' column if you destroyed it and declared such destruction to the Canada Revenue Agency (CRA), or include it in 'Total Shipments to the LDB for LDB Distribution' or

Appendix A

Brewery – Reporting Requirements and Procedures

'Total Direct Shipments to Wholesale & Hospitality Customers in BC (including your On-Site Store)', as applicable).

- **Packaged Product Transferred in From Other Provinces** – Report the total hectolitres of packaged beverage alcohol that was transferred in from a related brewery located elsewhere in Canada during the 12 months ending March 31.
- **Total Additions** - This is a calculated total arrived at by adding the 2 columns – 'Production' and 'Product Returns'.
- **Total Product Available** - This is a calculated total arrived at by adding the 2 columns 'Opening Inventory' and 'Total additions'.
- **Shipments to Other Provinces** - Report the total hectolitres of packaged beverage alcohol you shipped outside of British Columbia but within Canada. For example: You would include any shipments you made to the Alberta Gaming and Liquor Commission in this total. Ensure you include the hectolitres you physically shipped to the other Canadian provinces during the 12 month reporting period which may not necessarily be the same as the volume you sold during the same time period (as is the case when Product is held in other provinces on a consigned basis).
- **Shipments Out of Canada** – Report the total hectolitres of packaged beverage alcohol you physically shipped out of Canada during the 12 months covered by the Product Movement Summary.
Note: Any sales made in British Columbia to Ship Chandlers during the 12 months covered by the Product Movement Summary should be included in the 'Shipments out of Canada' column.
- **Total Product Available in BC** – This is calculated by deducting the volume reported as 'Shipments to other Provinces' and 'Shipments out of Canada' from the volume reported as 'Total Product Available'.
- **Total Shipments to the LDB for LDB Distribution** – Report the total hectolitres of packaged beverage alcohol you physically shipped to the LDB Distribution Centre for LDB Distribution during the 12 months covered by the Product Movement Summary.
- **Total Direct Shipments to Wholesale & Hospitality Customers in BC (including your On-Site stores)** – Report the total hectolitres of packaged beverage alcohol products you physically direct shipped to any Wholesale (including on-site store) and Hospitality Customers in BC including any packaged beverage alcohol you used for tasting and sampling purposes and including any shipments made to the LDB during the 12 months covered by the Product Movement Summary.
- **Total Other Deductions** – Report the total hectolitres of all Product that you "wrote off" either by destroying it or through "breakage" or inventory count adjustments.

Appendix A
Brewery – Reporting Requirements and Procedures

- **LDB Exempted Deductions** – If an unusual event occurs at the manufacturing facility or Warehouse which results in the loss of packaged beverage alcohol, such as a major forklift accident in the Warehouse or shelving collapsed, the LDB will consider exempting these deductions from mark-up. However, each exemption must be approved by the LDB in writing.
- **Breakage, Defective Allowed by CRA** – If you reported any of the destroyed Product to the Canada Revenue Agency (CRA) to claim the Excise Duties you paid, you must separately report the volume in this field.
- **Other Breakage, Adjustments & Write-offs** – Report the total hectolitres of ‘Other Breakage, Adjustments & Write-offs’ that are not included in either ‘Total Shipments to the LDB for LDB Distribution’ or ‘Total Direct Shipments to Wholesale & Hospitality Customers in BC (including your On-Site Store)’.
- **Total Deductions** – This is a calculated sum of ‘Breakage Defective Allowed by CRA and/or LDB’ and ‘Other Breakage, Adjustments & Write-offs’.
- **Closing Inventory – Calculated** – This is calculated by deducting the ‘Total Shipments to the LDB for LDB Distribution’, ‘Total Direct Shipments to Wholesale & Hospitality Customers in BC (including your On-Site Store)’ and ‘Total Deductions’ from the ‘Total Product Available in BC’ column of the Product Movement Summary.
- **Closing Inventory – Physical** – You are required to physically count the inventory (packaged beverage alcohol) you have on hand in any Warehouse in British Columbia. The inventory that you physically counted (converted to hectolitres) should be reported in the ‘Closing Inventory – Physical’ column of the Product Movement Summary. Ensure you retain the inventory count sheets which record the inventory physically counted on March 31 along with the Brewery’s inventory records.
- **Difference** – This is calculated by deducting the ‘Closing Inventory – Calculated’ total from the ‘Closing Inventory – Physical’ total reported on the Schedule A.
- **LDB Shrinkage Allowance Calculation** – The shrinkage allowance takes into account an acceptable volume of packaged beverage alcohol that may be consumed or written-off in BC activities. By allowing this, a manufacturer does not have to fully document each instance of breakage/destruction which may occur. The rate depends on the annual production volume of the manufacturer. The current rate of the LDB shrinkage allowance is 0.5% of ‘Total Calculated Product Moved in BC’ for the annual production of beer for Breweries with worldwide production level of less than 350,000 hectolitre and 0.3% of ‘Total Calculated Product Moved in BC’ for the annual production of beer for Breweries with worldwide production level is greater than 350,000 hectolitres.
- **Self-Assessment Calculation** – This portion of the Product Movement Summary calculates the ‘Total Deductions Subject to LDB Mark-up’. If the amount is positive,

Appendix A

Brewery – Reporting Requirements and Procedures

you owe the LDB for product losses calculated in accordance with section 21 of this Agreement.

- **Other** – With the submission of your Product Movement Summary, you must provide the LDB a listing of all the Warehouses located in British Columbia where you stored any of your packaged products as at March 31.

3.3 Report submission

The completed Product Movement Summary and your listing of Warehouse locations must be sent annually to the LDB by June 30 at:

BC Liquor Distribution Branch
Attention: Finance - Finance Wholesale –
Regulatory and Compliance
3383 Gilmore Way
Burnaby, BC V5G 4S1

Or by Email: regulatory.reports@bclldb.com

3.4 Audit

The LDB regularly audits the Product Movement Summary received from manufacturers. If you are selected for an audit, the LDB will normally contact you in advance and make arrangements for the audit.

4. Information the LDB Provides to the Brewery

The information the LDB will provide you includes the following:

- LDB Cost Details for Direct Sales Report;
- LDB Pre-Authorized Debit (PAD) Settlement Notification; and
- At the end of each fiscal period you will receive a statement of account summarizing all transactions during that period.

5. Brewery Records

As a manufacturer producing and handling packaged beverage alcohol in British Columbia you are also required to maintain adequate business records that clearly demonstrate your ability to account for all beverage alcohol you handle.

At a minimum, the records you maintain and retain need to be sufficient so that any reasonable third party reviewing your records can determine the following regarding your packaged beverage alcohol (malt liquor, beer, etc.):

- The amount you currently store anywhere in British Columbia, including identifying the

Appendix A

Brewery – Reporting Requirements and Procedures

specific Warehouses where your Product is stored. As a Brewery, you are required to physically count your inventory at the close of business on March 31 each year. Also, you are required to retain your physical count sheets that clearly identify the Product you counted at each of your Warehouse locations.

- The amount you produced in your Brewery.
- The amount a third party produced and/or bottled in British Columbia on your behalf.
- The amount of packaged beverage alcohol you transferred into British Columbia from a related brewery located elsewhere in Canada (if applicable).
- The amount you disposed of for quality control purposes or general destruction (and which you reported to the Canada Revenue Agency to recover the Excise Duties paid).
- The amount you wrote off as a result of breakage or adjusted your inventory as a result of inventory counts.
- The amount that you shipped to other provinces of Canada, including sufficient documentation to clearly evidence that this product physically left British Columbia.
- The amount that you sold to your authorized customers in British Columbia.

Any packaged beverage alcohol you use for promotional, tasting or sampling purposes or provide to your employees cannot be taken from your Brewery's inventory. All packaged beverage alcohol used for these purposes must be purchased from either your on-site store or any other authorized retailer.

All the records referred to above must be retained at your licensed Brewery's office in British Columbia unless otherwise authorized by the LDB. These records must be kept for a period of not less than six years following the end of each calendar year.

You must make all your records available if any authorized representative of the LDB conducts an inspection or audit, including allowing access to any premise wherein your packaged beverage alcohol is stored.

If the inspection or audits referred to above disclose a breach of the Agreement, you must pay the costs and expenses of the inspection or audit and any payments assessed as due and owing, as determined by the LDB using reasonable audit standards.

Appendix A
Brewery – Reporting Requirements and Procedures

Exhibit A – Customer Types and Pricing

The Table below provides the applicable customer types, pricing and tax to be collected on your sales, reported and remitted to the LDB.

Customer type	Code	Pricing	TAX
Manufacturer on site	MOS	Wholesale Price	GST
Hospitality	LIC	Wholesale Price	GST
Licensee Retail Store	LRS	Wholesale Price	GST
Rural Licensee Retail Store	RLRS	Wholesale Price	GST

Exhibit B – Product Movement Summary

Product Movement Summary Report

Store Number:
 Name of Brewery:
 (All amounts in \$/hectolitre)

Product Movement Summary - BC Brewery
 For the Period: April 1, 2016 - March 31, 2017

Type of product	Opening Inventory	Total Additions			Total Product Available	Total Shipments out of B.C.		Total Product Shipments Available in B.C.	Total Shipments to the LDB for Distribution	Total Direct Shipments to Wholesale & Hospitality Customers in BC (including your On-Site stores)	Total Other Deductions			Closing Inventory		Difference	
		Production	Product Returns	Packaged beer transferred from other Provinces		Total Net Additions	Shipments to Other Provinces/pt of Canada				Shipments to Wholesale & Hospitality Customers in BC	Less: Breakage Defective Allowed by CRA and/or LDB	Other Breakage, Adjustments, & Write-offs	Total Deductions	Calculated		Physical
Column Reference	A	1	2	3	B = 1+2+3	C = A+B	D	E	F = C-D-E	G1	G2	4	5	H = 4+5	I = F-G-H	J	K = I-J
Packaged (including kegs & Growlers)																	

LDB Shrinkage Allowance Calculation		Packaged (#/Hl)
Total Product Available in B.C. - Include the balance of Column F	Less: Closing Inventory - Include the closing balance as at March 31 (Column I)	
Less: Breakage Defective Allowed by CRA and/or LDB (Column 4 Note 2)	Equals: Total Calculated product moved in B.C.	
Multiply by: LDB Allowance Rate	Annual production is less than or equal to 300,000 HL, use 0.5%; otherwise use 0.7.	0.5%
Equals: LDB Shrinkage Allowance		

Self-Assessment Calculation		Packaged (#/Hl)
Total other deductions - Include the balance of Column H	Equals: Sub Total	
Less: LDB Shrinkage Allowance - calculated above		
Less: Breakage Defective Allowed by CRA and/or LDB (Column 4 Note 2)	Equals: Total deductions subject to mark-up	

Notes:

- If column K is negative, this means there is an error in the schedule. Accordingly the LDB does not provide a mark-up benefit for such errors. If Column K is positive, we recommend you review the schedule for possible errors. If no error is found, this means there is some unaccounted movement of product, and accordingly subject to LDB mark-up.
- Any claims that were filed to the Canada Revenue Agency (CRA) and/or LDB to reclaim the Excise Duties you paid during the period.
- Definition:
 - Packaged: All product packaged in all vessels including cans, bottles, growlers and kegs.

Prepared by:
 Name:
 Date:

Appendix B Brewery – Definitions

In this Agreement:

- a) “Agreement” means this agreement and the attached Appendices;
- b) “Applicable Laws” means *the Liquor Distribution Act, Liquor Control and Licensing Act, the Financial Administration Act and the Excise Act (Canada)* and any regulations under those statutes and includes any amendment or replacement of those statutes and regulations from time to time;
- c) “Audit Period” means the time period, as determined in accordance with such LDB audit policy and/or procedures as may be in effect from time to time, the reporting for which is under review when the LDB conducts an examination or verification of Product inventory, Records, Sales Reports and/or Excise Documents;
- d) “Event of Default” means any of the events set out in Section 24.1 of this Agreement;
- e) “Excise Documents” means any documents required under the *Excise Act (Canada)* or its regulations;
- f) “Hospitality Customer” means:
 - i. a caterer being a person holding a caterer’s licence or a licensee whose licence contains a catering endorsement, issued under the Applicable Laws,
 - ii. any business which operates an establishment which has been issued a liquor primary licence, a liquor primary club licence, a food primary licence or similar licence under Applicable Laws, and
 - iii. any holder of a manufacturer’s licence for its business conducted under a lounge or special event endorsement issued under the Applicable Laws;
- g) “Licensed Establishment” means your place or premises within which is any area where liquor is manufactured or served;
- h) “Lost Product” means Product:
 - i. which was under your possession or control,
 - ii. which is in excess of the allowable shrinkage set for your manufacturing facility type as set out in the Reporting Requirements and Procedures, and
 - iii. which cannot be accounted for by you;
- i) “Manufacturer Licence” means a brewery Licence issued under Applicable Laws;
- j) “Manufacturer On-site Store Endorsement” means the endorsement on your brewery licence which allows you to operate an on-site retail store;
- k) “PAD Account” means your pre-authorized debit account with your financial institution which you have designated in your Pre-Authorized Debit (PAD) Agreement with the LDB into which you will place Remittance Funds for all Product sold in accordance with this Agreement;
- l) “Prime” means the prime lending rate of the principal banker of His Majesty the King in Right of the Province of British Columbia;
- m) “Product” means the malt liquor or other liquor you are authorized by the LCRB to produce at your Licensed Establishment;
- n) “Records” means the records necessary for your type and size of business, as a prudent business operator, which would enable you to account for your Product, how it was produced, and how it is disposed of, including those records described in the

- Reporting Requirements and Procedures;
- o) "Remittance Funds" means the net sale proceeds due and owing to the LDB and includes the mark-up on the Product, container deposits, container recycling fees and GST on the mark-up and the container recycling fees;
 - p) "Reporting Requirements and Procedures" means the reporting requirements and procedures attached as Appendix A to this Agreement;
 - q) "Sales Reports" means the reports you are required to make about your sales of Product to Wholesale Customers, Hospitality Customers and Special Event Permittees as described in the Reporting Requirements and Procedures;
 - r) "Special Event Permittee" means a holder of a special event permit issued under Applicable Laws;
 - s) "Warehouse" means any and all warehouses and other locations where your Product is stored prior to being sold;
 - t) "Wholesale Customer" means:
 - i. Licensee Retail Store as licensed under the Applicable Laws,
 - ii. Rural Licensee Store as licensed under the Applicable Laws,
 - iii. your retail store operated under your Brewery On-site Store Endorsement, and
 - iv. as a holder of a Manufacturer's Licence, your business conducted under your brewery lounge or special event endorsement issued under the Applicable Laws; and
 - u) "Wholesale Price" means the LDB wholesale price applicable to a Wholesale Customer and to a Hospitality Customer.