



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

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 Distillery Licence

Name of Distillery Establishment for which a Distillery Licence is issued

Address of Holder of Distillery Licence

Address of Distillery 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 Commercial Distillery 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 Laws unless indicated otherwise.
- 2. This Agreement authorizes you, as a holder of a Manufacturer Licence, to sell your Product to Wholesale Customers in British Columbia under the terms and conditions set out in this Agreement.

3. For greater certainty, this Agreement, while authorizing the sale of Product to your Manufacturer On-site Store is not applicable to any sales you make to your allowable retail customers through your Manufacturer On-site Store, including sales to Special Event Permittees.
4. As a Manufacturer, you acknowledge/warrant that:
 - a. You are licensed as a manufacturer under the Applicable Laws;
 - b. You are registered for sales taxes that apply to the Product 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 only 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. You may sell Product to your Manufacturer On-site Store on a Consignment basis at the Wholesale Price and you must obtain full payment that is due and owing to the LDB once a corresponding sale of Product is made, unless otherwise authorized by LDB.
7. In addition to Consignment sales and deliveries of Product to your Manufacturer On-site Store authorized by Section 6, you:
 - a. are permitted to sell and directly deliver Refreshment Beverages (only) to your other Wholesale Customers at the Wholesale Price; and
 - b. for sales authorized under Subsection 7.a., must obtain full payment that is due and owing to the LDB from each Wholesale Customer prior to transferring possession of such Refreshment Beverages to the purchaser, unless otherwise authorized by the LDB.
8. 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 all Product sold.
- 8.1 Subject to Section 9.1, 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 received for Product sold, in trust for the LDB until the LDB debits the Remittance Funds from your PAD Account.
9. The LDB will pay you a commission of seven percent (7%) of the value of the sales of Product sold at the Wholesale Price to your Manufacturer On-site Store.
- 9.1 By way of set-off, you will retain your proceeds from the sale of Product, including the cost of Product sold, and any commissions due and owing to you, pursuant to Section 9, from the

funds described in Sections 6 and 7. For greater clarity, your proceeds from the sale of Product will be equal to the funds described in Section 6 or 7, as applicable, less the Remittance Funds.

10. 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.
11. All costs associated with the sale and delivery of Product to Wholesale Customers 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

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

Inspection and Audit Requirements

15. You must conduct an annual inventory count on March 31 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 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.
16. 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.
17. In addition to the count referred to in Section 15, the LDB may at any time conduct an inspection or audit at your Licensed Establishment or any 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.
18. If any inspection or audit of your Licensed Establishment, or any 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

19. 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

20. 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.
21. 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.

Non-compliance and Termination

22. 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 inventory 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 30 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 22.1.
- 22.1 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.

23. 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 22.1 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

24. 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.
25. 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

26. This Agreement is governed by and is to be interpreted and construed in accordance with the laws applicable in British Columbia.
27. You must comply with the Reporting Requirements and Procedures as revised from time to time as applicable to your type of manufacturing facility.
28. 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.
29. 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.
30. 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.
31. If any term or condition of this Agreement cannot be enforced, the provision is to be considered separate and removable from this Agreement.
32. 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.

33. 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.
34. 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.
35. 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@bcldb.com

to the Manufacturer, addressed to:

Name _____
Position _____
Address _____
Phone _____
Facsimile _____
E-mail _____

36. 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.
37. 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.

38. 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 35.

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 Commercial Distillery - Reporting Requirements and Procedures

1. Introduction

The purpose of this Appendix A is to describe the Reporting Requirements and Procedures of the LDB with regard to operating a Commercial Distillery in British Columbia.

The definitions in the Agreement will apply to this Appendix A unless indicated otherwise. Any questions regarding the information in this Appendix A should be directed to:

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

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

2. Commercial Distillery Reporting

As a Commercial Distillery, you are required to regularly report information on your sales of your Product and your annual packaged product movement. Section 2 of this Appendix A describes in detail why, when, how and what you need to report.

2.1 Why Report

The LDB requires you as a Commercial Distillery to report information on your sales of your Product to your customers in British Columbia 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,
- 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.

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Commercial Distillery – Reporting Requirements and Procedures

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 sales-related activities, including if you did not process any sales or returns in any given week. The LDB must receive all your Sales Reports no later than the first business day of the week following each week of sales.

If you plan to temporarily cease sales operations for a longer period, please email Private Distribution Reporting.

2.3 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, namely the 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 here: 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 Commercial Distillery, shortly after the signing of your Agreement, you:

- will be assigned a LDB Store Number to use when reporting;
- will receive by email the full package of instructions on how to register, access, and use the DSWR application; and
- will 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.com 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 permission to use online services on your behalf.

2.4 What to Report

2.4.1 General Rules on Sales Reporting

The rules listed below are applicable to reporting sales to your customer type. Rules specific to your Manufacturer On-site Store is listed in Section 2.4.2. See Exhibit A for rules on pricing for your Manufacturer On-site Store.

1. You are required to report sales of Product by your Commercial Distillery to Wholesale Customers as authorized by this Agreement.
2. Do not report your sales to the BC Government Liquor Stores and LDB Distribution Centres.
3. Do not report your sales outside of British Columbia. You must, however, keep all the

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Commercial Distillery – Reporting Requirements and Procedures records related to all sales and dispositions of Product for annual filing of the Product Movement Summary attached as Exhibit B and possible audit.

4. Do not report your sales to Ship Chandlers as they are treated as export shipments out of British Columbia.
5. Product is to be transferred from the Commercial Distillery to your Manufacturer On-site Store on Consignment. You must report your sales of Product sold from your Manufacturer On-site Store to the retail customer at the Wholesale Price. These sales must be reported using your Commercial Distillery store number. See Section 2.4.2 for further explanations on how to report sales to your Manufacturer On-site Store.
6. When transferring Product to your Commercial Distillery lounge or special event areas operated under endorsements to your Manufacturer's Licence, if you have a Manufacturer On-site Store, report the transfer as a sale to your Manufacturer's On-site Store at the Wholesale Price using your Commercial Distillery store number. If you do not have a Manufacturer On-site Store, report all sales using your Commercial Distillery store number. Do not report your sales made to a retail customer from those endorsements. See Section 2.4.2 for further explanations on how to report sales to your Manufacturer On-site Store.
7. You may use Product for sampling and/or to provide to employees even if you do not have a Manufacturer On-site Store. If you have a Manufacturer On-site Store, all Product used for any of those purposes must be reported as a sale to your Manufacturer On-site Store using your Commercial Distillery store number. If you do not have a Manufacturer On-site Store and Product is taken from your Commercial Distillery inventory for sampling and/or to provide to employees, it must be reported as a sale using your Commercial Distillery store number. See Section 2.4.2 for further explanations on how to report sales to your Manufacturer On-site Store.
8. You may only donate Product if you have a Manufacturer On-site Store. Product used for donations must be reported as a sale to your Manufacturer On-site Store, using your Commercial Distillery store number. See Section 2.4.2 for further explanations on how to report sales to your Manufacturer On-site Store.
9. You may only sell Product to Special Event Permittees if you have a Manufacturer On-site Store. Product sold to Special Event Permittees must be reported as a sale to your Manufacturer On-site Store, using your Commercial Distillery store number. See Section 2.4.2 for further explanations on how to report sales to your Manufacturer On-site Store.
10. You may only sell Product at farmers markets if you have a Manufacturer On-site Store. Product sold at farmers markets must be reported as a sale to your Manufacturer On-site Store using your Commercial Distillery store number. See Section 2.4.2 for further explanations on how to report sales to your Manufacturer On-site Store.
11. Your Product SKUs must be registered and the Wholesale Prices must be established by the LDB before you can start selling your Product. You should not process any sales until the pricing is complete.
12. All sales must be reported in selling units as per LDB Product registration. If Product is registered and priced as a 2-pack bottle gift set then for each unit sold, the quantity reported must be '1' and price per unit must be per a 2-pack set.
13. The container recycling fee is included in the Wholesale Price.
14. You must collect and remit a container deposit on all your sales as per the rate schedule

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Commercial Distillery – Reporting Requirements and Procedures 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.

15. If your Commercial Distillery reported a sale in a metal refillable keg you must collect the container deposit from Wholesale Customers and report it to the LDB. The LDB will include the refillable keg deposit in the payment back to you; therefore, when the net payment is collected from you, the refillable keg deposit reported on sales of Product will be offset by the refillable keg deposit amount paid back to you so the net cash impact will be nil.
16. 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, you can correct errors or report missing transactions from prior periods, however, you cannot report sales transactions 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 Product, Commission payments and applicable GST pertaining to the reported sales; and
 - LDB Pre-Authorized Debit (PAD) Settlement Notification report indicating the amount to be withdrawn from your PAD Account.
17. Please refer to Exhibit A for the taxes and price applicable to your customer type.

Please refer to the next Section for reporting requirements on sales to your specific type of customer.

2.4.2 Reporting Wholesale Sales from and Returns to your Manufacturer On-site Store

1. You must report to the LDB all sales of Product sold from your Manufacturer On-site Store to the retail customer or returned by the retail customer to your Manufacturer On-site Store and these sales and returns must be reported using your Commercial Distillery store number.
2. What you report as a sale to your Manufacturer On-Site Store should include:
 - Products sold through your Manufacturer On-site Store to retail customers;
 - Products sold at farmers markets to retail customers;
 - Products you have used for donations, sampling, or providing Product to employees; and
 - Products sold to Special Event Permittees.
3. You must have registered for and received a PST (Provincial Sales Tax) registration number to be able to sell Product from your Manufacturer On-site Store.
4. If the sale price of a Product within a reporting period has not changed, you can report net sales (sales net of returns) for the period by the Product SKU on a single sales document. Alternatively, you can report each sale and return transaction individually as you process them.
5. The following information is required for online reporting for your Manufacturer On-site Store:
 - **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

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Commercial Distillery – Reporting Requirements and Procedures according to date).

If you report all **net** (value of sales less returns) sales on a single document, you can 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.

- **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** – use your reporting store number. For example, if you report your sales as a store number 999, select a customer number '999' to report your sales from your Manufacturer On-site Store.
- **Customer Type** – use “MOS” Manufacturer On-site Store.
- **Payment Method** – ‘cash’.
- **SKU** - an identification number that will provide information to the system of the Product being sold or returned.
- **Price** - Wholesale Price per selling unit excluding taxes.
- **Quantity** – quantity sold in selling units.
- **Container Deposits** - container deposits you collected. Please note that the LDB reporting system will calculate the deposit amount owed but you may want to compare it with the amount you collected to identify any errors.
- **Return Reason Code** – code which identifies the reason the Product is being returned – for information purposes only.

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

1. The customer’s Liquor and Cannabis (“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 effective on the date of the sale.
5. The following information is required for online reporting for 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.
 - Customer type - (e.g. Hospitality Customer, Licensee Retail Store, Rural Licensee Retail Store etc.) based on the information in Exhibit A.
 - Payment method – ‘cash’.
 - SKU - an identification number that will provide information to the system of the Product

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being sold or returned.

- Selling Price - Wholesale Price effective on the date of the transaction.
- Quantity - sold, in selling units as per the LDB product registration.
- 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.

3. Reporting of Product Movement Summary

3.1 Purpose

As a Commercial Distillery, you are required to report, on an annual basis, the movement of Product in British Columbia. The **Product Movement Summary** form is used by the LDB to ensure that Product is duly accounted for. Any Product that is unaccounted for will be dealt with further in the manner set out 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. If your Commercial Distillery is a new manufacturer, the reporting period is from the date you began your operations to March 31.
- **Types of Products:** You must separately account for the following categories of Product that relate to your Commercial Distillery's operation:
 - Spirits; and
 - Refreshment beverages (spirit-based).
- **Unit of Measure:** Litres.

3.2.2 For each Type of Product you report, you need to complete the following details:

Opening Inventory – Packaged Product

Report the total litres of Product you store in your Licensed Establishment including your Manufacturer On-site Store and any Warehouse(s) as at the beginning of business on April 1 (the start of your 12 month reporting period).

Total Additions

- **Total Packaged Production (Including packaged Product transferred from other BC distilleries):** Report the total litres of Product you produced at your Licensed Establishment and packaged products produced by others during the 12 months ending March 31.
- **Packaged Refreshment Beverages Transferred in from Other Provinces:** Report the total hectolitres of packaged Product that was transferred in from a related distilleries located outside of BC but within Canada during the 12 months ending March 31, with which the Manufacturer shares common ownership or common management..
- **Packaged Product Returns:** Report the total litres of Product any of 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 with Supporting

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Documents' column if you destroyed it or include it in "Total Shipments in BC" if you resold it).

- **Total Net Additions:** This is a calculated total arrived at by adding the 'Production' and 'Product Returns'.

Total Packaged Product Available: This is a calculated total arrived at by adding the 'Opening Inventory' and 'Total Additions'.

Total Packaged Product Shipments Out of BC

- **Shipments to Other Provinces:** Report the total litres of Product you shipped outside of British Columbia but within Canada. For example, you would include any shipments you made to other provinces in this total. Ensure you include the litres 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 litres of Product you physically shipped out of Canada during the 12 months covered by the report.
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 Packaged 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 Packaged Product Available'.

Total Shipments in BC (BC Sales)

Report the total litres of Product you physically shipped in BC including LDB Distribution and to your authorized British Columbia customers during the 12 months covered by the Product Movement Summary.

Total Packaged Product Deductions

Report any Product you "wrote off" either by destroying or through "breakage" or inventory count adjustments. You must complete the individual sub-column as appropriate.

- **LDB Exempted Deductions with Supporting Documents/Transfer of SKU with Associated Packaged Inventory to Another Licensed Manufacturer:** If an event occurs at the manufacturing facility or its warehouses which results in the loss of Packaged Product such as a major forklift accident in the warehouse, shelving collapse, or spoiled product, the LDB will consider exempting these deductions from mark-up. Each exemption must be approved by the LDB in writing as per the procedures documented in the [Distillery Record Keeping Guidelines](#). You must also retain all supporting documentation for audit purposes as outlined in the [Distillery Record Keeping Guidelines](#).

If you have transferred any SKUs to another manufacturer, along with the associated packaged inventories, report the volume of the transferred product in this field.

- **Breakage, Defective with Supporting Documents:** If an event occurs at the manufacturing facility or its warehouses that results in the loss of Packaged Product and you have supporting documents to support the destruction or loss but did not receive LDB exemption, you must report that destruction in this column. You must also

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retain all supporting documentation for audit purposes as outlined in the Distillery Record Keeping Guidelines.

- **Other Breakage, Adjustments, and Write-offs Without Supporting Documentation:** Report the total litres of Other Breakage, Adjustments & Write-offs not included in Total Shipments in BC (BC Sales). The amount reported here will be included in the calculation of the 'Total Deductions Subject to LDB Mark-up' for assessment.

Total Deductions: This is a calculated sum of LDB Exempted Deductions with Supporting Documents, Breakage, Defective with Supporting Documents and Other Breakage, Adjustments, and Write-offs Without Supporting Documentation.

Closing Inventory – Packaged Product

- **Calculated:** This is calculated by deducting the 'Total shipments in BC (BC Sales)' and 'Total Other Deductions' from the 'Total Product Available in BC' column of the Product Movement Summary.
- **Physical:** You are required to physically count the inventory of Packaged Product on March 31 each year, you have on hand in your Licensed Establishment including your Manufacturer On-site Store and any Warehouses in BC. The inventory that you physically counted (converted to litres) 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 Commercial Distillery's inventory records.

Difference

This is calculated by deducting the 'Closing Inventory – Calculated' total from the 'Closing Inventory – Physical' total reported on the Product Movement Summary.

LDB Shrinkage Allowance Calculation

The shrinkage allowance takes into account an acceptable volume of Product that may be consumed or written-off in BC due to normal manufacturing and warehousing 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 Packaged Product Moved in BC for the annual production of packaged spirit and refreshment beverage products' annual production.

Self-Assessment Calculation

This portion of the Product Movement Summary calculates the 'Total Deductions Subject to LDB Mark-up'. If the amount is positive, you owe the LDB for product losses calculated in accordance with section 19 of the [Commercial Distillery Sales Agreement](#).

Other

With the submission of your Product Movement Summary report, you must provide a listing of all the Warehouses located in British Columbia where you stored any of your Products as at March 31.

Report Submission

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

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Commercial Distillery – Reporting Requirements and Procedures
BC Liquor Distribution Branch
Attention: Finance - Regulatory and Compliance
3383 Gilmore Way
Burnaby, BC V5G 4S1

Or by Email at:

regulatory.reports@bcldb.com

The LDB performs regular audits of Product Movement Summary reports submitted by manufacturers. If selected for an audit, the LDB will normally contact you in advance and make arrangements.

The LDB performs regular audits of Product Movement Summary reports submitted by 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 Commercial Distillery

1. The information the LDB will provide you includes the following:
 - Current versions of the LDB Financial Calendar and Container Recycling Fees and Deposits Schedule can be found online at www.bcldb.com/direct-sales-web-reporting-user-guides;
 - Every month, approximately 10 business days after financial period end, you will receive by email a Statement of Account. This provides you with a summary of all settlement and credit activities from the previous month;
 - On each batch submission you will receive the following by email:
 - LDB Cost Details for Direct Sales report listing the supplier cost of Product, BC VQA markup reimbursement, commission payments and applicable GST pertaining to the reported sales; and
 - LDB PAD Settlement Notification report indicating the amount to be withdrawn from your PAD Account.

5. Commercial Distillery Records

1. As a manufacturer, you are required to maintain adequate business records that clearly demonstrate your ability to account for all the Product you handle.
2. 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 Product:
 - The amount you currently store anywhere in British Columbia, including identifying the specific Warehouse(s). As a manufacturer, 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 Licensed Establishment.

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- The amount a third party produced and/or bottled on your behalf.
 - The amount you used for donations, sampling, or provide to employees.
 - The amount you disposed of for quality control purposes, breakage or general destruction.
 - The amount that you shipped out of British Columbia including sufficient documentation to clearly evidence that this Product physically left British Columbia.
 - The amount you sold to your authorized customers in British Columbia.
 - The amount of Refreshment Beverage transferred in from other provinces.
3. All the records referred to above must be retained at your Commercial Distillery's office(s) 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.
 4. You must cooperate with any authorized representative of the LDB who conducts an inspection or audit, including making all your records available, allowing access to any premise wherein Product is stored, and signing a Consent Form allowing for 3rd party verification of records, if requested by the LDB.
 5. 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.
 6. Please note that your Commercial Distillery is solely responsible for collection and remittance of all provincial and federal taxes, levies and fees imposed by the current provincial, municipal, federal or other regulations on sales to your retail customers from your Commercial Distillery unless the terms of the Agreement state otherwise.

Appendix A
Commercial Distillery – Reporting Requirements and Procedures

Exhibit A – Customer Type and Pricing

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

Customer type	Code in DSWR	Pricing	TAX
Manufacturer On-site Store	MOS	Wholesale Price	GST
Hospitality	LIC	Wholesale Price	GST
Licensee Retail Store	LRS	Wholesale Price	GST
Rural Licensee Retail Store	RLRS	Wholesale Price	GST

Appendix A Commercial Distillery – Reporting Requirements and Procedures

Exhibit B –Product Movement Summary

Type of Packaged Product	Store Number:		Enter store number		Name of Distillery:		Enter name of Commercial Distillery												
	Column Reference	A	1	2	3	B = H2+J	C = A+B	D	E	F = C-D-A	G = G-H+I	4	5	6	I = 4+5+6	J	Y = I-J		
		Total Additions			Total Packaged Product Shipments out of BC			Total Packaged Product Shipments in BC			Total Packaged Product Shipments in BC			Total Packaged Product Balance			Closing Inventory - Packaged Product		
		Origin Inventory - Packaged Product	Total Production (including packaged and un-packaged other spirit manufactured)	Packaged Beverage Transferred from Other Provinces	Packaged Beverage Transferred from Other Provinces	Total Net Additions	Total Packaged Product Available	Shipments to Other Provinces	Shipments to BC	Shipments to BC	Shipments to BC	Shipments to BC	Shipments to BC	Other Breakage, Spillage, etc. (Net of Supporting Documents)	Total Packaged Product Balance	Physical Inventory	Difference		
Packaged spirit (other than packaged refreshment beverage) (Note 3)																			
Packaged refreshment beverage (Note 3)																			

Notes:

- Distillery Record Keeping Guidelines**
- Packaged Refreshment Beverage:** All refreshment beverages in all types such as beer, seltzer, granola and s.p.e. (all CDB) include all refreshment beverage transferred from other provinces from affiliated distiller (other in common ownership definition in other agreement).
- LDB Example Deductions with Supporting Documents (Column 4):** If an event occurs at the manufacturing facility or its warehouse which results in the loss of packaged product, the loss must be reported to the LDB. The LDB will allow the distiller to report the loss of these deductions from marking. Each event must be supported by the LDB number and the supporting documents in the Distillery Record Keeping Guidelines. You must also obtain all supporting documentation for such purposes as outlined in the Distillery Record Keeping Guidelines.
- Transfer of SKU (Column 4):** If you have transferred any SKU to another manufacturer, along with the accurate packaged inventory, report the volume of the transferred product in this field.
- Breakage, Defective with Supporting Documents (Column 5):** If an event occurs at the manufacturing facility or its warehouse that results in the loss of Packaged Product and you have supporting documents to support the destruction of that product, you must report that destruction in this column. You must also obtain all supporting documentation for such purposes as outlined in the Distillery Record Keeping Guidelines.
- Physical Inventory (Column J):** Please note that physical inventory count as of March 31 for all Packaged Products in the Province of BC. This includes Packaged Product in the unaccounted-for inventory count, and any unaccounted-for inventory year Packaged Product. You are required to complete a physical inventory count on March 31 of each year.
- Difference (Column K):** If Column K is negative, this means there is an error in this table. The LDB does not provide a markup benefit for such error. If Column K is positive, we recommend that you review this table for possible error. If an error is found, this means there is an unaccounted movement of Packaged Product and LDB markup will be charged on the unaccounted Packaged Product.

Name: _____
Date: _____

Enter name of person
Enter date of preparation

LDB Shrinkage Allowance Calculation	
	Refinement Beverage (LDB)
Total Packaged Product Available in BC - Include the balance of Column F	
Less: Origin Inventory - Includes the origin balance as at March 31 per Column J	
Less: LDB Example Deductions with Supporting Documents (Note 3)	
Less: Breakage, Defective with Supporting Documents (Note 4)	
Equals: Total Calculated Packaged Product moved in BC	
Multiply by: LDB Allowance Rate	0.351
Equals: LDB Shrinkage Allowance	0.118

Self-Assessment Calculation	
	Refinement Beverage (LDB)
Total net deduction - Include the balance of Column H	
Plus: Inventory Difference (Note 4)	
Equals: Sub Total	
Less: LDB Shrinkage Allowance - Calculated Above	
Less: LDB Example Deductions with Supporting Documents (Note 3)	
Less: Breakage, Defective with Supporting Documents (Note 4)	
Equals: Total Deduction Subject to Markup	

Appendix B
Commercial Distillery – 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, Financial Administration Act* and the *Excise Act, 2001* (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) "Consignment" means an arrangement whereby you transfer possession of Product to your Manufacturer On-site Store with payment at the Wholesale Price due and owing to the LDB upon sale of the Product from that Wholesale Customer to a retail customer, unless otherwise authorized by the LDB;
- e) "Event of Default" means any of the events set out in Section 21 of this Agreement;
- f) "Excise Documents" means any documents required under the *Excise Act, 2001* (Canada) or its Regulations;
- g) "Hospitality Customer" means:
 - i. a caterer being a person holding a caterers 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;
- h) "Licensed Establishment" means your place or premises within which is any area where Liquor is manufactured or served;
- i) "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;
- j) "Manufacturer Licence" means a distillery licence issued under Applicable Laws;
- k) "Manufacturer On-site Store" means your on-site retail store that you are allowed to operate as a result of an endorsement on your Manufacturer Licence, and other endorsements which allow you to sell Product;
- l) "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;
- m) "Prime" means the prime lending rate of the principal banker of His Majesty the King in

Right of the Province of British Columbia;

- n) "Product" means Spirits and Refreshment Beverages of the product class you are authorized by LCRB to manufacture at your Licensed Establishment;
- o) "Records" means the records necessary for your type and size of business, as a prudent business operator, which would enable you to account for Product, how it was produced, and how it is disposed of, including those records described in the Reporting Requirements and Procedures;
- p) "Refreshment Beverage" means products that meet the LDB's criteria for refreshment beverages;
- q) "Remittance Funds" means the net sale proceeds due and owing to the LDB less any commissions due and owing to you, and includes the mark-up owing on the Product, container deposits, container recycling fees and GST on the mark-up and the container recycling fees;
- r) "Reporting Requirements and Procedures" means the reporting requirements and procedures attached as Appendix A to this Agreement;
- s) "Special Event Permittee" means a licensee issued a special event permit under Applicable Laws;
- t) "Sales Reports" means the reports you are required to make about your sales of Product to the Wholesale Customer as described in the Reporting Requirements and Procedures;
- u) "Spirits" means spirits as defined in the Applicable Laws, but excluding Refreshment Beverages;
- v) "Warehouse" means any and all warehouses and other locations in British Columbia where Product is stored prior to being transferred on Consignment or sold;
- w) "Wholesale Customer" means:
 - i. Licensee Retail Stores as licensed under the Applicable Laws,
 - ii. Rural Licensee Stores as licensed under the Applicable Laws, and
 - iii. your Manufacturer On-site Store; and
- x) "Wholesale Price" means the LDB wholesale price applicable to the Wholesale Customer.