

Direct Delivery Program

Terms & Conditions

PROGRAM OVERVIEW

The direct delivery program (the “Program”) has been developed by the Province of British Columbia, through the Liquor Distribution Branch (“LDB”), to support small-scale and Indigenous cannabis cultivators’ entry into British Columbia’s regulated non-medical cannabis market. Under the Program the LDB, as the sole authorized non-medical cannabis wholesaler in British Columbia, will authorize certain federally licensed cannabis processors (“Processors”) working with federally licensed cannabis cultivators or nurseries, or industrial hemp licensees, with cultivation or nursery facilities in British Columbia (collectively, “Cultivators” and the term “you” means a Processor or Cultivator or each or both of them as the case may be) to deliver non-medical cannabis products directly to provincially licensed or authorized non-medical cannabis retail stores in British Columbia.

DOCUMENT OVERVIEW

The Program terms and conditions are set out below (the “Terms and Conditions”) and are organized as follows:

- A. CORE PROGRAM REQUIREMENTS: this section sets out the core Program requirements that Cultivators and Processors must meet to participate in the Program.
- B. SPECIFIC PROGRAM CATEGORIES: this section describes the three categories of direct delivery and the eligibility requirements for each of them. The categories are:
 - I. Standard Direct Delivery – this is the main category of direct delivery and is for direct delivery of cannabis products to any provincially licensed or authorized non-medical cannabis retailers in British Columbia, subject to the terms and conditions applicable to each authorization or licence, and to the extent such retailers choose to place orders through direct delivery;
 - II. PRS Direct Delivery – this is a special category of direct delivery and is for direct delivery of cannabis products to a provincially licensed Producer Retail Store (“PRS”) associated with a Cultivator in British Columbia; and
 - III. Section 119 Direct Delivery – this is a special category of direct delivery of cannabis products to authorized and licensed non-medical cannabis retail stores, in accordance with the terms of an agreement between the Province and an Indigenous nation made under section 119 of the *Cannabis Control and Licensing Act*.
- C. GENERAL TERMS: this section contains terms applicable to all categories of the Program.

By registering for the Program you acknowledge that you have read, understand and agree to be bound by the Terms and Conditions and agree to comply with all applicable laws and regulations, and Program

(and other applicable LDB) policies and procedures found at <https://www.bcldb cannabisupdates.com/bcldb-cannabis-direct-delivery>, including but not limited to:

- Cultivator Program registration documentation (the “Cultivator Registration Form”);
- Licensed Producer Supply Agreement for Non-Medical Cannabis (the “Supply Agreement”);
- LDB’s pre-authorized debit agreement (the “PAD Agreement”);
- LDB’s cannabis vendor registration form (the “Licensed Producer Registration Form”);
- LDB’s cannabis product registration process (the “Product Registration Process”);
- LDB cannabis product pricing policies;
- Direct Delivery Supply Chain Requirements for Cannabis; and
- Direct Delivery Product Returns Policy.

CORE ELIGIBILITY REQUIREMENTS

The following core eligibility requirements (the “Core Eligibility Requirements”) are applicable to all Program categories and apply throughout the term of the Program.

Cultivators

1. To be eligible for the Program, Cultivators must:
 - a. hold a valid federal standard or micro cultivation licence or nursery licence, or industrial hemp licence, for a cultivation or nursery facility located in British Columbia;
 - b. hold a valid federal standard or micro processing licence for non-medical cannabis (the processing facility does not have to be located in British Columbia) and meet the remaining Processor eligibility criteria set out below or contract with a Processor, who meets the Processor eligibility criteria set out below, to process the cannabis that it cultivates;* and
 - c. submit a completed Cultivator Registration Form, including evidence acceptable to the LDB of 1(a) and (b) set out above.

Note: Other than the exception immediately below, only a Processor participating in the Program may deliver cannabis products to authorized or licensed retailers.

Exception: A Cultivator may participate in the Program without holding a processing licence or working with a Processor who meets the Processor eligibility criteria if the **only cannabis product(s) it produces for direct delivery under the Program are live plants and/or seeds. In this case, provided the Cultivator meets the Processor eligibility requirements under sections 2(c) through (f) of these Terms and Conditions and can meet federal packaging and labelling requirements for cannabis products that are plants and seeds, and any other legal requirements in relation to the sale of such products, the Cultivator may be permitted to directly deliver plants and/or seeds to provincially licensed or authorized retailers.*

Processors

2. To be eligible for participation in the Program, Processors must:
 - a. hold a valid federal standard or micro processing licence for non-medical cannabis (processing facility does not have to be located in British Columbia);
 - b. hold a valid federal standard or micro cultivation licence or nursery licence, or industrial hemp licence, for a cultivation or nursery facility located in British Columbia and meet the remaining cultivator eligibility criteria set out above **or** contract with a Cultivator, who meets the Cultivator eligibility criteria set out above, to cultivate the cannabis that it processes;
 - c. complete and submit a Vendor Registration Form and supporting documents (which may include evidence to the satisfaction of the LDB of the other requirements set out in this paragraph 2): <https://www.bcldbcanabisupdates.com/bcldb-cannabis-direct-delivery>;
 - d. enter into, or have entered into, a Supply Agreement with the LDB and remain in good standing under such agreement;
 - e. successfully complete registration of all cannabis product(s) intended for direct delivery under the Program with the LDB through its standard product registration process: <https://www.bcldbcanabisupdates.com/bcldb-cannabis-direct-delivery>. The product registration process will include product pricing charged to the LDB in accordance with LDB pricing policies and identification of the Cultivator(s) from which the cannabis product(s) originated, which Cultivator(s) must be registered for the Program. Each cannabis product registered may only have one Cultivator and one Processor associated with it. The Processor must maintain up to date product and pricing information with the LDB and register a new SKU if there is any change to the Processor of the product. If there is a change to the Cultivator associated with an already registered product, the Processor must submit a product change request form and obtain prior approval before selling any product with new Cultivator inputs; and
 - f. enter into a PAD Agreement with the LDB and provide all banking information required by the LDB for the purposes of debiting the Processor's account for amounts owed to the LDB under the terms of the Supply Agreement.

PROGRAM CATEGORIES

You may be eligible to participate in the Program under more than one Program category, in which case the Terms and Conditions of each applicable category will apply in addition to the Core Eligibility Requirements.

Standard Direct Delivery

In addition to the Core Eligibility Requirements above, terms applicable to the Standard Direct Delivery category are as follows:

3. The Cultivator, together with all cultivation license holders with which the Cultivator is commonly owned or commonly managed (as described more fully in the Cultivator Registration Form), must not cultivate or acquire more than a combined total of 3000 kg of dried, unpackaged cannabis (or an

equivalent amount of fresh, unpackaged cannabis as determined in accordance with Schedule 3 of the federal *Cannabis Act*) per calendar year. For the purposes of the Program, production volume will be determined in accordance with the calculation set out in the Cultivator Registration Form and the Cultivator Declaration Form (as that term is defined below).

The production volume cap is an ongoing eligibility requirement under the Standard Direct Delivery category and Cultivators participating in the Program under this category must submit an updated Disclosure of Common Ownership and/or Common Management and Declaration of Annual Cannabis Production Volume Form, found here: <https://www.bcldb-cannabisupdates.com/bcldb-cannabis-direct-delivery>, (the "Cultivator Declaration Form") to the LDB on an annual basis in February of each year (or as LDB otherwise directs) with respect to production volume in the previous calendar year, along with copies of certain tracking information provided to Health Canada in accordance with the Cannabis Tracking System Order for the applicable year.

Cultivators must also submit an updated Cultivator Declaration Form to the LDB within 30 business days of any change to Cultivator common ownership and/or common management as described under section 4 of these Terms and Conditions, or any change to the Cultivator's annual production volume that results in the Cultivator exceeding the production volume cap.

Changes to a Cultivator's common ownership and/or common management or its annual production volume may result in ineligibility for the Standard Direct Delivery category, which ineligibility may result in the LDB taking any action in accordance with section 12 of these Terms and Condition. You understand that the LDB may request, and the Cultivator must provide, reporting, declarations and/or supporting documentation as to annual production volume and/or common ownership or common management at any time, and represent and warrant that you are duly authorized to provide such documentation to the LDB. Subject to all applicable laws, the LDB may at any time conduct an inspection or audit at the Cultivator's cultivation facility(ies) to verify the Cultivator's annual production volume.

4. As part of calculating the annual production of cannabis described above, Cultivators must disclose all common ownership and/or common management with other federally licensed cultivators as set out in the Cultivator Registration Form.** Cultivators are obligated to review this section in detail to confirm if such a common connection exists.

Common ownership and/or common management, in relation to two or more federally licensed cultivators, means:

- Any person directly or indirectly holds either:
 - 20% or more of the voting rights attached to shares or other securities issued by the cultivators;
 - 20% of the value of all issued and outstanding shares or other securities issued by the cultivators;
- The cultivators have common directors and/or officers who collectively hold 50% of the votes at any director's meetings of the cultivators; or

- If one of the cultivators is an individual, that individual meets any of the above tests in respect of another cultivator.

*** Exception: A Cultivator is not required to disclose common ownership or common management as required by section 4 of these Terms and Conditions and the Cultivator Program registration documentation if the only cannabis product(s) it produces for direct delivery under the Program are plants and/or seeds.*

Cultivators who exceed the production volume cap required under the Standard Direct Delivery category may be eligible to participate in the Program under one of the following two categories, subject to meeting the eligibility criteria applicable to each category. Cultivators who are eligible for the Standard Direct Delivery category and one of the following two categories may apply to the Program under all applicable categories:

PRS Direct Delivery

In addition to the Core Eligibility Requirements above, terms applicable to the PRS Direct Delivery category are as follows:

5. The Cultivator must hold a PRS licence issued by the Liquor and Cannabis Regulation Branch.
6. In order to maintain Program eligibility, the Cultivator must notify the LDB within 30 days after any change to its PRS licence. Failure to notify LDB as required by this section may result in ineligibility for the PRS Direct Delivery category, which ineligibility may result in the LDB taking any action in accordance with section 12 of these Terms and Condition.
7. If a Cultivator with an associated PRS exceeds the annual production volume cap set out above, direct delivery of cannabis product produced from the cannabis cultivated by that Cultivator is permitted, but only to the PRS. If the Cultivator's annual production volume, as calculated in accordance with section 3 of these Terms and Conditions, is less than the annual production volume cap, the Cultivator may register under the Standard Direct Delivery category as this will permit direct delivery not only to the PRS, but also to other provincially licensed or authorized non-medical cannabis retailers in British Columbia, subject to the terms and conditions applicable to each authorization or licence, and to the extent such retailers choose to place orders through direct delivery.

Section 119 Indigenous Nation Direct Delivery

Cultivators may be eligible to participate in the Program under the Section 119 Direct Delivery category pursuant to the terms of a section 119 agreement entered into by an Indigenous nation and the Province and approved by Order in Council. In addition to the Core Eligibility Requirements set out above, terms applicable to the Section 119 Direct Delivery category are as follows:

8. The Cultivator must be a Cultivation Entity, as defined in the applicable section 119 agreement. The Cultivator must provide a copy of such agreement and the location of each authorized or licensed retail store permitted to participate in the Program under that agreement to the LDB at the time of registration, along with any ancillary documentation or information necessary to confirm compliance with the terms of that agreement. If these Terms and Conditions are inconsistent with the section 119 agreement, the section 119 agreement will prevail.
9. In order to maintain Program eligibility, the Cultivation Entity must submit an updated list of authorized and licensed retail stores permitted to participate in the Program under the section 119 agreement (a copy of the list can be found here: <https://www.bcldbcannabisupdates.com/bcldb-cannabis-direct-delivery>) to the LDB within 30 days after any addition or removal of a store from such list. Failure to submit an updated list as required by this section may result in ineligibility for the Section 119 Indigenous Nation Direct Delivery category, which ineligibility may result in the LDB taking any action in accordance with section 12 of these Terms and Condition.
10. If the Cultivation Entity exceeds the annual production volume cap set out above, direct delivery of cannabis product produced from the cannabis cultivated by the Cultivation Entity is permitted, but only to the authorized or licensed retail store(s) specified under the section 119 agreement. If the Cultivation Entity's annual production volume, calculated in accordance with the Cultivator Registration Form, is less than the annual production volume cap, the Cultivation Entity may register under the Standard Direct Delivery category as this may, subject to the terms of the applicable section 119 agreement, permit direct delivery not only to the authorized or licensed retail store(s) specified under the section 119 agreement, but also to other provincially licensed or authorized non-medical cannabis retailers in British Columbia, subject to the terms and conditions applicable to each authorization or licence, and to the extent such retailers choose to place orders through direct delivery.

GENERAL TERMS

11. The LDB reserves the right to suspend, modify or cancel the Program at any time in its sole discretion.
12. The LDB reserves the right to reject Program registrations submitted to the LDB that it determines, in its sole discretion, are incomplete, inaccurate or otherwise do not meet applicable Program requirements (whether eligibility criteria listed above or other requirements). If, at any time during your participation in the Program, you do not meet applicable Program requirements, the LDB may, in its sole discretion, suspend, terminate or impose conditions upon your participation in the Program.
13. You agree that the LDB, in its sole discretion, may modify or amend the Terms and Conditions at any time. Notice of any changes to the Terms and Conditions will be emailed to Program participants at least 3 business days before any modification or amendment becomes effective and will be posted on the LDB website: <https://www.bcldbcannabisupdates.com/bcldb-cannabis-direct-delivery>.
14. Unless a shorter notice period is set out elsewhere in these Terms and Conditions, you are required to notify the LDB within 30 days of any changes that may impact your eligibility in the Program. Failure

to continue meeting the Program eligibility requirements, or any breach of the Terms and Conditions or the Supply Agreement, may result in product de-registration and/or Cultivator or Processor suspension or termination from participation in the Program.

15. Cultivators and Processors participating in the Program must indemnify and save harmless the LDB and the LDB's employees, contractors (including subcontractors), and agents from any loss, claim (including any claim of infringement of third-party intellectual property rights), damage award, action, cause of action, cost or expense that the LDB or any of the LDB's employees or agents may sustain, incur, suffer or be put to at any time (each a "Loss") to the extent the Loss is directly or indirectly caused or contributed to by a Program participant in connection with the Program.

Cultivator / Processor Relationship

16. Under the Program, a Cultivator must (subject to the exception noted in these Terms and Conditions related to live plants and seeds that are cannabis products) hold either a valid federal standard or micro processing licence for non-medical cannabis and meet the Processor eligibility criteria set out above, or contract with a Processor, who meets the Processor eligibility criteria set out above, to process, package and label cannabis product produced from cannabis that the Cultivator cultivates or otherwise acquires, such that the cannabis product intended for direct delivery is ready for retail sale in accordance with federal requirements. Once packaged and labelled the Processor will, under the terms of a Supply Agreement and associated documentation, directly deliver cannabis product to provincially licensed or authorized retailers.
17. You are responsible for negotiating all business agreements with Cultivators and/or Processors that you work with under the Program and ensuring that such agreements comply at all times with these terms and conditions. The LDB assumes no liability in respect of any commercial relationships between Cultivators and Processors that are in connection with their participation in the Program. Any Loss arising in relationships between Cultivators and Processors must be addressed directly by the parties involved and you agree to indemnify and hold the Province, the LDB and their employees, contractors and agents, harmless in all respects in all such Losses.
18. You acknowledge, represent and warrant that by participating in the Program, title to all cannabis cultivated or otherwise acquired by a Cultivator and intended to be produced into product for direct delivery will be fully transferred, without encumbrance or restriction, to the participating Processor.
19. Subject to federal packaging and labelling requirements and restrictions, determinations as to the branding, packaging and marketing of cannabis product that is intended for direct delivery under the Program are the sole responsibility of the Cultivator and Processor.
20. A participating Processor will be responsible for all transportation oversight, costs, risks and logistics when transferring processed cannabis product to the applicable licensed or authorized retailer.

Collection of Information

21. The information collected in the course of your registration and participation in the Program will be used for the purposes of determining eligibility for the Program and will be managed by the LDB in

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accordance with the *Freedom of Information and Protection of Privacy Act*, and section 14 of the *Cannabis Distribution Act*. Any questions about the collection, use or disclosure of this information should be directed to regemail@bcldb.com.

Jurisdiction

22. The Program, including the Terms and Conditions, are governed by and interpreted in accordance with the laws of the Province of British Columbia.