



**AGREEMENT RELATING TO THE DIRECT SALE AND DELIVERY OF BRITISH COLUMBIA
MANUFACTURED PRODUCT – LAND BASED WINERY**

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: HER MAJESTY THE QUEEN 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 Winery Licence

Name of Winery Establishment for which a Winery Licence is issued

Address of Holder of Winery Licence

Address of Winery 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 Land Based Winery 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 your Manufacturer Retail Store, Wholesale Customers and Hospitality 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 your Product to your Manufacturer Retail Store, is not applicable to any sales you make to your allowable retail customers through your Manufacturer Retail 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 meet and will continue to meet the criteria for a Land Based Winery as set out in Appendix C;
 - c. 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;
 - d. All Product will be of merchantable quality;
 - e. 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;
 - f. 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
 - g. 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 Section 7, you may sell Product to Wholesale Customers and deliver such Product to them and any sale must be at the Wholesale Price.
7. You may only sell your Product (not Cider) to Duty Free stores and subject to Applicable Laws and LDB policies, you are free to set your own prices, subject to Applicable Laws, for sales of this Product to Duty Free stores provided that each store is charged the same price.
8. You may sell Product to your Manufacturer Retail Store on Consignment and deliver such Product to the Manufacturer Retail Store and any sale must be at the Wholesale Price.
9. You may sell Product to Hospitality Customers and deliver such Product to them as follows:
 - a. for Product that is only available via direct delivery (i.e. not listed for sale in the LDB's British Columbia Liquor Stores and not delivered by the LDB), you are free to set your own price for sale for each particular Product as long as,

- i) it is not below the Minimum Wholesale Price for Wine,
 - ii) it is the same price for all Hospitality Customers,
 - iii) it does not change more than one (1) time per calendar month; and
 - b. for all other Product not included in subsection a. above, any sales must be at the LDB Established Retail Price.
10. Subject to Section 10.1, you must obtain from each Wholesale Customer (other than BC VQA Stores) and Hospitality Customer full payment for all Product sold prior to transferring possession of such Product to the purchaser, unless otherwise authorized by the LDB.
- 10.1 For Wholesale Customers that are Grocery (Wine on Shelves) Licensees, you must obtain from each of these Wholesale Customers, full payment for all Product sold within 10 days of transferring possession of such Product to the purchaser, unless otherwise authorized by the LDB.
- 10.2 You must obtain from your Manufacturer Retail Store, full payment that is due and owing to the LDB for all Product sold on Consignment, unless otherwise authorized by the LDB.
11. No delivery charges may be assessed against Wholesale Customers or Hospitality Customers.
12. You must pay the container deposit, container recycling fees and applicable taxes as described in the Reporting Requirements and Procedures.
13. All costs associated with the sale and delivery of Product to Wholesale Customers, your Manufacturer Retail Store, and Hospitality 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

- 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 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.

- 17.1 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.
18. 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 that you meet the criteria for a Land Based Winery, to verify the inventory at the location where Product is stored or under your possession or control and to verify compliance with the Reporting Requirements and Procedures.
19. If any inspection or audit of your Licensed Establishment, Warehouse, Records, Sales Reports or Excise Documents discloses that you do not meet the criteria for a Land Based Winery or 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 Losses

20. If the LDB determines after a review of Product inventory, Records, Sales Reports, and/or Excise Documents and your status as a Land Based Winery that you are responsible for Lost Product, you will be charged the container deposits, container recycling fees and applicable taxes associated with the Lost Product. 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

21. 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.
22. 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

23. If you:
- a. no longer are licensed by the Liquor and Cannabis Regulation Branch as a Licensed Establishment;
 - b. no longer meet the criteria set out in Appendix C and thus are not classified as a Land Based Winery;
 - c. do not provide the Sales Reports as required under this Agreement;

- d. do not provide container deposits, container recycling fees or applicable taxes as required under this Agreement;
 - e. do not hold an annual inventory count as required under this Agreement;
 - f. do not provide Records or Excise Documents, or allow an inspection or audit of your Licensed Establishment or Warehouse as required under this Agreement; or
 - g. 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 23.1.
- 23.1 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;
 - i. terminate this Agreement thereby revoking your authorization to conduct sales in accordance with the terms of this Agreement; or
 - j. classify you as a Commercial Winery subject to the terms and conditions of the LDB’s agreement with Commercial Wineries.
24. 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 23.1 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

25. 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.
26. 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

27. This Agreement is governed by, and is to be interpreted and construed in accordance with the laws applicable in British Columbia.
28. You must comply with the Reporting Requirements and Procedures as revised from time to time as applicable to your type of manufacturing facility.
29. 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.
30. 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.
- 30.1 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. You acknowledge that should you cease to meet the criteria set out in Appendix C for classification as a Land Based Winery at any time, this Agreement is terminated at that time, but provided you still possess a Manufacturer Licence you may be classified by the LDB as a Commercial Winery from that time onwards. From the time of your status change, the LDB's Commercial Winery Agreement or any replacement agreement thereto will apply to your operations. You agree to pay to the LDB any mark-up owing for sales to Wholesale Customers or Hospitality Customers and for sales made after the date of your status change. If your status changes, you agree to adhere to the terms and conditions for a Commercial Winery Agreement or any replacement agreement, all without any claim against the LDB for any losses arising from the reclassification status.
32. If any term or condition of this Agreement cannot be enforced, the provision is to be considered separate and removable from this Agreement.
33. 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.

34. 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.
35. This Agreement and its Appendices (Appendix A Reporting Requirements and Procedures and Appendix B Definitions, Appendix C Definition of Land Based Winery) 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.
36. 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 _____

37. 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 4:00pm.
38. 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.

39. 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 36.

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

Land Based Winery - 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 Land Based Winery 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, Wholesale –
Private Distributors Reporting
3383 Gilmore Way
Burnaby, BC V5G 4S1

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

2. Winery Reporting

As a Land Based Winery, you are required to regularly report information on your sales of your Product and your annual packaged product movement to your customers in British Columbia. Section 2 of this Appendix A describes in detail why, when and how to report.

2.1 Why Report

The LDB requires you as Land Based Winery 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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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 month. The LDB must receive all your Sales Reports no later than 5 business days following the last day of each fiscal month.

If you plan to temporarily cease sales operations for a longer period, please email Data Management

If you choose to report more frequently, for example weekly, or bi-weekly, please email us on your preference so we can update our schedules and know when to expect your next batch.

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 Land Based Winery, shortly after 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 all customer types. Rules specific to individual customer groups are listed in sections 2.4.2 through 2.4.5. See Exhibit A for rules on pricing for each customer type.

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Land Based Winery - Reporting Requirements and Procedures

1. You are required to report sales of Product by your Land Based Winery to your Wholesale Customers, Manufacturer Retail Store and Hospitality 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 records related to all sales and dispositions of your Product.
4. Do not report your sales to Ships Chandlers as they are treated as export shipments out of British Columbia.
5. If you are selling your BC VQA Product on consignment to the BC VQA Stores administered by the BC Wine Institute, do not report these sales to the LDB. The BC Wine Institute will report these sales to the LDB on your behalf, at the Wholesale Price as if you were selling to those stores directly. However, keep the records of your inventory on consignment at all BC VQA Stores you use to store your inventory in Section 3, Reporting of Packaged Product Movement. If you are selling your BC VQA Product to BC VQA Stores directly (i.e. not on consignment), report these sales to the LDB in accordance with section 2.4.3 of this Appendix.
6. Product is to be transferred from the Land Based Winery to your Manufacturer Retail Store on Consignment. You must report your sales of Product sold from your Manufacturer Retail Store to the retail customer at the Wholesale Price. These sales must be reported using your Land Based Winery store number or Winery Agency Store number, as the case may be. See Section 2.4.2 for further explanations on how to report sales to your Manufacturer Retail Store.
7. When transferring Product to your Winery lounge or special event areas operated under endorsements to your Manufacturer Licence, report the transfer as a sale to a Hospitality Customer at the LDB Established Retail Price using your Manufacturer Licence number. Do not report your sales made to retail customers from your Winery lounge or special event endorsement.
8. You may use Product for sampling, donations and/or to provide to employees even if you do not have a Manufacturer Retail Store. If you have a Manufacturer Retail Store, all Product used for any of these purposes must be reported as a sale to your Manufacturer Retail Store using your Land Based Winery store number. If you don't have a Manufacturer Retail Store, all Product used for any of those purposes must be reported as a sale using your Land Based Winery store number. See Section 2.4.2 for further explanations on how to report sales to your Manufacturer Retail Store.
9. You may sell Product to a Special Event Permittee, if you have a Manufacturer Retail Store, and all Product sold to a Special Event Permittee must be reported as a sale to your Manufacturer Retail Store using your Land Based Winery store number.
10. You may only sell Product at farmers markets if you have a Manufacturer Retail Store. Product sold at farmers markets must be reported as a sale to your Manufacturer Retail Store using your Land Based Winery store number. See Section 2.4.2 for further explanations on how to report sales to your Manufacturer Retail Store.

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Land Based Winery - Reporting Requirements and Procedures

11. Your Product SKUs must be registered and the Wholesale Prices and LDB Established Retail Prices must be established by the LDB before you can start selling these 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- 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, and in the LDB Established Retail Price.
14. You must collect and remit a container deposit on all your sales to Wholesale Customers, your Manufacturer Retail Store, and Hospitality Customers 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.
15. At the end of each month, you will be invoiced by the LDB for container deposits, recycling fees and applicable taxes based on sales you reported and container type and unit configuration registered in the LDB system. You must pay the LDB immediately on receipt of such invoice
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.
17. Please refer to the Exhibit A for the taxes and price applicable to each customer type.

Please refer to the following sections for reporting requirements on sales to specific types of customers.

2.4.2 Reporting Sales from and Returns to your Manufacturer Retail Store

1. You must report to the LDB all sales of Product from, and returns of Product to, your Manufacturer Retail Store and these sales and returns must be reported using your Land Based Winery store number.
2. What you report as a sale to your Manufacturer Retail Store should include:
 - Product sold through your Manufacturer Retail Store to retail customers;
 - Product sold at farmers markets to retail customers;
 - Product you have used for donations, sampling, or to provide Product to employees; and
 - Product sold to Special Event Permittees.
3. You must have registered and received a PST (Provincial Sales Tax) registration number to be able to sell Products from your Manufacturer Retail 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.

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Land Based Winery - Reporting Requirements and Procedures

5. The following information is required for online reporting for your Manufacturer Retail 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 according to date). If you report all **net** (value of sales less returns) wholesale sales on a single document, you can use the last day of the reporting month 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.
- **LDB Payment Type** – ‘cash’.
- **Customer number** – your reporting store number or your Winery Agency Store number as assigned by the LDB if you have an off-site store. For example, if you report your sales as a store number 999, select a customer number ‘999’ to report your sales from your Manufacturer Retail Store.
- **Customer type** – use “MOS” Manufacturer Retail Store or “WAS” Winery Agency Store if you report sales to your off-site store. Do not use this category of reporting if sales are under your Winery lounge endorsement or sold under a special event endorsement as these sales are treated as sales to Hospitality Customers.
- **Payment Type** – ‘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** - 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.

2.4.3 Reporting Sales and Returns to/from Wholesale Customers

1. The Wholesale Customer’s Liquor and Cannabis Regulation Branch issued licence number must be valid and such a customer must be eligible to purchase alcohol for resale on the date of the sale.
2. The Wholesale Customer that you sell your Product to, or receive returns of your Product from, must have registered for and received a PST (Provincial Sales Tax) registration number.
3. Each individual sale must be reported on a separate document, indicating the Wholesale Customer’s licence number. For Wine stores, indicate the Liquor and Cannabis Regulation Branch issued store 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 sales:

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- **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 Wholesale Customer’s license number assigned by the Liquor and Cannabis Regulation Branch, or a store number for Wine stores as assigned by the LDB. .
- **Customer type** - (e.g. Licensee Retail Store, Rural Licensee 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 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.

2.4.4 Reporting Sales and Returns to/from Duty Free Stores

1. The Duty Free store’s customer numbers for all Duty Free stores are listed in Exhibit B.
2. Each individual sale to a Duty Free store must be reported on a separate document, indicating the Duty Free store customer number.
3. The reporting must be completed using the price you set for Product sold to Duty Free stores, effective on the date of the sale provided that the same price was offered to all such stores. The price you set is subject to Applicable Laws.
4. Please refer to the Exhibit A for the Duty Free store customer type indicator and pricing. Sales to Duty Free stores are tax exempt.
5. No container deposits are to be collected on sales to Duty Free stores.
6. The following information is required for online reporting for Duty Free store sales:
 - **Store number** – enter your reporting store number.
 - **Document type** – identify if this is a sale or return.
 - **Transaction date** – the date when the sale or return occurred (system pricing in effect according to date).
 - **Invoice reference number** – a reference number that uniquely identifies the sale or return

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document.

- **Original invoice number** – only for returns – a reference number that was used in the original sale of the Product.
- **Customer Number** – Please see Exhibit B for Duty Free store customer numbers.
- **Customer Type** – Duty Free store.
- **Payment method** – ‘cash’.
- **SKU** – an identification number that will provide information to the system of the Product being sold or returned. Only BC VQA Products are eligible for these sales.
- **Price** - Free Price as of the date of the transaction provided it was the same price offered to all Duty Free stores. The price you set is subject to Applicable Laws.
- **Quantity** - sold, in selling units.
- **Return Reason Code** – code which identifies the reason the Product is being returned.

2.4.5 Reporting Sales to and Returns from Hospitality Customers

1. The Hospitality Customer’s Liquor and Cannabis Regulation Branch issued licence number must be valid and such a customer must be eligible to purchase alcohol for resale on the date of the sale.
2. The Hospitality Customer must have registered and received a PST (Provincial Sales Tax) registration number.
3. Each individual sale or return must be reported on a separate document, indicating the Hospitality Customer’s Liquor and Cannabis Regulation Branch licence number.
4. The reporting must be completed using either the free price or the LDB Established Retail Price, as applicable, and tax effective on the date of the sale.
4. The following information is required for online reporting for Hospitality Customer sales:
 - **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.
 - **Customer number** – the Hospitality Customer’s license number assigned by the Liquor and Cannabis Regulation Branch. For your Winery lounge or special event endorsement areas, use your Liquor and Cannabis Regulation Branch issued Manufacturer License number.
 - **Customer type** - Hospitality (LIC) based on information in Exhibit A.
 - **Payment method** – ‘cash’.
 - **SKU** - an identification number that will provide information to the system of the Product being sold or returned.
 - **Price** – LDB Established Retail Price as of the date of the transaction.
 - **Quantity** - sold, in selling units.

Appendix A

Land Based Winery - Reporting Requirements and Procedures

- **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 it with the amount you collected to identify any errors.
- **Return Reason Code** – code which identifies the reason the Product is being returned.

3. Payment for Beverage Container Deposits and Container Recycling Fees to LDB

In accordance with the provincial Ministry of Environment's *Recycling Regulation*, most containers which hold "ready-to-serve" beverages are subject to a refundable container deposit. The *Recycling Regulation* also requires manufacturers or their agents to be part of an approved stewardship plan that ensures containers are collected and recycled.

In British Columbia, there are two stewardship agencies that manage beverage container stewardship plans on behalf of industry. Encorp Pacific Ltd. ("Encorp") is the stewardship agency for all non-refillable containers except cans. Brewers Distributor Limited ("BDL") is the stewardship agency for cans and refillable bottles. Each of these two agencies operates a collection and recycling system and determines the amount of the container recycling fees (CRFs) that are required to pay for the costs of their systems. In the normal course of business, Encorp and BDL review the CRFs and make adjustments as necessary.

In order to streamline the administration of the two stewardship plans, the LDB has agreed to consolidate the collection of container deposits and CRFs on Product sales and remit them to Encorp and BDL for funding of their stewardship plans. This relieves manufacturers from the burden of making individual payments to the two stewardship agencies. This does not apply to refillable bottles as BDL collects container deposits and CRFs directly from the manufacturers of these containers.

When you, as a LBW sell beverage alcohol, you must collect CRFs (included in the Display Prices established by the LDB), and container deposits on your packaged Product sales.

Please see the Container Deposit Schedule currently in effect: www.bclldb.com/direct-sales-web-reporting-user-guides. Encorp and BDL change the CRF fees from time to time and when they do, the LDB will update the schedule with the new rates.

In order to provide these funds to Encorp and/or BDL, each month the **LDB will invoice your Licensed Establishment** for the CRFs (plus applicable taxes) and container deposits based on your Sales Reports.

You are **required by this Agreement to pay the invoices** in the timely manner according to the payment terms stated on the LDB invoice. Failure to do so will result in suspension or termination of your Agreement.

4. Winery Records

1. As a manufacturer producing and handling Product in British Columbia, you are also 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 your packaged Product (Wine, Ciders, , etc.):
 - The amount you currently store anywhere in British Columbia, including identifying the specific Warehouses. 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 Warehouses.
 - The amount you produced in your Licensed Establishment.
 - The amount a third party produced and/or bottled on your behalf.
 - The contents of your BC VQA Product. That is, your records need to be sufficient so that you can reasonably demonstrate that any of wine designated as BC VQA Product contains only British Columbia grapes, fruit or honey.
 - 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 that you sold to your authorized customers in British Columbia.
3. All the records referred to above must be retained at your Licensed Establishment 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 your 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 audit referred to above discloses 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.

Please note that your winery 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 unless the terms of the Agreement state otherwise.

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 in DSWR	Pricing	TAX
Manufacturer Retail Store (on-site store)	MOS	Wholesale	GST
Winery Agency Store (off-site store)	WAS	Wholesale	GST
Independent wine store*	WIN	Wholesale	GST
Hospitality	Licensee	LDB Established Retail Price	GST
Licensee Retail Store*	LRS	Wholesale	GST
Rural Licensee Retail Store	RLRS	Wholesale	GST
Grocery (Wine on Shelves) Licensee	GRC	Wholesale	GST
Duty Free Store	DFS	Price set by Land Based Winery provided the same price is offered to all Duty Free stores. Price subject to Applicable Laws	N/A
BC VQA Store on purchase model only	VQA	Wholesale	GST

* includes this type of licensee operating within a grocery store

Exhibit B – Duty Free Stores

Store / Customer Number	Duty Free Store Name	Location
900545	DOUGLAS CROSSING DUTY FREE STORE	SURREY, BC
900611	ALDEASA DUTY FREE STORE	RICHMOND, BC
900646	OSOYOOS DUTY FREE STORE	OSOYOOS, BC
900711	VICTORIA DUTY FREE STORE	SIDNEY, BC
900737	TOBACCO PLAINS DUTY FREE STORE	GRASMERE, BC
900810	WEST COAST DUTY FREE STORE	SURREY, BC
900869	KELOWNA DUTY FREE STORE	KELOWNA, BC
900885	ALDERGROVE DUTY FREE STORE	ALDERGROVE, BC
900919	HUNTINGDON DUTY FREE STORE	ABBOTSFORD, BC
900976	KINGSGATE DUTY FREE STORE	KINGSGATE, BC

Appendix B Land Based Winery - 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* and the *Excise Act* and any regulations under those statutes and includes any amendment or replacement of those statutes and regulations from time to time;
- c) "BC VQA Product" means Wine made from 100% BC grapes which has received the British Columbia VQA designation;
- d) "BC VQA Store" means a Wine store licensed under the Applicable Laws which licenses are held by the British Columbia Wine Institute;
- e) "Cider" is a fermented alcoholic beverage made from 100% BC apples or pears and once fermented it may not be diluted to a lower level of alcohol through the addition of water, juice or concentrate beyond a maximum addition of 10% by volume;
- f) "Consignment" means an arrangement whereby you transfer possession of Product to your Manufacturer Retail Store with payment at the Wholesale Price due and owing upon sale of Product from the Manufacturer Retail Store to a retail consumer unless otherwise authorized by the LDB;
- g) "Event of Default" means any of the events set out in Section 23.1 of this Agreement;
- h) "Excise Documents" means any documents required under the *Excise Act* or its Regulations
- i) "Grocery (Wine on Shelves) Licensee" means a licensee who is permitted to sell Wine from shelves in a grocery store and, for greater clarity, means a BC VQA Store that is not on a consignment model and is situated in a grocery store and a Special Wine Store Licensee, as licensed under the Applicable Laws;
- j) "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 license under Applicable Laws, and
 - iii. any holder of a Manufacturer Licence for its business conducted under a lounge or special event endorsement issued under the Applicable Laws;
- k) "LDB Established Retail Price" means the retail price set by the LDB for Product to be sold to Hospitality Customers;
- l) "Licensed Establishment" means your place or premises within which is any area where liquor is manufactured or served;
- m) "Lost Product" means Product which was under your possession or control;
- n) "Manufacturer Licence" means a winery Licence issued under Applicable Laws;
- o) "Manufacturer Retail Store" means your on-site retail store that you are allowed to operate as a result of an endorsement on your Manufacturer Licence, and where applicable, your off-site retail store operating with a winery agency store licence;
- p) "Product" means:

APPENDIX B
Land Based Winery – Definitions

- i. Wine manufactured by you, including Wine packaged by you or at your direction;
 - ii. Wine purchased in bulk by you and packaged while under your ownership, or control, registered and sold by you under a brand or marketing name owned by you; or
 - iii. packaged Wine purchased by you from a winery provided that it is labeled, registered and sold under a brand or marketing name owned by you;
- of your Licensed Establishment, all of which must meet the criteria set out in Appendix C;
- q) “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;
 - r) “Reporting Requirements and Procedures” means the reporting requirements and procedures attached as Appendix A to this Agreement;
 - s) “Sales Reports” means the reports you are required to make about your sales of Product to Wholesale Customers, your Manufacturer Retail Store, Hospitality Customers and Special Event Permittees as described in the Reporting Requirements and Procedures;
 - t) “Special Event Permittee” means a licensee issued a special event permit under Applicable Laws,
 - u) “Warehouse” means any and all warehouses and other locations in British Columbia where your Product is stored prior to being transferred on Consignment or sold;
 - v) “Wine” means liquor obtained by the fermentation of natural sugar content of fruits or other agricultural products, containing sugar, including honey;
 - w) “Wholesale Customer” means:
 - i. Duty Free stores licensed by Canada to operate in the province, provided you have been authorized by the LDB to sell to Duty Free stores,
 - ii. Licensee Retail Store as licensed under the Applicable Laws,
 - iii. Wine stores as licensed under the Applicable Laws and includes a Grocery (Wine on Shelves) Licensee, and
 - iv. Rural Licensee Store as licensed under the under Applicable Laws,
 - x) “Wholesale Price” means the LDB wholesale price applicable to a Wholesale Customer and applicable to Product sold to your Manufacturer Retail Store.

Appendix C

Land Based Winery Criteria - Updated 2018-06-05

To be a Land Based Winery, as a Licensed Establishment;

- All of your Product are made from grapes, fruit, honey or rice - 100 % of which is grown/produced in British Columbia;
- At your Licensed Establishment site you have 2 acres of grapevines if you produce grape wine; and/or 2 acres of fruit orchards if you produce fruit Wine or Cider*; or 2.5 acres of rice paddy if you produce sake. You farm and use this acreage for the manufacture of your Product.
- If you produce honey wine you have a minimum of 50 bee colonies, the honey from which must be extracted and fermented at the winery site.
- A minimum of 25% of the grapes or fruit or honey or rice used in your Licensed Establishment's production is from acreage and bee colonies owned or leased by you.
- Your Product must be produced utilizing traditional wine, cider or sake making techniques.
- You may use wine, juice, honey or sake acquired from other Land Based Wineries in the manufacturing of your Product but may not use wine, juice or honey acquired from a Licensed Establishment classified by the LDB as a Commercial Winery.
- You do not share common ownership or management with a Licensed Establishment classified by the LDB as a Commercial Winery;
- Licensed Wineries that do not meet the above criteria for a Land Based Winery will be classified as a Commercial Winery and subject to the terms and conditions of the LDB's agreement with Commercial Wineries.

* Cider is defined as: "a fermented alcoholic beverage made from 100% BC apples or pears. Cider once fermented may not be diluted to a lower level of alcohol through the addition of water, juice or concentrate beyond a maximum addition of 10% by volume".

The LDB retains the right, in its sole discretion, to determine if a Licensed Establishment meets the Land Based Winery Criteria.