

June 7, 2016

Re: Durham Direct Program

55 Lakeshore Blvd. E.
Toronto, ON., M5E 1A4

Dear Trade Partners,

The goal of this letter is to clarify for all suppliers and agents, as well as LCBO retail staff, how to access products on the Durham Direct Program supplying Ottawa Retail Service Centre stores. We are changing how these products get to market by leveraging LCBO infrastructure to improve the customer experience.

There are three ways for products included in the Durham Direct Program to get to market for Ottawa Retail Service Centre-serviced stores:

1. Direct from Durham Retail Service Centre

- Effective May 30, 2016 – stores **499, 556, 624, 620 & 38** are being serviced daily from Durham Retail Service Centre (for details please refer to the letter to trade dated May 2, 2016).

2. Direct from Durham Retail Service Centre for the Vintages Central Allocation (VCA) (38 Ottawa-area stores)

- Stores receiving a Vintages bi-weekly release can place orders for these Durham Direct products to be comingled with their Vintages release.
- Stores can order at any point, with orders automatically dated to coordinate with the next release.
- Suggested Order Quantity (SOQ) at store level adjusts for order lead time, and seasonality.
- This leverages Durham Retail Service Centre automation and operational efficiencies.
- These 38 LCBO locations account for 80 per cent of Durham Direct product sales.



3. Via Inter-Store Transfer (IST) for Non-VCA Stores (80 stores)

a. Short-term

- Non-VCA stores can IST Durham Direct products in from one of the 38 VCA stores, which includes five stores being serviced daily from Durham Retail Service Centre to add to the store's product assortment (at the store manager's discretion).
- Store managers can adjust order quantities to be in a ready-for-business position.
- Store 620 was included as one of the stores to be serviced daily from Durham Retail Service Centre to provide flexibility and the ability to react expeditiously to changing market conditions for licensees.

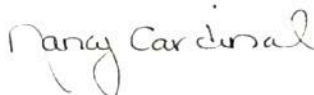
b. Longer-term

- Effective later this month, stores will be able to leverage e-commerce infrastructure to receive daily replenishment of Durham Direct SKUs.
- Non-VCA stores in the Ottawa-service area will be able to access Durham Direct products by ordering through the helloLCBO contact centre and will be replenished through the e-commerce hub store (217). In short, the process is:
 - Store places IST with the helloLCBO contact centre
 - helloLCBO co-ordinates orders with Store 217
 - Store 217 fills daily to Ottawa Retail Service Centre (daily truck from 217 to Ottawa Retail Service Centre)
 - Ottawa Retail Service Centre comingles with next store order

Products included on the Durham Direct Program are accessible to any store in the Ottawa service area. Local concerns over store listings should be directed to retail management in the field. Please direct any merchandising queries to merchandising.support@lcbo.com.

We hope this update and explanation addresses any questions you have concerning the Durham Direct Program.

Yours truly,



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