

LCBO

Import Keg Distribution

Guidelines for Authorized Import Keg
Distributors

November 2022

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Welcome

As the importer of record for all beverage alcohol Products, LCBO has the authority to make rules for liquor Products being imported in Ontario from outside Canada in accordance with section 5(1) of the *Liquor Control Board of Ontario Act, 2019*.

The LCBO's Import Keg Program authorizes qualified Distributors to provide distribution and last mile services on the LCBO's behalf to facilitate the sale of imported liquor in Kegs to LCBO customers. Under the program, the LCBO will provide an opportunity for multiple entrants to participate in the program to better meet market demand and provide greater choice for customers.

These guidelines are designed to provide a basic understanding of the way in which the Import Keg Program will operate in Ontario between the LCBO's Specialty Services department, LCBO authorized Distributors, Agents (manufacturer's representatives), and Vendors.

The LCBO has put these guidelines together to help you understand who to contact to help serve your needs and what to expect in terms of ordering and receiving import Kegs. The LCBO will be continually streamlining and evolving its processes and systems. Details and up-to-date information can be found on our [website](#).

Introduction

The LCBO's Mission

We are the socially responsible, performance-driven, innovative beverage alcohol Distributor, helping ensure a wide assortment of Products make their way to Ontario consumers in a safe and responsible manner and we are committed to working collaboratively with all of our partners in doing so.

As it relates to the import Keg market, we consider ourselves as a conduit to opportunity by helping to facilitate a warehouse and delivery program that helps authorized Distributors pursue sales for import Keg Products in Ontario on the LCBO's behalf.

Import Keg Distribution Policy

The LCBO has established a policy to facilitate the sale of imported liquor in Kegs called the [Import Keg Distribution Policy](#). This policy was approved by the Board of Directors and establishes the conditions under which LCBO will authorize Import Keg Distributors to provide services on LCBO's behalf, including the warehousing and delivery of imported Kegs to LCBO customers.

The Import Keg Program operationalizes this policy and provides LCBO customers with convenient access to imported liquor in Keg formats.

Import Keg Guidelines

This Guidelines document provides eligible and approved Distributors with the basic information required to warehouse and deliver imported Kegs in Ontario.

This document does not change any obligations or requirements that are set out in:

- a) the laws and regulations applicable to selling beverage alcohol in Ontario in the *Liquor Licence and Control Act, 2019* (LLCA)
- b) an Import Keg Distribution Authorization with the LCBO and a Distributor

Please refer to the "Glossary of Terms" for the definition of key terms referenced in the guidelines. In addition, the LCBO expects all Agents, Distributors and vendors to adhere to a code of conduct which can be found at: [LCBO's Supplier Code of Business Conduct](#) as well as LCBO's [Quality Assurance](#) protocols.

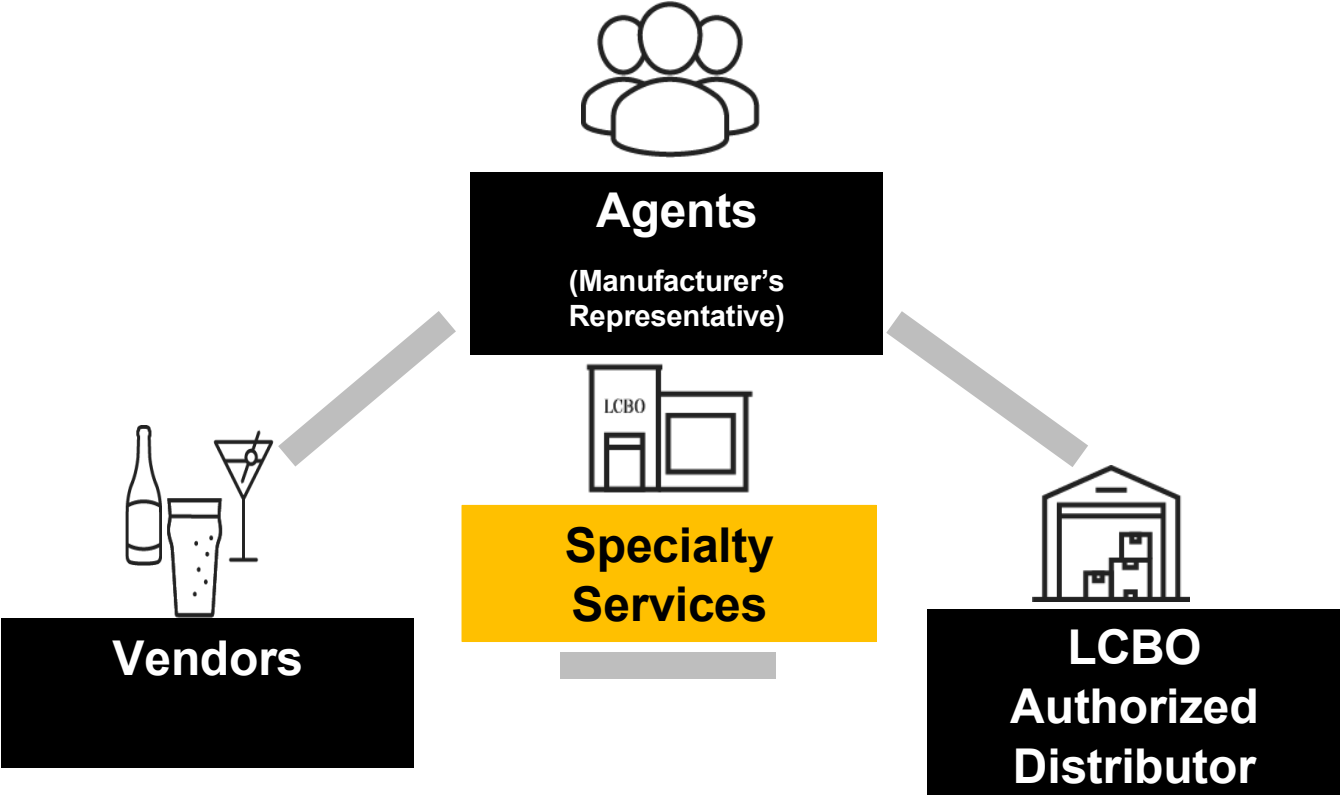
Communication/Notice of Change

Notice of any significant changes in policy and/or procedures contained in this document will be communicated in advance.

Roles and Responsibilities

The Import Keg Program is made up of interconnected relationships between the LCBO's Specialty Services department, authorized Distributors, Agents and vendors.

- **The LCBO**, which imports the Liquor and administers this policy and program;
- **Vendors** who are the manufacturers of Product(s);
- **Agents** who are appointed by vendors to represent their Product in Ontario; and,
- **Distributors** who must be authorized by the LCBO under the policy and appointed by Agents under this program.
 - Distributors must partner with an Agent to take on SKUs to warehouse and fulfill customer orders or become an Agent themselves to represent Products from different vendors to warehouse and fulfill customer orders.



Working Relationships

In general, the Import Keg Program allows authorized Distributors to work with Agents to place orders with the LCBO. The LCBO then works with vendors to arrange the importation and shipping of these Products to the Distributor's designated warehouse. For clarity, an authorized Distributor can also be an Agent, provided they meet all the requirements. However, a Vendor cannot be an Agent or a Distributor.

Distributors (who may also be an Agent) can:

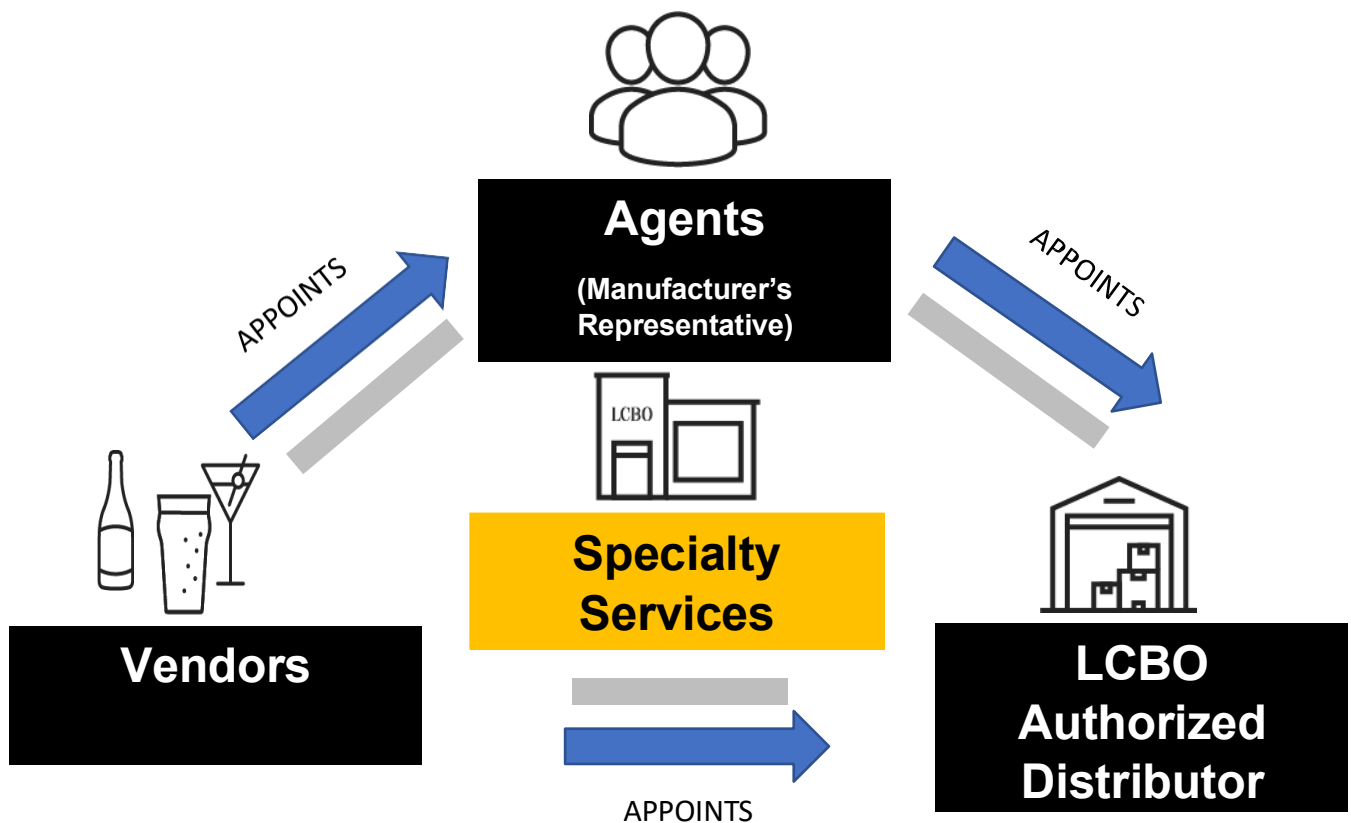
- place an order for the customer
- pay for a customer's order
- deliver an order to the customer

An Agent, who may also be a Distributor can:

- pick up and deliver the customer's order from the Distributor's warehouse

A customer can:

- place order directly with Distributors
- arrange with the Distributor to pick up their order from the Distributor's warehouse
- Place order directly with the agent who can facilitate the sale via the distributor
- Arrange with the agent to arrange delivery for their order



LCBO Specialty Services

In order to fully serve authorized import Keg Distributors in the most customer-focused manner, the LCBO has a dedicated department comprising all of the most important functional roles related to facilitating this program.

New Agents & Distributor Onboarding	Visit the Wholesale webpage
Order Flow Process and Program Guidelines	Visit Wholesale webpage or contact at Kegs@lcbo.com

Website

The LCBO has established a webpage specifically for import Keg Distributors. It is designed to provide the most up-to-date information to conduct business with the LCBO. The website is called Doing Business with LCBO.

The URL for your web browser is:

<https://www.doingbusinesswithlcbo.com/content/dbwl/en/basepage/home/Wholesale/import-Keg-distribution.html>

The website serves as the primary form of communication via posting of information and documents. All forms referenced in this manual are available online on this site.

We strongly encourage all Distributors, vendors and Agents who conduct business with the LCBO to review this [webpage](#) regularly, as it is updated often and contains the most up to-date version of this manual, forms, program information, and other business information.

Agents

Agents are authorized by the AGCO and are licenced after meeting their requirements. Specifically, Ontario Regulation 746/21 made under the *Liquor Licence and Control Act, 2019* requires Agents to be licensed by the [AGCO](#) for the purposes of soliciting orders of liquor in Ontario on behalf of a manufacturer of eligible Products.

For more information on how to become an Agent please visit the [New Agents](#) webpage on Doing Business with LCBO.

How to Get Authorized as a Distributor

When the Import Keg Distribution Program application window is open, the following process applies to obtain an Authorization:

Step 1

Access the Import Keg Distributors section of [Doing Business with LCBO](#).

Step 2

Review the [Import Keg Distribution Policy](#) to ensure you fulfill the policy requirements.

Step 3

Complete the Intake Form and submit it to lcbo-policy@lcbo.com

- The [Intake Form](#) is to be completed for verification of application requirements.

Step 4

Applicants will receive an email with further instructions. If you do not receive a response within 24-hours, please email lcbo-policy@lcbo.com as there may have been technical issues with the form.

Step 5

Once your application is received by LCBO's Corporate Affairs department and you receive a notification email, please submit the following documents to lcbo-policy@lcbo.com.

1. Proposed rate sheet
2. Letter of Credit OR a letter from a recognized financial institution that states they will issue a Letter of Credit pending approval of your application
3. Proof of Insurance
4. AGCO Manufacturer's Representative Licence number OR at least one [Letter of Intent](#) from an AGCO licenced Manufacturer's Representative that they will appoint you as their Distributor

Step 6

If approved, review and sign the LCBO authorization and send a copy to lcbo-policy@lcbo.com.

Eligible Products (Kegs)

The summary below is for information purposes only and does not change or amend any requirements of the regulations. Distributors should review the LLCA regulations carefully.

It is the Distributors responsibility to ensure they are ordering the correct Products appropriate to their Authorization.

- For the purposes of this program, “Kegs” means a container used to contain and dispense liquor.
- Kegs are a pressurized barrel of a capacity equal to or greater than twelve (12) litres in size with a valve at one end.
- It is used to store and dispense beer, cider, sake, wine or spirit coolers.

Beer

- Contains alcohol in excess of 0.5 of 1% of alcohol by volume or 0.4 of 1% of alcohol by weight.
- Obtained by the fermentation of an infusion or decoction of barley, malt and hops or of any similar Products in drinkable water.

Cider

- Wine produced from apples or pears, or from the concentrated juice of apples or pears, to which herbs, water, honey or sugar is added.

Spirits Cooler (Ready-to-Drink)

- Contains more than 0.5 of 1 per cent but less than or equal to 14.8 per cent alcohol by volume obtained from distillation.

Wine

- Contains alcohol in excess of 0.5 of 1% of alcohol by volume or 0.4 of 1% of alcohol by weight.
- Obtained by the fermentation of the natural sugar contents of fruits, including grapes and apples, or other agricultural Products containing sugar, including honey and milk.

Quality Assurance

The LCBO is responsible for ensuring Products offered for import Keg distribution are in compliance with the LCBO Product Packaging Standards and Chemical Guidelines, which are based on federal and provincial compositional labelling requirements.

Distributors must ensure that all Products undergo laboratory testing in accordance with the LCBO Quality Assurance protocols.

Failure to comply with the requirements of the Authorization will result in non-compliance, which may result in administrative actions as set forth in the Authorization.

Social Responsibility

The LCBO plays a role in ensuring all eligible beverage alcohol Products available for sale in Ontario are screened for market appropriateness and adherence to social responsibility parameters. The LCBO's major framework for review (brand, imagery, text and format) is based on AGCO's guidelines as they are enshrined in regulations. Should a Product raise concerns, the extent of the LCBO's review will be based on AGCO guideline requirements and LCBO's Product Branding Guidelines.

How to Place Orders

Only authorized Distributors can place an order under the Import Keg Program.

To place an order the Authorized Distributor must ensure the following documents are first submitted to Kegs@lcbo.com.

1. A signed Keg Distributor Authorization form (a one time set-up)
2. A signed Keg Program Agreement signed and completed by Agent (manufacturer's representative)- a one time set-up step
 - a. A completed and fully executed Vendor Agreement and Appointment of Agent Form (including the Vendor Confirmation of Products) with Vendor signature (a one time set-up step)
3. Vendor Profile Form (signed and completed by Vendor) (a one time set-up step)
4. Vendor Profile Form for Agent (signed and completed by Agent) (a one time set-up step for new agent)
5. Vendor Quote (with item descriptions and size, completed by Vendor) (submitted with every order)
6. A one-time Performance Security Deposit, as noted in the Agent Import Keg Program Agreement (submitted by Agent)

Placing an Order

Placing an order for Products under the Import Keg Program must be initiated by the Distributor and entered on the LCBOs online "Agent Portal". Access to the Portal will be provided by Specialty Services department of the LCBO.

Ordering quantities are to be full container and freight charges are applied as such. Full container quantities are provided by the Specialty Services department in response to the freight rate request form.

Please refer to the *Portal Manual* for full details and instructions on how to place an order and upload associated required documentation. For a copy of the *Portal Manual* contact psinfo@lcbo.com.

Step 1

Distributors must enter their order into the Agent Portal.

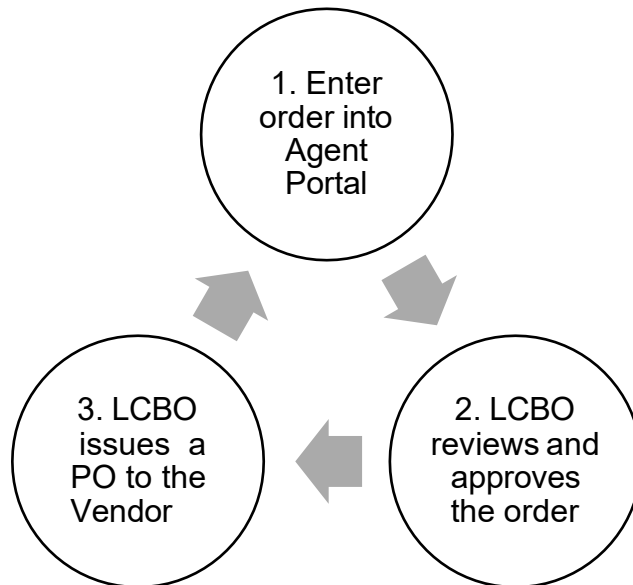
Step 2

LCBO will review and approve the order.

Step 3

The LCBO will issue a purchase order to the vendor, and then assign an LCBO carrier for transportation to the LCBO approved Distributor's warehouse in the Greater Toronto Area.

The following illustration demonstrates the order process captured above:



Such shipments will be in full loads and not mixed with other Products destined for LCBO's other channels. The following criteria for import orders apply:

- Vendors must follow the purchase order details and not include any other Products or marketing materials with the purchase order.
- Vendors must ensure the safety of the shipments and while pallets may be stacked on all Keg shipments each tier cannot be piled on top of each other without a pallet securing each individual row or tier.
- The pallets must be stable for shipment and unloading.
- The top tier must be tied or poly-strapped.
- Shrink-wrap is permitted to maintain load stability provided it is not fastened in any way to the container, and provided the shrink-wrap is recyclable.
- Shrink-wrap is not to be used as a substitute for pallets when the Kegs are stacked.
- The maximum dimension of the pallet shall not exceed 48" in length (121.92cm) and 40" in width (101.60cm). Pallets must be free of quality defects and meet all Phytosanitary requirements as directed by the Canadian Food and Inspection Agency policy.
- All loads must be 12 inches clear of the top of the container.
- Non-compliance may result in applicable fees. (Schedule B)

For importation into Canada, a completed Canada Customs Invoice must accompany each order. This form can be found at <http://www.cbsa-asfc.gc.ca/E/pbg/cf/ci1/>.

Payment to Vendor

Please visit the LCBO's Trade Website for valuable information and to sign up for iSupplier, which is the LCBO's online gateway for all Financial inquires.

Payments to vendors will be made by the LCBO, in accordance with the applicable purchase order terms and conditions which can be found at: [Specialty Services Information](#).

Order Quantities

The Distributor will be responsible for order quantities on behalf of the customers. The program consists of two main types of Kegs: standard Kegs and one-way Kegs.

The order quantities for both types of Kegs are set at the time the item is set up.

If the vendor sends to the Distributor fewer than the approved purchased quantities of Kegs, the vendor will be charged the additional freight cost per Keg incurred by LCBO as a result of the shortage.

The vendor must ensure the bill of lading (BOL) and the shipment quantities match, when there is a discrepancy, the vendor will be paid the quantity, the Distributor is reporting as received and a claim process will be initiated for the difference.

The distributor must ensure that bill of lading (BOL) and the shipment of empty kegs quantities match and if there is any discrepancy the distributor will pay the difference of the established returned freight rate.

Receiving Products

Step 1

Once the shipment (from the vendor) has arrived to the container terminal, LCBO will send the availability of containers to the Distributor.

The Distributor has 48 hours from this notification to order the container and off load the shipment.

Step 2

LCBO will deliver the shipment to the Distributor's authorized warehouse.

Step 3

Distributor is to unload the cargo container/load and notify the LCBO or the LCBO carrier once the empty cargo container is available to be picked up. The Distributor will have up to 48 hours to notify the LCBO carrier to pick up the empty cargo container.

Step 4

Distributor will then provide the LCBO with a soft copy of the Bill of Lading received from the LCBO carrier via Kegs@lcbo.com and traffic@lcbo.com.

The Distributor must also provide the following detailed information related to the shipment:

- purchase order number (s)
- item number
- quantities for each item
- item name
- item size

Step 5

Upon receipt of the shipment the Distributor will inspect each Keg and provide the LCBO Carrier with a delivery receipt confirming that the Kegs were received in good order and condition.

The Distributor will inspect each keg and will forward any claim to Kegs@lcbo.com and trafficclaims@lcbo.com within 2 days of offloading the container. For more information about claims please refer to Claims and Returns on page 23.

Step 5

Once the ordered Product is received into the Distributor's authorized warehouse, the posted base handling fee applies. Storage charges will also be applied as indicated in the Distributor rate sheet.

The liability of the Kegs received by the Distributor from the LCBO will pass to the Distributor at the time it is received to the Distributor.

It is the Distributor's responsibility to monitor the status of their orders in the Agent Portal.

Step 6

Product stored in the Distributor's authorized warehouse can be removed from the premises if it is:

- sold by the Agent or Distributor to a customer
- to be returned to the Vendor
- to be transferred to other sales channels (as approved by the LCBO)
- to be transferred out of Ontario (as facilitated by the LCBO)
- to be sent for disposal

Before the Products are released by the Distributor from the authorized warehouse, the LCBO retail price, as stipulated in the Keg Program Agreement must be paid to the LCBO by the Distributor on behalf of the customer.

Note:

Additional charges may apply if the Product leaves the Distributor's authorized warehouse for any reason other than for the sale to a customer. By default, the vendor will also be responsible for any transportation related charges required to move a Product from one Distributor to another if the vendor or the Agent choose to change the representation. Such transfer must be approved by LCBO and any charges/fees must be paid in full before leaving the Distributor's facility.

Quality Concerns

At the time of delivery, the LCBO may request that the Distributor provide a sample of the liquor to test for spoilage.

If the Distributor has concerns about the quality of the liquor, they may request the LCBO test a sample of the liquor. Upon receipt of a request, the LCBO will test the sample provided by the Distributor.

The Distributor is responsible for all fees related to additional testing.

Sales to LCBO Customer

Following receipt of Product from the LCBO into the Distributor's warehouse, the Distributor may then ship Product directly to LCBO customers, or the Products may be picked up by Agents on behalf of an LCBO customer or LCBO customers themselves.

For how to process a sale in the Portal for a customer to the LCBO, please refer to the Portal Manual.

The authorized Distributor is the party solely responsible for managing all aspects of the ordering service, including:

- managing Inventory
- sending notifications for order confirmation and delivery/pick-up
- verification of delivery.

Delivery of ordered Product under this program can be done by:

- The Distributor, a third-party, or an Agent acting on behalf of a customer.
- The deliveries must be completed within 5 business days from the time of the customer placing the order or other stipulated by the Distributor as per the rate sheet.

Product Pricing

Key Points Related to Product Pricing

After the receipt of the Product, the LCBO establishes the retail price of the Product. Distributors are not permitted to change the LCBO retail price of a Product. For more information on how the LCBO retail price is calculated please visit this [link](#).

The established LCBO retail price must be presented on any invoice to a customer independent of additional fees applied by the Distributor.

Distributor Fees and Related Charges

Distributor's fees related to basic services (e.g., storage, handling, and removal of Products) and optional services (e.g., delivery) as a rate sheet will be posted online on Doing Business with LCBO.

Any fees or charges related to Product compliance, destruction of Product or shipment back to vendor will be defaulted to the vendor as it appears on the purchase order.

The Distributor must provide at least thirty (30) days notice to the LCBO of an intention to change its fees.

The LCBO applies fees and charges for non-compliant Products as presented in Schedule "A".

- The default charge will be applied to either the Vendor of Record or the Agent representative as indicated
- All fees are subject to applicable taxes
- All 'Other Fees' incurred are due as and when the service or action is performed.

Invoice Requirements

Distributors must issue invoices to LCBO customers for all Products sold and the invoices must clearly display the following:

- LCBO retail price per unit;
- Item Number;
- Quantity; and
- Product description

Note:

- Non-LCBO fees must not, in any way, be associated with the LCBO price of the Product.
- The invoice issued by the Distributor must state that the Distributor is not permitted to sell beverage alcohol but is arranging for the purchase from the LCBO on the customer's behalf.
- The LCBO may request a sample of the Distributor's invoice for review and approval.
- LCBO may issue a separate invoice showing LCBO retail price to the customer upon request.

Remitting Payments to LCBO

The Distributor is required to report sales of liquor to the LCBO on a daily basis. For more information, please see the Reporting Requirements on page 23.

The Distributor is required to remit the full Retail price of all sold liquor to a customer to the LCBO on a daily basis. Payment is due to the LCBO immediately and must match the LCBO invoice.

The Distributor's remittance to the LCBO must reflect the invoice amount for the Product including the Harmonized Sales Tax (HST) that the Distributor is obligated to collect from the customer.

Step 1

LCBO charges the Distributor's account.

Step 2

Distributor to send the remittance amount to LCBO Finance department.

a) If the Distributor does not have accounts owing by the LCBO, they must pay electronically. For more information please visit the [Payment Terms](#) webpage on Doing Business with LCBO.

b) If the Distributor has amounts owing from the LCBO, the receivables will be offset by the LCBO.

Keg Return Program

Empty Keg returns that are being sent to overseas locations and transported to U.S./Mexico breweries via highway must be accompanied with a Commercial Invoice (CI) and a Bill of Lading (BOL) prepared by the Distributor (consignor of the freight).

The CI needs to display LCBO as the exporter given that LCBO was the importer of record when the kegs entered Canada. The CI also needs to contain a reasonable declared value for the Keg, which is equivalent to the value/replacement cost of the Keg.

The BOL must display the Distributor as the Shipper/Consignor of the Empty Keg returns and must show the number of Empty Kegs being returned along with an accurate total weight for the shipment.

Keg Bank

Canada Customs granted LCBO the ability to manage an Empty Keg pool, also known as the Keg Bank. This allows LCBO to waive the duty payment when the Kegs (the Keg as a container itself, not the container contents) arrive in the country, provided LCBO manages the pool. The Distributor must keep records to show the number of Kegs that are present in the province at any given time, and shall ensure that it stays below the maximum number of units allocated to its pool.

The Distributor will be required to prepare two Keg reports at the end of each month. The reports should be in Excel format (one Excel workbook with an individual worksheet tab for each report).

1. Kegs in the Province Report: This report identifies at a high-level the location and quantity of kegs, by item number with product name and unit size.

The following fields are required:

- Number of full kegs in facility
 - Number of empty kegs in facility
 - Number of kegs at licensee facilities
 - Total number of kegs in the province
2. Empty Return Report: This report details by item number with product name and unit size.
 - Date shipped
 - BOL number
 - Quantity shipped

The reports are to be submitted to the LCBO Customs inbox at customsdepartment@lcbo.com. The LCBO requires these reports in order to manage the Keg Bank and to ensure shipper adherence to the required minimum return quantities per shipment by brand. Freight rates are calculated based on shipped quantities, inbound full kegs and empty returns. The Distributor will be responsible for shipping costs that result from return quantity shortfalls.

Claims and Returns

The following applies to all claims and returns:

- Any damages of the shipment must be immediately reported to the LCBO together with necessary documentation (e.g., photograph, signed statements from involved parties, etc.).
- Without proper documentation, the LCBO will not approve the claim and the Distributor will be responsible to pay the full LCBO Retail Price of the damaged Kegs.
- If the vendor ships the Distributor fewer than the approved purchased quantities of Kegs, the vendor will be charged the additional freight cost per Keg incurred by LCBO as a result of the shortage.
- If the Distributor ships the Vendor fewer than the approved empty returns of Kegs, the Distributor will be charged the additional freight cost per empty Keg incurred by LCBO as a result of the discrepancy.
- When there is a discrepancy between the Bill of Lading (BOL) and the shipment on the part of the vendor, the vendor will be charged for the difference of any freight discrepancy based on the quantity received and agreed upon at the time of setup.
- When there is a discrepancy between the Bill of Lading (BOL) and the shipment on the part of the Distributor, the Distributor will be charged for the difference of any freight discrepancy based on the quantity of empty Keg returns agreed upon at the time of setup.
- Liability to liquor purchased by the Distributor from the LCBO will pass to the Distributor at the time it is delivered to the Distributor. The liquor will be at the risk of the Distributor from the time that it is delivered to or otherwise is in the possession of the Distributor. The Distributor will be fully responsible for the full retail price of loss or damage of Liquor after it is delivered to or otherwise in the possession of the Distributor.

Reporting Requirements

Distributors are required to maintain, and provide to the LCBO, upon request, reports showing all information required for the sale of liquor from the authorized warehouse, the Distributor's Inventory and any other information which the LCBO may require.

All books and records are required to be retained by the Distributor for a period of three (3) years after the termination or expiration of the Keg Program Agreement.

Records and Licences

The Distributor should keep the following records at all times:

- (a) a record of all Keg Products that enters and leaves the Warehouse, and the date of such entry and exit;
- (b) a record of the physical location of each Keg Product in the Warehouse;
- (c) a record of the date of pickup of each Empty Keg and the name of the Customer from whom it is retrieved;
- (d) a record of all Keg Products and Empty Kegs which are in transit to the customer;
- (e) a record of the Inventory of Empty Kegs in the Warehouse at all times;
- (f) a record of all receipts for amounts collected by the Distributor with respect to the Purchase Price of Keg Product it has delivered and applicable taxes;
- (g) copies of all delivery slips and, where applicable, bills of lading given to Customers showing delivery of specified quantities of Keg Product;
- (h) copies of all invoices issued to Customers with respect to sales of Keg Product;
- (i) copies of all invoices issued to Customers for charges relating to delivery of Keg Product;
- (j) a summary of all Empty Kegs given to the LCBO Carrier and the date of transfer to the LCBO Carrier;
- (k) each bill of lading received from an LCBO Carrier; and

The Distributor should send responses to any requests from the LCBO to Kegs@lcbo.com.

Reporting of Sales

The Distributor is required to report sales of liquor to the LCBO on a daily basis. Please see the Portal Manual for further details.

Exiting the Program

Distributors may exit the program and terminate their Authorization without reason or cause by giving 8 months written notice to the LCBO at lcbo-policy@lcbo.com.

In the event of the Authorization being terminated or the “Close Down of Distributorship”, the following steps are to be followed:

- It is the responsibility of the Distributor to communicate with the Agent and Vendor and arrange a solution on the Inventory at hand.
- The Distributor will arrange transportation of such Inventory to new Distributors as assigned and will absorb the cost of such transportation.
- The Distributor will also arrange transportation of empty Kegs to the vendors or new Distributors and will absorb any additional costs.
- The Distributor must seek an authorization from the LCBO before any Inventory leaves their premises.
- If the new Distributor is TBS, the Product must be sold to TBS before transferring it over.
- The Distributor will be responsible for Keg returns from premises that have already purchased Kegs from the Distributor.
- The Distributor must show proof of contact to customers notifying them of the closure and the plan on empty Keg returns within 90 days before closure.
- The Distributor must accommodate full Keg returns up to 6 months of closure.
- Distributor is to finalize empty Keg returns by no less than 15 days before closure and accommodate any returns up to 6 months if arrangements have not been made with the new Distributor.
- Distributor is to finalize Inventory counts/reconciliation by no less than 15 days before closure.
- LCBO and Distributor must sign off on Inventory reconciliation no less than 15 days before closure.
- Each move of Keg transfer must be reported with Product Number, Name, Original PO#, Quantity, and signed BOL “From warehouse to warehouse” to LCBO for reconciliation purpose.
- The Letter of Appointment will be required for the new Distributor, Agent, and vendor relationship.
- The new Distributor to use the same item # -s of the Inventory for their system. The new Purchase Order number may be issued replacing the previous Purchase Order number.

- Keg bank to be adjusted based on the total units going to other Distributors.
- Full empty Keg Inventory to go back to the Vendor as per contract while partial loads are to be transferred to the new Distributor.
- Expired Keg/damaged Keg to be part of the Inventory reconciliation step above.
- If Keg Product needs to be destroyed, the destroyal process is to be followed as mentioned in “Schedule B” for customs and payment purposes.
- Upon termination of Agreement the Distributor will immediately pay to the LCBO all amounts owing under the Agreement.

Glossary of Terms

Agent

An entity or entities who have been issued a license to represent a manufacturer by the Alcohol and Gaming Commission of Ontario and are permitted to take or solicit orders for liquor.

Authorization

The agreement between the LCBO and an authorized Distributor to provide services including warehousing and delivery of Kegs under the Import Keg Distribution Policy.

Distributor

An entity that meets the requirements of the Import Keg Distribution Policy and is authorized by the LCBO pursuant to the Policy.

Inventory

Total inventory is calculated as on-hand plus in-transit. For the purposes of determining storage and handling fees as presented in Schedule “B” Inventory refers to on-hand Inventory only.

Keg Program Agreement

Is the written agreement between the LCBO and the Agent governing the Keg Program and includes the corresponding written agreement between the LCBO and vendor in respect of same (including, without limitation, the Vendor Agreement and Appointment of Agent and Distributor Form) each as may be amended or supplemented.

Inventory

Total inventory is calculated as on-hand plus in-transit. For the purposes of determining storage and handling fees as presented in Schedule “B” Inventory refers to on-hand Inventory only.

Products

The liquor Products of any eligible Vendor represented by an Agent that are approved by the LCBO for sale under the Program.

Keg

A container used to contain and dispense liquor. It is a pressurized barrel of a capacity equal to or greater than twelve (12) litres in size with a valve at one end, used to store and dispense beer, cider, sake, wine or spirit coolers.

Sale

Is the transactions between the LCBO and its Customers that are facilitated by an Agent when payment is received by the LCBO and Product is shipped out from the Distributor’s designated warehouse.

Vendor Agreement and Appointment of Agent Form

Is the agreement between the LCBO and the Vendor as it relates to participation in the Program and the Keg Program Agreement.

Vendor of Record (Vendor)

Is the Vendor, manufacturer or authorized designate by a Vendor or manufacturer established in LCBO financial systems to engage in all financial activity with the LCBO including submitting and receiving payments.

Licensed Premises means the premises from which a Licensee is authorized to sell liquor.

Schedule "A" – Fees and Related Charges

Other Fees

It is the Distributor's responsibility to monitor their Products status and availability on a regular basis in the **Agent Portal**.

These charges may be sent out to the Agent separately.

Services/Action	Charge C\$	Per	Charge Defaulted to
PO Cancellation Fees	50.00	PO	Agent
Repricing Fees	50.00	PO	Agent
Pre-release / Lab Request Fees	25.00	Item	Agent
Stock Check /Label Photo Request Fees	50.00	Item	Agent
Virtual Return Material Authorization (RMA) Admin Fees	15.00	RMA	Distributor
Physical Return Material Authorization (RMA) Admin Fees	25.00	RMA	Distributor
Corrective PO (Admin Fee)	100.00	PO	Agent
Non-Compliant Shipment - 1st	100.00	Shpmt	Vendor
Non-Compliant Shipment - 2nd	300.00	Shpmt	Vendor
Non-Compliant Shipment - 3rd	500.00	Shpmt	Vendor
Non-Compliant Shipment - >3	500.00	Shpmt	Vendor
Re-work	As applicable	As applicable	Vendor
Disposal / Destruction Fees	Landed Cost	Item	Vendor
Return to Vendor Admin Fee	250.00	PO	Vendor
Container Demurrage Charges	As applicable	-	Distributor
Expiry Kegs	Landed cost	-	Vendor
Rush Receipt Requests	200	Shpmt	Agent

Schedule "B" – Inventory Management, Clearance and Returns

If sales of a particular Product are not meeting sales performance requirements, the Agent is expected to take action to generate sales and deplete existing Inventory. The LCBO requires all orders to be sold within three hundred and sixty five (365) days from the time Product is available for sale. Any Inventory that remains in the Distributor designated warehouse beyond 365 days will be subject to the following:

- The Inventory is to be destroyed or returned to the vendor, the expense of the return or destruction is defaulted to the account of the Vendor of Record.
- The Vendor of Record payment will be adjusted by the amount of the applied purchase price plus applicable freight, duties and taxes, to the impacted Inventory.
- Alternatively, the Agent may arrange, at any time prior to the 365 day limit, to have the remaining Inventory destroyed, returned to the Vendor or transferred to another jurisdiction.

When Inventory of a Product is sent for destruction, returned to vendor, reduced in price or transferred to another jurisdiction, the LCBO may refuse to accept any new orders of this Product for at least twelve (12) months after the date of destruction, return, price reduction, or transfer.

Unsaleable Product

If the Distributor determines that Products have spoiled or have otherwise become unfit for sale, the Distributor will notify LCBO of such products in writing at Kegs@lcbo.com. LCBO will notify the Vendor of record and the agent with the option to either destroy the Product or return it to the Vendor of Record.

They must respond in writing to the LCBO within ten (10) days of the notification, providing direction to either destroy or return the unsaleable Product to the Vendor of Record.

If no answer has been provided to the LCBO within (10) days, the LCBO will authorize the Distributor to destroy the Product and any associated cost of destruction will be defaulted to the Vendor of Record.

If the Vendor wishes to get the product returned any associated cost including the purchase price of the product (if already paid to the vendor) plus freight, duties and excise and any applicable taxes will be defaulted and charged to the Vendor of Record.

Product will be returned to the same place it was purchased from.

Inventory Adjustments:

Where Product is damaged, spoiled or expired, the LCBO will accept returns up to six (6) months after the sale and the vendor on record will be charged the landed cost of the Product and any associated fees with destruction of such Products. The distributor must report to the LCBO immediately the Purchase Order number, Product number, description, quantities of such products. Additional information may be requested (i.e. photo, confirmation from customers)

LCBO will review, approve, and process submitted requests and adjust the Inventory in the system.

Out of Ontario Province Sale or Transfer of Keg Product:

Keg sales to other Canadian provinces will be approved by the LCBO, it is the Agent's responsibility to ensure importation of such products to other Canadian provinces meets the importation requirement of the province.

Saleable Product

Product returns in a saleable condition will be accepted by the Distributor up to thirty (30) days after sale and subject to the fees presented by the Distributor.

A Return Material Authorization ("RMA") for any Product must be submitted through the Agent Portal and approved by LCBO before the return is arranged. For details on how to submit the RMA please refer to the *Agent Portal Manual*.