

Improving Choice and Convenience Through a Modernized Marketplace for the Retailing and Distribution of Beer and Recycling in Ontario

Early Implementation Agreement

This agreement (the “**Agreement**”) is made as of May 23, 2024 (the “**Effective Date**”) between Labatt Brewing Company Limited (“**Labatt**”), Molson Canada 2005 (“**Molson**”), Sleeman Breweries Ltd. (“**Sleeman**” and, together with Labatt and Molson, the “**Representative Owners**”), Brewers Retail Inc. operating under the name “The Beer Store” (“**TBS**”) and His Majesty the King in right of Ontario, as represented by the Minister of Finance (the “**Province**”, and together with Labatt, Molson, Sleeman and TBS, the “**Parties**”), and concerns the early implementation of the modernized marketplace for Beer sales in Ontario (the “**Modern Beer Marketplace**”), as outlined in the non-binding Key Principles document entered into between the Parties on December 13, 2023 (the “**Key Principles**”).

RECITALS:

- A. The Parties entered into a Master Framework Agreement effective January 1, 2016 (the “**MFA**”) to record their agreement as to the manner in which certain key principles concerning the distribution of Beer in Ontario would be implemented with the direction, authorization and agreement of the Province.
- B. Except as otherwise indicated in this Agreement (whether in **Appendix A** or otherwise), capitalized terms used but not defined in this Agreement shall have the meanings assigned to them in the MFA, which meanings shall apply during both the Interim Period and for the duration of the Term, notwithstanding the New Beer Agreements Termination.
- C. In connection with the MFA, certain of the Parties entered into the other New Beer Agreements. The New Beer Agreements include the MFA, the TBS Shareholder Agreement and the Amended Ontario Deposit Return Program Agreement dated as of October 1, 2015, between the Province, Liquor Control Board of Ontario (the “**LCBO**”) and TBS (the “**Existing ODRP Agreement**”).
- D. Further to a notice of termination sent by the Province on December 13, 2023, each New Beer Agreement shall terminate effective December 31, 2025 (the “**New Beer Agreements Termination**”).
- E. Notwithstanding the upcoming termination of the New Beer Agreements (which will, for certainty, include termination of the MFA and the Existing ODRP Agreement), and as further described in this Agreement, the Province, TBS and the LCBO intend to enter into a new agreement prior to October 1, 2024, to set out the terms and conditions of the Ontario Deposit Return Program to reflect the relevant Key Principles, and in light of the Modern Beer Marketplace (the “**New ODRP Agreement**”).
- F. This Agreement is being entered into pursuant to subsections 10(1), 10(4) and 10(5) of the *Liquor Sales Agreements Act* (Ontario).

- G. The intent of this Agreement is to recognize TBS' role as a significant employer, a lower price option for consumers and a responsible retailer of beverage alcohol in communities across Ontario and to facilitate the use of TBS and its efficient recycling and distribution systems for the benefit of Ontario on terms acceptable to the Parties. To enable this and to facilitate a smooth transition from the current system governed by the MFA and the other New Beer Agreements to the Modern Beer Marketplace, the Province intends to, on a basis that is not inconsistent with this Agreement, direct, authorize and agree to a modernized Beer retail and distribution system for Ontario that will retain, as contemplated by this Agreement, certain elements of the existing system for TBS, the Representative Owners, their employees, suppliers and consumers.
- H. The Province recognizes TBS' valuable contributions and intends to continue to work with TBS and the Representative Owners on the continued success of the Modern Beer Marketplace.
- I. The Parties acknowledge that, notwithstanding the New Beer Agreements Termination, this Agreement is being entered into to enable the early implementation of the Modern Beer Marketplace, while preserving existing elements that benefit consumers for the duration of the Term and to give the Parties the certainty needed to make any necessary investments in the operations of TBS and the LCBO, and to operate efficiently in the Modern Beer Marketplace.

NOW THEREFORE for good and valuable consideration, the receipt and adequacy of which are acknowledged by each of the Parties, the Parties agree as follows:

1. Term and Termination

- (a) Notwithstanding the Effective Date, but subject to section 1(d) and unless expressly stated otherwise in this Agreement, the rights and obligations of the Parties set forth in this Agreement shall take effect on August 1, 2024 (the "**Commencement Date**") and continue until December 31, 2030.
- (b) The period beginning on the Commencement Date and ending on December 31, 2025 shall be referred to in this Agreement as the "**Interim Period**".
- (c) The period beginning on January 1, 2026 and ending on December 31, 2030 shall be referred to in this Agreement as the "**Term**".
- (d) This Agreement and the New ODRP Agreement may be terminated prior to the end of the Interim Period or the Term by the Province giving Notice to the other Parties in accordance with section 11 at any time after:
 - (i) the dissolution or bankruptcy of TBS or the making by TBS of an assignment under the provisions of the *Bankruptcy and Insolvency Act* (Canada); or
 - (ii) the Representative Owners or any one or any combination of them cease to collectively own shares of TBS, the votes attached to which are sufficient

to elect a majority of the board of directors of TBS, or otherwise cease to hold shares carrying more than 50% of the voting rights ordinarily exercisable at meetings of the shareholders of TBS.

2. Early Introduction of the Modern Beer Marketplace

- (a) Notwithstanding anything to the contrary in the New Beer Agreements, the New Outlets operating in Ontario as of the Commencement Date shall be permitted to sell Beer, Wine and Ready-to-Drink Beverages, subject to applicable laws, from and after the Commencement Date.
- (b) Notwithstanding anything to the contrary in the New Beer Agreements, including section 6.3 of the MFA, all Convenience Stores operating in Ontario shall be permitted to sell Beer, Wine and Ready-to-Drink Beverages, subject to applicable laws, from and after September 5, 2024.
- (c) Notwithstanding anything to the contrary in the New Beer Agreements, including section 6.3 of the MFA, all Grocery Stores operating in Ontario shall be permitted to sell Beer, Wine and Ready-to-Drink Beverages, subject to applicable laws, from and after October 31, 2024.
- (d) Notwithstanding anything to the contrary in the New Beer Agreements, including section 6.4 and subsections (f) and (j) of Schedule 6.5 of the MFA, from and after the Commencement Date: (i) there shall be no restrictions on Beer pack sizes that may be retailed by any retail channel or licensed retailers in Ontario, and (ii) no SKU of Beer shall be exclusive through any retail channel or licensed retailers in Ontario.
- (e) Notwithstanding anything to the contrary in the New Beer Agreements, the Annual Volume Cap (and any associated Cost of Service Rebate), as provided for in subsections (c) through (e) of Schedule 6.5 of the MFA, shall cease to apply from and after the Commencement Date.

3. The Wholesale Pricing Model for the Modern Beer Marketplace

- (a) Notwithstanding the Review to be completed by the Province, the following features shall be part of the wholesale pricing model for the Modern Beer Marketplace, beginning on September 5, 2024 and continuing through to the end of the Term:
 - (i) Retailers, TBS and LCBO Convenience Outlets shall not be permitted to negotiate wholesale prices with Brewers.
 - (ii) The Province shall permit each Retailer to set its own price to consumers of Beer, subject to any regulations applicable to all Retailers (such as those relating to the minimum price at which beverage alcohol may be sold), which price to consumers of Beer may be allowed by the Province to be below the wholesale price for such Beer and, for the avoidance of doubt:

- (A) subsection (h) of Schedule 6.5 of the MFA will cease to apply; and
 - (B) subject to section 3(c)(iv), the Province shall no longer mandate that the Consumer Retail Price of Beer be uniform across all retail outlets authorized or licensed to sell beverage alcohol in Ontario.
- (iii) The Province shall conduct a broader review of mark-up, taxes and fees (including the Term COS, as defined below) applicable to beverage alcohol in Ontario (the “**Review**”). The Review shall begin no earlier than autumn 2024. As part of the Review, the Province shall also determine taxes, fees and mark-ups to be applied to Ready-to-Drink Beverages. Subject to section 6.6 of the MFA, the fees and mark-ups to be applied to Ready-to-Drink Beverages shall remain the same as those imposed on the Effective Date until the fee and mark-up structure for Ready-to-Drink Beverages has been determined as part of the Review. The Province shall consult with TBS and the Representative Owners in connection with the Review. The Province shall provide public notice in advance of any changes to mark-ups or fees as a result of the Review.
- (iv) In order to encourage competition by keeping prices low for consumers and increasing choice and convenience, the Province may develop a framework for, and permit, volume-based rebates or similar adjustments for Retailers and TBS, after the Province has completed the Review, and such framework shall take the Review into consideration. The economic burden of any volume-based rebate or similar adjustment would be borne by the Province and, for the avoidance of doubt, would not be borne by Brewers. If the Province offers a volume-based rebate or similar adjustment, a consistent approach and rebate or similar adjustment shall apply equally to all categories of beverage alcohol (i.e., the categories of Beer, Wine and Ready-to-Drink Beverages) and to all Retailers and TBS based upon a threshold volume level by category of beverage alcohol sales on a per-store basis and not brand- or SKU-specific sales, and the applicable rebates or similar adjustments and corresponding volume levels shall be publicly posted by the LCBO and, for the avoidance of doubt, shall apply consistently to all Beer products. The Province shall ensure that any rebates offered consistent with this section 3(a)(iv) will include thresholds and terms that will enable TBS to participate on an equivalent basis with Retailers.
- (v) The Parties acknowledge that pursuant to the LLCA, and in accordance with section 7.1 of the MFA, Brewers and TBS are and have been authorized to charge Licensees a price that is different from the Consumer Retail Price of Beer. The Province agrees, and the other Parties acknowledge, that the Province shall authorize Brewers and TBS to charge different wholesale prices for Beer wholesaled to Licensees compared to Beer wholesaled to Retailers and Beer sold to consumers.

- (vi) The LCBO shall continue to share data on sales with Brewers in the same manner as it does currently. Without limiting the generality of the preceding sentence, this shall include sharing no less data than is shared as of the Effective Date, charging no more than the rates in effect as of the Effective Date (subject to reasonable and non-material periodic rate adjustments) and on access terms that are no more onerous than those in place as of April 1, 2024 as posted on the LCBO's website, available at the following link: <https://www.doingbusinesswithlcbo.com/content/dbwl/en/basepage/home/new-supplier-agent/demo/SaleOfData.html>. For the avoidance of doubt, TBS shall continue to have access, on a cost-free basis, to such data from the LCBO as may be required to ensure effective system integration and TBS' continued role in the Modern Beer Marketplace in accordance with this Agreement.
- (vii) The Province shall mandate that:
- (A) The LCBO shall permit a mechanism that enables Brewers to establish time-limited price offers on their Beer SKUs in the form of a specified amount to be discounted from the Brewers' set price that is submitted to the LCBO in compliance with applicable laws ("**Limited Time Offers**"). The Province shall work with the Representative Owners and the LCBO to facilitate the development and implementation of this mechanism as soon as reasonably possible. Such mechanism for Limited Time Offers shall be based on the following principles: (I) Retailers, the LCBO and LCBO Convenience Outlets will provide the full benefit of each Limited Time Offer to consumers as a discount from the price to consumer; and (II) Retailers, the LCBO and LCBO Convenience Outlets will clearly identify Beer that is subject to any Limited Time Offer as being subject to the Limited Time Offer.
- (B) Retailers, the LCBO and LCBO Convenience Outlets that purchase containers of beverage alcohol that are packaged together for consumer sale, must sell the beverage alcohol in that packaging. The Parties acknowledge that the language of subsection 87(2) of the Licensing Regulation is consistent with this requirement.
- (viii) Subject to TBS' continued role during the Interim Period as the exclusive wholesaler of Beer for TBS listed products to Licensees and to Southern LCBO Convenience Outlets, the LCBO shall operate a single order-taking system for all beverage alcohol, including Beer. To ensure effective system integration and a smooth transition to the new system and to reflect the Province's support for modernization efforts that reduce the burden for businesses and that optimize processes that benefit Retailers and consumers, the Province shall prioritize and facilitate discussions between TBS and the Brewers with the LCBO to ensure the integration of technology apps from TBS and Brewers into the LCBO's order-taking system, subject to TBS and

Brewers, as applicable, reaching agreement with the LCBO, each acting reasonably, on the details of such technology apps. In addition, TBS shall have the ability to take orders from Retailers and Licensees in real-time to support its cash-and-carry operations. The Province is committed to the implementation of cash-and-carry to support small businesses in the Modern Beer Marketplace and shall continue to work with the LCBO and TBS to achieve this objective as soon as the integration of such orders with the LCBO's systems may reasonably be facilitated, including to develop solutions to allow cash-and-carry transactions on an interim basis until a fully integrated solution can be implemented.

- (ix) For the purposes of sections 3(c)(v) and 3(d)(i), Brewers shall submit their set price to the LCBO on a weekly basis in accordance with current practices or on such more frequent schedule that the LCBO may reasonably determine.
- (b) Notwithstanding the Review to be completed by the Province, the following features shall be part of the wholesale pricing model for the Modern Beer Marketplace, beginning on July 22, 2024 and continuing through the end of the Interim Period:
- (i) Subject to section 3(c)(iv) of this Agreement, the LCBO shall continue to apply its in-store cost of service fees to sales through the LCBO and LCBO Convenience Outlets in accordance with section 6.6 and subsection (p) of Schedule 6.5 of the MFA.
 - (ii) Notwithstanding anything to the contrary in the MFA, including section 6.6 and subsection (p) of Schedule 6.5 of the MFA, the LCBO shall charge its in-store cost of service fees applied on Beer wholesale sales to Retailers and pay such amount to the Brewer or the vendor of record (provided that the vendor of record pays such amount onwards to the Brewer) on no less than a quarterly basis, and no portion of such fees shall be retained by the LCBO. The Province shall continue to work with the LCBO and TBS to streamline this payment process with a view to facilitating payments on a basis that is monthly, provided that, in any case, the Province will ensure that such payments in respect of the 2024 and 2025 calendar years are paid to the Brewers or the relevant vendors of record, as applicable, by December 31, 2024 and December 31, 2025, respectively.
- (c) Notwithstanding the Review to be completed by the Province, the following features shall be part of the wholesale pricing model for the Modern Beer Marketplace beginning on September 5, 2024 and continuing through to the end of the Interim Period:
- (i) In accordance with subsection (p) of Schedule 6.5 of the MFA:

- (A) TBS shall continue to be the exclusive wholesaler of Beer to Licensees and to Southern LCBO Convenience Outlets; and
 - (B) the LCBO shall continue to be the exclusive wholesaler to New Outlets.
 - (ii) The LCBO shall be the exclusive wholesaler to all Retailers.
 - (iii) TBS retail shall not be required to purchase Beer at wholesale from the LCBO unless the Beer has been consigned to the LCBO from suppliers outside of Ontario.
 - (iv) The LCBO shall set uniform prices for all beverage alcohol SKUs in its stores throughout Ontario, including LCBO Convenience Outlets.
 - (v) The Province directs and authorizes TBS and the Representative Owners, in their sole discretion, to set prices to consumers for all Beer and Cider sold at TBS retail outlets, which may be different from the prices charged by other retailers.
 - (vi) The LCBO shall charge wholesale prices to all Retailers and LCBO Convenience Outlets on a per SKU of Beer basis determined by the current pricing formula for LCBO wholesaled sales, which adds taxes, mark-ups and fees to the Brewer's set price and then applies a discount (which discount shall be consistent and set pursuant to section 3(c)(viii) of this Agreement) (the "**Interim Wholesale Price**").
 - (vii) Each Retailer may add its desired retail margin to the Interim Wholesale Price, following which HST and container deposits shall be applied to arrive at the price to the consumer.
 - (viii) The LCBO shall apply a consistent discount of not more than 10% that is consistent across all SKUs of Beer in determining: (A) the Interim Wholesale Price to all Retailers and LCBO Convenience Outlets, and (B) the wholesale price to Licensees.
 - (ix) The LCBO shall not impose any fees on Brewers in respect of listing in the LCBO in addition to those already in effect on the Effective Date.
- (d) Notwithstanding the Review to be completed by the Province, the following features shall be part of the wholesale pricing model for the Modern Beer Marketplace after the Interim Period and for the duration of the Term:
- (i) The LCBO shall charge wholesale prices to all Retailers on a per SKU of Beer basis and such price shall be consistently applied to all Retailers and shall be equal to the Brewer's set price (which, for certainty includes distribution costs) plus applicable taxes, mark-ups and fees (the "**Term Wholesale Price**").

- (ii) Each Retailer may add its desired retail margin to the Term Wholesale Price, following which HST and container deposits shall be applied to arrive at the price to the consumer.
 - (iii) If the LCBO charges a wholesale cost of service fee, the Province shall cause it to be set on a cost-recovery basis and charged equally to all Retailers and LCBO Convenience Outlets (the “**Term COS**”). For the purpose of this section 3(d)(iii), the Term COS shall include cost recovery of only those annual operating costs that the LCBO incurs in its role as wholesaler, including fixed overhead and costs directly arising from the LCBO’s taking of orders from Retailers, working with Manufacturers and distributors to fill those orders and managing accounts receivables with Retailers. For the avoidance of doubt, the Term COS shall not include (A) any costs to the extent that they relate to the LCBO’s retail operations or (B) capital costs relating to the development of, or improvement to, the LCBO’s information technology infrastructure, except for reasonable annual amortization of such costs to the extent that they relate to the development and implementation of the LCBO’s wholesale and related order-taking systems. To ensure compliance with this section 3(d)(iii), the Province shall publicize the Term COS at least three months in advance of finally determining the initial amount of the Term COS, and shall provide the Parties with a reasonable breakdown of the costs being covered and a calculation that justifies the amount of the Term COS from time to time in connection with any changes to the Term COS.
 - (iv) The LCBO may set uniform prices for all beverage alcohol SKUs in its stores throughout Ontario, including LCBO Convenience Outlets.
 - (v) The LCBO shall be the exclusive wholesaler of beverage alcohol in Ontario for Retailers and for Licensees and Southern LCBO Convenience Outlets.
 - (vi) TBS retail shall not be required to purchase Beer at wholesale from the LCBO unless the Beer has been consigned to the LCBO from suppliers outside of Ontario.
 - (vii) The Province directs and authorizes TBS and the Representative Owners, in their sole discretion, to set prices to consumers for all Beer and Cider sold at TBS retail outlets, which may be different from the prices charged by other retailers.
- (e) The Province shall continue to prohibit Licensees from requesting or receiving from Manufacturers, and Manufacturers from offering or providing to Licensees, directly or indirectly, any material financial or other benefit.
 - (f) The Province shall continue to prohibit Retailers from entering into an agreement with any Manufacturer that restricts the Manufacturer’s ability to sell its liquor in other stores or that guarantees (i) the provision of shelf space or a product listing

for the Manufacturer's liquor at the Retailer, or (ii) any merchandising, marketing or promotional opportunities.

- (g) The Province shall prohibit Retailers from requesting or receiving from Manufacturers, and Manufacturers from offering or providing to Retailers, directly or indirectly:
 - (i) Manufacturer monies, non-monetary consideration and any other form of trade inducement;
 - (ii) Manufacturer monies, non-monetary consideration and any other form of trade inducement in another jurisdiction in connection with the sale of Beer in Ontario or in connection with multi-jurisdictional sales agreements or arrangements; or
 - (iii) Manufacturer monies and non-monetary consideration for any form of in-store or out-of-store advertising, promotion or marketing, loyalty program or rewards, discounts on non-Beer products and other cross-promotions (including electronic and print), flyers (including electronic and print), preferential shelf space including at the end of aisles, promotional material including signage and displays, and other marketing, merchandising and promotional matters, other than the provision of Manufacturer staff to conduct in-store tastings.
- (h) The Parties acknowledge that the language of sections 22, 84, 84.1, and 132(1) of the Licensing Regulation, and that of subsection 3(4) of the Pricing Regulation, is consistent with sections 3(e) through 3(g) of this Agreement.
- (i) Notwithstanding sections 3(e) through 3(g) of this Agreement, TBS shall continue to be able to operate marketing and in-store promotion activities at TBS retail outlets. In operating these programs and in setting prices to consumers, TBS will act in a manner that is transparent and that uses a methodology that does not distinguish based on Manufacturer.
- (j) The Province shall mandate that Retailers and Licensees that sell Beer must sell Beer from Manufacturers with a variety of annual production amounts. The Parties acknowledge that the language of sections 36 and 87(5) of the Licensing Regulation is consistent with this requirement.
- (k) Notwithstanding the LCBO's role as wholesaler of record, the Province shall permit Brewers to work directly with Retailers and LCBO Convenience Outlets with respect to demand planning, forecasting and category management. The Parties acknowledge that the language of sections 84(5) and 132(4) of the Licensing Regulation is consistent with this requirement.
- (l) The Representative Owners will work with the Province to ensure value-priced Beer will be available to Ontario consumers at TBS retail outlets.

4. Distribution

- (a) From the Commencement Date to the end of the Term (subject to the accommodation of advance orders to facilitate the following):
 - (i) TBS shall remain the primary distributor of Beer to all Retailers, LCBO Convenience Outlets and Licensees, subject to the terms outlined in the table attached as Appendix B.
 - (ii) The Province shall permit TBS to distribute (which shall include warehousing) all beverage alcohol without restriction as to the category of beverage alcohol, and to distribute (and warehouse) non-alcoholic beverages along with beverage alcohol. The Parties acknowledge that the language of section 107 of the Licensing Regulation is consistent with this requirement.
 - (iii) In order for TBS to operate as a low-cost, efficient distributor of Beer, TBS shall be permitted to adopt distribution practices to advance these aims, including:
 - (A) setting its own reasonable distribution charges; and
 - (B) setting reasonable minimum delivery volumes for orders placed by individual Retailers, LCBO Convenience Outlets and Licensees for deliveries performed by TBS.
 - (iv) TBS shall operate its distribution activities in accordance with the conditions attached as Appendix C. The Province shall not otherwise restrict TBS or impose conditions on TBS (for the avoidance of doubt, including conditions on permissible hours of sale, permissible days of operation and minimum retail price but excluding the relevant provisions in the Regulations applicable to TBS' licence as of the Effective Date) relating to its operations or its governance in a manner that would not also apply generally to other distributors of beverage alcohol or Retailers, as applicable.
 - (v) Subject to a reasonable implementation period, TBS shall be required to operate its distribution activities, as contemplated by this Agreement, in a commercially reasonable manner consistent with best practices in the distribution industry in Ontario.
 - (vi) The Province shall mandate Retailers and LCBO Convenience Outlets to not preclude or restrict the use of the standard pallet of TBS and Brewers that may be used to deliver Beer to Retailers and LCBO Convenience Outlets.

5. Recycling

- (a) The Province, the LCBO and TBS shall enter into the New ODRP Agreement on a date to be determined by the Parties, but which date shall be no later than October 1, 2024. The New ODRP Agreement will supersede and replace the Existing ODRP Agreement in all respects. The New ODRP Agreement shall provide for the continued management of the Ontario Deposit Return Program by TBS and shall reflect, but not be limited to, the terms of this section 5. The term of the New ODRP Agreement shall begin on its effective date and continue until the end of the Term.
- (b) During the Interim Period and for the duration of the term of the New ODRP Agreement:
- (i) TBS shall be (i) responsible for handling the reverse logistics and the collection of all empty liquor containers, including empty Beer containers, and (ii) leverage TBS' retail locations (which, for certainty, are subject to change as permitted by this Agreement), where possible, to facilitate returns of Eligible Containers.
 - (ii) Subject to any reimbursed costs pursuant to section 7 and the Existing ODRP Agreement, TBS shall manage and bear the costs of the TBS Beer Container Recovery System, including extending the TBS Beer Container Recovery System to all Retailers. For the avoidance of doubt, this section 5(b)(ii) shall not be construed as imposing a positive obligation on TBS to maintain the TBS Beer Container Recovery System (other than in respect of the industry standard bottle (“**ISB**”)).
 - (iii) The Province shall continue to exclude alcoholic beverage product and packaging from the definition of blue box material under O. Reg 391/21: Blue Box under the *Resource Recovery and Circular Economy Act, 2016* (Ontario) and any successor legislation or regulations (the “**Blue Box Exclusion**”). The Parties acknowledge that the language of section 2 of O. Reg. 391/21 as it stands on the Effective Date is consistent with this requirement.
 - (iv) The Parties acknowledge that, notwithstanding the Blue Box Exclusion, individuals may, from time to time, dispose of Eligible Containers (as defined below) in blue box receptacles (“**Incorrect Disposal**”). The Province shall, before October 31, 2024, mandate that the Resource Productivity and Recovery Authority may not recover its costs by requiring TBS or the Representative Owners to pay fees, costs or other charges imposed under section 41 of the *Resource Recovery and Circular Economy Act, 2016* (Ontario) and any successor legislation or regulations, relating to Incorrect Disposal, provided that none of TBS and the Representative Owners has encouraged or taken any action to intentionally facilitate any such Incorrect Disposal (which action excludes, for greater certainty, any TBS retail store closures or relocations).

- (v) Unless otherwise exempted as outlined below and notwithstanding anything to the contrary in the New Beer Agreements, including subsection (g) of Schedule 6.5 of the MFA, each Retailer shall be required as a condition of its licence under the LLCA to:
 - (A) accept returns of empty Program Containers and TBS Beer Containers (together, the “**Eligible Containers**”) at all times during which the Retailer offers beverage alcohol for sale (provided the Retailer may also, in its discretion, accept returns of Eligible Containers outside of such hours);
 - (B) refund deposits on Eligible Containers in full to consumers during all times it accepts returns of Eligible Containers; and
 - (C) prior to collection by TBS, separate Eligible Containers that belong in four categories (being aluminum containers, refillable bottles, clear glass and coloured glass) into those categories.

Such obligations are referred to in this Agreement as “**Accepting Returns**”, and “**Accept Returns**” has a corresponding meaning.

- (vi) Convenience Stores shall be exempt from Accepting Returns, provided that Convenience Stores may Accept Returns as permitted by this section 5(b)(vi) and if agreed to by TBS. Upon request by a Convenience Store, TBS shall have the option, but not the obligation, to collect Eligible Containers from the Convenience Store. If TBS determines to collect Eligible Containers from a Convenience Store, it shall make such collection when it delivers product to the Convenience Store. TBS may discontinue the collection of Eligible Containers from a Convenience Store in its discretion upon reasonable notice to the Convenience Store.
- (vii) During the Interim Period only:
 - (A) A Grocery Store location shall be exempt from Accepting Returns if it is located within five kilometers of a TBS retail outlet that is in operation on September 3, 2024 (each an “**Interim Exempt Location**”).
 - (B) Any Interim Exempt Location that begins retailing beverage alcohol prior to January 1, 2026 will continue to be an Interim Exempt Location until January 1, 2026.
- (viii) Any Retailer that does not Accept Returns shall be required to post clearly visible signage on its premises describing where customers can return Eligible Containers nearby.
- (ix) TBS shall collect Eligible Containers from each Retailer that is required or permitted in accordance with this Agreement to Accept Returns at the time

that it makes a delivery of beverage alcohol to such Retailer (or at such other time as may be determined by TBS, acting reasonably), provided, however, that the Retailer shall have sorted the Eligible Containers as required by section 5(b)(v). TBS shall be entitled to charge the Retailer a reasonable pickup fee for any such collection if the Retailer requests such collection at a time other than when TBS makes a delivery of beverage alcohol to such Retailer or when any such delivery of beverage alcohol does not meet TBS' reasonable applicable minimum order size.

- (c) Notwithstanding anything to the contrary in the Existing ODRP Agreement:
 - (i) Beginning on January 1, 2025, the Fee payable to TBS per Program Container (as such terms are defined in the Existing ODRP Agreement) shall increase to \$0.1672, and such Fee shall be increased after that time by 2% on each subsequent January 1st throughout the Term.
 - (ii) The requirement for TBS to pay the \$1 million annual rebate currently contemplated by section 1.14 of Part F of Schedule 1 of the Existing ODRP Agreement will cease being effective as of the Effective Date.
 - (iii) Beginning October 31, 2024, TBS shall pay a \$0.02 handling fee for each Program Container to each Retailer that is required or permitted to Accept Returns in accordance with this Agreement, provided that such Retailer shall have sorted such Eligible Containers as required by section 5(b)(v).
 - (iv) To avoid unnecessary handling of Eligible Containers on the part of TBS, the verification and compliance requirements under Part G of Schedule 1 of the Existing ODRP Agreement shall be revised, effective as of the Effective Date, to align with the sorting requirements for Retailers Accepting Returns.

6. TBS Retail Activities and Footprint

- (a) Until January 1, 2033 (being the expiration of the seven-year period provided for in section 8.7(b)(i) of the MFA):
 - (i) the Province shall permit TBS to continue to distribute and sell Beer at such locations as may be in existence from time to time throughout the Interim Period and the Term; and
 - (ii) the Province shall permit TBS to sell, at such locations as may be in existence from time to time throughout the Interim Period and the Term, Beer (including malt-based Ready-to-Drink Beverages) and Cider and the Province shall not prohibit TBS from selling any other product, including lottery tickets, in the LLCA or any regulations under that Act, provided, however, that TBS shall not be permitted to sell (i) other categories of alcoholic beverages, (ii) cannabis products, or (iii) tobacco products,

subject, in each case, to TBS' compliance with any requirements established by the Regulator from time to time that are applicable to other distributors and retailers of similar products.

- (b) Notwithstanding anything to the contrary in the New Beer Agreements, TBS shall allocate at least 20% of the fixed shelf space in each TBS retail outlet to display products produced by Small Brewers, except where TBS can reasonably demonstrate that to do so would not be practicable. For purposes of this section 6, and notwithstanding Appendix B and Appendix C, "**Small Brewer**" shall have the meaning given to it in subsection (a) of Schedule 6.5 of the MFA.
- (c) Subject to the following sentence, during the Interim Period, TBS shall maintain at least 386 retail locations in Ontario to support recycling and cash and carry, and to preserve employment (the "**Initial Maintained Stores**"). Notwithstanding the foregoing, during the period beginning on July 1, 2025 and ending on December 31, 2025, TBS shall have the option, but not the obligation, to close up to an additional 86 retail locations (reducing the number of retail locations in Ontario to as low as 300) upon providing notice in accordance with section 6(e) (the "**Closed Stores**", with the Initial Maintained Stores including any Closed Stores being the "**Retail Footprint**").
- (d) From and after January 1, 2026, TBS shall be entitled to close any retail location as determined by TBS in its sole and absolute discretion.
- (e) TBS shall provide at least 60 days' notice to the Regulator of the proposed closure of any of its retail locations.

7. **Early Implementation Costs**

- (a) The Province shall provide the financial support described in this section 7 to reimburse TBS and the Representative Owners, if applicable pursuant to section 7(m), for costs and expenses reasonably incurred by:
 - (i) TBS or the Representative Owners in connection with the early implementation of the Modern Beer Marketplace on the timeline set out in section 2 prior to the expiration of the Interim Period (the "**Early Implementation Costs**"); and
 - (ii) TBS in connection with TBS operating the Retail Footprint during the Interim Period (the "**TBS Retail Costs**" and, together with the Early Implementation Costs, the "**Added Costs**").

Notwithstanding anything to the contrary in sections 7(a) or 7(b) or Appendix D, the Added Costs shall not include any goods and services tax/harmonized sales tax that is recoverable by TBS or a Representative Owner, as applicable, by way of input tax credit or refund or any amounts actually recovered by TBS or the Representative Owners, as applicable, from insurance.

- (b) Without limiting the generality of section 7(a):
- (i) the Early Implementation Costs shall include all reasonable costs and expenses incurred by TBS or any Representative Owner in connection with the early implementation of the Modern Beer Marketplace on the timeline set out in section 2 prior to the expiration of the Interim Period, including those costs and expenses set out in Appendix D, other than any costs or expenses that are expressly stated in Appendix D as being excluded;
 - (ii) the TBS Retail Costs shall include all reasonable costs and expenses incurred by TBS to operate the Retail Footprint during the Interim Period in compliance with TBS' obligations under section 6(c), including but not limited to those costs and expenses set out in Appendix D, other than any costs or expenses that are expressly stated in Appendix D as being excluded; and
 - (iii) subject to Appendix D, to the extent that an Early Implementation Cost would have been incurred by TBS or the Representative Owners, if applicable) after the Interim Period in any case, whether in connection with the Modern Beer Marketplace or otherwise, the Province shall only be required to reimburse TBS or the Representative Owners, if applicable, for the additional cost attributed to the earlier incurrence of such portion of the Early Implementation Costs, which additional cost shall be determined on a time-value-of-money basis calculated using a discount rate per annum equal to the Prime Rate and, in the case of expenditures on capital assets, on an amortized basis over the reasonable expected lifetime of a capital asset.
- (c) The Province shall reimburse TBS (and the Representative Owners, if applicable) for Added Costs up to an aggregate amount of \$225 million (the “**Aggregate Cap**”). For clarity, nothing in this Agreement shall require the Province to reimburse TBS and the Representative Owners, if applicable, for any Added Costs in excess of the Aggregate Cap.
- (d) For the purpose of ensuring TBS has sufficient funds to cover those Early Implementation Costs that are expected to arise following the Effective Date, the Province shall make a one-time initial payment to TBS in the amount of \$22.5 million on account of the Province's obligations under this section 7 (the “**Initial Payment**”), which Initial Payment shall:
- (i) be paid to TBS no later than five Business Days after the Effective Date, or seven Business Days after TBS has provided the Province with details concerning the account into which funds are to be paid in accordance with this section 7 sufficient to allow the Province to effect such payments, whichever is later;
 - (ii) be a prepayment of Added Costs to be incurred by TBS;

- (iii) not be subject to the Interim Notice of Objection process described in section 7(g); and
 - (iv) be subject to the TBS Audit process described in section 7(h), if any.
- (e) TBS shall submit statements to the Province (each an “**Added Cost Statement**”) on a monthly basis by no later than the 10th day of each month beginning on June 10, 2024, setting forth in reasonable detail (including a breakdown by cost category) the Added Costs incurred for the previous month (or, in the case of the first Added Cost Statement, for all Added Costs incurred up to the date of such statement). Any amount set forth in the first Added Cost Statement shall be payable by the Province on or before June 30, 2024, subject to section 7(g). Thereafter, the amount set forth in each subsequent Added Cost Statement shall be payable by the Province on the last Business Day of the month in which the Added Cost Statement was delivered (each a “**Monthly Payment**”), subject to section 7(g). For certainty, TBS shall provide the Province with Added Cost Statements for each month during the Interim Period.
- (f) The Province shall reimburse TBS for Added Costs by making the Monthly Payments to TBS in accordance with the payment instructions provided by TBS in writing until the earlier of: (i) the date the Aggregate Cap is reached, and (ii) the end of the Interim Period.
- (g) If the Province objects to an amount included in any Added Cost Statement on the basis that such amount does not properly constitute an Added Cost determined in accordance with the provisions of this section 7, then the Province shall provide an interim Notice of objection to TBS (an “**Interim Notice of Objection**”) setting out the basis for such objection in reasonable detail. The Interim Notice of Objection must be delivered at least three Business Days before such amounts are required to be paid under this Agreement and any amount not subject to the Interim Notice of Objection shall remain payable by the date required under this Agreement (for the avoidance of doubt, without prejudice to the rights of the Province under section 7(h) but subject to the procedure set out in sections 7(h) through 7(k)). The Province and TBS shall cooperate and attempt in good faith to resolve each objection promptly by negotiating between individuals who have authority to settle the objection. If the matter is not resolved within 10 days from the date of the Interim Notice of Objection, then the amount which was subject to the Interim Notice of Objection shall nonetheless be paid in full by the Province without prejudice to the rights of the Province under section 7(h) but subject to the procedure set out in sections 7(h) through 7(k).
- (h) The Province shall be permitted to complete an audit of the Financial Records of TBS relating to Added Costs, to consider whether any amounts claimed as Added Costs (including, for certainty, any amounts that were the subject of an Interim Notice of Objection) constitute Added Costs determined in accordance with the provisions of this section 7 (the “**TBS Audit**”). The TBS Audit may commence up to 60 days before the expiry of the Interim Period and shall be conducted by the

Province or a third-party auditor engaged by the Province at its sole expense during normal business hours and without undue interruption to TBS' business. Any such TBS Audit shall be completed no later than 90 days following the expiration of the Interim Period. TBS shall use commercially reasonable efforts to cooperate promptly with all reasonable requests of the Province and any such auditor in connection with any such TBS Audit. For certainty, in the event the TBS Audit is commenced prior to the expiry of the Interim Period, TBS shall continue to provide the Province with Added Cost Statements for each remaining month of the Interim Period.

- (i) If the Province objects to any amount included in any Added Cost Statements (for clarity, where such amount has not been the subject of an Interim Notice of Objection that has previously been resolved in accordance with section 7(g)) on the basis that such amount does not properly constitute an Added Cost determined in accordance with the provisions of this section 7 then the Province shall provide a Notice of objection to TBS (a “**Notice of Objection**”) setting out the basis for such objection in reasonable detail. If the Province does not provide a Notice of Objection within 90 days following the expiration of the Interim Period (or within 120 days following the expiration of the Interim Period if the Province requires a TBS Audit), the Province shall be deemed to have accepted all Added Cost Statements delivered pursuant to this Agreement (for clarity, subject to any Interim Notices of Objection that have previously been resolved in accordance with section 7(g)), including the calculation of the Added Costs set out in such Added Cost Statements, which, shall be final and binding on the Parties for all purposes with effect immediately following the expiry date for the giving of such Notice of Objection.
- (j) The Province and TBS shall cooperate and attempt in good faith to resolve any objections contained in a Notice of Objection given in accordance with section 7(i) promptly by negotiating between individuals with authority to settle such objections.
- (k) If the objections contained in any such Notice of Objection are not resolved within 30 days from the date of such Notice of Objection, then TBS and the Province shall submit the dispute to a senior partner with an accounting firm of recognized national standing in Canada, which is independent of the Parties (the “**Independent Firm**”). If TBS and the Province are unable to agree on the Independent Firm within an additional 10-day period, either of them may apply under the *Arbitration Act, 1991* (Ontario) to have a court appoint the Independent Firm. The Independent Firm will resolve the dispute as an expert and not as an arbitrator and may not assign a value to any item greater than the maximum value for such item claimed by TBS or the Province or less than the minimum value of such item claimed by the other. The Province and TBS shall use commercially reasonable efforts to cause the Independent Firm to submit its determination in a written statement delivered to TBS and the Province as promptly as practicable, but in no event later than 30 days of the appointment of such Independent Firm, and such determination shall be conclusive, final and binding on all Parties without possibility of amendment or

appeal. The fees and expenses of the Independent Firm shall be allocated between TBS and the Province by the Independent Firm in inverse proportion based upon the relative success of TBS and the Province in connection with the objections in question, which proportionate allocations shall be calculated on an aggregate basis based on the relative dollar values of all items in dispute and TBS and the Province shall direct the Independent Firm to make such calculation and include such calculation in its written decision.

- (l) To the extent that, pursuant to the final resolution of any Notice of Objection, or otherwise by agreement of TBS and the Province in writing within 90 days following the expiration of the Interim Period (or 120 days if the Province requires a TBS Audit), it is determined that the aggregate amount paid by the Province to TBS pursuant to this section 7 (including, for certainty, the Initial Payment) exceeded the aggregate amount of Added Costs as finally determined (such excess amount, if any, being a “**TBS Overpayment**”), then TBS shall be required to repay an amount equal to the TBS Overpayment to the Province, in accordance with written wire instructions provided by the Province, within 60 days of the final determination of the Added Costs of TBS.
- (m) In consideration for the agreement of the Representative Owners to waive certain rights under the MFA as contemplated by this Agreement, to the extent that, following the final determination of the Added Costs of TBS in accordance with sections 7(d) through 7(l) (including, for the avoidance of the doubt, the determination of whether any TBS Overpayment occurred), the aggregate amount of all Added Costs of TBS (excluding, for certainty, any TBS Overpayment returned to the Province) is less than the Aggregate Cap (any difference being the “**Remaining Reimbursement Amount**”), the Province shall reimburse an aggregate amount not to exceed the Remaining Reimbursement Amount to the Representative Owners for their reasonable Early Implementation Costs in accordance with the following terms:
 - (i) Within 30 days following the final determination of the Added Costs of TBS in accordance with sections 7(d) through 7(l), each Representative Owner shall submit a one-time statement to the Province (each an “**Owner’s Early Implementation Cost Statement**”, together the “**Owners’ Early Implementation Cost Statements**”), setting forth in reasonable detail (including a breakdown by cost category) the Early Implementation Costs incurred by such Representative Owner.
 - (ii) If the Province does not object to any amount set out in any Owner’s Early Implementation Cost Statement and does not intend to initiate one or more Owners’ Audits (as defined below), then, subject to clause 7(m)(iii), the Province shall, within 30 days of receipt of an Owner’s Early Implementation Cost Statement from all of the Representative Owners (other than any Representative Owner(s) that has provided the Province with written confirmation that it will not be submitting an Owner’s Early Implementation Cost Statement), reimburse such Representative Owners

for the amounts claimed in such Owner's Added Cost Statements in accordance with the payment instructions provided by such Representative Owners in writing.

- (iii) If the aggregate amount claimed by the Representative Owners in all Owners' Early Implementation Cost Statements exceeds the Remaining Reimbursement Amount (a "**Shortfall**"), then the Remaining Reimbursement Amount shall be divided among the Representative Owners in proportion to the aggregate sales through TBS to Licensees and retail consumers for the 2023 calendar year by each Representative Owner and its affiliates (the "**Proportionate Allocation**"). If any Representative Owner is paid in full as a result of the Proportionate Allocation and, following such repayment in full, the Remaining Reimbursement Amount is not fully exhausted, then the Proportionate Allocation process shall continue among the remaining Representative Owners until there is no Shortfall or there is no Remaining Reimbursement Amount or reimbursable Early Implementation Costs.
- (iv) Within 90 days of receipt of the last Owner's Early Implementation Cost Statement received by the Province, The Province shall be permitted, at its sole expense, to complete an audit of the Financial Records of any or all of the Representative Owners relating to amounts claimed in the Owners' Early Implementation Cost Statements, to consider whether amounts claimed constitute Early Implementation Costs determined in accordance with the provisions of sections 7(a) and 7(b) (the "**Owners' Audits**", each an "**Owner's Audit**"). Each Owner's Audit shall be conducted by the Province or a third-party auditor engaged by the Province at its sole expense during normal business hours and without undue interruption to the applicable Representative Owner's business. Any such Owners' Audits shall be completed within 90 days of receipt of the relevant Owners' Early Implementation Cost Statement. Each Representative Owner shall use commercially reasonable efforts to cooperate promptly with all reasonable requests of the Province and any such auditor in connection with any such Owner's Audit.
- (v) If the Province does not provide an Owner's Notice of Objection (as defined below) to a Representative Owner within 90 days following receipt of the Owner's Early Implementation Cost Statement from such Representative Owner, the Province shall be deemed to have accepted the contents of such Owner's Early Implementation Cost Statement, including the calculation of the Early Implementation Costs set out in such Owner's Early Implementation Cost Statement, which, subject to clause 7(m)(vi) and 7(m)(vii), shall be final and binding on the Province and such Representative Owner for all purposes and effect immediately following the expiry date for the giving of such Owner's Notice of Objection, and the Province shall reimburse such Representative Owner no later than the last day of such 90-day period for all amounts claimed in the Owner's Early

Implementation Cost Statements (for clarity, subject to the other provisions of this section 7) in accordance with the payment instructions provided by the Representative Owner in writing.

- (vi) If, following one or more of the Owners' Audits, the Province objects to any matter in one or more of the Owners' Early Implementation Cost Statements, the Province shall provide a Notice of Objection to the applicable Representative Owner(s) (each an "**Owner's Notice of Objection**") no later than 90 days following receipt of the applicable Owner's Early Implementation Cost Statement. Each Owner's Notice of Objection shall set out the basis for such objection in reasonable detail and the Province's calculation of the Early Implementation Costs in dispute. The Province and the applicable Representative Owner(s) shall cooperate, act expeditiously and attempt in good faith to resolve such objections promptly by negotiating between individuals with authority to settle the objections.
- (vii) If a matter is not resolved within 30 days from the date of the applicable Owner's Notice of Objection, then the dispute shall be submitted by the applicable Representative Owner and the Province to the Independent Firm and the provisions of section 7(k) shall apply (with references to "TBS" in such section being replaced with references to such "Representative Owner" as necessary).
- (n) TBS and the Representative Owners shall keep and maintain all Financial Records related to the Added Costs for which they claim reimbursement under this section 7 until the expiry of seven years from the end of the Interim Period.
- (o) Any payment that is due by any Party under this section 7 shall bear interest at the rate of Prime Rate plus 9% per annum, calculated from (and including) the first date that such payment is late to (but excluding) the date the payment is made. Interest on late payments (whether pursuant to this section 7(o) or section 7(p)) shall not constitute Added Costs or count toward the Aggregate Cap.
- (p) The procedures provided for by this section 7 shall be the exclusive and conclusive methodology for determination of the matters covered by this section 7 and such matters shall not be contested by any of the Parties other than as provided for in this section 7. However, a Party's failure to pay an amount owing under this section 7 by the date required under this Agreement may be a Dispute subject to resolution pursuant to section 10(g) of this Agreement. In any such arbitration, and notwithstanding anything to the contrary in this Agreement, the Arbitration Tribunal shall resolve the Dispute in a summary fashion that it considers appropriate in light of the nature of the Dispute. In addition, and notwithstanding anything to the contrary in this Agreement, if the Arbitration Tribunal makes a monetary award against the Province for failure to pay an amount owing under this section 7, then:

- (i) the Arbitration Tribunal may also award TBS or the Representative Owners, as applicable, any other consequential or other damages that resulted from the Province's failure to pay an amount owing under this section 7 by the date required under this Agreement (and, for certainty, such other consequential or other damages shall not constitute Added Costs or count toward the Aggregate Cap); and
- (ii) consistent with section 7(o), the Arbitration Tribunal shall also award pre-judgment and post-judgment interest against the Province at a rate equal to the Prime Rate plus 9% per annum.

In addition, and notwithstanding anything to the contrary in this Agreement, the Province's failure to pay an amount owing under this section 7 by the date required under this Agreement may be the subject of public releases, statements or announcements by TBS or the Representative Owners, as applicable. For certainty, TBS and the Representative Owners shall be entitled, but not required, to make public releases, statements or announcements in connection with (i) the Province's failure to pay an amount owing under this section 7 by the date required under this Agreement; (b) any resulting Dispute resolution proceedings pursuant to section 10(g) of this Agreement; and (c) any award granted by the Arbitration Tribunal in connection with such a Dispute.

8. Other

- (a) During the Interim Period, the Province shall prohibit Retailers from offering for sale any alcoholic beverages under a brand if such Retailer or any of its affiliates has a direct or indirect financial interest in the brand or in a trademark under which the brand is marketed (commonly referred to as "private label" brands). The Parties acknowledge that the language of section 84(1) of the Licensing Regulation is consistent with this requirement.
- (b) After the Interim Period only, the Province may permit Retailers to retail "private label" alcoholic beverages, subject to any conditions, restrictions or other terms that the Province may decide to impose after consulting more broadly with the Representative Owners and other market participants.

9. A&R TBS Shareholders Agreement

- (a) The Parties acknowledge and agree that in order to facilitate the efficient implementation of this Agreement and in recognition of TBS' changing role in the Modern Beer Marketplace, certain changes to the Shareholders Agreement are required during the Interim Period, as more particularly set forth in this section 9. The Province acknowledges and agrees that TBS and the Representative Owners shall seek or have already obtained requisite approvals necessary to amend and restate the Shareholders Agreement to implement such changes with effect on or around the Effective Date (the Shareholders Agreement, as so amended and restated, the "**A&R TBS Shareholders Agreement**"), and the Province consents

to the A&R TBS Shareholders Agreement (in accordance with section 5.1 of the MFA).

- (b) For certainty, notwithstanding anything to the contrary in the New Beer Agreements (including sections 3.1, 4.3 and 6.3 of the Shareholders Agreement, and sections 4.1, 4.3, 5.1 and 8.6 of the MFA), as more particularly set forth in the A&R TBS Shareholders Agreement, the Parties acknowledge and agree that for the duration of the Interim Period (but for certainty, subject to section 7 of Appendix C of this Agreement):
 - (i) TBS shall only be required to make publicly available its (A) annual audited financial statements, (B) annual operations report, (C) rate sheets, and (D) sustainability report (and for certainty, shall not be required to publish on its website any policies adopted by its board of directors, the A&R TBS Shareholder Agreement, the MFA or the By-Laws, or the composition of the board of directors and any committees and their respective mandates, or to provide to the Province any information available to the board of directors);
 - (ii) there shall be no term limit applicable to the Independent Directors;
 - (iii) TBS shall no longer be required to operate on a cash-flow break-even basis, and TBS shall, on an annual basis, be entitled to establish reasonable rates to be charged in respect of the fees set out in section 4 of this Agreement and the fee to Brewers per hectolitre of Beer sold through TBS retail to generate revenues sufficient to cover the reasonable business requirements of TBS, in its sole determination. For certainty, TBS shall not be required to distribute revenues in excess of its costs unless so determined by its board of directors from time to time in accordance with section 7 of Appendix C of this Agreement;
 - (iv) the Province shall have no ability or right to terminate the MFA or the other New Beer Agreements as a result of any breach (including a material breach) of the Shareholders Agreement, and an alleged breach (including a material breach) of the Shareholders Agreement shall not be subject to resolution pursuant to sections 8.1 and 8.6 of the MFA; and
 - (v) no amendment has or will be made to section 8.6 of the A&R TBS Shareholders Agreement.

10. Paramountcy; Amendment and Termination of the MFA; Dispute Resolution

- (a) In the event of any conflict between the terms of this Agreement and the terms of any of the New Beer Agreements, the terms of this Agreement will control. In the event of any conflict between the terms of this Agreement and the terms of the New ODRP Agreement following the entering into of by the parties to that agreement, the terms of the New ODRP Agreement will control.

- (b) The Parties agree that the implementation of the changes contemplated by this Agreement and the Regulations will not give rise to any breach of the MFA or any of the other New Beer Agreements by any of the Parties.
- (c) Without limiting the generality of section 10(b), and in consideration for the rights provided to TBS and the Representative Owners in this Agreement (including section 7):
 - (i) TBS and the Representative Owners waive any right to bring any claim or to seek or obtain any compensation or other remedy of any kind, including for breach of contract, for restitution, under tort or trust law or in respect of expropriation under domestic law, against the Province or the LCBO in connection with the implementation of the changes contemplated by this Agreement and the Regulations (provided such implementation is done in a manner permitted by this Agreement), including claims:
 - (A) based upon rights that TBS and the Representative Owners have or had under the New Beer Agreements or the 2000 Framework Agreement; or
 - (B) based upon preferential sales or distribution rights that TBS and the Representative Owners have or had under or in connection with other agreements or accommodations with the LCBO or the Province entered into or provided for prior to the Effective Date (including any such agreements or accommodations that predate the 2000 Framework Agreement); and
 - (ii) TBS and the Representative Owners waive any right to bring any claim or to seek or obtain any compensation or other remedy of any kind under international law or under any international trade agreements or international foreign investment protection agreements to which Canada is a party, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the “CPTPP”), the Canada-European Union Comprehensive Economic and Trade Agreement (the “CETA”) and the Canada-United States-Mexico Agreement (“CUSMA”), against the Province, the LCBO or Canada in connection with the implementation of the changes contemplated by this Agreement and the Regulations (provided such implementation is done in a manner permitted by this Agreement), including claims:
 - (A) based upon rights that TBS and the Representative Owners have or had under the New Beer Agreements or the 2000 Framework Agreement; or
 - (B) based upon preferential sales or distribution rights that TBS and the Representative Owners have or had under or in connection with other agreements or accommodations with the LCBO or the

Province entered into or provided for prior to the Effective Date (including any such agreements or accommodations that predate the 2000 Framework Agreement).

With respect to the rights waived in this section 10(c)(ii), TBS and the Representative Owners will not provide their consent to arbitrate pursuant to Article 9.21 of the CPTPP, nor provide their consent to arbitrate under any similar provision in other applicable trade agreements such as the CETA or CUSMA.

- (d) For clarity, neither section 10(c)(i) nor 10(c)(ii) shall limit:
- (i) any rights or claims of TBS or any Representative Owner to enforce the terms of this Agreement or claim damages or other remedies resulting from a breach of this Agreement or the implementation of the changes contemplated by this Agreement in a manner that is not permitted by this Agreement;
 - (ii) any rights or claims of TBS or the Representative Owners in respect of any new actions or measures taken by the Province or the LCBO other than for the implementation of the changes specifically contemplated by this Agreement and the Regulations (provided such implementation is done in a manner permitted by this Agreement), provided that the subject-matter of the claim advanced or remedy sought is not based upon rights that TBS and the Representative Owners had under the New Beer Agreements that have not been continued under this Agreement or the 2000 Framework Agreement or preferential sales or distribution rights that TBS and the Representative Owners have or had under or in connection with other agreements or accommodations with the LCBO or the Province entered into or provided for prior to the Effective Date (including any such agreements or accommodations that predate the 2000 Framework Agreement). For further clarity and notwithstanding the foregoing, TBS and the Representative Owners do not waive in relation to any new actions or measures not specifically contemplated by this Agreement, which, for certainty, include:
 - (A) any rights or claims for direct expropriation of real property;
 - (B) any rights or claims if TBS were precluded from or subject to discrimination with respect to the sale or distribution of Beer in Ontario other than as contemplated by this Agreement or the Regulations; or
 - (C) any rights or claims of the Representative Owners with respect to non-discriminatory treatment for all Brewers in connection with the sale and distribution of Beer in Ontario consistent with domestic and international trade law norms; or

- (iii) any rights or claims of the Parties to contribution or indemnity or a claim over against each other (including by TBS or a Representative Owner against agents of the Province, such as the LCBO), if a third party has brought a claim against one or more of the Parties.
- (e) In consideration for the rights provided to such Party in this Agreement (including section 7), each of the Parties waives any right that it may have to bring any claim or to seek or obtain any compensation or other remedy of any kind, including for breach of contract, for restitution, under tort or trust law or in respect of expropriation under domestic or international law, in connection with any breach or alleged breach of any of the New Beer Agreements prior to the date of this Agreement (other than in respect of amounts payable in the ordinary course under the terms of the New Beer Agreements that have not yet been paid) in respect of: (i) circumstances known to the Party, or (ii) circumstances that a reasonable person in the position of the Party ought to have known about, in each case, as of or prior to the Effective Date.
- (f) Effective December 31, 2025, the MFA and the other New Beer Agreements will terminate in accordance with their terms and the notice of termination previously provided by the Province. Notwithstanding anything to the contrary in the New Beer Agreements or in this Agreement, sections 8.1, 8.6 (other than in connection with an alleged breach of the Shareholders Agreement) and 8.7 of the MFA and sections 5(b)(iv) (but, for certainty, only in relation to Incorrect Disposals that occurred during the Term), 6(a), 7, and 10(g) of this Agreement shall survive the New Beer Agreements Termination and the expiration of the Interim Period and the Term. For clarity, nothing in section 8.7 of the MFA shall limit any rights or claims of TBS or any Representative Owner to enforce the terms of this Agreement, including any claim for damages or other remedies resulting from a breach of this Agreement or the implementation of the changes contemplated by this Agreement in a manner that is not permitted by this Agreement.
- (g) Subject to section 7, any controversy or dispute arising out of or relating to this Agreement, including its validity, existence, breach, termination, construction or application, or the rights, duties or obligations of any Party or any other legal relationship associated with or arising from this Agreement (a “**Dispute**”) shall be resolved in the manner set forth in section 8.1 of the MFA, including Schedule 8.1 of the MFA, which shall apply *mutatis mutandis*; however, where the Parties involved in a Dispute cannot agree on the appointment of an Arbitration Tribunal in the manner set out in Schedule 8.1 of the MFA, then instead of the Independent Directors appointing the Arbitration Tribunal by majority vote, any Party to the Dispute may apply to the Ontario Superior Court of Justice for appointment of the Arbitration Tribunal under the *Arbitration Act, 1991* (Ontario). An arbitrator appointed under this Agreement (the “**Arbitration Tribunal**”) to determine a Dispute shall treat all obligations in this Agreement as binding and enforceable against the Province despite its status as the Crown, even where the alleged breach results from a change in legislation or public policy. In particular, and without limiting the jurisdiction of an Arbitration Tribunal appointed under this Agreement,

any monetary award ordered by the Arbitration Tribunal shall be calculated on the basis of the normal principles of damages for breach of contract, even if the Arbitration Tribunal finds that damages would not be available in law due to the status of the Province as the Crown.

11. Notices

- (a) Any notice, consent or approval required or permitted to be given in connection with this Agreement (a “**Notice**”) shall be made in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by e-mail:

in the case of a Notice to TBS at:

Brewers Retail Inc.
12258 Coleraine Drive
Bolton, Ontario, L7E 3A9

Attention: President
Telephone: (905) 361-1005
Email: roy.benin@thebeerstore.ca

in the case of a Notice to Labatt at:

Labatt Brewing Company Limited
207 Queen’s Quay West
Suite 299, P.O. Box 133
Toronto, Ontario
M5J 1A7

Attention: Vice President, Legal and Corporate Affairs
Telephone: (416) 361-5050
Email: jeff.ryan@labatt.com

in the case of a Notice to Molson at:

Molson Canada 2005
33 Carlingview Drive
Etobicoke, Ontario
M9W 5E4

Attention: Chief Legal Officer
Telephone: 414.418.7475
Email: natalie.maciolek@molsoncoors.com

in the case of a Notice to Sleeman at:

Sleeman Breweries Ltd.
551 Clair Road West
Guelph, Ontario
N1L 1E9

Attention: President and Chief Executive Officer
Telephone: (647) 594-8596
Email: Mike.Minami@sleemanbreweries.ca

in the case of a Notice to the Province at:

Ministry of Finance
Frost Building North
95 Grosvenor Street, 2nd Floor
Toronto, ON
M7A 1Z1

Attention: Director
Alcohol Policy and Strategic Initiatives Branch
Alcohol Marketplace Implementation Division
Ministry of Finance
Telephone: (416) 314-4288
Email: Fausto.Iannalice@ontario.ca

- (b) Any Notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day.
- (c) Any Party may, from time to time, change its address by giving Notice to the other Parties in accordance with the provisions of this section 11.

12. General Matters

- (a) This Agreement supersedes and replaces in its entirety the Key Principles. This Agreement, together with the New Beer Agreements (as amended by this Agreement, but only until terminated) and the New ODRP Agreement (once entered into) constitute the entire agreement between the Parties relating to the subject matter of this Agreement and set out all the covenants, promises, conditions and agreements between the Parties in connection with the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise (including the

Key Principles) between the Parties or their representatives. There are no covenants, promises, conditions or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral, between the Parties in connection with the subject matter of this Agreement except as specifically set forth or referred to in this Agreement.

- (b) Any and all instances in this Agreement in which the Parties purport to impose an obligation on the LCBO shall be interpreted as imposing an obligation on the Province to cause the LCBO to abide by or act in accordance with such obligation.
- (c) This Agreement is being entered into pursuant to subsection 10(1), 10(4) and 10(5) of the *Liquor Sales Agreements Act* (Ontario).
- (d) Nothing in this Agreement or the New ODRP Agreement would derogate from current or future legislative or regulatory authority under the LLCA, the *Liquor Tax Act, 1996* (Ontario) or any other statute or regulation of Ontario, subject to the right of TBS and the Representative Owners to the remedies determined by an Arbitration Tribunal appointed under 10(g) of this Agreement if legislative or regulatory changes result in a failure of the Province to meet its obligations under this Agreement.
- (e) TBS and the Representative Owners acknowledge that the Province's Auditor General may review the payments made by the Province under section 7 and TBS and the Representative Owners shall provide reasonable cooperation with the Province in respect of any such review. In no case shall any such review affect any of the rights of TBS or any of the Representative Owners under this Agreement, including section 7.
- (f) This Agreement constitutes a legal, valid and binding obligation enforceable against the Parties in accordance with the terms of this Agreement, subject to the availability of equitable remedies and the qualifications on remedies against the Crown set out in the *Crown Liability and Proceedings Act, 2019* (Ontario).
- (g) The Province intends to maintain its high standards for the responsible sale and consumption of beverage alcohol. Similarly, TBS intends to maintain its strong commitment to social responsibility in its distribution and sale of beverage alcohol.
- (h) The Province intends to propose any laws or other approvals deemed necessary or desirable to implement, authorize, monitor and enforce:
 - (i) the changes contemplated by this Agreement in advance of the Commencement Date; and
 - (ii) the terms of the New ODRP Agreement, in advance of the effective date of the New ODRP Agreement (which, for the avoidance of doubt, shall be no later than December 31, 2025).

- (i) The obligations of TBS and the Representative Owners pursuant to this Agreement are premised upon, and shall be conditional upon, the Province adopting or granting any laws or other approvals required for the implementation of the matters contemplated by this Agreement in all material respects.
- (j) Notwithstanding this Agreement, the Non-Disclosure Agreement entered into by the Parties on January 17, 2022 remains in effect. No Party shall, prior to the Commencement Date, make any press release or similar public announcement or public communication relating to this Agreement unless specifically approved in advance by the other Parties and the disclosing Party shall provide the other Parties with prior notice and a reasonable opportunity to review and comment on the disclosure.
- (k) In this Agreement:
 - (i) Time is of the essence in the performance of the Parties' respective obligations.
 - (ii) Unless otherwise specified, all references to money amounts are to the lawful currency of Canada.
 - (iii) Headings are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
 - (iv) This Agreement is a contract made under and shall be governed by and construed in accordance with the laws of the province of Ontario and the federal laws of Canada applicable in the province of Ontario.
 - (v) Where the word "including" or "includes" is used in this Agreement, it means "including (or includes) without limitation".
 - (vi) The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
 - (vii) Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
 - (viii) If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other Parties or circumstances.
 - (ix) A reference to a statute includes all regulations made pursuant to such statute and, unless otherwise specified, the provisions of any statute or

regulation that amends, supplements or supersedes, or is the successor of, any such statute or any such regulation.

- (l) The attached Appendices form an integral part of this Agreement.
- (m) No amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by each of the Parties. No waiver of any breach of any provision of this Agreement shall be effective or binding unless made in writing and signed by the Party purporting to give such waiver and, unless otherwise provided in the written waiver, shall be limited to the specific breach waived.
- (n) None of the Parties to this Agreement may assign its rights or obligations under this Agreement without the prior written consent of the other Parties, which consent shall not be unreasonably withheld or delayed, provided, however that any Representative Owner may assign its rights and obligations under this Agreement, in whole or in part, to one or more of its respective affiliates upon giving Notice to the other Parties but without requiring the prior written consent of the other Parties.
- (o) This Agreement may be executed by the Parties in counterparts and the counterparts may be executed and delivered by electronic means, with all counterparts together constituting one agreement.

[Remainder of this page intentionally left blank.]

IN WITNESS OF WHICH, the Parties have each caused this Agreement to be executed by their duly authorized officers as of the Effective Date.

BREWERS RETAIL INC.

By: "Roy Benin"
Roy Benin, President

By: _____

LABATT BREWING COMPANY LIMITED

By: "Mika Michaelis"
Marcelo (Mika) Michaelis, President,
Canada

MOLSON CANADA 2005

By: "Chantalle Butler"
Chantalle Butler, President

SLEEMAN BREWERIES LTD.

By: "John Sleeman"
John Sleeman, Chairman and Founder

By: "Mike Minami"
Mike Minami, President and Chief
Executive Officer

**HIS MAJESTY THE KING IN
RIGHT OF ONTARIO**

By: "Peter Bethlenfalvy"
Peter Bethlenfalvy
Minister of Finance

Appendix A – Defined Terms

Term	Definition
Beer	Means any beverage (including malt-based Ready-to-Drink Beverages) containing alcohol in excess of the prescribed amount obtained by the fermentation of an infusion or decoction of barley, malt and hops or of any similar products in drinkable water.
Brewer	Means a Person that manufactures Beer.
Business Day	Means any day, other than a Saturday or Sunday, on which the principal commercial banks in Toronto, Ontario are open for commercial banking business during normal banking hours.
Cider	Means Wine produced from apples or pears, or from the concentrated juice of apples or pears, to which herbs, water, honey or sugar is added.
Convenience Store	Means a store, other than TBS: (a) that consists of no more than 4,000 square feet of Retail Floor Space, (b) in which food products offered for retail sale, excluding prepared food products that may be consumed on site, occupy at least half of the Retail Floor Space, (c) that offers a variety of at least five of the following types of food products for in-person sale, other than prepared food products that may be consumed on site: canned food, dry food, frozen food, fresh fruits, fresh vegetables, meat or meat alternatives, dairy or dairy alternatives, non-alcoholic beverages, baked goods, and snack foods; and (d) that is not primarily identified to the public as a pharmacy, even if a pharmacy as defined in the Drug and Pharmacies Regulation Act is located within the store.
Consumer Retail Price of Beer	Means the prices at which Beer is sold to retail consumers in Ontario.
Financial Records	Means all books of account and other financial data and information of a Person, which will, for certainty, not include receipts other than for capital expenditures greater than \$50,000.
General Regulation	Means O. Reg. 745/21: General under the LLCA as it would be amended by proposed amending regulations delivered to the Representative Owners on May 22, 2024.
Grocery Store	Means a store, other than TBS: (a) that has more than 4,000 square feet of Retail Floor Space, (b) in which food products offered for retail sale, excluding prepared food products that may be consumed on site, occupy, (i) at least 10,000 square feet of the Retail Floor Space, or (ii) at least half of the Retail Floor Space, (c) that offers a variety of each of the following types of food products for in person sale, other than prepared food products that may be

Term	Definition
	<p>consumed on site: canned food, dry food, frozen food, fresh fruits, fresh vegetables, meat or meat alternatives, dairy or dairy alternatives, non-alcoholic beverages, baked goods, and snack foods, (d) that is not primarily identified to the public as a pharmacy, even if a pharmacy as defined in the Drug and Pharmacies Regulation Act is located within the store, and For the avoidance of doubt, the term “Grocery Stores” shall include all New Outlets (as such term is defined in the MFA).</p>
LCBO Convenience Outlets	Means stores operated by an agent of the LCBO under its LCBO convenience outlet program.
Licensee	Means a Person holding a liquor sales licence issued under the LLCA.
Licensing Regulation	Means O. Reg. 746/21: Licensing under the LLCA as it would be amended by proposed amending regulations delivered to the Representative Owners on May 22, 2024.
LLCA	Means the <i>Liquor Licensing and Control Act, 2019</i> (Ontario).
Manufacturer	Means a Person who produces liquor for sale.
Ontario Deposit Return Program	Means the waste reduction and recycling program established by the government of Ontario requiring licensees to collect and remit deposits on regulated containers.
Person	Means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, limited liability company, unlimited liability company, government, government regulatory authority, governmental department, agency, commission, board, tribunal, dispute settlement panel or body, bureau, court and, where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative.
Pricing Regulation	Means O. Reg. 750/21: Minimum Pricing of Liquor and Other Pricing Matters under the LLCA as it would be amended by proposed amending regulations delivered to the Representative Owners on May 22, 2024.
Prime Rate	Means the prime rate of interest per annum quoted by the Royal Bank of Canada from time to time as its reference rate of interest for Canadian dollar demand loans made to its commercial customers in Canada and which such bank refers to as its “prime rate”, as such rate may be changed from time to time.
Program Containers	Means all beverage alcohol (including Beer) containers greater than 100 mL in size sold in the province of Ontario that are not subject to the TBS Beer Container Recovery System.

Term	Definition
Ready-To-Drink Beverage	Means a ready-to-consume cooler, hard seltzer or other premixed cocktail made from spirits, Wine, Beer or fermented sugar, or from any combination of the four, with an alcohol content of not greater than 7.1 per cent by volume.
Regulations	Means the General Regulation, the Licensing Regulation, and the Pricing Regulation.
Retail Floor Space	Means any indoor space that is fully enclosed by walls in which goods or services are offered for sale to the public.
Retailers	Means Grocery Stores that hold a grocery store licence and Convenience Stores that hold a convenience store licence, each as issued under the LLCA.
Southern LCBO Convenience Outlets	Means those southern LCBO Convenience Outlets outlets that are so identified in the LCO Directory on the LCBO's website.
TBS Beer Container Recovery System	Means the deposit and collection arrangements between TBS and Brewers regarding TBS Beer Containers and refillable Beer containers.
TBS Beer Containers	Means the non-refillable containers subject to the TBS Beer Container Recovery System.
Wine	Means any beverage containing alcohol in excess of the prescribed amount obtained by the fermentation of the natural sugar contents of, (a) fruits, including grapes and apples, or (b) other agricultural products containing sugar, including honey and milk.

Appendix B – Distribution

In respect of the Interim Period and for the duration of the Term, and solely for purposes of **Appendix B** and **Appendix C** (and not, for the avoidance of doubt, section 6(b) of the Agreement), the definition of “Small Brewer” will be revised to refer to 300,000hL / year to align with the *Taxation Act, 2007* (Ontario). Eligibility as a Small Brewer will be based upon the Brewer’s previous year’s production.

Small Brewers (i.e., Eligible Brewers)	Large Brewers
<ul style="list-style-type: none"> • Can distribute their own products and affiliates’ products in any quantity to all channels 	<ul style="list-style-type: none"> • Individual Brewers can distribute their own products and products of their affiliates outside of TBS (self-distribute) subject to a maximum of 300,000 hL/year for distribution of Beer to Licensees and to Retailers • Anything above 300,000 hL/year must be distributed to these channels through TBS • Non-alcoholic Beer will not count towards the 300,000 hL/year limit
<ul style="list-style-type: none"> • Can distribute themselves, or use any third-party distributor or other Manufacturer (except Large Brewers) to distribute all products • Can use TBS for all distribution • Can decline distribution centres and distribute directly to Retailers 	<ul style="list-style-type: none"> • Can distribute themselves, or use any third-party distributor or other Manufacturer (except Large Brewers) to self-distribute products, subject to the 300,000 hL/year limit on self-distribution to Retailers and Licensees • Can use TBS for all distribution • Can decline distribution centres and distribute direct to Retailers
<ul style="list-style-type: none"> • Can distribute Beer with other alcohol and non-alcohol beverages on the same truck 	<ul style="list-style-type: none"> • No pooled distribution outside TBS; no distribution of non-affiliated Brewers’ Beer • Can include non-alcohol beverages (including non-alcohol beverages of non-affiliated Manufacturers) in self-distribution (including distributions subject to the 300,000 hL/year threshold)

Appendix C – Conditions to TBS’ Distribution Rights

In respect of the Interim Period and for the duration of the Term, and solely for purposes of **Appendix B** and **Appendix C** (and not, for the avoidance of doubt, section 6(b) of the Agreement), the definition of “Small Brewer” will be revised to refer to 300,000hL / year to align with the *Taxation Act, 2007* (Ontario). Eligibility as a Small Brewer will be based upon the Brewer’s previous year’s production.

1. TBS must publicly post a rate sheet that applies to all distribution activities and fees. Distribution fees must be the same for all Brewers that use TBS’ distribution services (subject to below).
2. TBS must maintain its existing policy of providing 2 free listings in 7 stores (of which one can be a distribution centre) to Brewers with less than 10,000 hL/year in worldwide production.
3. TBS must not impose minimum order quantities on Small Brewers’ Beer (although it can impose minimum order quantities on the total volume of Beer to be distributed to a specific individual Retailer).
4. TBS cannot penalize Brewers for using alternative distribution services or joint delivery. However, TBS can require that Small Brewers opt in or opt out from distribution to the entirety of each of the following channels (Small Brewers opt in or opt out separately for each channel):
 - a. Retail (i.e., Retailers and TBS)
 - b. Licensees (e.g., bars and restaurants)
 - c. LCBO and LBCO Convenience Outlets
5. TBS must distribute any Brewer’s Beer even if not retailed in TBS.
6. TBS must distribute to Retailers, Licensees, LCBO and LBCO Convenience Outlets throughout the entire province, including Northern Ontario.
7. TBS must ensure that any profits from its distribution activities, to the extent distributed to Brewers, are shared fairly amongst the Brewers that use the TBS distribution system in a manner that is similar to how it operates today.

Appendix D – Added Costs

This Appendix sets out categories of costs and expenses that may be included in Added Costs to the extent otherwise in compliance with the requirements of section 7 of this Agreement as well as certain categories of costs and expenses that shall not be included in Added Costs even if they would otherwise be in compliance with the requirements of such section 7.

All determinations of costs and expenses will be made in accordance with generally accepted accounting principles, where accounting principles are required, applied in a manner consistent with past practices.

For TBS:

1. The TBS Retail Costs shall include, but not be limited to, the following costs incurred by TBS in respect of the Interim Period, which will be fully reimbursable to TBS on a dollar-for-dollar basis (for certainty, except as otherwise expressly provided in this Agreement):
 - Employment Costs – All employment costs (including, but not limited to, salaries, wages, standard employment benefits, group benefits, medical reimbursement programs, vacation pay, employer side CPP and EI contributions, pension contributions and training costs) incurred by TBS in relation to individuals reporting to work at TBS retail locations.
 - Real Estate Costs – All rent, utilities, property taxes, repair, maintenance, lease renegotiation costs and other real estate related costs incurred by TBS in relation to its retail locations.
 - Other In-Store Costs – All other in-store operating costs incurred by TBS in relation to its retail locations, including, but not limited to, cleaning and in-store information technology.
 - Corporate Overhead Allocation – Corporate overhead allocation for TBS retail, including, but not limited to, general overhead costs and specific retail focused employees at corporate headquarters.
 - Capital Expenditures – Any capital investment required to keep TBS retail stores in minimum operating condition (including, but not limited to, costs to fix roofs, address mold, maintaining or fixing HVAC equipment, etc.).
2. The Early Implementation Costs shall include, but not be limited to, the following costs incurred by TBS in respect of the Interim Period, which will be fully reimbursable to TBS on a dollar-for-dollar basis (for certainty, except as otherwise expressly provided in this Agreement):
 - Employment Costs – All employment cost (including, but not limited to, salaries, wages, standard employment benefits, group benefits, medical reimbursement programs, vacation pay, employer side CPP, EI and pension contributions and training

- costs) incurred by TBS relating to individuals hired in respect of expanded warehousing, delivery and distribution activities of TBS (which excludes for certainty employees reporting to work in TBS retail locations) and the cost of external recruiters payable by TBS in respect of such hiring.
- Operating Costs – Operating costs relating to expanded delivery and distribution activities of TBS, including, but not limited to, leases of personal property, consultant, advisory and agency costs for logistical support, analysis and routing, CRM capability for Omni Channel, increased market breakages, vehicle insurance, vehicle fuel and vehicle repair costs.
 - Overflow Storage Costs – Costs relating to overflow storage at TBS distribution centres.
 - Expediting Fees – Fees paid to expedite the investments in capital assets described in sections 3 and 4 below.
3. The Early Implementation Costs shall also include, but not be limited to, the following, which will be reimbursable to TBS in an amount equal to the amortized value of such costs over the Interim Period and Term, *pro rated* to the Interim Period and the time-value-of-money of such costs, calculated using a discount rate per annum equal to the Prime Rate over the period from the date such cost is incurred to January 1, 2026:
- Implementation of Warehouse Management Systems – Implementation of new or improved warehouse management systems.
 - Distribution Related Materials – Costs to purchase additional materials, including, but not limited to, pallets and bins, necessary to support distribution to an expanded number of locations.
4. The Early Implementation Costs shall also include, but not be limited to, the following, which and will be reimbursable to TBS on an amortized basis over the lesser of 6.5 years (after deducting any reasonable residual realizable value of the underlying capital asset at the end of such 6.5-year period) and the reasonable expected lifetime of the underlying capital asset and the time-value-of-money of such costs calculated using a discount rate per annum equal to the Prime Rate over the period from the date such cost is incurred to January 1, 2026:
- Property, Plant and Equipment – All capital costs incurred by TBS for new property, plant and equipment purchased in relation to expanded distribution and delivery services.
 - Store Conversions – All costs incurred by TBS to convert TBS retailer locations to support TBS' cash-and-carry business, including, but not limited to, store improvements, racking, carts, in-store IT and point of sale reconfiguration.

- Warehouse Management Systems – Capital costs for new or improved warehouse management systems.
- Automation Costs – Costs incurred by TBS for voice-picking automation for TBS distribution centres, new software and hardware for TBS distributions centres, and fees payable to bring automation equipment for distribution centres forward into the Interim Period.

For Representative Owners:

1. The Early Implementation Costs shall include, but not be limited to, the following incurred by a Representative Owner in respect of the Interim Period, which will be fully reimbursable to the applicable Representative Owner on a dollar-for-dollar basis (for certainty, except as otherwise expressly provided in this Agreement):
 - Large Pack Exclusivity – As compensation for loss of existing large-pack exclusivity under the MFA, an amount determined as (a) the difference between the Representative Owner’s retail sales per HL at LCBO and LCBO Combination Stores multiplied by (b) the Representative Owner’s volume that migrates from TBS to Retail (determined by subtracting the Representative Owner’s volume in HL sold through TBS retail during the Interim Period from the Representative Owner’s volume sold through TBS retail in the 17 months immediately preceding the Interim Period).
 - ISB – Incremental cost incurred by the Representative Owner to purchase containers of ISB to replace ISBs lost due to decline in return rates in respect of the Interim Period, measured against historical average costs of ISB containers to the Representative Owner from 2021 to 2023 (as reasonably adjusted for inflation) *pro rated* over the Interim Period.
 - Employment Costs – All employment cost (including, but not limited to, salaries, wages, standard employment benefits, group benefits, medical reimbursement programs, vacation pay, employer side CPP and EI contributions, training costs, vehicle leases and insurance, gas and computer software) incurred by the Representative Owner in respect of the period ending on the expiration of the Interim Period relating to hires made in respect of expanded marketing and sales activities and the cost of external recruiters payable by the Representative Owner in respect of such hires. Employment costs shall also include the cost of any related office expansions to accommodate the expanded workforce.
 - Sales Materials – Incremental cost of sales materials incurred by the Representative Owner for expanded sales and marketing activities during the Interim Period.
 - Distribution Costs – Increase in distribution fees paid to TBS on a per hectolitre basis, resulting from the higher complexity and lower productivity of TBS’ distribution operation.

2. The Early Implementation Costs shall also include, but not be limited to, the following costs incurred by a Representative Owner in respect of the period ending on the expiration of the Interim Period, which will be reimbursable to the Representative Owner in an amount equal to the amortized value of such costs over the Interim Period and Term, *pro rated* to the Interim Period and the time-value-of-money of such costs, calculated using a discount rate per annum equal to the Prime Rate over the period from the date such cost is incurred to January 1, 2026:
 - Implementation of Warehouse Management Systems – Implementation of new or improved warehouse management systems.
 - Distribution Related Materials – Costs to purchase additional materials, including, but not limited to, pallets and bins, necessary to support distribution to an expanded number of locations.
3. The Early Implementation Costs shall also include, but not be limited to, the following, which will be reimbursable to the Representative Owner on an amortized basis over the lesser of 6.5 years (after deducting any reasonable residual realizable value of the underlying capital asset at the end of such 6.5-year period) and the reasonable expected lifetime of the underlying capital asset and the time-value-of-money of such costs calculated using a discount rate per annum equal to the Prime Rate over the period from the date such cost is incurred to January 1, 2026:
 - Computer Hardware – Costs of computer hardware and other information technology costs (other than computer software) incurred by the Representative Owner for incremental sales and marketing personnel, amortized over 3 years.

Excluded Categories of Costs:

The following categories of costs and expenses shall be excluded from Added Costs:

1. Legal fees and disbursements.
2. Consulting fees and disbursements associated with the negotiation of this Agreement and prior discussions among the Province, TBS and the Representative Owners.